

LEEDS CITY COUNCIL 2007/08 BUDGET REPORT

Department: City Services

1 Introduction

- 1.1 This briefing note has been produced in order to inform members of the Executive Board as to the main variations and factors influencing the department's budget for the Original Estimate (OE) 2007/08.
- 1.2 The figures for actual spend in 2005/06 and the latest estimate (LE) for 2006/07 have been included in the following table. Variations between the OE 2006/07 and the LE 2006/07 reflect approved variations in accordance with the Budget and Policy framework.
- 1.3 The Original Estimate, as in previous years, has been prepared at outturn prices and as such there is no central provision for pay and prices.

2 Summary of the Revenue Budget

Actual 2005/06		Original Estimate (OE) 06/07	Latest Estimate (LE) 06/07	Variation OE to LE 06/07		Original Estimate (OE) 07/08	Variation OE 06/07 to OE 07/08	
				£000	%		£000	%
£000		£000	£000	£000	%	£000	£000	%
192,855	Gross Expenditure	183,169	172,506	-10,663	-6	182,707	-462	-1
-30,921	Income	-26,316	-29,209	-2,893	-11	-36,223	-9,907	-38
161,934	Net Expenditure	156,853	143,297	-13,556	-9	146,484	-10,369	-7
-83,711	Charges to other departments	-73,376	-74,552	-1,176	-2	-73,780	-404	-1
78,223	Net Cost of Service	83,477	68,745	-14,732	-18	72,704	-10,773	-13

The reduction in gross expenditure from the OE to LE 2006/07 can largely be explained by a reduction in capital charges of £14.4m. This reduction relates to the introduction of new accounting requirements in 2006 as outlined in paragraph 3.4.

3 Explanation of variations between the Original Estimate 2006/07 and the Original Estimate 2007/08 (£10,773k Cr)

3.1 The variation between the OE 2006/07 and the OE 2007/08 can be summarised as follows:

	£000
Net Cost of Service – Original Estimate 2006/07	83,477
Changes in prices	4,493
Other factors not affecting the level of service	-3,215
Variations in charges for capital	-11,336
Changes in service levels	1,040
Efficiency savings (cashable)	-1,755
Net Cost of Service – Original Estimate 2007/08	72,704

3.2 Changes in prices

The impact of the budgeted pay award together with an increase in the employer's superannuation contribution, partially offset by a reduction on National Insurance contributions will result in an increase of £957k. Other price variations largely reflect known energy and fuel increases and an uplift for payments in respect of Highways Maintenance (£3,440k). A further £3 per tonne increase in Landfill Tax based on projected tonnages will cost £707k.

Income variations (£611k) incorporate a review of price and tariff bandings for both on street and off street parking.

3.3 Other factors not affecting the level of service

Within the Refuse Collection service provision (£129k) has been made for additional staffing resources required to reflect the impact on service delivery of those areas of the City experiencing increased volumes of waste. In addition £100k has been provided to support workforce development within Streetscene Services.

The 2007/2008 budget reflects the appropriate accounting treatment for the Street Lighting PFI. The surplus (after the payment of Unitary Charge (£6,875k)) of Revenue Support Grant (£7,623k) and Street Lighting revenue budget saving (£2,944k), and the required contribution to the Sinking Fund (£354k), is transferred to an earmarked reserve (£4,046k).

The budget provides for a 9% increase in the volume of tonnage to be recycled and this reflects an enhanced Education and Awareness Programme, the effect of the garden pilot projects and a new recycling timber contract.

Income which is receivable from electricity generation at the closed Gamblethorpe landfill site is projected to reduce by £78k and this is due to a reduction in the amount of electricity being generated from the site being offset by an increase in the price received from its sale.

The extension of the current pilot scheme for advertising on streetlighting columns is forecast to generate additional income of £52k in 2007/2008.

The additional capital fee income (£526k) reflects increases in the Highways capital programme.

