

**REPORT OF THE DIRECTORS OF CORPORATE SERVICES AND DEVELOPMENT**

**REPORT TO EXECUTIVE BOARD**

**SUBJECT : TOWN AND DISTRICT REGENERATION SCHEME - UPDATE**

<b>Electoral Wards Affected :</b>		<b>Specific Implications For :</b>	
		Ethnic Minorities	<input type="checkbox"/>
		Women	<input type="checkbox"/>
		Disabled People	<input type="checkbox"/>
Executive Function	<input type="checkbox"/>	Eligible for Call In	<input type="checkbox"/>
		Not eligible for Call In	<input type="checkbox"/>
<i>(details contained within the report)</i>			

**1 EXECUTIVE SUMMARY**

- 1.1 Executive Board of 18<sup>th</sup> May 2005 received a report detailing proposals for the Town and District Regeneration Scheme to which £5m was provided in the Capital Programme of March 2005.
- 1.2 This report updates Members on the scheme, providing details of the bids received and a summary of the initial assessment of the bids against the agreed scheme criteria.
- 1.3 In order to ensure that these capital schemes are developed effectively and are delivered on time and within their allocated budget, significant planning and management is required. The development stages which are required for these schemes and the agreed governance arrangements are included in this report.

**2 BACKGROUND**

- 2.1 The Town and District Regeneration Scheme was injected into the Capital Programme in March 2005. Provision was made in the programme for £5m, phased over 2 years 2005/06 and 2006/07. Executive Board on 18th May 2005 considered proposals for the scheme, and approved the criteria schemes would have to satisfy. The key criteria were that schemes must:
- be for the economic regeneration of town, village and district centres;
  - be linked to the achievement of Council priorities;
  - not create any additional revenue implications for the Council.
- 2.2 In addition schemes would be assessed using the capital scoring matrix used for all capital proposals (adjusted in this case for economic regeneration).

- 2.3 The approval of the capital schemes to be supported from this funding pot was delegated to the Directors of Corporate Services and Development, in consultation with the Executive Member (Development).
- 2.4 Bidding by departments for funding from this pot was invited following the May Executive Board. To limit the time and cost spent on unsuccessful bids it was agreed that expressions of interest would be to be accepted, to be received by the end of June 2005. Except that this pot is specifically targeted to promote economic regeneration, the project justification for and assessment of bids is the same as for any capital investment proposal. It is intended that any proposal supported from this pot should be subject to the same development lifecycle as any capital scheme. This includes a robust options appraisal, feasibility studies, design development (including planning approvals) and detailed cost estimates all to be completed before full approval for the scheme is given. Constitutional capital approvals for schemes (as set out in Financial Procedure Rules) are required for all schemes.

### 3 SUMMARY OF BID PROCESS FOR PROPOSED SCHEMES

- 3.1 Bids were received from three departments, Development, Learning and Leisure and Neighbourhoods and Housing. The scheme also made allowance for bids from external bodies (subject to their providing match funding of at least 50% of the scheme value) and one bid from the Otley in Bloom organisation was received.
- 3.2 Bids were received for proposals across the city and those from Neighbourhoods and Housing Department have been proposed by the area managers in the regeneration service with the approval of the relevant area committee.
- 3.3 Alternative funding for a number of bids is being explored (Hallfield Lane lorry park, Wetherby, Holdforth Place, Wortley Liberal Club and Pudsey Civic Hall).
- 3.4 In summary, the value of the bids from this first bidding round was as follows:

	2005.06 (£000)	2006.07 (£000)	2007.08 (£000)	Total Bids (£000)
Development	50.0			50.0
Learning and Leisure	50.0	1,159.9	715.9	1,925.9
Neighbourhoods and Housing	2,504.7	3,715.4	-	6,220.1
External	44.5	-	-	44.5
	<b>2,649.2</b>	<b>4,875.3</b>	<b>715.9</b>	<b>8,240.4</b>

- 3.5 Attached at Appendix A is a summary of all of the bids received, showing a scheme description, the assessed matrix score (these are all low at this expression of interest stage) and the appendix includes summary recommendations on each scheme. The comments in this appendix indicate the initial assessment of the bid. These schemes are not yet approved to proceed.
- 3.6 The following general issues were found with the initial bids:
- full business cases are still required to be developed;
  - the scope of works remain to be defined on most schemes;
  - further detailed consultation (with departments expected to deliver schemes, with Planning, and with the public) may be required;
  - a number of schemes do not meet the scheme criteria;

- a number of schemes involve significant private sector involvement and further work will be required to develop these schemes.

3.7 The fund has proved to be extremely popular across the city and has attracted a variety of types of schemes. The total value of schemes with merit which meet the criteria for the scheme are valued at £4.1m.

3.8 Learning and Leisure has submitted a large number of bids for funding for works in parks. Whilst this type of bid was not precluded by the criteria approved by Executive Board it was apparent during the bid assessment that these bids did not score well in terms of economic regeneration. As part of the agenda at this Executive Board, a proposal is included to provide specific funding to for these parks renaissance schemes.

#### 4 PROCESS FOR THE DEVELOPMENT AND APPROVAL OF SCHEMES

4.1 No scheme is approved to progress at this stage of the assessment.

4.2 The following section details the necessary scheme development and approval processes path.

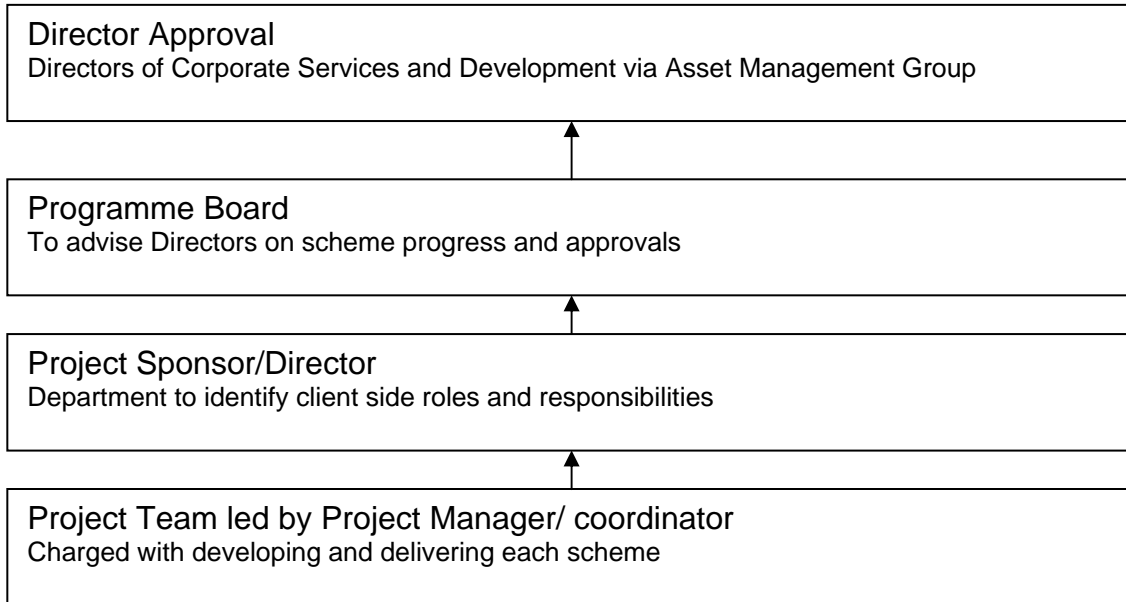
4.3 A number of schemes have significant merit but require resources to:

Test their viability	To ensure they are acceptable in planning/highways terms or are there already plans in departments which will affect these proposal
Determine the prioritisation of resources	Given limited resources, to identify which schemes can be developed and delivered in the first round
Complete the full business case	For prioritised schemes, define the scheme scope (including agreement on 3 <sup>rd</sup> party issues, the exact works to be included etc) concluding necessary consultation, determining resources and acceptable programme, demonstrate economic regeneration benefits
At this stage schemes will be formally considered for approval <b>(some schemes may not proceed beyond this stage).</b>	
Develop scheme feasibility study	At this stage direct costs on the scheme start to be incurred
Develop design proposals	Detailed design proposals to be developed and cost certainty for the proposals will need to be established
Procure works	Including preparation of tender documentation and management of the procurement
Appoint contractors to deliver	Entering into necessary contracts to deliver the works
Monitor and ensure effective scheme delivery	Ensuring that schemes deliver the benefits envisaged

4.4 The Capital Programme currently assumes that schemes to a value of £1.5m can be afforded in the first year, the value of bids recommended at this stage for that year is £1.7m. Departments will have to prioritise the bids they wish to take forward this year and those to be considered for future years funding.

4.5 Given the scale of the scheme, it is proposed that a programme board is established support the delegated responsibilities previously granted to the Directors of Corporate Services and Development Departments. In addition, programme management, funded from the scheme, will be to be managed by the Development department. Individual schemes will be required to identify a client officer to act as the sponsor for the scheme. Where appropriate, project managers will be included for complex or significant schemes. These posts will be funded from the main scheme allocation.

4.6 The governance arrangements for this programme are summarised below:



4.7 Work on the prioritisation of Neighbourhoods and Housing bids by officers in regeneration management has commenced. They are liaising with area managers to assess and agree the schemes to be progressed in the first wave and to determine the resources necessary to develop and deliver their schemes.

## 5 RECOMMENDATIONS

5.1 Executive Board are requested to note:

- i. The initial assessment of bids against the key criteria agreed.
- ii. Further works required as summarised in section 4.3 to ensure that schemes are viable and if so that they are then effectively developed, so that spend from this scheme provides lasting economic regeneration benefits to town, village and district centres of Leeds.

Background Papers

Executive Board Reports 18<sup>th</sup> May 2005 and 23<sup>rd</sup> March 2005

Scheme Title	Activities	CSM Score	Estimated Capital Costs				Initial Assessment Comments
			Estimate 05/06	Estimate 06/07	Estimate 07/08	Total Estimate	
			(£000)	(£000)	(£000)	(£000)	
Cross Gates District Partnership	Library improvements, DDA compliance, Footpath & forecourt improvement....	56	88.0	162.0	-	250.0	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.
Garforth Town Centre Partnership	Public realm improvement, library: access/DDA/signage, shopfronts.....	60	88.0	162.0	-	250.0	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.
Whinmoor District Centre Partnership	Redesign parking, road markings, public realm, DDA compliance...	57	63.0	137.0	-	200.0	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.
Halton Village Centre Partnership	Library improvements, DDA compliance, CCTV, public realm, street furniture....	48	58.0	142.0	-	200.0	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.
Kippax Village Centre Partnership	Street furniture, public footpaths, community square in High Street.....	53	88.0	162.0	-	250.0	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.
Cranmer Bank Shopping Parade	Improving access & parking, levelling & retarmacing pedestrian area, CCTV, shop front improvement.....	52	299.8	-	-	299.8	Scheme not meeting criteria. Depts asked to review the prioritisation of scheme as proposals do not appear to fall into priority area for this funding.
Wetherby Market Place Improvements	Pedestrianisation improvements to the High Street, car parking, road re-surfacing ....	50	350.7	-	-	350.7	Scheme supported subject to .. Previously presented funded mainly from S106 monies. Review money required from this pot and come back with match funding from previous funding resources. Agreed to support subject to presentation of reasonable funding sources.
Sholebroke Mount Shopping Parade	Shop improvements, demolition, access & parking, re-tarmacing pedestrian area.	57	104.8	-	-	104.8	Scheme not meeting criteria. Depts asked to review the prioritisation of scheme as proposals do not appear to fall into priority area for this funding.
Reginald Row Shopping Parade	Refurbishment of shops, improve access & parking, security improvements	57	87.6	-	-	87.6	Scheme not meeting criteria. Depts asked to review the prioritisation of scheme as proposals do not appear to fall into priority area for this funding.
Wetherby Horsefair	Pedestrian Access & Public Realm Improvements	55	315.0	-	-	315.0	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.
Otley Market Square	Public realm improvement, improvement to Town landmarks.	37	27.8	106.0	-	133.8	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.
Yeadon High Street	High street and shop, improve links to Yeadon Tarn, car parking, library entrance ..	43	33.4	267.3	-	300.7	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.
Cardigan Road Regeneration	Public realm improvement, commercial property improvement, access & pedestrian issues....	51	82.1	-	-	82.1	Scheme not meeting criteria. Depts asked to review the prioritisation of scheme as proposals do not appear to fall into priority area for this funding.
Woodsley Road Regeneration Scheme	Forecourt improvement, shop fronts & signage improvement, security improvement, parking access and pedestrian issues	56	33.1	234.0	-	267.1	Scheme not meeting criteria. Depts asked to review the prioritisation of scheme as proposals do not appear to fall into priority area for this funding.
Headingley Town Centre Scheme	Public realm and pedestrian access / commercial property improvement.	57	28.5	170.0	-	198.5	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.

## Town and District Regeneration Scheme - Update

## Appendix A

Farsley Town Centre Regeneration	Street scene, street furniture, recreational development, CCTV	51	123.5	-	123.5	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.	
Pudsey Town Centre Regeneration	Car parking, market & civic realm improvement.	57	268.0	87.0	355.0	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.	
Lower Wortley Road Shop Enhancement	Enveloping of shopping parade	33	125.0	-	125.0	Scheme not meeting criteria. Depts asked to review the prioritisation of scheme as proposals do not appear to fall into priority area for this funding.	
Bramley District Shopping Centre	Improvement to a private owned shopping centre	45	-	250.0	250.0	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.	
Armley Town Street Improvements	Access and highways work, street furniture	30	-	158.8	158.8	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.	
Armley Town Street Car Park	Extra car parking provision and associated improvements	24	-	200.0	200.0	Scheme not meeting criteria. Depts asked to review the prioritisation of scheme as proposals do not appear to fall into priority area for this funding.	
Holdforth Place, New Wortley	Acquisition, site clearance and development of community garden/ green space.	25	70.0	10.0	80.0	Scheme where other funding is more appropriate. As part of the review process agreed that other funding sources should be considered.	
Demolition of Liberal Club, New Wortley	Acquisition and demolition		29.5	-	29.5	Scheme where other funding is more appropriate. As part of the review process agreed that other funding sources should be considered.	
Morley Bottoms Regeneration	Feasibility, conversion of vacant units, shop front & security improvement	28	50.0	431.2	481.2	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.	
Hunslet – Penny Hill Centre	Feasibility, public realm improvement, pedestrian crossings, public performance area etc.	67	8.0	170.5	178.5	Scheme with merit but recognised dept has to do further work to deliver lasting economic regeneration benefits to the centre. AMG supports depts proposal to review the ambition of the scheme and develop a scheme for submission in 2006.	
Marsh Street Car Park (Rothwell)	Improvements to town's main car park at Marsh Street and associated public realm work.	39	73.0	213.0	286.0	Scheme supported subject to resolution of certain issues. Full business case required to be worked up and reported to AMG for final support as soon as is practical.	
Hillside Buildings (Beeston)	Shop front improvement and security upgrading of commercial properties.	52	5.0	346.7	351.7	Scheme not meeting criteria. Depts asked to review the prioritisation of scheme as proposals do not appear to fall into priority area for this funding.	
Holbeck: Top Moorside Shops	Shop front improvement and enveloping, security improvements, streetscape improvements.	64	5.0	305.9	310.9	Scheme not meeting criteria. Depts asked to review the prioritisation of scheme as proposals do not appear to fall into priority area for this funding.	
Pudsey Civic Hall	To enhance the ability of Pudsey Civic Hall to host events such as conferences, banqueting, meetings and weddings for Pudsey, Leeds and the region beyond.	65	-	20.0	-	20.0	Scheme where other funding is more appropriate. As part of the review process agreed that other funding sources should be considered.
Victoria Park, Calverley	Improvements to footpaths, fencing and street furniture	43	-	48.0	-	48.0	Park Schemes. AMG noted not all expenditure may not be capital. Dept asked to review the scope of proposals so that all expenditure meets statutory capital requirements. May still be suitable for renaissance monies.
Farsley Recreation Ground	Installation of play equipment, fencing and street furniture	41	-	80.0	-	80.0	Park Schemes. AMG recognised renaissance potential with a proposal of a £1m pot to those schemes which meet criteria. Dept asked to conduct further work to evaluate the economic regeneration benefit that the schemes will provide.
Whafemeadows Park, Otley	Refurbishment of the Lido and café area, landscaping, new amphitheatre and quiet garden and other works	47	50.0	400.0	-	450.0	Park Schemes. AMG recognised renaissance potential with a proposal of a £1m pot to those schemes which meet criteria. Dept asked to conduct further work to evaluate the economic regeneration benefit that the schemes will provide.

