

LEEDS CITY COUNCIL 2007/08 BUDGET REPORT

Department: Central Accounts

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 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

	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	%
Strategic							
Gross expenditure	23,918	22,608	-1,310	5cr	31,847	7,929	33
Income	- 17,224	- 15,211	2,013	12cr	-24,515	-7,291	42
Net cost of service	6,694	7,397	703	17cr	7,332	638	75
Asset Management Revenue Account							
Capital Financing	48,841	44,921	-3,920	8cr	55,739	6,898	14
Capital Charges	- 128,105	- 76,390	51,715	40cr	-84,968	43,137	34cr
Net cost of service	- 79,264	- 31,469	47,795	48cr	-29,229	50,035	20cr
Corporate and Democratic Core							
Gross expenditure	16,023	16,023	0	0	16,208	185	1
Charges to HRA	- 1,332	- 1,332	0	0	-1,332	0	0
Net cost of service	14,691	14,691	0	0	14,876	185	1
Non Distributable Costs							
Gross expenditure	4,040	4,040	0	0	4,713	673	17
Net cost of service	4,040	4,040	0	0	4,713	673	17
Joint Committees							
Gross expenditure	31,675	31,675	0	0	32,414	739	2
Net cost of service	31,675	31,675	0	0	32,414	739	2
Total net cost of service	- 22,164	26,334	48,498		30,106	52,270	

The decrease in the net cost of service from the OE to LE 2006/07 can largely be explained by a reduction in the contra entry for the capital charges made to departments of £51.8m. This reduction relates to the introduction of new accounting requirements in 2006 as outlined in paragraph 3.2.1.

3 Explanation of variations between the Original Estimate 2006/07 and the Original Estimate 2007/08 (£52.3m)

3.1 Strategic

3.1.1 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	6,694
Other factors not affecting the level of service	649
Variations in charges for capital	(11)
Net Cost of Service – Original Estimate 2007/08	7,332

3.1.2 Other factors not affecting the level of service

The authority is required to comply fully with accounting standard FRS 17 – Retirement Benefits. Within Central Accounts a number of corporate FRS17 budgets are held in respect of the return on assets and interest on liabilities. 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 FRS 17 pensions adjustment budget has increased by £9m for return on assets and interest on liabilities, in line with expected performance.

Central Accounts hold a number of central income budgets:

- The authority has budgeted to receive an additional £5.0m Cr income in 2007/08 under the Business Growth Initiative.
- The budget for income receivable in relation to Section 278 schemes has decreased by £500k.
- The budgeted level of interest receivable on balances has increased by £2.8m.

Provision has also been made within Central Accounts in respect of expenditure classified as revenue within the budget that will in fact be more properly chargeable to capital schemes has been decreased by £1m to £3.5m. Also, the central provision for savings generated from the Support Services Review has been decreased by £200k to £500k, as part of the savings will be realised in departments in 2007/08 following the implementation of the creditors review. The budget in respect of the amending report of £720k has been removed.

As in previous years, the Strategic budget contains variations relating to late changes within the budgets of central departments, which it has not been practical to reflect in their recharges. When the actual charges are made in the accounts, these cost will be fully allocated to services. The variation in such charges held in the Strategic budget in comparison to the 2006/07 budget has decreased by £1,917k.

3.2 Asset Management Revenue Account

- 3.2.1 Service accounts are charged with an accounting cost of capital reflecting the latest valuation of assets. Within the Asset Management Revenue Account these service charges are credited and replaced by the actual cost to the Council of its borrowings.

The budget for external capital financing costs has increased by £6.7m. This is made up of an increase in anticipated interest costs of £7.2m and an increase in the Minimum Revenue Provision (the amount which the authority is statutorily required to set aside to fund debt) of £3.4m. Within the figures for capital charges, statutory charges made to the Housing Revenue Account for its capital financing costs have increased by £3.7m, reflecting the HRA's share of the capital financing costs.

The budget for capital charges made to departments has decreased by £43.3m. In line with changes to accounting regulations, notional interest is no longer charged to service revenue accounts. The notional interest entries have been removed from the 2006/07 LE and 2007/08 OE. This amounted to a decrease in notional interest received by AMRA of £51.8m. There has also been an increase in capital charges made to departments resulting in a contra entry of £8.5m Cr. These include depreciation to fixed assets, charges to reflect the benefit of capital expenditure which does not generate a fixed asset (e.g. IT developments), and income from any associated grants received to fund such expenditure.

3.3 Corporate & Democratic Core

- 3.3.1 The Corporate and Democratic Core includes the costs associated with the Democratic Representation and Management of the Authority along with the costs of the provision of the Council's Corporate Management. For 2007/08 the Corporate and Democratic Core budget has increased by £190k.

3.4 Non Distributable Cost

- 3.4.1 Non distributable costs includes estimates for costs which cannot be directly allocated to departments, including FRS 17 past service costs and surplus asset depreciation. For 2007/08 the Non Distributable Cost budget has increased by £673k as a result of including surplus asset depreciation under this heading.

3.5 Joint Committees

- 3.5.1 Contributions to Joint Committees have increased by £739k. The levy in respect of West Yorkshire Passenger Transport Authority has increased by £618k (2.2%) to £28,715k. Contributions to other Joint Committees have increased by £121k.

4 Risk Assessment

- 4.1 In determining the Central Accounts 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.
- 4.2 The key risks in the 2007/08 budget for this department are as follows: The £10.5m budget for income from the Local Authority Business Growth Incentive Scheme is dependant upon significant increases in business rate income. The contingency budget of £3.6m is included to cover spending pressures identified by departments amounting to £4.7m.