Car parking fee income will reduce by £736k as a result of the planned disposal of the Portland Crescent Car Park, and the loss of car parking spaces at Quarry Hill and Burley Road due to further development of the site and a traffic management scheme respectively.

A sum of £50k has been incorporated into the budget to reflect the intention to extend car parking charge periods in the evening and at weekends.

Central Recharges have increased by £282k which largely reflects the increased cost of Customer Services and I.T. The increase in Civic Buildings costs (£899k) is due to rent and service charge increases combined with an increase in unoccupied office space.

The budget now reflects the implications of managing the Horticultural Maintenance contract on behalf of the ALMOs - £1,598k expenditure offset by corresponding income.

The forecast surpluses from the Traded Services within the Department (£1,288k) will be recycled to the General Fund in 2007/2008.

To reflect uncertainty surrounding the current impact of the East Leeds Link Road development upon the delivery of the Refuse Collection Service, and the risk of variations to the budgeted assumptions in respect of parking enforcement income, appropriate provision has been made in the Authority's Central Contingency.

The authority is required to comply fully with accounting standard FRS 17 – Retirement Benefits. This means that the pension costs shown in service accounts are required to be the current service cost rather than the amounts actually paid out in relation to pensions during the year. The overall impact of this adjustment year on year is to increase the net cost of service by £112k. There is no impact on Council Tax levels as the effect of the FRS 17 adjustment is reversed by a contribution from the Pensions Reserve.

3.4 Variations in charges for capital

Under new accounting requirements introduced in the 2006 SORP, the Departmental revenue charge for the use of assets will continue to include a charge for depreciation but will now no longer include a capital financing charge. The overall impact of this accounting adjustment is to decrease the net cost of service by £14,429k. There is no overall impact on Council Tax levels of this change as the corresponding credit entry in the Asset Management Revenue Account has also been removed.

Depreciation has increased by £3,093k and this can be explained by increased expenditure on Highways Maintenance £1,400k and net effect of revaluations of City Services assets and the purchase of new vehicles and equipment (£1,693k).

3.5 Changes in service levels

Within the Refuse Collection service resources have been provided for the full year effect of a kerbside garden collection pilot that is being implemented in five areas across the City (£121k). A further £150k has been provided to support an enhanced programme of public education and awareness across the City in relation to waste recycling and minimisation. Both of these developments will contribute towards further improving the Council's recycling rates in line with the Council's Waste Strategy.

The budget reflects actions taken in 2006/2007 to vary the level of service provided in respect of bin yard clearance and the removal of SORT material from these areas (£215k).

The Street Cleansing service has been enhanced (£29k) to incorporate the cleaning of guided bus lanes.

A sum of £350k has been provided to support the implementation of the Authority's Waste Strategy and for progressing the procurement of the Authority's chosen final Waste Solution.

The £291k increase in disposal costs for wood reflects the impact of a new contract which allows for a wider range of different wood types collected at Household Waste and Sorting Sites to be recycled than previously had been possible under the previous contract. This will contribute towards increasing the Authority's recycling rates.

Additional resources (£86k) are required within Horticultural Maintenance to fund payments to the contractor for grass cutting on land that was not originally identified when the contract was tendered, and for works associated with Britain in Bloom.

There has been an increase of £65k in respect of the level of budget provided for the maintenance of the Authority's Civic Buildings.

Additional staffing resources (£50k) are required to support the requirement for the Authority to produce a Highways Asset Management plan.

An additional £1.7m, fully funded by NRF/SSCF grant is being spent on improvements to the local environment. Of this an additional £800k is being used to resource the Intensive Neighbourhood Management programme in each area of the City and £300k is being spent working with partners to deliver both physical improvements to areas as well as a programme of education. A further £450k supports enforcement activity particularly in the inner areas.