## Town and District Regeneration Scheme - Update

## Appendix A

Pudsey Park	Installation of a toddler area, pets corner and landscaping works	41	-	180.0	175.6	355.6	Park Schemes. AMG recognised renaissance potential with a proposal of a £1m pot to those schemes which meet criteria. Dept asked to conduct further work to evaluate the economic regeneration benefit that the schemes will provide.
Woodhouse Moor	Provision of car parking on monument moor	55	-	163.0	-	163.0	Park Scheme not meeting criteria. Asked to liaise with client dept
Manston Park, Cross Gates	Provision of a new multi games area, paths resurfacing, street furniture, landscaping, railings and other works.	46	-	64.0	99.6	163.6	Park Schemes. AMG recognised renaissance potential with a proposal of a £1m pot to those schemes which meet criteria. Dept asked to conduct further work to evaluate the economic regeneration benefit that the schemes will provide.
Kippax Welfare Playground, Park Lane	Resurfacing and provision of new play equipment	44	-	75.5	-	75.5	Park Scheme not meeting criteria. Asked to review the prioritation of this scheme as proposals do not appear to fall into priority area.
Grove Road, Halton	Fencing and resurfacing of tennis courts	32	-	55.8	-	55.8	Park Schemes. AMG recognised renaissance potential with a proposal of a £1m pot to those schemes which meet criteria. Dept asked to conduct further work to evaluate the economic regeneration benefit that the schemes will provide.
Glebelands, Garforth	To resurface and extend car park and place metal trip rail around to stop unauthorised access	44	-	34.1	-	34.1	Park Schemes. AMG recognised renaissance potential with a proposal of a £1m pot to those schemes which meet criteria. Dept asked to conduct further work to evaluate the economic regeneration benefit that the schemes will provide.
Barley Hill Park, Garforth	Extension to car park and provision of new fencing, street furniture, seats, litter bins and new teen zone/multi use area on grass.	40	-	-	60.8	60.8	Park Schemes. AMG recognised renaissance potential with a proposal of a £1m pot to those schemes which meet criteria. Dept asked to conduct further work to evaluate the economic regeneration benefit that the schemes will provide.
The Harland Way, Wet herby	Installation of new playground, street furniture seats, litter bins and dog proof fencing	38	-	-	79.8	79.8	Park Schemes. AMG recognised renaissance potential with a proposal of a £1m pot to those schemes which meet criteria. Dept asked to conduct further work to evaluate the economic regeneration benefit that the schemes will provide.
Wetherby Wilderness Car Park	Provision of new picnic tables, bins and benches. Tree and border planting	35	-	15.0	-	15.0	Park Scheme not meeting criteria. Asked to review the prioritation of this scheme as proposals do not appear to fall into priority area.
New Wetherby Racecourse Roundabout	Landscaping and provision of public art (horse statue)	22	-	-	145.0	145.0	Park Scheme not meeting criteria. Asked to review the prioritation of this scheme as proposals do not appear to fall into priority area.
Scatcherd Park, Morley	Replacement and pruning of plants. Repair work to steps and gardens including installation of lighting and street furniture	41	-	24.5	-	24.5	Park Schemes. AMG noted not all expenditure may not be capital. Dept asked to review the scope of proposals so that all expenditure meets statutory capital requirements. May still be suitable for renaissance monies.
Springhead Park, Rothwell	Complete refurbishment of aviaries and senior playground. Resurfacing of walkways and also installation of street furniture	35	-	-	155.3	155.3	Park Schemes. AMG noted not all expenditure may not be capital. Dept asked to review the scope of proposals so that all expenditure meets statutory capital requirements. May still be suitable for renaissance monies.
Wetherby Lorry Park	Reprovide Hallfield Lane Lorry park to Highways Agency land on the old A1	55	50.0	-	-	50.0	Funding to be provided from receipt
Licks Car Park Otley	Extra car parking provision and associated improvements	18	44.5	-	-	44.5	Late receipt, match funding not specified, liaison with City Services.

**REPORT OF THE DIRECTOR OF DEVELOPMENT**

**REPORT TO: EXECUTIVE BOARD**

**DATE: 16 NOVEMBER 2005**

**SUBJECT: REPORT - DISPOSAL OF THE SITE OF THE LEEDS INTERNATIONAL POOL, LISBON STREET, LEEDS 1**

**APPENDIX - To be circulated at the meeting  
Exempt under Exemption 1 (Commercial Interests)**

<p><b>Electoral Wards Affected:</b></p> <p style="text-align: center;"><b>CITY AND HUNSLET</b></p>	<p><b>Specific Implications for:</b></p> <p>Ethnic Minorities <input type="checkbox"/></p> <p>Women <input type="checkbox"/></p> <p>Disabled People <input type="checkbox"/></p>
<p>Executive Board Decision <input checked="" type="checkbox"/> Eligible for call in</p>	<p><input checked="" type="checkbox"/> Not Eligible for call in <input type="checkbox"/> (details contained in the report)</p>

Summary

The purpose of this report is to advise Members of the progress that has been made by the Council's preferred purchasers (Barratt Leeds Limited and HBG Properties Limited) on the site of the Leeds International Pool prior to the disposal progressing to a more advanced stage. Members of Executive Board agreed at the Executive Board meeting on 19 January 2005 to select Barratt Leeds Limited and HBG Properties Limited as the purchasers of the site of the Leeds International Pool when it closes and the service transfers to the swimming and diving centre being constructed at South Leeds Stadium. The selection of the parties was made subject to them demonstrating within a period of 3 months that improvements would be made to the redevelopment proposals and being reported back to a meeting of Executive Board. The Director of Development can now report that appropriate improvements have been introduced to the proposals.

**1.0 INTRODUCTION**

1.1 The purpose of this report is to advise Members of the discussions that have taken place between the Council and the partnership of Barratt Leeds Limited and HBG Properties in respect of the redevelopment of the site of the Leeds International Pool.

**2.0 BACKGROUND**

2.1 At the Executive Board meeting on 19 January 2005 Members considered a report from the Director of Development <sup>(1)</sup> relating to the proposed disposal of the site of the Leeds International Pool and adjoining car park. The whole site extends to approximately 1.20 hectares (2.97 acres) and is shown edged black on the attached plan.



- 2.2 Members were advised that the site had been marketed and the number of interested parties had been reduced to a shortlist of 4. Options for the future of the site were considered by Members and later in the meeting a confidential schedule of offers <sup>(2)</sup> detailing the offers submitted by the shortlisted parties was circulated to Members for consideration.
- 2.3 Members considered the details of the proposed redevelopment schemes and the accompanying offers and the recommendations proposed by the Director of Development. Members resolved:-
- (i) That the parties identified as offeror number 1 on the confidential schedule of offers be selected as the purchasers of the site of the Leeds International Pool, and adjoining car park, subject to:
    - (a) these parties demonstrating improvements to the redevelopment proposals within a period of 3 months, which will be reported to a meeting of the Executive Board by the Director of Development, and
    - (b) the properties being declared surplus by the Director of Learning and Leisure upon closure of the facility and transfer of the service to South Leeds Stadium.

Members further resolved:-

- (ii) that the proposals relating to providing access to alternative provision of city centre swimming facilities be noted, and
  - (iii) that the capital receipt realised from the disposal of the site of the Leeds International Pool be ring fenced and injected into the Capital Programme as the Council's capital contribution to the construction of the new Swimming and Diving Centre at South Leeds Stadium.
- 2.4 This report details the progress made with improvements to the redevelopment proposals. In addition, the Director of Development will circulate a confidential appendix providing details of the revised offer that has been received which reflects changes made to the scheme.

### **3.0 CURRENT POSITION**

- 3.1 Meetings have been held between officers of the Development Department and Barratt/HBG to progress scheme design. Barratt and HBG have retained the same architectural practice and in addition a London practice of architects with experience of tall buildings has been appointed to design the tall element of the scheme. The meetings are attended by Council Planning Officers, Urban Designers and the Civic Architect. It can be confirmed that good progress has been made. The scheme has been improved considerably in terms of design, content, quality and relationship with the adjoining urban fabric. The purchaser has demonstrated the ability to deliver a scheme of the quality expected by the Council. The scheme will be on display at the Executive Board meeting.
- 3.2 Officers were requested to submit a progress report to a meeting of Executive Board 3 months from the meeting on 19 January 2005. In terms of the redevelopment proposals officers were in a position to report back. However, due to changes made by the purchasers to the offer as a result of the scheme amendments, and changes made by the Chancellor of the Exchequer in the Budget on 16 March 2005 further consideration had to be given to the financial aspects of the developer's offer.
- 3.3 Changes were made in the Budget to Stamp Duty Land Tax regulations. For a period of approximately 2 years prior to the last budget certain electoral wards in the country had

been exempt from payment of Stamp Duty Land Tax. The former City & Holbeck Ward in which the LIP is situated is one such Ward. A property disposal of this size would attract a purchaser's liability to pay Stamp Duty Land Tax at a rate of 4% on the purchase price payable. The schedule of offers circulated by the Director of Development at the Executive Board meeting on 19 January 2005 detailed the conditions which Barratt and HBG Properties attached to the offer. One such condition was that in the event of Stamp Duty Land Tax becoming payable then the offer would reduce accordingly. Barratt and HBG Properties sought a sum in excess of the 4% Stamp Duty Land Tax liability on the offer and Development Department Officers have been in negotiations with the companies to resolve this. The situation delayed the anticipated report back to the Executive Board in 3 months. In addition, changes to the redevelopment scheme has resulted in reduced floor area and build costs increasing to reflect increased quality in materials proposed. The revised offer from Barratt and HBG has had to be assessed in detail. The Director of Development will circulate a confidential appendix to this report at the meeting detailing the financial position. The appendix is designated Exempt under Exemption 1 (Commercial Interests) as disclosure of the proposed terms could prejudice the Council in its negotiations with the selected purchaser.

- 3.4 The proposed closure of the LIP has attracted much public interest and the Executive Board requested that alternative city centre swimming provision be investigated. Following a report to Executive Board on 16 April 2003 approval was given to further develop a preferred option of entering into a partnership with the University of Leeds and Leeds Metropolitan University. The partnership would provide a publicly accessible swimming and fitness facility in the city centre following the closure of the existing LIP.
- 3.5 A Scoping Document has been prepared by the University of Leeds and consultants appointed to assess in overall terms whether a mutually agreeable scheme could be developed to meet the needs of both of the Universities and the City Council. The exercise will give a broad indication of capital cost and whether the access requirements of city centre swimmers will be met. The consultants will be reporting back in the near future.
- 3.6 In the Executive Board report that was considered by Members on 19 January 2005 Members were advised that the capital receipt realised from the sale would be apportioned between the site of the LIP and the adjoining car park. Members approved the recommendation that the capital receipt realised from the disposal of the site of the LIP be ring fenced and injected into the Capital Programme as the Council's capital contribution to the construction of the new Swimming and Diving Centre at South Leeds Stadium.
- 3.7 The car park adjoining the LIP vests with the Learning and Leisure Department. Assumptions are made in the Capital Programme that the capital receipt realised from the sale of the LIP and car park will be divided in specified amounts to contribute to the construction cost of the new Swimming and Diving Centre and the overall Capital Programme. It is now proposed that any capital receipt in excess of the 2 sums already identified in the Capital Programme be ring fenced and injected into the Capital Programme to fund:
- i) The major refurbishment of a number of leisure centres identified across the city. Refurbishment of these centres will maintain the customer base, achieve income targets and meet the high standards expected of modern leisure provision. Ring fencing the capital receipt from the car park is a step towards achieving this goal.
  - ii) An element of the receipt may also be required to provide any capital financial contribution towards future city centre swimming provision as outlined in paragraph

### 3.5.

- iii) In addition in the event of the capital receipt that is apportioned to the site of the LIP being reduced to reflect abnormal development costs revealed during site and other investigations to a level below that required as the Council's capital contribution towards construction of the new Swimming and Diving Centre, then the capital receipt apportioned to the car park should be reduced accordingly and reallocated to funding the new Centre.

## 4.0 PROPOSAL

- 4.1 Development Department officers are of the opinion that Barratt Leeds Limited and HBG Properties Limited have made satisfactory improvements to the redevelopment proposals for the Council to be confident that a high quality scheme will be delivered on this major city centre site. The purchasers have demonstrated a firm commitment and ability to deliver a scheme of the quality required by the Council. Details of the scheme revisions will be available for Members' consideration at the Executive Board meeting. It is also proposed that at an early stage of the disposal process the purchasers will be requested to submit scheme details for consideration at the Council's City Centre Plans Panel prior to the submission of any planning applications.
- 4.2 Taking into account the performance of Barratt Leeds Limited and HBG Properties Limited it is proposed and recommended that Members confirm the resolution of the Executive Board meeting on 19 January 2005 that the Council proceeds with the sale of the site of the Leeds International Pool.
- 4.3 The Director of Development confirms that in her opinion the terms offered to the Council represent the best consideration that can reasonably be obtained under Section 123 of the Local Government Act 1972 (or under the Housing Act 1985).
- 4.4 Barratt and HBG have, however, now requested that the purchase proceeds only in the name of HBG Properties Limited. The redevelopment proposals now show Barratt's residential accommodation being in one building only, rather than distributed across the site. HBG will develop and let the commercial elements of the development and is likely also to construct Barratt's residential tower. For legal reasons the companies wish the Council to complete the sale in the name of HBG Properties Limited. Investigations into the ability of HBG Properties Limited to acquire and develop the site reveal that the company has the financial standing and track record to deliver such a scheme. In respect of the substantial residential content of the scheme, Barratt has confirmed that it still wishes to deliver this element.
- 4.5 As detailed in paragraph 3.7 it is now proposed that any capital receipt realised from the sale of the LIP and adjoining car park which is in excess of the 2 sums already identified in the Capital Programme be ring fenced and injected into the Capital Programme. It is proposed that it will fund the improvement of identified leisure centres, to support future city centre swimming provision if required, and to fund any shortfall in the Council's capital contribution towards construction of the new Swimming and Diving Centre in the event of the ring fenced capital receipt from the sale of the site of the LIP being insufficient to fund the construction works.

