

LEEDS CITY COUNCIL 2007/08 BUDGET REPORT

Department: Corporate 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	%
48,300	Gross Expenditure	50,351	50,367	16	0	51,276	925	2
61,777	- Cost of Collection	63,080	62,079	-1,001	-2	60,125	-2,955	-5
-55,420	- Corporate Services	-57,909	-57,440	469	1	-58,545	-636	-1
	Income							
54,657	Net Expenditure	55,522	55,006	-516	-1	52,856	-2,666	-5
-49,139	Charges to other departments	-49,273	-49,748	-475	-1	-47,136	2,137	4
5,518	Net Cost of Service	6,249	5,258	-991	-15	5,720	-529	-8

The reduction in gross expenditure from the OE to LE 2006/07 can largely be explained by a reduction in capital charges of £0.9m. 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 (£-529k)

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	6,249
Changes in prices	952
Other factors not affecting the level of service	120
Variations in charges for capital	-1,412
Changes in service levels	575
Efficiency savings (cashable)	-764
Net Cost of Service – Original Estimate 2007/08	5,720

The following table shows the services that make up the net revenue charge. All other services have a nil net revenue charge in Corporate Services as the costs are recharged to other Council departments, Education Leeds, Connexions and the ALMO's.

Service	2006/07 OE £000	2007/08 OE £000
Student Support	889	796
Cost of Collection	4,789	4,404
ICT (Innovation Leeds)	0	-102
Peace and Emergency Planning	571	622
	6,249	5,720

3.2 Changes in prices

Provision has been made for the pay award (assumed at 2.5%) of £835k and increase in superannuation contributions of £225k. There is also a reduction in National Insurance costs of -£60k and an increase in income inflation of -£48k.

3.3 Other factors not affecting the level of service

The grant for Housing and Council Tax Benefits Administration issued by the DWP has reduced by £798k. This is as a result of amalgamating several grants into one and using a different allocation method to allocate the total grant available to the eligible authorities. Early indications from the DWP are that the 2008/09 grant will reduce in real terms by a further 2.5% (approximately £160k). As 80% of this cost is recharged to Housing Benefits shown under Neighbourhoods and Housing, the net cost in corporate Services is £160k.

The net effect of all other changes is to reduce the overall budget by £-40k.

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 expenditure by £1,412k. 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.

3.5 Changes in service levels

A new team was established in 2006/07 to deal with Equal Pay and Job Evaluation, with full year pay costs of £200k plus anticipated legal fees of £221k.

A manager has been appointed, at a cost of £43k, to lead the 'Delivering Successful Change' agenda. The new Project Management Framework, based on industry best practice, was launched in December 2006 and work is ongoing to embed the new approach throughout the whole Council.

Essential improvements to the resilience of the ICT network (Novell premium support and web filtering) have been provided at a cost of £73k and £27k has been provided in Human Resources to cover the cost of the e-recruitment contract. The cost of the e-recruitment contract has produced savings across the Council as detailed in paragraph 3.6.

Other minor changes total £11k.

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
1	Staffing savings	345
2	Reduced running costs in Benefits and Student Support	140
3	Savings on telecoms	30
4	Reduced staff advertising costs due to e-recruitment contract	14
5	Change in provider of legal advice for the Benefits Service	100
6	Renegotiation of ICT contracts with Microsoft and SCC	70
7	Siebel licence maintenance	65
	TOTAL SAVINGS	764

The department has also identified (and will be responsible for delivering) two areas of saving across the authority:

- savings on line rental and call charges for telephones of £339k,
- savings on staff advertising as a result of changes in recruitment practices of £241k and a further £60k saving as a result of not producing the vacancy bulletin.

4 Prudential Borrowing

4.1 Included in the above budget, a provision of £310k has been made for the revenue implications of approved prudential borrowing schemes.

5 Risk Assessment

5.1 In determining the 2007/08 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:-

ICT capitalisation of pay and other costs (budget £-3,842k). There is a possible shortfall in income if insufficient work of a capital nature can be identified.

Innovation Team income (total budget £102k). This area of income can be quite volatile as it is dependent on predictions of future contracts and income flows with other organisations.

Housing Benefit subsidy income: Local Authority Error (projected income £966k). Current predictions are that the maximum subsidy available will be claimable in 2007/08 and budgets have been set on this basis. If the eligible grant rate reduced to 40%, the income due would be approximately £387k.

E-recruitment savings (totals £241k across the whole authority). A new approach and practices need embedding across the whole organisation to ensure that these savings are realised.

Reduction in Benefits legal costs (saving of £100k). Following a change in provider of advice, these savings have been assumed. However, there may be ongoing cases with the previous provider to pay for which would impact on this saving.

Other budget savings (£664k). The above efficiency savings will need to be monitored closely during 2007/08 to ensure savings are generated.

Briefing note prepared by: Shirley Maidens / Charles Oxtoby
Telephone: 24 74845 / 24 74228