

LEEDS CITY COUNCIL 2007/08 BUDGET REPORT

Department: CHIEF EXECUTIVE'S

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	%
66,961	Gross Expenditure	73,759	75,331	1,572	2.1	75,081	1,322	1.8
35,337cr	Income	37,534cr	38,348cr	814cr	2.2	35,180cr	2,354	6.2
31,624	Net Expenditure	36,225	36,983	758	2.1	39,901	3,676	10.1
28,060cr	Charges to other departments	32,075cr	32,481cr	404cr	1.2	35,241cr	3,166cr	9.9
3,564	Net Cost of Service	4,150	4,502	354	8.5	4,660	510	1.2

3 Explanation of variations between the Original Estimate 2006/07 and the Original Estimate 2007/08 (£510k)

- 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	4,150
Changes in prices	797
Other factors not affecting the level of service	-2,619
Variations in charges for capital	235
Changes in service levels	2,600
Efficiency savings (cashable)	-503
Net Cost of Service – Original Estimate 2007/08	4,660

3.2 Changes in prices (£797k)

Provision has been made for the pay award (at 2.5%) and the increase in pensions costs totalling £858k. There is also a reduction in NI costs of £52k to reflect technical changes in the rates. Inflation on external income at 3% amounts to £13k.

A 2% increase in grants to voluntary organisations has also been provided for (£4k).

3.3 Other factors not affecting the level of service (£2,619kcr)

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 expenditure by £80k. 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.

As most of the changes in service levels described in section 3.5 below impact on services whose costs are then recharged to other Council departments, the net increase in recharges is £2,718kcr.

The Connexions Service is fully funded by grant income and has no effect upon the net cost of service.

3.4 Variations in charges for capital (£235k)

Capital charges have increased by £235k mainly due to charges in respect of the Corporate Contact Centre.

3.5 Changes in service levels (£2,600k)

A permanent structure for the Corporate Efficiencies Review Team was established during 2006/07, at a cost of £277k which has been funded from realignment of budget from all Council departments. The effort of the team so far has been on Social Services, but future plans include work on a number of other areas across the whole Council.

The new Gambling Act comes into force in April 2007 and involves the transfer of functions from the Magistrate's Courts Service to the Council. Additional expenditure to administrate the function of £267k has been provided for which will be offset by expected fee income of £273k, although the final fee levels have not yet been confirmed by the government.

The PPP Unit are currently expanding to deal with the major PPP/PFI schemes in development, procurement or delivery by the Council. A phased increase in staffing, in line with the timetable for the projects, is planned and in 2007/08 this has increased the total expenditure of the PPP Unit by £1,058k, which is in turn recharged to relevant services within the Council.

As part of delivering the Council's Customer Strategy, during 2006/07 four services have transferred into the Corporate Contact Centre (Housing Advice Centre, Choice Based Lettings, Grass Cutting and Contract Support desk) which has increased staffing costs by £582k. Further transfers of functions are planned for 2007/08.

The development of children's services in Leeds is based upon the establishment of children's trust arrangements which assume a "thin" Director of Children's Services Unit which has a strategic brief rather than a large, new, operational department. An additional

£649k has been included to provide the infrastructure to assist the Director of Children's Services in delivering this challenging agenda.

£40k has been provided for legal advice in relation to Freedom of Information requests received by the Council.

3.6 Efficiency savings (£503kcr)

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	Corporate Contact Centre: staffing efficiencies	155
2	Review of Members Support	83
3	Transfer Braille and Large Print Unit to external supplier	20
4	Telecoms contracts - renegotiation	46
5	E-recruitment initiative	13
6	Pay savings target	186
		503

4 Prudential Borrowing

In addition to the above budget, provision of £33k in respect of construction work at the Vehicle Licensing headquarters has been made for the revenue implications of the prudential borrowing scheme.

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:-

- Customer Services Recharges: the proposed budget assumes £3.6m income from the ALMO's and the Strategic Landlord function within the Housing Revenue Account. Leeds North East Homes withdrew from using the Contact Centre from 1st November 2005. A level of uncertainty still exists regarding continued use of Customer Services by some of the other ALMO's and the current implementation of the new ALMO structure could have some impact on the relationship.
- Fee levels as part of Gambling Act have not yet been finally confirmed by the Government, this could obviously have a direct budgetary impact.
- Following recent guidance from the Government and also the outcome of a report from the Office of Fair Trading, a review of the basis of setting Local Land Search fees has commenced. It is possible that a change in fee levels could detrimentally affect the Council and £100k has been allocated in the Council's contingency to cover this risk.