## 5.0 OPTIONS

- 5.1 The options relating to the current situation are detailed below:-

- (i) Members could rescind the decision of Executive Board on 19 January 2005 to sell the site to Barratt and HBG. This option is not considered appropriate as the parties have demonstrated sufficient improvements in the design of their redevelopment

proposals for the Council to be satisfied a quality redevelopment scheme will be delivered.

- (ii) Members could confirm the decision of Executive Board on 19 January 2005 to sell the site to Barratt and HBG. The parties have demonstrated improvements in their redevelopment proposals and the Council can be confident that a quality redevelopment scheme will be delivered.

5.2 It is recommended that option ii should be pursued.

## **6.0 CONSULTATIONS**

6.1 Ward Members were consulted prior to the property being marketed and raised no objections to the proposed disposal.

## **7.0 RISK ASSESSMENT**

7.1 The risks associated with disposing of the sites were considered by Members of the Executive Board on 19 January 2005. It is now being recommended that Members reconfirm their previous decision and that the sale proceeds to completion. The risks associated with the disposal of a major city centre development site, such as the LIP, are detailed below for consideration. Included in the assessment are the actions taken to mitigate such risks and to limit the possibility of the disposal not completing.

- i) Scheme suitability – The offer from HBG for the property has been made subject to the receipt of satisfactory planning permission. The risk of HBG not securing a satisfactory planning permission has been mitigated by design workshops having been undertaken between the Council and HBG’s professional team regarding detailed design of the redevelopment proposals. The current proposals will be submitted as a planning application which could be recommended for approval by the Council’s City Centre Plans Panel. Prior to submission of its planning application HBG will be requested to make a submission to the City Centre Plans Panel to inform Members of the proposals. It is considered that the risk of HBG not being granted a satisfactory planning permission has been mitigated. There does, however, remain the risk that if the proposed development is reduced in size during the planning process then the purchaser will seek a price reduction to reflect the loss in value from the completed scheme. This is a normal condition for a purchaser to attach to an offer as the offer for the site is based on the size of scheme proposed and that which is eventually constructed.
- ii) Ground Conditions – HBG’s offer is made conditional on satisfactory ground conditions being determined from site investigation surveys. Should the surveys reveal abnormal ground conditions then HBG is likely to request that these abnormal development costs be deducted from the purchase price. The Council has a ground investigation survey of the site from the 1960’s prior to construction of the LIP. A copy of this report was given to HBG which enabled the company to undertake a desk top study to determine whether any abnormal ground conditions would be encountered. A sum has been estimated and taken into account in the offer to reflect a provisional assessment of the abnormal development costs that may be incurred. An intrusive site investigation survey will be undertaken by HBG to determine ground conditions and whether there is any contamination on site. The offer is also subject to any other unforeseen costs being deducted. The full list of conditions is detailed in paragraph 7.2 below. Offers for sites of this nature are always made subject to conditions relating to abnormal development costs and it is only when the disposal is at a very advanced stage that the final capital receipt the

Council will realise will be determined.

- iii) Associated costs – Part of the appropriate and acceptable redevelopment of the LIP site will be the construction of a new pedestrian bridge crossing the Inner Ring Road. This will replace the existing inadequate pedestrian bridge shown on the attached plan. The new bridge should be designed as an extension of St Paul's Street, being generous in width and of minimal gradient, resulting in an easily accessible and attractive facility that will improve connectivity between the City Centre and communities to the west. This bridge will be constructed by the purchaser of the LIP site and reflected in the purchase price. It is a cost that is properly incurred in the redevelopment of the LIP and the Council will still be able to meet its obligation to achieve best consideration. An estimated cost of providing this bridge has been taken into account by HBG in its current offer. In the event of the cost exceeding a specified sum then HBG is likely to seek a reduction in the purchase price to reflect the additional cost that will be incurred.
- iv) Purchaser withdrawing – Disposal of this site by informal tender on the open market was considered to be the most appropriate method as it is the method most likely to meet the Council's legal obligation to achieve best consideration. This method does, however, enable the purchaser to withdraw at any time prior to exchange of contracts and also after exchange if the conditions attached to the offer are not satisfied. The risk of HBG withdrawing from the acquisition is considered to be quite low as the company has demonstrated a serious commitment to the project through its willingness to make alterations to the scheme proposals, and obvious expense that has been incurred without any guarantees of being finally selected as purchaser. The risk remains, however, that HBG could withdraw at any time.

7.2 The revised offer submitted by HBG is subject to the following conditions:

- i) Satisfactory ground investigation and contamination reports
- ii) Satisfactory detailed planning permission being granted in respect of the scheme accompanying the current offer.
- iii) Vacant possession being delivered on completion.
- iv) No onerous easements and conditions relating to the site.
- v) No abnormal off-site costs associated with the development of the site, such as electricity, drainage and other utility costs and any off-site highway works or contributions required.
- vi) New bridge over the Inner Ring Road not exceeding a specified sum.
- vii) Affordable housing costs not exceeding a specified sum.

7.3 The Risk Assessment section above, and that contained in the report to the Executive Board on 19 January 2005, state that the conditions attached to the offers made by HBG (and the other parties who were originally shortlisted) could have an impact on value. There is a risk that the Council will not realise a capital receipt from the sale of the LIP of sufficient level to meet its funding contribution to the new Swimming and Diving Centre. The final sale price will be determined at an advanced stage when the sale is nearing completion and the extent of abnormalities, contamination and the final planning position is known.

## 8.0 RESOURCE IMPLICATIONS

- 8.1 There will be resource implications for the Learning and Leisure Department when the LIP and adjoining car park are sold. Operating costs will no longer be incurred at the LIP and an income will not be received from the car park. These resource implications have previously been considered by Members of Executive Board.
- 8.2 The programmes for disposal of the LIP and for construction of the new swimming and diving centre will be linked. The LIP will remain operational, and cannot be sold, until the new Centre opens. Attempts will be made to complete the sale of the LIP immediately after its closure to avoid the Council being responsible for maintenance and security of a vacant building. Under the Council's procedure for the disposal of vacant property the Development Department should become responsible for a void property. In the event of completion of the sale being delayed following closure and handover of the LIP there would be resource implications for the Development Department's Property Maintenance Budget.
- 8.3 Paragraph 4.5 of this report proposes that any capital receipt realised from the sale of the LIP and adjoining car park which is in excess of the 2 sums already identified in the Capital Programme be ring fenced and injected into the Capital Programme to fund improvements to other sporting facilities.

## **9.0 LINKS TO CORPORATE PRIORITIES**

- 9.1 The Corporate Plan for 2002 to 2005 details the Council's Corporate Priorities. Disposal of the LIP and car park would relate to the Priorities of:-

- **Completing in a Global Economy**

This is the Council's Priority in helping to shape the future development and growth of the City, and in maintaining it at the centre of the region. Disposal of the property will result in a significant city centre redevelopment, increase the level of private sector investment in the city, is likely to attract inward investors and create employment opportunities.

- **Looking after the Environment**

This priority is the Council's commitment to environmental issues. Disposal and development of the LIP and car park will result in the redevelopment of a city centre brownfield site.

## **10.0 EQUALITY**

- 10.1 Equality issues have been taken into account during assessment of the development proposals for the site. In particular all areas of the new development must comply with the Disability Discrimination Act 1995 and be fully accessible to everyone. Particular attention at this stage has been paid to the treatment of levels around the 5 proposed buildings and gradients of the new pedestrian bridge that will cross the inner ring road.
- 10.2 During marketing of the site all sales literature could have been made available in other languages, large print, audio and Braille upon request.

## **11.0 RECOMMENDATION**

- 11.1 Members of Executive Board are requested to approve the following recommendations:
- i) Note the improvements made by the parties named in the report to the proposed redevelopment scheme of the site of the Leeds International Pool,
  - ii) Approve the recommendation to be made on the confidential appendix to be circulated at the meeting relating to a reduction in the purchase price due to recent changes to Stamp Duty Land Tax regulations and the reduction in overall size of the proposed development,
  - iii) Reconfirm the decision of Executive Board on 19 January 2005 that the Council should dispose of the site of the Leeds International Pool, but now to one of the original parties named in the report,
  - iv) Any further consideration of detailed terms relating to the disposal of the site of the Leeds International Pool be delegated to the Director of Development for consideration under delegated powers.
  - v) That any capital receipt realised from the sale of the LIP and adjoining car park in excess of the 2 sums already identified in the Capital Programme be ring fenced and injected into the Capital Programme to fund:
    - a) the improvement of identified leisure centres,
    - b) to support future city centre swimming provision if required, and
    - c) to fund any shortfall in the Council's capital contribution towards construction of the new Swimming and Diving Centre in the event of the ring fenced capital receipt from the sale of the site of the LIP being insufficient to fund the construction works.

## FOOTNOTES

1. Reports to Executive Board "Disposal of Leeds International Pool Site, Lisbon Street, Leeds 1" dated 19 January 2005. Approval was given to the recommendations contained in this report by Members of Executive Board on 19 January 2005.
2. Schedule of Offers " Second round offers received for the site of the Leeds International Pool and adjoining car park, Lisbon Street, Leeds 1" designated Exempt under Exemption 1 (Commercial Interests).



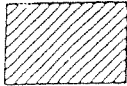
SUBJECT SITE



LAND OWNED BY LEEDS CITY COUNCIL



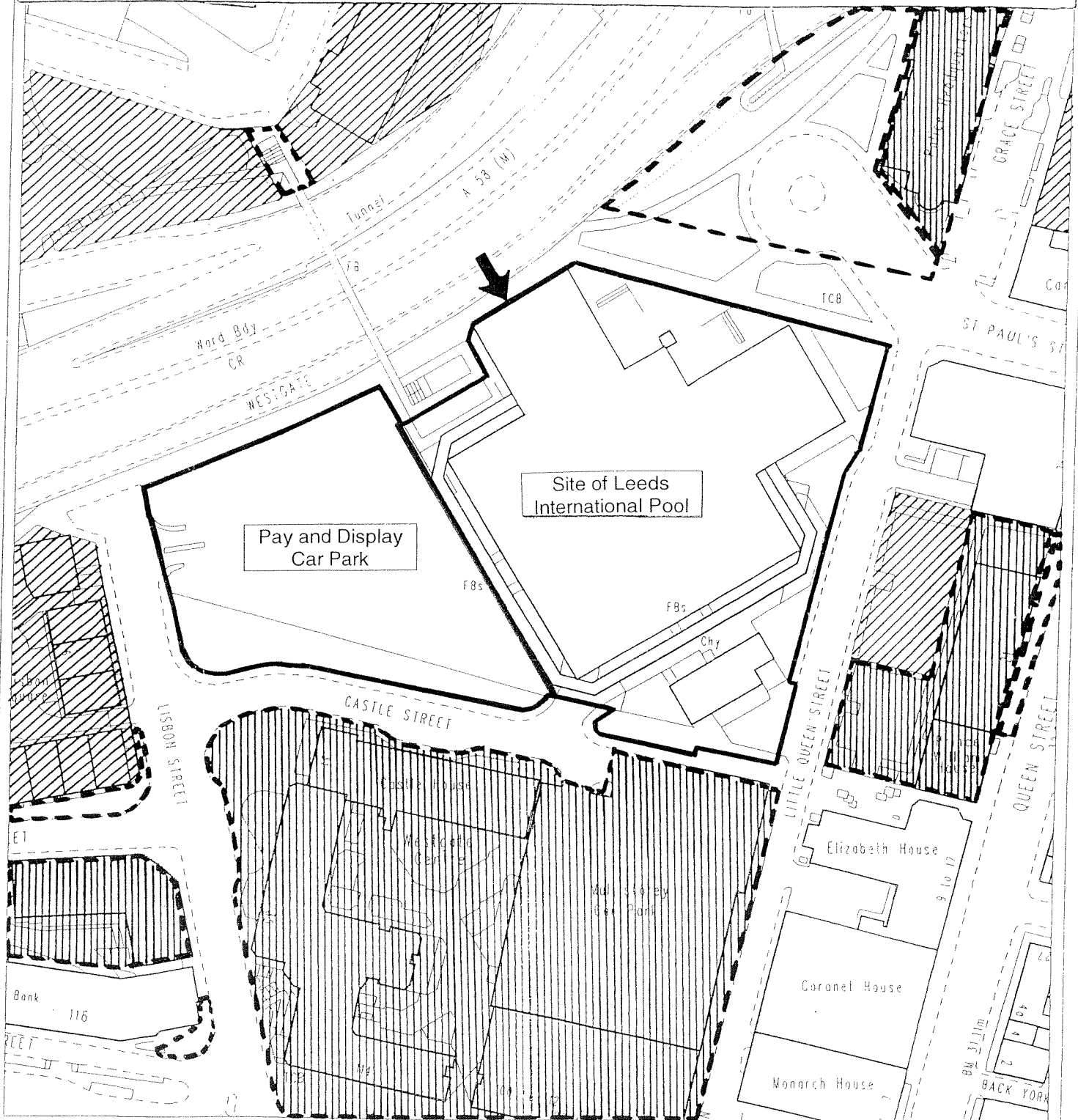
LAND LEASED BY LEEDS CITY COUNCIL



LAND SOLD BY LEEDS CITY COUNCIL



LAND OWNED BY APPLICANT



PREP BY Ida006  
DATE 13/05/2003



# LEEDS INTERNATIONAL POOL LISBON STREET LEEDS LS1

OS No 2933NW  
Scale 1: 1250

NEG No 8375/





**REPORT OF THE DIRECTOR OF DEVELOPMENT**

**REPORT TO EXECUTIVE BOARD**

**DATE : 16 NOVEMBER 2005**

**SUBJECT : THE STRATEGIC DESIGN ALLIANCE FOR LEEDS CITY COUNCIL'S ARCHITECTURE AND BUILDING PROFESSIONAL DESIGN SERVICES**

<p><b>Electoral Wards Affected : CITY WIDE</b></p>	<p><b>Specific Implications For :</b></p> <p>Ethnic Minorities <input type="checkbox"/></p> <p>Women <input type="checkbox"/></p> <p>Disabled People <input type="checkbox"/></p>
<p><b>Executive Board Decision</b> <input checked="" type="checkbox"/></p>	<p><b>Eligible for Call In</b> <input checked="" type="checkbox"/></p> <p><b>Not eligible for Call In (details contained in the report)</b> <input type="checkbox"/></p>

**EXECUTIVE SUMMARY**

- The proposal is to enter into a formal contractual arrangement to form a Strategic Design Alliance between Leeds City Council's Professional Design Services and Jacobs Babtie. The Alliance will provide a fully collaborative (mixed economy) design team for Leeds City Council.
- Executive Board approved the Final Report of the Best Value Review of Professional Design Services which outlined the need to develop a Strategic Partnership to meet the need
  - to develop sustained long-term relationships with the private sector to increase the Council's capacity to deliver the capital programme
  - for Leeds City Council to react positively and proactively to the "Rethinking Construction / Constructing Excellence"(Egan) and "Constructing the Team" (Latham) Agendas
  - to re-engineer the professional design functions to achieve improvements in quality, efficiency, innovation and access to a wider range of skills

- Since the date of the aforementioned Executive Board decision, Client Services (together with the Corporate Procurement Unit and Architectural Design Services) have undertaken a comprehensive European Procurement exercise which resulted in Jacobs Babbie being selected to proceed to Preferred Bidder status.
- The Strategic Design Alliance will be facilitated by the Client Services Section of the Development Department.
- The intention is that the Council will benefit from:-
  - a truly one-stop multi-disciplinary service
  - improved response times
  - quality assured and client focussed processes
  - independent facilitation and monitoring by the Client Services Section
  - improvements in efficient working practices leading to a reduction in fee levels
  - improved satisfaction with product and service

## **1.00 PURPOSE OF THIS REPORT**

1.01 The purpose of this report is to:

- (i) Update Executive Board on the progress of the proposal to develop a Strategic Design Alliance between Leeds City Council and a private sector partner.
- (ii) Gain the approval of Executive Board to the appointment of the proposed partner.