3.6 Efficiency savings

Following the publication of the Gershon report on public sector efficiencies, in setting the budget the council is required to identify actions to improve efficiency and quantify the expected gains. Cashable gains represent the potential to release savings in cash for other areas of spend; non-cashable efficiencies relate to improved outputs or enhanced service quality for the same expenditure, efficiencies that achieve reductions in fees and charges to the public, and improvements to productive time (unless fewer staff are needed as a result). In terms of this department the following savings have been identified.

Nature of saving	total £k
<i>SORT routes have been re-organised to allow for new properties to be brought into the scheme without the requirement to implement new routes</i>	-176
<i>Revised working arrangements within Refuse Collection have been implemented for the collection of waste during the Christmas/New Year period.</i>	-20
<i>Within the Street Cleansing service vehicle efficiencies derive from a reduction in vehicle costs and revisions to working arrangements that have reduced vehicle requirements.</i>	-218
<i>Improved utilisation of the vehicle fleet within the Waste Management service has reduced the requirement to hire in additional vehicles.</i>	-61
<i>Following a procurement exercise the new contract for the disposal of SORT material has resulted in a reduced cost per tonne for the disposal of this type of recycled waste.</i>	-376
<i>Reduction in the required contribution to the Insurance Provision in respect of Third party liability claims for accidents on the public highways. (Improved use of resources in terms of the inspectorate regime).</i>	-300
<i>Implementation of Council's e recruitment site will result in a reduced advertising cost.</i>	-15
<i>Telephone costs have reduced as a result of the re-negotiation of contracts.</i>	-22
<i>Implementation of the department's Energy Saving Action Plan will generate efficiency savings.</i>	-50
<i>A 1% reduction in expenditure in comparison to the base budget has been applied across the Streetscene group of services (including Highways).</i>	-517
Total	-1755

4 Prudential Borrowing

4.1 In addition to the above budget, provision of £1,931k has been made for the revenue implications of approved prudential borrowing schemes:

Highways Maintenance
 Gamblethorpe Flare Stack
 Kirkstall Road Car Park
 Primary School Catering Counters
 Torre Road Vehicle Wash
 Passenger Transport Software
 Highways Non illuminated signs

5 Risk Assessment

5.1 In determining the 2007/2008 budget, consideration is given to all the risks and these are managed within the department's overall risk management framework. Within this framework, a register of those items considered to carry the highest risk and therefore requiring careful and regular monitoring has been prepared.

5.2 The key risks in the 2007/08 budget for this department are as follows:-

(i) Income

Income receivable from Car Parking Fixed Penalty notices and Car Parking fee income are included in the department's budget. Any reduction in the number of fixed penalty notices issued and/or a reduction in usage of the Authority's car parks will have an impact upon the level of income anticipated in the budget.

Surpluses generated by Commercial Services are to be recycled to support General Fund expenditure in 2007/2008. Should the level of turnover anticipated in the Business Plans not be realised, then this will have an impact upon the ability of these trading activities to deliver the budgeted level of surplus.

(ii) Efficiency Savings

As outlined in Paragraph 3.6 the Department's budget incorporates various savings proposals. Whilst progress in delivering these will be subject to scrutiny by Departmental Efficiency Board, chaired by the Departmental director, there is a risk that identified efficiency savings are delayed or deliver lower savings than assumed.

(iii) Staffing

Each service staffing budget within the department contains assumptions in respect of vacancy factors and the number of days lost to sickness. Failure to deliver in respect of these budgeted assumptions will require the department to identify additional income and/or savings to be made elsewhere within City Services.

(iv) Operational

There are a number of operational risks contained within the City Services budget submission that could impact upon the delivery of balanced budget. These include:

- Assumptions about the level of tonnage for recycling and the amount of Household Waste generated;
- That the number and value of third party liability claims for accidents on the public highway are greater than forecast;
- Failure to deliver the Highways Capital Programme will impact upon the level of fee income anticipated;
- That service users of Facilities Management buildings vacate office space during the financial year and that the space that they did occupy remains vacant.
- Implementation of Job Evaluation has an adverse impact upon some areas of service delivery.