

LEEDS CITY COUNCIL 2007/08 BUDGET REPORT

Department: Learning and Leisure

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	%
166,893	Gross Expenditure	174,309	163,589	-10,720	-6	169,304	-5,005	-3
-52,708	Income	-65,646	-62,195	3,451	-5	-63,441	2,205	-3
141,185	Net Expenditure	108,663	101,394	-7,269	-7	105,863	-2,800	-3
-9,639	Charges to other departments	-10,275	-12,017	-1,742	17	-12,195	-1,920	19
104,546	Net Cost of Service	98,388	89,377	-9,011	-9	93,668	-4,720	-5

The reduction in gross expenditure from the OE to LE 2006/07 can largely be explained by a reduction in capital charges of £10.3m. 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 (£4,770k 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	98,388
Changes in prices	1,831
Other factors not affecting the level of service	-1,032
Variations in charges for capital	-6,388
Changes in service levels	1,169
Efficiency savings (cashable)	-300
Net Cost of Service – Original Estimate 2007/08	93,668

3.2 Changes in prices (£1,831k)

The 2007/8 revenue budget provides for a 2.5% pay award from 1st April 2007 and an increase in the rate of superannuation of 0.8%, along with a 0.5% pay efficiencies and NI savings resulting in an increase in the budget of £1.8m.

Inflation on essential running costs amounts to £800k and, within this figure, inflation of 2% (£110k) has been provided for grants to voluntary organisations. However, grants to the Leeds Grand Theatre and Opera North have been reduced to reflect prudential borrowing costs associated with phase 2 of the Leeds Grand Theatre transformation scheme as previously approved by Executive Board. In the case of utilities, further inflation of £811k has been budgeted for and this mainly comprises £279k for gas and £400k for electric. A total of £1.5m has been budgeted as income increases and this figure is mainly made up of £506k within Sport and Active recreation and £318k within Parks and Countryside.

3.3 Other factors not affecting the level of service (£1,032k Cr)

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 reduce the net cost of service by £230k. 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.

The budget projects additional income trends of £280k, in the main being derived from increased usage of Leeds Town Hall.

The 2007/8 budget reflects reduced IT recharges of £742k following proposals to realign the Jobs and Skills service, after the loss of the New Deal contract.

There has been a review of insurance recharges which has included the apportionment basis for external insurance premiums and the recharge basis for insurance liability against the Council. This has resulted in an increased charge to the department of £234k.

3.4 Variations in charges for capital (£6,388k Cr)

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 £6,388k. 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 (£1,169k)

The 2007/8 budget provides for the part and full year effects of capital developments to the amount of £256k. This mainly includes £98k for the new City Museum and Discovery Centre and £75k for the Technorth extension.

Grant fallout of £3.1m is accounted for in the budget and this consists of £740k for the withdrawal of Neighbourhood Renewal Fund affecting the Early Years service and £2.25m fallout of external funding for the Jobs and Skills service, although this is offset by service restructure proposals of £2.6m. The Early Years service is to receive additional grant of £390k. Part of this, £240k, will be used to pilot the Government's proposal to increase the level of free nursery education for 3 to 4 year olds from 12.5 to 15 hours per week. The remainder, £150k, will be used to pilot the provision of 7.5 hours free nursery education for up to 750 2 year olds. Finally, Early Years are proposing to create an additional 26 Children's Centres by March 2008, funded from General Sure Start grant.

Financial pressures amounting to £305k have been built into the budget and these comprise an additional £100k for the cost of creating a Sport Trust and Sport PFI costs. £250k has been provided for community centres, consisting of £100k of additional caretaking costs and £150k to reflect the reducing income trends within community centres.

A budget of £75k has been included for Britain in Bloom, which will be used to provide both floral enhancement and an enhanced maintenance provision specifically for the Britain in Bloom route. Spending of £50k is planned on Section 106 maintenance and the money will be used to provide additional staff in order to improve the service. Finally, £50k has been provided to enhance the existing services for allotments and public rights of way.

Funding of £60k has been provided towards supporting the "Leeds 10K Run For All", which is being launched by Jane Tomlinson. The event is being planned for June. Finally, an additional £50k has been provided for the purchase of library books.

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	Libraries income initiatives – improved debt collection	50
2	Off peak Bodyline growth	50
3	Caretaking costs in community centres	100
4	Energy efficiencies	100
	Total	300

4 Prudential Borrowing

4.1 In addition to the above budget, provision of £68k has been made for the revenue implications of new prudential borrowing schemes, specifically relating to the Mansion development and a half year provision relating to Phase 2 of the Leeds Grand Theatre refurbishment works.

5 Risk Assessment

5.1 In determining the 2007/8 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:-

5.3 As in previous years, the 2007/8 Learning and Leisure budget relies on raising a significant amount of external income either from grants or service users. The 2007/8 budgeted external income figure is £63m. As noted earlier in the report, within this figure, Jobs and Skills external funding continues to decline and this will be managed through realignment of the service.

5.4 Of the £63m budgeted income, just under £13m relates to external income to be raised by leisure centres. Sport income will continue to be managed through the weekly monitoring of phased activity per leisure centre. The setting up costs for the Sport Trust and the PFI Procurement costs will also need to be closely monitored in 2007/8.

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