## **2.00 BACKGROUND INFORMATION**

2.01 On 22 January 2003 Executive Board approved the content of the Final Report of the Best Value Review of Professional Design Services, including the proposed Service Improvement Plan. The report outlined the need to develop a Strategic Partnership for Leeds City Council's Professional Design Services and in particular:

- (i) the need to develop sustained long-term relationships with the private sector to increase the Council's capacity to deliver the capital programme
- (ii) the need for Leeds City Council to react positively and proactively to the "Rethinking Construction / Constructing Excellence"(Egan) and "Constructing the Team" (Latham) Agendas, regarding continuous improvement, best practice procedures, the focus on client requirements and integrated teamwork
- (iii) the need to re-engineer the professional design functions to achieve improvements in quality, efficiency, innovation and access to a wider range of skills and experience and to address both the currently fragmented service provision and the client perceptions, regarding poor value for money and limited capability

- 2.02 On 19 December 2004 Executive Board gave approval to the proposal to seek a multi-disciplinary private sector partner to work with Architectural Design Services (ADS) (the in-house Design Team) in line with the recommendations of the Final Report of the Best Value Review of Professional Design Services.
- 2.03 Leeds City Council has a Capital Programme in the region of £200 million per annum (averaged over the next four years) excluding expenditure on Highways and IT.
- 2.04 Architectural Design Services currently has the capacity to deliver approximately £60 million of the 2004/05 Capital Programme and that includes expenditure in the region of £1.15 million on Agency staff and external consultants.
- 2.05 Between £3 and £5 million of design work per annum (based on current annual values of commissions for External Consultants and expenditure on ADS Agency staff) was identified from the Capital Programme. This funding has formed the basis of the Strategic Design Alliance business attraction to the private sector partnering organisations.
- 2.06 The Best Value Review of Professional Design Services concluded that delivery and management of the Architecture and Building elements of the Capital Programme are likely to become increasingly difficult utilising only the in-house, fragmented professional design service providers. This was evidenced by client dissatisfaction with services and product, increased costs and inconsistent quality and standards.
- 2.07 It was apparent that the Council's capital investment aspirations could not be realised without substantial and managed additional professional design resources. The business case was pivotal on recognising that the Council's agency and external consultants budgets should be consolidated and set as a commitment fund for a strategic alliance/partnering arrangement.
- 2.08 The partnering/alliance approach presents a valuable opportunity for the Council to be able to secure best in class design and to enhance and expand the skills of the in-house team. This alliance also follows on from the engineering partnership which already exists between Engineering Services with the Development Department and Mouchel Parkman, the private sector partner.

### **3.00 PROGRESS**

- 3.01 In the eleven months since the last Executive Board decision, Client Services (part of the Asset Management Division of the Development Department) has made considerable progress towards implementing the recommendations. Widespread consultations were undertaken covering all Departmental Management Teams, Capital Resources Group, Asset Management Group, Trade Unions and the staff who would be affected by the introduction of the Strategic Design Alliance.
- 3.02 Tenders were assessed on a quality / price basis which resulted in Jacobs Babbie being in lead position. In summary, Jacobs Babbie is part of the Jacobs Group, which is a large, multi disciplinary technical and management consultancy which operates on an international basis. The company had a £2.6bn turnover in 2004 and employs some 35,000 staff across 90 offices worldwide.
- 3.03 Within the UK Jacobs employs over 4,000 staff across a network of 30 offices. The company currently manages 24 partnership contracts with local authorities including

design partnerships with Wolverhampton City Council, Buckinghamshire County Council and Derby City Council. The company has a Leeds Office at City Walk which will provide a range of core disciplines including architecture, landscape architecture, building engineering and quantity and building surveying. The company intends to expand its Leeds operation as a result of the proposed design alliance

- 3.04 Jacobs Babtie have been able to evidence a strong track record of delivering quality design solutions across a range of service areas. Notable schemes include:
- 3.04.1 the new Exeter Crown Court development which in 2003 was selected as PFI project of the year at the Public Private Finance Awards.
- 3.04.2 the Buckinghamshire Museum redevelopment and restoration which was awarded RIBA and Civic Trust awards for the innovative design solution to a Grade 2 listed building.
- 3.04.3 the Swindon Schools Education Campus, which provided an integrated education complex including secondary, primary and special needs provision alongside community facilities.
- 3.04.4 The Wycombe Swan Theatre, which was a new build facility that provided a flexible space for audiences between 100 and 1,000 people.
- 3.05 Their quality submission was particularly strong in the areas of previous partnering experience with other Local Authorities and their proposals for ensuring a smooth transition. During the Interview/Presentation Stage Jacobs Babtie demonstrated an excellent understanding of the importance of design excellence to Leeds City Council and, as evidenced above, they were able to provide information on their award winning schemes. Following Strategic Design Alliance Board approval, on 10 August 2005, Jacobs Babtie were given Preferred Bidder status.
- 3.06 Since that date considerable time and effort has been expended in working with Jacobs Babtie and Architectural Design Services to develop the processes and systems required to ensure a smooth transition into the Alliance and the confidence that a good working partnership can be developed between Leeds City Council and Jacobs Babtie.
- 3.07 Agreement has been reached on
- a) Commissioning and fee bidding processes
  - b) Risk analysis and management
  - c) Performance management and target setting
  - d) Time recording systems
  - e) Communication management
  - f) Quality standards
  - g) The contract conditions and an exit strategy

In addition the Alliance has begun closer working with client departments as the first steps towards improving relationships, delivering a better service and establishing a better understanding of the clients' needs.

- 3.08 On 27 October 2005 the Strategic Design Alliance Board agreed that Executive Board be requested to approve that Leeds City Council enter into a Partnership arrangement with Jacobs Babtie - the Leeds City Council Strategic Design Alliance. This

arrangement to be for a period of three years with the possibility of a further two years subject to satisfactory performance and achievement of targets.

3.09 At this point in time some points of detail remain to be finalised. In particular the Council and Jacobs Babbie need to finalise the:

3.09.1 detail of the fee system that will operate for the Strategic Design Alliance.

3.09.2 specific implications for professional indemnity insurance across the Alliance.

3.09.3 final agreement on the communication and management systems to be operated.

#### **4.00 CONSULTATIONS**

4.01 An important aspect of the implementation is the continuing process of consultation. Within the project programme a considerable period has already been allocated to allow detailed briefing of all stakeholders. Strategic Design Alliance Reports have been presented to Asset Management Working Group, Development Department Management Team and Corporate Management Team and support for the Alliance was confirmed by each group. Trade Unions have also been consulted. A series of Staff Briefings have been conducted for all Architectural Design Services Staff and a Corporate information event was held in the Council Chamber during the Preferred Bidder Stage.

#### **5.00 RESOURCE IMPLICATIONS**

5.01 The Strategic Design Alliance will continue to be facilitated and managed by Client Services within existing budgets.

#### **6.00 LINKS TO CORPORATE PRIORITIES**

6.01 The Strategic Design Alliance will contribute to Creating Better Neighbourhoods and Confident Communities by delivering an improved design quality with a greater consideration of environmental and sustainability issues derived from the cross exchange of development delivery processes and information. By creating a large and flexible design resource there will be an improved delivery of capital projects and with the emphasis that will be placed on the continuing training and development of the workforce, the Alliance will contribute to Making the Most of People. In line with the Vision for Leeds - Going up a league as a city – the SDA will contribute towards making Leeds an internationally competitive city, the best place in the country to live, work and learn, with a high quality of life for everyone.

#### **7.00 EQUALITY**

7.01 The selection of the Alliance Partner(s) included references to compliance with the Council's Equality Action Plan and steps will be taken to ensure careful and consistent monitoring is undertaken at all stages of the Alliance.

## **8.00 RISK**

The consequences of not proceeding with this initiative are:

- Loss of opportunity to implement Best Practice standards across Leeds City Council's professional design services
- Loss of opportunity to "cross-fertilise" designs, techniques and processes between public and private sectors
- Time consuming individual externalisation of commissions
- Loss of opportunity to measure and compare professional design services performance
- Loss of opportunity to gain controlled resource availability & flexibility
- Loss of opportunity to drive down fee costs by familiarity, specialism development and service repetition
- Further uncontrolled externalisation of professional design services
- Increased dependency by the in-house provider on Agency Staff
- Further loss of client confidence as evidenced by uncontrolled externalisations

The risks involved in proceeding with the initiative are largely related to the possible poor performance of the Alliance. In order to minimise and manage this potential problem there will be a comprehensive performance management and measurement system instigated with specific performance targets set by the Alliance Board and monitored by Client Services. The contractual arrangements will provide an exit strategy to further protect the position of Leeds City Council.

## **9.00 CONCLUSIONS**

- 9.01 Establishing the Strategic Design Alliance initiative as proposed is a valuable opportunity to make a step change improvement in the Modernising Construction Agenda and implement one of the major recommendations of the Best Value Review of Professional Design Services.
- 9.02 Delivery of the Council's Capital Programme will be improved by a larger and more flexible Professional Design Service resource.
- 9.03 The Strategic Design Alliance will provide a vital stimulus and challenge to the existing traditional method of construction procurement. Valuable opportunities are presented for continuous improvement, improved customer focus, integrated design teams, improved quality standards and Best Practice procurement. Allowance must be made, however, for the participants to adjust to new methods of service provision with learning curves for all concerned being carefully managed by officers.
- 9.04 To function correctly, the arrangement will require facilitating and dedicated stewardship. This will be provided mainly by the Client Services Section of the Development Department assisted by colleagues from Corporate Procurement and Finance.

## 10.0 RECOMMENDATIONS

Executive Board is requested to:-

- approve the implementation of the Strategic Design Alliance as proposed, subject to the Director of Development being satisfied that the outstanding items detailed in paragraph 3.09 are resolved to her satisfaction.
- to give delegated authority to the Director of Development to enter into a formal contract with Jacobs Babbie and develop a formal Strategic Design Alliance Charter.

### Supporting Documentation

Best Value Review of Professional Design Services – January 2003  
Executive Board Report - Best Value Review – 22 January 2003  
Executive Board Report - Strategic Design Alliance - 19 December 2004  
Asset Management Working Group Report – August 2004  
Corporate Management Team Report – October 2004  
Asset Management Group Report December 2004  
Advertisement in the Official Journal of the European Union – February 2005  
Tender Documentation

**REPORT OF THE DIRECTOR OF DEVELOPMENT**

**REPORT TO EXECUTIVE BOARD**

**DATE: 16 NOVEMBER 2005.**

**SUBJECT: : OTLEY - HEAVY GOODS VEHICLE TRAFFIC**

<p><b>Electoral Wards Affected :</b> Otley &amp; Yeadon Adel &amp; Wharfedale</p>	<p><b>Specific Implications For :</b></p> <p>Ethnic Minorities <input type="checkbox"/></p> <p>Women <input type="checkbox"/></p> <p>Disabled People <input type="checkbox"/></p>
<p>Executive Board Decision <input checked="" type="checkbox"/></p>	<p>Eligible for Call In <input checked="" type="checkbox"/>      Not eligible for Call In <input type="checkbox"/> (details contained in the report)</p>

**EXECUTIVE SUMMARY**

This report informs the Executive Board as to the background and current situation, and makes proposals for further action in regard to the issue of Heavy Goods Vehicle traffic in and to the north of Otley.

At its 15 May meeting the Executive Board received a report on this matter and endorsed a formal consultation process with all stakeholders to seek their views on this issue and inform future progress in resolving the issue.

This Report outlines the responses received broadly grouped into 3 categories;

- Elected members and stakeholder organisations representing the areas affected by HGV traffic – indicated a preference for measures to be introduced to assist Otley whilst not adversely affecting Pool in Wharfedale and other local communities.
- Neighbouring local authorities – expressed a reluctance to support proposals for lorry restrictions either within Leeds or within their own areas.
- The haulage industry – do not favour the introduction of measures to restrict HGV traffic and indicated a preference to develop further voluntary agreements through the HGV Forum.

Taking on board the response this consultation has received but also heeding the continuing high level of concern about this matter in Otley, this report recommends that proposals for Traffic Regulation Orders be prepared for the affected roads to the north of Otley to ameliorate the effect of HGV's on Otley; recognising the need for measures on the roads in adjacent areas. It also invites North Yorkshire County Council to consider complementary regulations in order that its own communities are not adversely affected.



## **1.0 PURPOSE OF REPORT**

- 1.1 This report informs the Executive Board as to the current situation and specifically the outcome of the formal Consultation process approved by the 15 May 2005 Executive Board meeting. The report summarises the results of the consultation and recommends a way forward.

## **2.0 BACKGROUND INFORMATION**

- 2.1 2.1 Given the constraints of an historic town such as Otley, Heavy Goods Vehicle (HGV) traffic has been a long standing issue, in the town itself and also in the environs. Accidents involving such vehicles are rare. However, in October 2002 an HGV was involved in a fatal collision with a pedestrian in Otley town centre precipitating a resolution from Otley Town Council dated 16 December 2002 that outlined their concerns and sought the City Council's support in addressing:-

- i) The overall volume of HGV traffic passing through the town centre.
- ii) Traffic (principally carrying aggregates) from North Yorkshire using secondary routes through the north of the town to reach the Principal Road Network ("A" roads).
- iii) Options for alternatives to the traffic passing through the town, for example greater use of the railways and provision of a bypass.

- 2.2 In response the Council instigated a detailed programme of traffic surveys. This programme quantified the scale of HGV traffic passing through the town and particularly the volume of quarry based traffic, which had been the main focus of community concern. Much of this traffic emanates from Hanson Aggregates' site at Coldstones Quarry near Pateley Bridge in North Yorkshire and uses minor roads including Newall Carr Road in Otley to reach the West Yorkshire conurbation.

- 2.3 The outcome of the surveys suggested that whilst a lorry ban for the town could clearly have benefits to the local community, closer examination strongly suggested restrictions could be difficult to implement and enforce effectively and raised issues about potential impacts beyond the town. In the long term the most substantial relief from HGV traffic in the town centre will be achieved by the eventual construction of the proposed East of Otley Relief Road. As such it was considered that a staged approach to the resolution of the most pressing problems including engagement with the key stakeholders within the community, the haulage industry and local authorities offered the best prospect of finding an agreed solution to the identified problems in North Otley. A three stage process was identified:

- Stage 1 – Establish dialogue with stakeholders;
- Stage 2 – Examine options for a partnership approach to solving the problems;
- Stage 3 – Consideration of further traffic management measures including the potential offered by Traffic Regulation Orders for HGV restrictions for which several possibilities were identified.

- 2.4 In order to reduce the impact of their quarry related HGV traffic on north Otley, Hanson Aggregates, offered to operate a one-way system which involved the vehicles delivering in the Leeds/Bradford conurbation travelling southbound through Otley and using other routes to return to the quarry. In practice this meant the use of the A658 at

Pool Bridge to reach the B6161 Leathley Lane in North Yorkshire and thence to return to the Quarry.

- 2.5 Hanson Aggregates commenced this arrangement on 16 June 2003, and with certain disruptions during winter weather this voluntary method of operation has endured for over two years, and has reduced the number of quarry vehicles entering Otley by 50%. However, it has led to an increase in the number of HGV's travelling through Pool and certain small communities in North Yorkshire.
- 2.6 Subsequent to the discussions with Hanson Aggregates it was recognised that given the complexity of the issue it would be desirable to convene a stakeholder forum to ensure the effective engagement of the community with haulage industry and neighbouring local authorities in addressing this complex issue. The Otley HGV Forum was convened on 4 May 2004, and has now met on five occasions and has been closely involved in the ongoing monitoring process. Members of the Forum include the neighbouring Councils, groups within Otley and the adjacent communities in addition to representatives of the haulage industry and the Police. It is now very clear through the work of the Forum that there is no one solution to the problem that is going to satisfy all the stakeholders concerned, nor indeed the local communities involved.
- 2.7 The Scrutiny Board (Development) commenced an examination of this issue on the 17 March 2003 and has since been monitoring the situation. Having re-considered the position at their meeting on 8 April 2004, the Board recommended that 'unless the Freight Forum reaches an agreement to re-route the HGV through traffic before December 2004, then some form of traffic weight restriction be introduced in Otley'. In their most recent review of the position the Scrutiny Board on 10 January 2005 reaffirmed its position, indicating in their statement that "the Board wish to recommend to the Director of Development that in conjunction with the Director of City Services this matter now be pursued with some urgency and that work is carried out in consultation with the HGV Forum to ascertain the most appropriate measures, including traffic regulations, to curtail HGV through traffic in Otley".
- 2.8 At a Meeting of Full Council on 13 April this year Members received a deputation from the Safety on Otley's Roads group who requested that "the Council put into operation a relevant HGV ban in Otley as soon as possible, and before the end of the current year". As a result a report was presented to the May meeting of the Executive Board.
- 2.9 The Scrutiny Board Recommendations and the proposed course of action were reported to the Otley HGV Forum at its last meeting on the 16 April 2005.
- 2.10 As referred to earlier, the nature of the problems in Otley are such that any solutions are likely to create issues elsewhere on the local road network. However, it is also recognised that the Otley community continues to regard the present situation as unacceptable despite the voluntary arrangements operating with Hanson Aggregates. For these reasons, a formal consultation process with all the affected stakeholder groups was proposed in order to inform the development of further options for the management of HGV traffic on the roads in north Otley. At the same time a further round of discussions with the two neighbouring local highway authorities, North Yorkshire County Council and City of Bradford Metropolitan District Council was initiated.
- 2.11 The 15 May 2005 Executive Board approved that all members of the HGV Forum and other identified stakeholders in Otley and neighbouring communities were formally invited to comment in writing on the options for HGV management and preferences in

this regard. The consultation was not prescriptive but set out in simple terms the options considered to-date, including Traffic Regulation Orders to restrict HGV traffic.

2.12 The Council continues, through the use of permanent automatic traffic counters and monthly manual surveys, to closely monitor the traffic situation and ascertain if other operators should be contacted with respect to voluntary routing options. To date no other significant operator has been identified in the North Otley area. Traffic management and signing measures are also being developed for the section of Newall Carr Road affected by HGV traffic and elsewhere in the town.

### **3.0 CURRENT POSITION**

3.1 The Formal Consultation letter (Appendix 1) was issued in June after the call-in period for the 15 May Executive board had passed.

3.2 Letters were issued to 28 groups and organisations and to date 24 replies have been received (Appendix 2).

3.3 Due to their committee calendar North Yorkshire County Council (NYCC) were unable to reply within the original timetable and therefore to facilitate their input the consultation was extended until September 27th.

3.4 The consultation process was not prescriptive but in order that stakeholders could focus their thoughts on the issues, five particular areas were specifically noted in the consultation letters as follows: -

- “Your (organisations) views on the issues raised by HGV traffic using roads in the north Otley area.
- Suggestions as to what the potential solutions to the problems may be, and the ones preferred by you (your organisation).
- Identification of any alternative measures to those preferred by you (your organisation) and how effective they may be.
- Views on how essential local access for lorries may be maintained and the means by which any proposals may be enforced.
- Consideration of any impacts and effects of measures on areas outside the town of Otley and how these may be addressed”.

3.5 The respondents can be broadly grouped into 3 categories: -

#### Ward Members, Member of Parliament and local organisations

3.5.1 Generally speaking respondents from Otley itself were of the opinion that TRO's must be developed to protect the town from the principally quarry related HGV traffic using the local roads north of the river Wharfe. However, they were also very conscious that any measures taken should not adversely affect Pool in Wharfedale.

3.5.2 The point was made that the Freight Transport Association's own guidance advises that once a haulier has joined the A-road network then a haulier should remain on the main road network. Respondents recognised that restrictions which prevented HGV's from coming south off the A59 (Skipton to Harrogate route), and

vice versa, would be the overall solution but recognised it was outwith the area of responsibility of Leeds City Council.

- 3.5.3 However, some representations from the Otley community felt that the imperative was to introduce HGV restrictions to the north of the town and the City Council should invite NYCC to do the same. It was also recognised by some of the Otley respondents that any restrictions on an A-Road would be very difficult to develop, and therefore whilst a solution to ameliorate some of the effects of HGV's on Otley was within the gift of the Council, a solution for Pool was not.
- 3.5.4 Respondents from Pool and Arthington felt differently. It observed that in the short term Otley could experience a reduction in the numbers of HGV's using the town due to the relocation of two hauliers from the town centre, and in the medium term by the proposed development of the East of Otley by-pass. The equity of any solution (i.e. restrictions) that materially improves conditions in Otley while doing the converse to Pool was also questioned. Some Otley respondents made the distinction of the relative sizes of the two communities observing that far more people in Otley suffered adverse impacts from HGV traffic and that Pool is on a long established A class road.
- 3.5.5 Respondents in the Washburn Valley (within North Yorkshire) were of a similar mind highlighting the unsuitability of their own roads and the environmental damage they attribute to the introduction of the hauliers one-way system. It is felt by these respondents that any restrictions in Otley would be unacceptable without corresponding restrictions to protect the communities of Farnley and Leathley.

#### Local Authorities

- 3.5.6 In their formal response, North Yorkshire County Council's Harrogate District Committee indicate that their preferred solution is a review of informal traffic management measures in the Otley area as the most effective method of ameliorating the effect of HGV's in the town. No view was offered with respect to the use of Orders to restrict HGV traffic. However, in previous consultation the County Council has indicated a preference for alternative solutions to the use of Orders either to restrict HGV traffic North of Otley or to formalise the present HGV one way system.
- 3.5.7 Harrogate Borough Council have endorsed the response made by the NYCC Harrogate District Committee.
- 3.5.8 Bradford Metropolitan District Council did not respond in detail, but noted their own concerns with regard to any measures that sought to redistribute HGV traffic away from their existing routings.

#### Freight haulage industry

- 3.5.9 The industry respondents indicated that they did not support a regulatory approach to the matter. Thus the views expressed were that in the absence of any other obvious short term solution the Council should look to enhance the measures that are already in existence, i.e. further develop the one-way system, enhance informal traffic management measures in Otley, and continue through the Otley HGV Forum to seek further ways of ameliorating the effect of HGV's in Otley.

## 4.0 PROPOSALS

- 4.1 The recommendations of the Scrutiny Board and the Executive Board have been given very careful consideration, especially noting the Scrutiny Board view that some form of Traffic Regulation Order to restrict HGV traffic entering Otley from the north was the appropriate solution to the present situation.
- 4.2 The consultation exercise described above has illustrated quite clearly the complexity and challenges the present situation presents. It is recognised that resolving the issue to the satisfaction of all concerned will not be readily accomplished. Most importantly, the findings tend to demonstrate that a partnership approach remains necessary since although the City Council has the potential to deliver traffic orders within the District area, an effective collaboration with NYCC has the potential to deliver a more effective and comprehensive solution to lorry management within this part of the Wharfe valley.
- 4.3 It is, however, considered that given the bulk of the quarry related HGV traffic that is the main focus of the community's concern has the opportunity to access the A-road network (A59 at Blubberhouses) somewhat prior to it reaching Otley, it seems reasonable for the population of Otley to be protected from the adverse effects of HGV traffic that has little direct relationship with the town.
- 4.4 The use of the A59 Primary Route would permit a number of alternative routes into the West Yorkshire conurbation to be chosen depending on the final destination. If the Primary Route Network is used traffic would distribute across a number of routes thus mitigating to a great extent the concerns of the Pool in Wharfedale community regarding further HGV traffic using the A658 route through the village. It is reasonable to acknowledge that such routing would entail additional mileage to each lorry journey (roughly and without a full understanding of the ultimate destination, this is estimated at £6 per trip into central Leeds). At the same time, the fact that the present route uses less suitable local roads rather than the Primary Route Network designated for this purpose is also a consideration.
- 4.5 Careful consideration has also been given to the high levels of public concern in Otley over many years, and particularly during the last 3 years. It is felt that every possible avenue has been explored through the HGV Forum to ameliorate the impact of HGVs in Otley and it is now appropriate to give further consideration to the introduction of Traffic Orders. Whilst small scale measures relating to the local improvement of traffic signs and markings in the Otley area have been identified, it is not considered that these offer any meaningful potential for addressing the present HGV issues.
- 4.6 It is appreciated that the introduction of restrictions to the north of Otley could potentially impact on the adjacent communities in North Yorkshire and on the residents of Pool residing which is situated at the junction of two "A" roads. Therefore in recommending restrictions for the Otley area the Council would also wish to encourage NYCC to reconsider its views on the efficacy of Orders especially with respect to the local communities North of the River Wharfe and to develop complementary measures to offer similar benefits to those that could accrue to Otley. In this respect it should be noted that elsewhere, the County Council has already introduced a number of HGV restrictions in the area adjacent to the A59.
- 4.7 Taking full account of the above it is proposed that the Director of Development and Director of City Services commence the necessary preparatory work to identify and develop the most suitable Traffic Regulation Orders in the North of Otley which will ameliorate the effect of HGV's entering and leaving Otley from this direction. Most specifically the roads concerned are those leading to and from the Wharfe Bridge,

namely Billams Hill, Newall Carr Road and Farnley Lane. As part of work previously carried out to investigate the potential of lorry restrictions a range of TRO possibilities have been identified for introduction on the roads affected by this traffic. This could take the form of restrictions along a length of road or single “point bans” prohibiting the passage of vehicles. An important aspect of any restriction is that provision is also made for essential access. At this stage therefore further detailed technical evaluation is needed to determine the exact nature of the Orders needed to best suit the situation.

- 4.8 In addition, and recognising that measures introduced within the Leeds District can offer only a partial solution in the matter, it is considered that North Yorkshire County Council should be invited to introduce complementary restrictions to ensure that their own communities are not unduly affected by the measures taken to protect Otley. Bradford Council would also continue to be fully involved in this process.
- 4.9 Finally, recognising that the Otley HGV Forum has performed a valuable role in bringing all the stakeholders together it is considered that the Forum should continue to be supported and encouraged to continue to work to build a consensus to ensure that any Orders proposed are the most effective and practicable for all concerned.

## **5.0 RISK ASSESSMENT**

- 5.1 Should restrictions not be introduced then the concerns of the people of Otley would remain. The present fear and intimidation felt by local people due to the continued presence of significant numbers of HGVs entering from the north of the town would remain.
- 5.2 The making of Orders is a statutory process. Whilst to some extent the Council has the powers to determine the outcome in terms of objections that may be received, where such an objection is made by another local authority the matter must be referred to the Secretary of State. In this case a neighbouring local authority has indicated that they do not presently regard Orders as an appropriate measure. It will therefore be important for the Council to work closely with its neighbours in the development of proposals. However, it is also the case that differences may remain unresolved and if the Council wishes to press forward with the proposals it may ultimately be necessary to present the case at a Public Inquiry. At this stage the final outcome would then rest with the recommendations provided to the Secretary of State by an independent Inspector.
- 5.3 Should Orders be implemented to the north of Otley, and North Yorkshire County Council do not develop complementary measures to protect its own communities, from the likely additional traffic. It could be expected that a proportion of the displaced HGV traffic would travel through the isolated communities in North Yorkshire to join the A658 route immediately to the north of Pool (Appendix 4).

## **6.0 CONSULTATIONS**

- 6.1 This report itself describes a formal consultation process and the issue itself has been the subject of regular consultation through the Otley HGV Forum prior to the Formal Consultation. Appendix 1 of this report lists the consultees and the responses received.
- 6.2 Subject to the approval of this report officers are will enter further meetings with North Yorkshire County and Bradford Metropolitan District Councils to consider further the prospective approaches and options for the introduction of Traffic Orders.

- 6.3 Officers from the Development Department would continue to liaise closely with colleagues in City Services Department to enable City Services to prepare the most appropriate Orders in line with the recommendations of Executive Board and a detailed assessment of the options.
- 6.4 West Yorkshire Police have been invited to comment as part of the consultation process. Their initial response indicates a general concern about the Police Service's ability to resource the introduction of such bans but, noting the particular issues in Otley, that they will consider any more detailed proposals on their merits once they have been developed further.

## **7.0 RESOURCE IMPLICATIONS**

- 7.1 This report has no specific funding implications. Future proposals for expenditure will be detailed in a separate Design and Cost Report at the appropriate time.
- 7.2 As indicated in Section 5 above, there are potentially significant staff resource requirements arising from the preparation of the Orders required in this instance, particularly if as a result the Council finds it necessary to support a Local Public Inquiry process.
- 7.3 Capital expenditure arising from any detailed proposals will be met from the Local Transport Plan Integrated Transport budget within the Capital Programme and would be detailed in a further report to the relevant Departmental Directors.

## **8.0 PROGRAMME**

- 8.1 Subject to the approval of this report it is likely that preparation work will begin immediately. Details of the implementation timetable will also be prepared, once the extent and complexity of the proposals are finalised.

## **9.0 COMMUNITY SAFETY**

- 9.1 The proposals contained in this report do not have any specific implications under Section 17 of the Crime and Disorder Act 1998. They would however contribute to an improved level of community safety within Otley.

## **10.0 COMPLIANCE WITH COUNCIL POLICIES**

- 10.1 This report does not raise any specific issues with regard to Council policies. Work to develop an effective approach to the local management of HGV traffic is consistent with the strategy for freight and distribution within the West Yorkshire Local Transport Plan.

## **11.0 CONCLUSIONS**

- 11.1 This report has detailed the considerable work that has been undertaken to address the continuing issue of HGV traffic in the town of Otley. It is recognised that the main through HGV traffic will not be significantly reduced until it is possible to progress the East of Otley Relief Road. However, the quarry-related traffic using the secondary road network in the north of the town is of particular and more immediate concern to the local community.

- 11.2 An Otley HGV Forum was established in May 2004 and has met on five occasions, involving key stakeholders and community representatives in the ongoing review and monitoring of the situation
- 11.3 The recommendations of the Scrutiny Board (Development) and the groundswell of public opinion in Otley have been noted and therefore it is considered that the further detailed development of proposals for have been developed for restricting HGV traffic to the north of Otley would be an appropriate course of action. At the same time, and recognising that this issues reaches beyond the boundaries of Otley, it is also recommended that NYCC be invited to consider further the possibilities offered by developing complementary measures for the roads in their area.

## **12.0 RECOMMENDATIONS**

12.1 Members are requested to:

- (i) Note the contents of this report;
  - (ii) Authorise the Directors of Development and City Services to undertake the preparation and development of proposals for the introduction of Traffic Regulation Orders to restrict Heavy Goods Vehicle traffic on roads within Otley to the North of the Wharfe Bridge.
- 12.2 (iii) Formally invite North Yorkshire County Council and the City of Bradford Metropolitan District Council to work with the City Council in the development of a comprehensive solution to the present problem of Heavy Goods Vehicle traffic using inappropriate local roads in the Wharfe Valley area including the consideration of appropriate Traffic Regulation Orders to complement those which the City Council may be minded to introduce on its own roads.
- (iv) Receive a further report when detailed proposals have been prepared.
  - (v) Support the continued meeting of the Otley HGV Forum.

## **13.0 BACKGROUND INFORMATION**

13.1 The following documents provide background information for this report:

- i) Otley – Heavy Goods Vehicle Traffic, Report of the Acting Director of Highways and Transportation to the Scrutiny Board (Development and Sustainability) 17 March 2003.
- ii) Otley – Heavy Goods Vehicle Traffic – Progress Report -, Report of the Director of Development to the Scrutiny Board (Development and Sustainability) 16 October 2003.
- iii) Otley – Heavy Goods Vehicle Traffic – Progress Report -, Report of the Director of Development to the Scrutiny Board (Development and Sustainability) 8 April 2004.
- iv) Otley – Heavy Goods Vehicle Traffic – Report to Executive Board – 5 May 2005



## **APPENDIX 1**

### **CONSULTATION LETTER**



**LEEDS**  
CITY COUNCIL

**Development Department**  
**Steve Speak, Chief Strategy & Policy Officer**

**Leonardo Building**  
**2 Rossington Street**  
**Leeds LS2 8HD**

If telephoning ask for  
Direct Line Development  
Enquiry Centre **(0113) 2478000**  
Fax **(0113) 2478015**  
Minicom **(0113) 2474305**  
E-mail  
Your Ref:

Our Ref:       AWH/TPP/23/2/1

Date:           20 June 2005

Dear

### **HEAVY GOODS VEHICLE TRAFFIC IN OTLEY - CONSULTATION**

I am writing to formally consult with you on the future options for addressing the issue of Heavy Goods Vehicle traffic in Otley. As you will be aware, this and the HGV traffic proceeding over Otley bridge and to or from North Yorkshire has been causing the residents of Otley and Leeds City Council serious concern for some time.

Otley HGV Forum has been set up by the Council to enable community participation in the resolution of these issues. At the last meeting the Council's representative indicated that in order to take the matter forward it was proposing to conduct a formal consultation process. Approval to proceed with this approach was subsequently agreed by the Council's Executive Board at their meeting on May 18<sup>th</sup>.

By way of background, the Council's Scrutiny Board for Development has investigated this matter and in April 2003 concluded with the following recommendation:

“that unless the Freight Forum reaches an agreement to re-route the HGV through traffic before December 2004, then some form of traffic weight restriction be introduced in Otley.’

More recently the Scrutiny Board has reviewed progress, concluding in January 2005 that:

*‘the Development Department, in conjunction with the City Services Department, establishes the most appropriate measures to curtail HGV through traffic in Otley and that these are implemented at the earliest possible opportunity’.*

In terms of the possible measures that have been considered (and reported to the Forum) these include the following:

- Development of the informal partnership with freight operators to enhance the existing voluntary HGV operating arrangements through the town.
- The use of Traffic Regulation Orders to ban or restrict HGV access to sections of road in north Otley, principally this would be Newall Carr Road and Farnley Lane.
- Traffic management measures through the use of signs and markings etc to reduce the impact of lorry traffic on the aforementioned roads in north Otley.
- Associated with the above is a review of the route signing through Otley and consideration of measures to improve the situation in terms of HGV traffic through the Kirkgate junction.

In order that we are able to fully understand all stakeholder views on this matter and in a position to provide an informed report on the position both to the HGV Forum and to the Executive Board I am therefore inviting, on the Council's behalf, formal comments and response on the way forward. It would be particularly helpful if you could address the following general points in your response.

- 1) Your (organisations) views on the issues raised by HGV traffic using roads in the north Otley area.
- 2) Suggestions as to what the potential solutions to the problems may be and the ones preferred by you (your organisation).
- 3) Identification of any alternative measures to those preferred by you (your organisation) and how effective they may be.
- 4) Views on how essential local access for lorries may be maintained and the means by which any proposals may be enforced.
- 5) Consideration of any impacts and effects of measures on areas outside the town of Otley and how these may be addressed.

All responses should be sent to the Development Department as above. The closing date for written responses to this consultation is noon on Friday 5 August 2005.

If you have any queries regarding the process or require further information, please do not hesitate to contact me or my colleague Gwyn Owen (telephone 247 5296) and we will be pleased to assist.

Yours sincerely,

## APPENDIX 2

### CONSULTEES

FirstName	LastName	Organisation	Response
Mrs. Judith	Davey,	Otley & District Road Safety Committee	letter 15/07/05
Hazel V.	Lee	Pool Parish Council	letter 03/08/05
John	Eveleigh	Safety on Otley's Roads (SOOR)	letter 01/08/05
E. M.	Swift,	Pool Parish Council	letter 29/07/05
Ian	Gallacher	CBMDC, Transportation, Design and Planning	letter 22/08/05
Iain	Plumtree	Otley Town Council	
Malcolm	Bingham	Freight Transport Association	email 05/08/05
Jon	Brown	North Yorkshire County Council	email 27/09/05
John	Burton	Department of Development Services	email 27/09/06
Bob	Orange	Hanson Aggregates	letter 25/08/05
Millie	Stott	Otley Town Councillor	
Audrey	Cartwright	Otley & District Road Safety Committee	letter 15/07/05
Clive	Fox	Ward Member	email 25/07/05
Colin	Campbell	Ward Member	email 28/07/2005
Graham	Kirkland	Ward Member	email 03/08/2005
Pat	Walker	Pool Parish Council	letter 27/07/05
Barry	Anderson	Ward Member	email 25/07/05
Leslie	Carter	Ward Member	email 25/07/05
Ryk	Downes	Ward Member	email 31/07/05
John	Clarkson	West Yorkshire Police	tel - 19/10/05
David	Lunn	West Yorkshire Police	
PC	Wiggins	West Yorkshire Police	
J	Pennington	Lower Washburn Action Group	letter 03/08/05
Richard	Raper	Town Planning & Development Consultants for LWAG	letter 03/08/05
Colin	Campbell	Ward Member	e-mail 30/06/05
G	Dunning	Road Haulage Assosiation	letter 05/08/05
Greg	Mulholland	Member of Parliament	letter 08/09/05
Thomas	Kennedy	Arthington Parish Council	e-mail 05/08/05

## **APPENDIX 3**

### **SUMMARY OF KEY CONSULTATION RESPONSES**

All of the written responses received have been analysed in detail. The following Appendix provides an overview of the key issues raised during consultation. It should be noted that this is a summary, and therefore there is an inevitable loss of detail.

#### **Elected Members**

##### Otley and Yeadon Ward Members

The main comments received from Members representing Otley were as follows:

“The impact of measures enforced in Otley is to divert traffic through Farnley, Leathley and Pool. Placing the ban at Blubberhouses would prevent this problem.

“If North Yorkshire will not co-operate then the Secretary of State should be asked to intervene. Actions of one Local Authority should not put the residents of an adjoining authority at a disadvantage, that can be avoided.

“Simply putting restrictions on Newall Carr Road will not solve the problem but transfer it to say Farnley Lane. Restrictions on those roads would move the problem to Pool. There have been comments that residents of Pool should not complain because they live on an A- class road. This is in my view an unreasonable opinion.

“I would support restrictions but feel they should be further back in the road network. Quarry Traffic has to cross the main Harrogate, Skipton Road (a major trunk route) before it enters the Wharfe Valley. I feel that this should be the point to impose restrictions. The A class road could feed traffic by major routes into West Yorkshire and the country roads and communities currently effected by the HGV's could be protected.”

##### Adel & Wharfedale Ward Members

The views of the Members representing Pool in Wharfedale included the following:

“We have stressed that Otley’s perceived HGV problem is one which is likely to be significantly moderated in the short to medium term by the East of Otley proposals and by the relocation of both Jefferies and Garnetts leading to significant reductions in HGV movements within the town..

“It is our contention that any benefit for Otley from an HGV ban will represent a commensurate disbenefit for Pool and Arthington in particular. We cannot emphasise too strongly that Otley’s environmental improvement would be at the expense of Pool, Arthington and much of the rest of our ward. It would be neither sensible nor equitable for the environment of one part of the city to be enhanced directly at the expense of another which already suffers from worse problems.”

### Member of Parliament

The Member of Parliament for Leeds North West indicated in his response that:

“Fundamentally I do support the ban on HGV vehicles on Otley roads”.

However, the response acknowledged the complexities of delivering a solution and the potential impacts on the community of Pool. In this regard a full investigation into the alternatives for transporting goods through the area was suggested.

### **Local Authorities**

#### North Yorkshire County Council

Following consultation with the County Council’s Harrogate District Area Committee, the Council’s response indicated that their preference for measures to alleviate the situation in the Otley area was for the use of:

*“Traffic management measures through the use of signs and markings etc to reduce the impact of lorry traffic on the aforementioned roads in north Otley” and “a review of route signing through Otley and consideration of measures to improve the situation in terms of HGV traffic through the Kirkgate junction”* as identified within the Leeds City Council consultation letter (Appendix 1).

No specific reference has been made in the County Council’s response to the use of Orders to restrict HGV traffic.

#### City of Bradford Metropolitan District Council

In their response Bradford Council noted that they consider the matter to be largely a matter for the authorities most affected by the situation, namely Leeds and North Yorkshire.

However, the Council observed that:

“Any solution which sought to transfer HGV traffic from affected highways in Otley to roads affecting communities in Bradford Metropolitan District Council would be a source of concern to this authority.”

## **Parish Councils and Community Groups**

### Safety On Otley's Roads (SOOR)

SOOR, the campaign group representing concerned citizens of Otley included the following comments in their response:

“SOOR understands that guidance given to hauliers indicates that once on the main road network (A Roads) HGVs should remain on this network. ‘There can in SOOR’s opinion, therefore be absolutely no justification for HGV’s crossing an ‘A’ Road (A59) to join an inferior C class road with the inherent problems and dangers indicated above.”

### Otley and District Road Safety Committee

The road safety committee indicated in their response a view that HGVs should use A roads and that in the longer term the Council may wish to consider a new route from the A59 bypassing the town. The issues facing the communities of Arthington and Pool were also acknowledged.

### Washburn Valley Action Group

The Washburn Valley Action Group, the group formed to represent that area since the inception of the one-way system included within their response the view that: -

“...upon reaching the A59, quarry lorries should continue their journeys to conurbations only by the use of A-roads.....Weight restrictions at Dangerous Corner (at the junction of the B6451 and the A59) and at Leathley Bridge (at the junction of Farnley Park and the B6161) allowing access for local traffic, would not only have a significant impact on the problem of HGV traffic through Otley but would also solve the problems encountered by the Washburn Valley Action Group.”

### Pool Parish Council

Pool Parish Council are concerned that any proposals to protect Otley will have an adverse affect on Pool and indicated withih their response that:

“...any impact on areas outside the town of Otley is, of course, our major concern. The impact is considerable as has been proved. Moving a problem from one place to another is not the answer. We need to be presented with a ‘visionary proposal’ for urban and rural planning which will produce an holistic solution for all the residents and businesses concerned”.

## Arthington Parish Council

Arthington Parish Council are chiefly concerned with the impact any measures may have on the east/west A659, particularly in relation to new developments east of Otley and noting that the Council opposes any HGV ban “because it considers that some part of the diverted traffic will impact on the A659 which runs through the Parish”.

## **Road haulage industry**

### Freight Transport Association (FTA):

In their response the FTA included the following points:

“Due to the lack of a foreseeable short term measure that would fully address the difficulties above the FTA would like to see the partnership at Otley between the local authorities involved and freight operators developed. We would like to see the voluntary arrangements in place set up by Hanson Aggregates formalised with the backing of Leeds City Council and its officers. At the same time the signage and marking which direct traffic in and around Otley reviewed, by all the authorities involved, with a view to discouraging drivers from attempting to access a route through the town.

“The above measures should be enhanced by information on advised HGV routing for Otley which should be developed by the Otley Forum, published by the local authority and promoted by the freight industry to educate companies and drivers to local issues related to driving HGV’s using the roads in Otley.

“The Association urges the City Council to consider these options. Until all of these issues have been undertaken the Association will resist any Traffic Regulation Order issue to ban HGV access to Otley.”

### Road Haulage Association:

The RHA noted that:

“... it is essential to recognise that vehicles that cross the River Wharfe do so for a very wide range of reasons including those mentioned under 1 above (access purposes) and quarry traffic using this route. It is our view that this reinforces the point that the best way forward is through agreements with individual operators whose vehicles might be diverted, subject to further agreement with the customers whose goods are being carried.”



Hanson Aggregates:

In their response Hanson noted that:

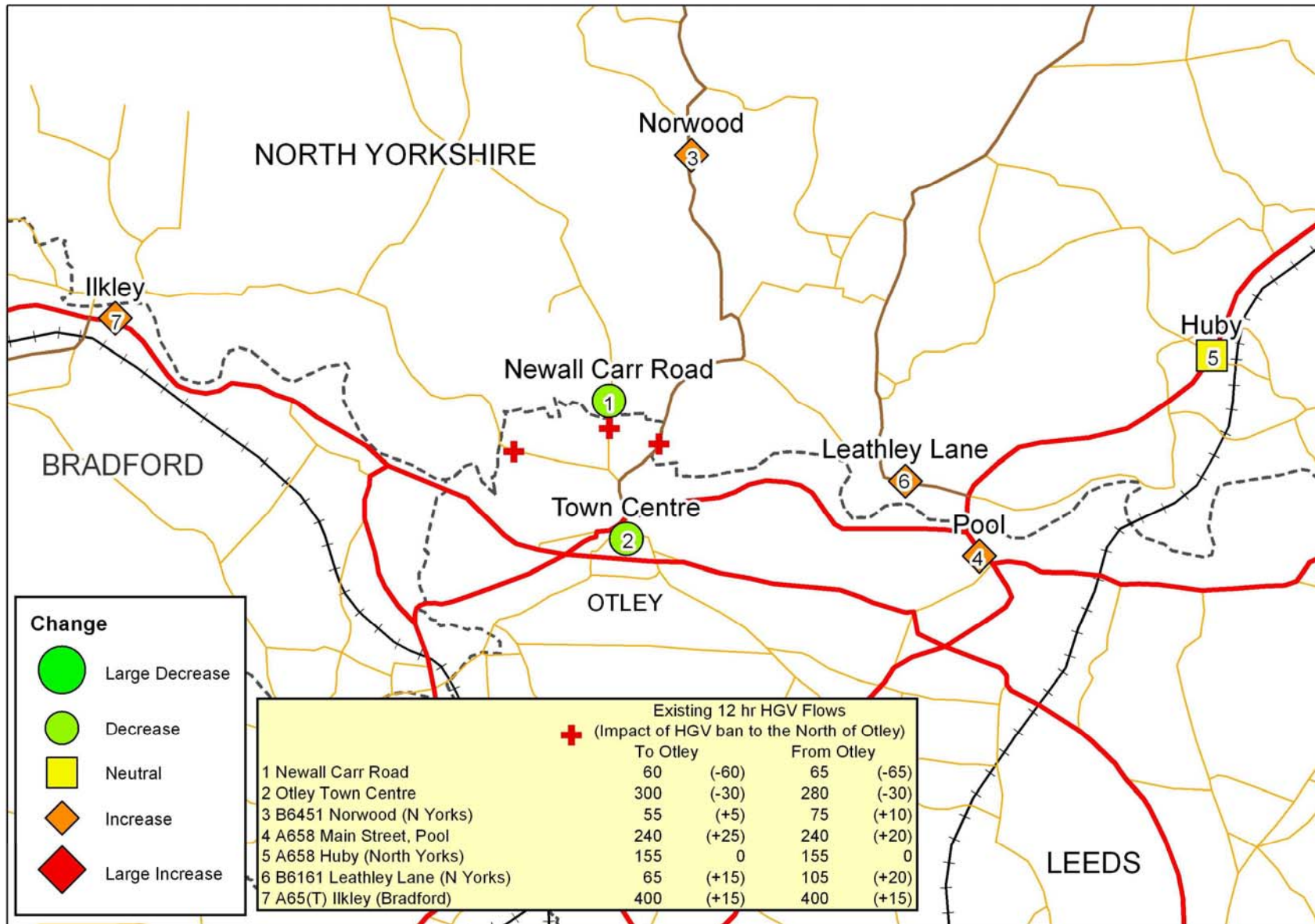
“Hanson and no doubt a number of other businesses and organisations in the area would not support a ban or HGV restriction through Otley.”

“Hanson is willing to continue their voluntary arrangement for traffic routing and would welcome a review of existing traffic management measures and support additional signage and road markings through the town.

“We would also welcome the development of a freight quality strategy for the area.”

**APPENDIX 4**

**SUMMARY TRAFFIC INFORMATION AND INDICATIVE IMPACTS OF POSSIBLE RESTRICTIONS IN OTLEY**



**REPORT OF DIRECTOR OF DEVELOPMENT**

**REPORT TO EXECUTIVE BOARD**

**DATE: 16 NOVEMBER 2005**

**SUBJECT: LOCAL SAFETY AND SAFER ROUTES TO SCHOOL MEASURES**

**Electoral Wards Affected:**

All

**Specific Implications For:**

Ethnic Minorities

Women

Disabled People

**Executive Board Decision**

**Eligible for Call In**

**Not eligible for Call In  
(details contained in the report)**

**EXECUTIVE SUMMARY**

This report provides an update on the measures and programmes being followed to reduce road casualties and improve of safety in local communities and in the vicinity of schools. Measures covered include:

- A programme to provide traffic calmed 20 mph zones in residential areas across the city which has included 27 schools to-date and will include a further 51 sites by 2010.
- Introduction of school travel plans to support safer and more sustainable travel to school that have covered 74 schools and targets support for all schools by 2010.
- Expenditure of £448,000 grant funding to support school travel measures.
- A programme of local pedestrian and safer routes to school initiatives in progress to support school travel plans, with thirteen projects in development which will support safer cycling and walking to school.
- Schools programme through PFI and BSF which has so far included the provision of pedestrian crossing facilities and other highway measures to improve the school journey at 15 new schools with a further 6 schools now at the implementation stage.

## **1.0 PURPOSE OF REPORT**

- 1.1 This report updates Members on the highway measures being introduced to improve road safety and aid children and parents on the journey to school.

## **2.0 INFORMATION**

2.1 The Local Transport Plan (LTP) programme makes provision for a range of measures to assist in the improvement of road safety and casualty reduction in local communities and in the vicinity of schools. These programmes support the wider policy objectives of the LTP now captured by the “shared transport priorities” for Safer Road and Delivering Accessibility. A key aspect for Safer Roads is delivering reductions in road injuries in line with local and national targets and to provide a safer road environment for all users. Good progress has been made towards these targets during the period of the first LTP 2001-06, which it is intended will be sustained by the Provisional LTP for 2006-11 which was adopted by the Executive Board on a Provisional basis in July. Appendix 1 illustrates the trends in children's road safety.

2.2 More specifically the measures that are being pursued include the following:

- 20 mph zones
- Safer routes to school schemes
- Support for new school developments
- School travel planning

### 20 mph Zones

2.3 As part of the overall programme for casualty reduction an established process is in place for the identification of local and area based safety issues through the systematic monitoring and evaluation of road accident data. This has resulted in a well established ongoing programme for the introduction of area wide traffic calmed 20 mph safety zones. The areas prioritised are those with raised road injury rates where the distribution and disparate nature of the accidents indicates that a lower speed limit supported by traffic calming measures will be the most effective approach to addressing accident patterns.

2.4 The 20 mph zone programme also seeks to address road safety on the school journey in a comprehensive way. Rather than following a blanket approach to providing 20 mph zones outside school entrances this programme targets the wider local community which is much more effective in addressing the patterns of road injuries, including those involving school students as over 85% of injuries to pedestrians on the school journey occur beyond the immediate vicinity of the school.

2.5 To-date eighteen area 20 mph zones (as listed in Appendix 2) including 27 school locations have been introduced across the city. Two further sites in Kirkstall and Armley are planned for completion this financial year with four more sites identified for 2006-07.

### Safer Routes to School Schemes

2.6 A range of measures are being followed to improve and encourage the choice of sustainable travel modes for the journey to school. This has included the first stage of a new cycle route adjacent to King Lane at Moor Allerton, the completion of a new route from Kirkstall to Beckett's Park and the initial stages of the development of the Wykebeck Valley Way.

- 2.7 Four portable speed indicating devices (SID) are used by the Council's road safety officers and loaned to community groups to support local initiatives. Twenty-two community groups are trained in their use and a strong emphasis is placed on issues around schools. In addition a number of fixed SID sites have been installed and the use of such signs on a more flexible basis that would allow them to be moved between hotspot locations is also being investigated.
- 2.8 Ongoing work is also being followed by road safety officers to address continuing problems with school gate parking with the recent acquisition of large and high visibility banners that are now being loaned to schools. Support also continues to be provided for the establishment of school walking buses, of which 30 are presently operating with parental support. The number of children using walking buses varies, but several hundred children benefit from this method of travel to school.

#### New school developments

- 2.9 In collaboration with Education Leeds, support is being provided for the PFI and Building Schools for the Future (BSF) programmes for new school developments. To-date 18 schools projects have been completed through the PFI programme. The highway works associated with these schools have included the provision of 6 new pedestrian crossings and other traffic and road safety measures at 15 of the sites. Six new projects are underway as part of the combined secondary schools project and packages of appropriate highway measures are presently being prepared. A further nine schools are anticipated to come forward as part of a further BSF round for which each sites will be evaluated in terms of access and safety issues. As these programmes are developed early discussion and identification of highway, access and travel issues will be instrumental in the preparation of effective measures and travel plans for the sites.

#### School travel planning

- 2.10 The Government has a national target that all schools should have adopted a travel plan by 2010. Through the work of school travel advisers schools are being supported to prepare their own travel plans dedicated to the development and support of more sustainable patterns of school travel. To-date travel plans have been prepared by 74 schools. This has allowed grants to the value of £448,000 to be agreed with schools and allocated to provide some of the following:
- Cycle parking stands and shelters (c40 sites)
  - Site safety measures including barrier rails, signs etc (c9 sites)
  - Improvements to pedestrian access to the schools (c12 sites)
  - Playground waiting shelters for parents. (c46 sites)

### **3.0 PROPOSALS**

- 3.1 A continuing programme of measures to improve highway conditions in the vicinity of schools is being implemented as part of the Local Transport Plan and in the course of the ongoing programmes for new and improved schools in the city as part of the PFI and BSF programmes.
- 3.2 It is planned to introduce at least eighteen new 20 mph zones by 2011. This programme will increase the number of schools included within 20 mph zones by 51 (48 primary and 3 high schools) to place one third of Leeds primary schools within a 20 mph zone by the end of the decade. Approximately 40% of all casualties that occur within the immediate vicinity of schools fall within these areas. The present programme is listed in Appendix 3.

3.3 The following major safer routes schemes are included within the LTP programme:

- Wykebeck Valley Way development programme (Will ultimately provide support for new walking and cycling options to at least 6 schools.
- Yeadon to Guiseley traffic free route (Improves access to 3 schools in the Aireborough area
- Leeds to Garforth cycle route (Will provide cycle friendly routes some of which will be usable by pedestrians and within potential reach of up to 10 schools)
- Further similar works is being programmed to develop routes in West Leeds, North Leeds and East Leeds which will assist in providing improved conditions of cycling to high schools and as far as possible also be of benefit pedestrians.

Local measures are also being progressed to benefit journeys to:

- Farnley Park high school
- Adel St John's C of E primary school
- Kerr Mackie primary school
- Carr Manor primary school
- St Augustine's primary school
- Oakwood primary school
- Allerton Grange primary school
- Gledhow primary school
- Moor Allerton Hall primary school
- Allerton Grange high school

3.4 At present work is proceeding with schools and Education Leeds on a further 15 projects as part of the Building Schools for the Future (BSF) programme. Six of these sites are at the planning stage with a further 9 proposed as part of a future funding round. As part of the development process each of these schools will be requested to develop and agree a travel plan which will form part of the Planning Approval. The schools should also be eligible for travel plan grant funding and therefore an appropriate package of school travel and safer routes measures will be prepared for each site in consultation with the schools and BSF project team. Again, as for developing safer routes measures, an early understanding of a new schools likely travel needs helps the preparation of an effective travel plan.

3.5 The DfT/DfES recently approved the extension of funding which will allow the provision of a continued school travel advisory service until March 2008. At the same time grants will continue to be available to support travel plan measures at those schools yet to adopt travel plans. This funding equates to approximately £5,000 per primary school and £10,000 per high school and thus approximately £1.1 million in further grants is potentially available until March 2008. The opportunity is open for all schools who have not so far adopted a travel plan to participate in and benefit from this programme.

## **4.0 CONSULTATIONS**

4.1 There has been no specific consultation in relation to this report. Each individual proposal is the subject of a detailed consultation process as part of standard procedure. Support is provided to schools wishing to develop their own safer and sustainable travel solutions and all schools have been advised of the DfT/DfES grant funding available to support travel plans.

## **5.0 RESOURCE IMPLICATIONS**

- 5.1 This report does not seek funding approvals. A separate Design and Cost Report will be prepared for individual proposals as they are progressed. Once the detailed design of individual projects has been completed a final estimate of the costs will be prepared and presented as appropriate.
- 5.2 Implementation of the proposals will be funded through relevant funding programme a significant proportion of which emanates from the Local Transport Plan Integrated Transport Parent Scheme. At present the final funding levels for the second Local Transport Plan are not available to the Council. It is not therefore possible to be definitive as to the timing of schemes. Clearly the availability of resources will dictate the extent and number of schemes that can ultimately be delivered.
- 5.3 In the case of new build schools work measures are generally funded through the development programme often as part of a planning requirement.
- 5.4 The travel plan capital grants scheme is administered directly to individual schools in conjunction with Education Leeds.

## **6.0 PROGRAMME**

- 6.1 There is no programming information related to this report.

## **7.0 COMMUNITY SAFETY**

- 7.1 The content of this report is not considered to have implications under Section 17 of the Crime and Disorder Act 1998. However, clearly individual projects will address issues for community safety as well as those of a road safety nature. As such specific implications for Section 17 will be detailed as individual project reports are brought forward.

## **8.0 COMPLIANCE WITH COUNCIL POLICIES**

- 8.1 Schemes to improve road safety and reduce road casualties are consistent with the objectives of the Local Transport Plan and the Corporate Plan. Road injury rates are both a national Best Value indicator and a Local Transport Plan target.

## **9.0 RISK ASSESSMENT**

- 9.1 In overall terms the delivery of a programme of road safety schemes, including 20 mph area safety measures and safer routes to school measures will contribute to the Council's targets under the Corporate Plan and the Local Transport Plan for road casualty reduction. The distribution of road injuries across the community and road network is such that without a continued programme of area wide schemes to complement more location specific measures it will not be possible to fully address the road injuries issues.
- 9.2 Risks associated with the preparation and delivery of individual projects are assessed on a case by case basis as the projects are brought forward for development and hence are not covered within this report. This will include the assessment of the specific requirements for supporting traffic calming measures in line with national guidance and regulations and local issues.

## **10.0 RECOMMENDATIONS**

10.1 Members are requested to note the content of this report and the proposals for the further schemes to contribute to safer and improved access to schools and within local communities.

## **11.0 BACKGROUND INFORMATION**

11.1 There is no background information relating to this report.



**APPENDIX 1**

**CHILD ROAD INJURIES**

**CHART TO BE APPENDED**

## APPENDIX 2

### EXISTING 20 MPH ZONE AREA SAFETY SCHEMES

<b>Traffic Calmed Zone</b>	<b>Year of completion</b>
Amberton Road	1998
Ebor Gardens	1999
Burley Lodge	1999
Hyde Park Phase 1	1999
Chapelton & Harehills Phase 2	2000
Stanks Estate	2000
Richmond Hill area Phase 1	2000
Malvern Road	2001
Beeston Hill	2001
Fairburn Drive	2001
Richmond Hill area Phase 2	2001
Methleys Home Zone	2001
Richmond Hill area Phase 3	2002
Richmond Hill area Phase 4	2002
Richmond Hill area Phase 5	2004
Chapelton & Harehills Phase 3	2004
Potternewton	2004
Hyde Park Phase 2	2005

### APPENDIX 3

#### CURRENT PROGRAMME FOR 20 MPH ZONE AREA SAFETY SCHEMES

<b>20 mph Zone site</b>	<b>Expected programme</b>	<b>Schools Included Within Zone</b>
Kirkstall	Start September 2005 – Complete January 2005	Kirkstall Valley Primary Sacred Heart RC Primary Beecroft Primary
Armley	Start October 2005 - Complete February 2006	Holy Family Primary Castleton Primary
Halton West	Implementation expected Spring 2006	Osmondthorpe Primary
Halton East	Implementation expected Spring 2006	Whitebridge Early Years Centre
Harehills East & West	Implementation expected Spring 2006	Harehills Primary
Horsforth	Implementation 2006/07	Horsforth St Margaret's CofE Primary

**REPORT OF THE DIRECTOR OF DEVELOPMENT**

**REPORT TO EXECUTIVE BOARD**

**DATE : 16th NOVEMBER 2005**

**SUBJECT: A65 ABBEY ROAD INTEGRATED TRANSPORT CORRIDOR**

<p><b>Electoral Wards Affected :</b></p> <p>HORSFORTH</p> <p>KIRKSTALL</p>	<p><b>Specific Implications For :</b></p> <p>Ethnic Minorities <input type="checkbox"/></p> <p>Women <input type="checkbox"/></p> <p>Disabled People <input checked="" type="checkbox"/></p>	
<p><b>Executive Board Decision</b> <input checked="" type="checkbox"/></p>	<p><b>Eligible for Call In</b> <input checked="" type="checkbox"/></p>	<p><b>Not eligible for Call In</b> <input type="checkbox"/></p>

**EXECUTIVE SUMMARY**

This report seeks approval for the design and implementation of bus priority proposals aimed at reducing congestion and pollution on the A65 between Leeds Outer Ring Road and Kirkstall Lane and seeks authority to incur expenditure of £1,420,000 (£110,000 previously approved).

The main points of the proposals are:

- An inbound bus lane
- New road marking and central refuges
- Outbound dual carriageway to be reduced to single lane
- Provision of cycle lanes
- All bus stops on routes to be provided with raised kerbs to comply with Disability Discrimination Act (DDA) requirements.

**1.0 PURPOSE OF REPORT**

1.1 To seek approval to the design and implementation of bus priority proposals aimed at reducing congestion and pollution between Leeds Outer Ring Road and Kirkstall Lane on the A65.

**2.0 BACKGROUND**

2.1 The A65 corridor is one of the busiest in the City. Problems of traffic congestion have been identified as being particularly detrimental to the delivery of a high quality and reliable bus service. In order to address these concerns a detailed study was undertaken during 1999/2000 which resulted in the preparation of a comprehensive package of proposals for the provision of a Quality Bus Corridor (QBC) for the A65.

2.2 Implementation of QBC proposals has been divided into three stages:

- i) the main scheme that covers the section of the A65 from Leeds Inner Ring Road to Kirkstall Lane for which a major funding bid has been made to the Department for Transport (which they are still considering);
- ii) the Abbey Road proposals which are the subject of this report; and
- iii) longer term proposals to provide bus priorities on the approach to the A6120 Horsforth roundabout which are tied up with the development of a strategy for the A6120 route and the associated proposals to address this junction.

2.3 The remainder of this report addresses the Abbey Road element of the proposals. This section of the A65 is mainly single carriageway over the length of the proposals, varying in width from 9m to 15m. There is a length of dual carriageway in the vicinity of Kirkstall Abbey. Whilst footways are provided on both sides of the route, these are narrow in some places. Although some facilities comply with disabled access requirements, there has been no comprehensive treatment of the route. Cycle lanes, mainly advisory, already exist between Kirkstall Lane and Hawksworth Road.

2.4 In October 2004, the Director of Development and the Director of Corporate Services approved the expenditure of £110,000 to progress the design of the A65, Abbey Road scheme.

### **3.0 PROPOSALS**

3.1 The proposal is for the provision of an inbound bus lane from a point 500 metres west of Abbeydale Way to the end of the current dual carriageway, at which point there will be a bus priority signal. The provision of lay-bys is also being considered at certain locations. Details are indicated on the attached drawing number DS/298647/CR/01&02. (Larger scale drawings will be displayed at the Executive Board meeting).

3.2 In the eastbound direction from the end of the dual carriageway to Tordoff Terrace new road markings and central island refuges will be provided to aid pedestrians crossing and maintain traffic in a single lane.

3.3 The outbound section of dual carriageway will be reduced in width to tie in with the existing Pelican crossing which is being altered as part of the measures to improve access between the Abbey House Museum and Abbey sites.

3.4 Cycle lanes will be provided in both directions from Kirkstall Lane to Regent Avenue and all bus stops along the route will be provided with raised kerbs to comply with DDA requirements, bus clearways will be provided at bus stops outside the bus lane.

3.5 The scheme is designed to reduce the present delays to public transport on this section of the A65 without any undue impact on the overall flow of traffic. It is anticipated that these proposals will also help to reduce noise and pollution in the vicinity of the residential area at the "Normans" through the more efficient management of queuing traffic at this location. The queuing traffic will in the main be relocated to the open area adjacent to the Abbey (when their effect, will have less impact).

3.6 These proposals run alongside the proposed Kirkstall Forge Development and consultation with the Developer has commenced to ensure that the two schemes tie-in with each other.

3.7 The total cost of the proposals is estimated to be £1,530,000 (£1,270,000 works and £260,000 staff costs), £110,000 of staff costs, having been previously approved.

### **4.0 CONSULTATIONS**

- 4.1 Ward Members: Ward Members were informed by letter about these proposals on 8 March 2005. Following this, a meeting was held with Kirkstall Ward Members to discuss their initial concerns and identify issues that needed to be considered during detailed design. The Kirkstall Ward Members are supportive of the proposals.
- 4.2 Emergency Services: Emergency Services were informed by letter about these proposals on 9 March 2005 and no objections have been received.
- 4.3 The proposals have been presented to the Kirkstall/Burley Forum and there have been no adverse comments.
- 4.4 Detailed discussions have been held with English Heritage with regards to the affects this scheme will have upon the adjacent Kirkstall Abbey scheduled monument. The proposals will have minimal impact upon the scheduled monument and as such English Heritage have no objections to the scheme.
- 4.5 The adjacent development at Kirkstall Forge will impinge on the scheme and discussions are ongoing with the Developer of this site to ensure that the Kirkstall Forge works are complementary.

## 5.0 COMMUNITY SAFETY

- 5.1 The proposals contained in this report do not have implications under Section 17 of the Crime and Disorder Act 1998.

## 6.0 PROGRAMME

- 6.1 The design and implementation of the works will be carried out within the 2005/2006 and 2006/2007 financial years.

## 7.0 RESOURCE IMPLICATIONS

- 7.1 Funding: The cost of implementing the proposals recommended in this report is £1,420,000 comprising £1,270,000 works and £150,000 staff costs (£110,000 staff costs previously approved). The cost is to be funded from the Integrated Transport scheme 99609 within the approved Capital programme and is eligible for 100% Government funding.

Previous total Authority to Spend on this scheme	TOTAL	TO MARCH 2005	FORECAST				
			200506	200607	200708	200809	2009ON
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	110.0	33.3	76.7				
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>110.0</b>	<b>33.0</b>	<b>76.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Authority to Spend required for this Approval	TOTAL	TO MARCH 2005	FORECAST				
	£000's	£000's	200506	200607	200708	200809	2009ON
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
LAND (1)	0.0						
CONSTRUCTION (3)	1270.0		100.0	1000.0	170.0		
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	150.0		10.0	130.0	10.0		
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>1420.0</b>	<b>0.0</b>	<b>110.0</b>	<b>1130.0</b>	<b>180.0</b>		<b>0.0</b>
Total overall Funding	TOTAL	TO MARCH	FORECAST				

(As per latest Capital Programme)	£000's	2005 £000's	200506 £000's	200607 £000's	200708 £000's	200809 £000's	2009ON £000's
Supported Capital Expenditure ©	1530.0	33.3	186.7	1130.0	180.0		
Total Funding	1530.0	33.3	186.7	1130.0	180.0		0.0
<b>Balance/Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

7.2 Staffing: The design and supervision of the scheme can be carried out within existing staff resources.

## 9.0 COMPLIANCE WITH COUNCIL POLICIES

9.1 Ethnic minorities, women and disabled people: There are no specific implications for ethnic minorities or women arising out of these proposals. All the bus stops throughout the scheme are to be provided with raised kerbs to make access to and from buses easier for disabled groups in line with Disability Discrimination Act.

9.2 The measures proposed will benefit the mobility of disabled people by providing better access to public transport.

9.3 The proposals are consistent with the Council's Environmental Policy and provides encouragement for the use of public transport and cycling.

9.4 Local Transport Plan: The proposals are consistent with the objectives of the Local Transport Plan in reducing traffic congestion, improving bus services, improving cycling and pedestrian facilities and improving air quality.

## 10.0 RISK ASSESSMENT

10.1 As part of the ongoing design process detailed risk assessments will be incorporated into the final design.

## 11.0 RECOMMENDATIONS

11.1 Members of the Executive Board are requested to:

- i) approve the design and implementation of bus priority proposals aimed to reduce the problems of congestion and pollution on the A65 between Leeds Outer Ring Road and Kirkstall Lane, as set out in this report and shown on the attached drawing numbers DS/298647/CR/01 & 02 at a total cost of £1,530,000; and
- ii) give authority to incur expenditure of £1,270,000 works and £150,000 staff costs (£110,000 previously approved) which can be met from the Integrated Transport scheme 99609 within the approved Capital programme.

## 12.0 BACKGROUND PAPERS

- Report to Director of Development and Director of Corporate Services 25 October 2004.

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**REPORT OF THE DIRECTOR OF DEVELOPMENT**

**REPORT TO EXECUTIVE BOARD**

**DATE : 16th NOVEMBER 2005**

**SUBJECT : LEEDS CITY COUNCIL'S SHAREHOLDING IN LEEDS BRADFORD INTERNATIONAL AIRPORT**

**Electoral Wards Affected :**

Otley and Yeadon

**Specific Implications For :**

- Ethnic Minorities
- Women
- Disabled People

**Executive Board Decision**

**Eligible for Call In**

**Not eligible for Call In**   
(details contained in the report)

**EXECUTIVE SUMMARY**

This report considers the Council's 40% shareholding in Leeds Bradford International Airport. The report provides, an overview of the Airport's recent performance, its projections for growth, makes comparisons with other airports and gives an overview of the aviation market. The confidential part of this report provides strategic advice to Executive Board on the Council's shareholding in the context of the information provided.

**1. PURPOSE OF THE REPORT**

- 1.1. To update Executive Board about the current and projected performance of Leeds Bradford International Airport and to provide strategic advice on the Council's shareholding.

**2. BACKGROUND**

- 2.1. This report considers the Council's shareholding in Leeds Bradford International Airport. As background information, the following areas are considered:
  - The ownership profile of the Airport
  - The current and projected performance of the Airport Company
  - Comparisons with other airports
  - An assessment of the main issues facing the aviation market

2.2. In developing the background information provided officers have made use of specialist advice from Price Waterhouse Coopers, who were commissioned to provide strategic advice on the Council's shareholding.

### 2.3. Ownership

2.3.1. Leeds Bradford International Airport is wholly owned by the five West Yorkshire Local Authorities. The share allocation is as follows:

**Table 1: Share allocation of LBIA**

Local Authority	Share Holding %
Leeds	40
Bradford	40
Kirklees	6 $\frac{2}{3}$
Calderdale	6 $\frac{2}{3}$
Wakefield	6 $\frac{2}{3}$
<b>Total</b>	<b>100</b>

2.3.2. Leeds and Bradford Councils both have six directorships allocated, with Kirklees, Calderdale and Wakefield retaining one each. The Chairmanship of the company alternates annually between Leeds and Bradford.

### 2.4. Performance

2.4.1. Like many airports, Leeds Bradford International Airport has experienced strong growth in recent years, notwithstanding the downturn experienced following the 11 September 2001 terrorist attack and its impact across the aviation industry.

2.4.2. Passenger numbers have grown from 0.6m per annum in 1991 to 2.4m per annum in 2004 and a projected 2.7m per annum in 2005. Moreover, over the last two years a growth in passenger numbers of 55% has been experienced. Growth in passenger numbers is forecast to continue, with the DfT forecasting 6.7m passengers per annum by 2030. The recent growth experienced has been largely caused by the increased use of the Airport by low cost carriers, which is a general trend experienced by many regional airports across Europe.

2.4.3. Linked to the long term growth in passenger numbers, the airport has, until recently, enjoyed strong profitability. Table 2 below details the Airport's operating profit after tax from 2001/02 -2004/05.

**Table 2:LBIA operating profit after tax**

Year	2001/02	2002/03	2003/04	2004/05
Operating Profit £000's	1,657	943	1,793	692

2.4.4. As can be seen from the information above, pre-tax profits have remained variable since 2001/02, after the September 2001 terrorist attack and changes in duty free legislation.

2.4.5. Dividend payments made to the Council as a major shareholder are detailed in Table 3 below.

**Table 3:** Dividend payments made to Leeds City Council

Year	2001/02	2002/03	2003/04	2004/05
Dividend payment £000's	156	90	168	78

2.4.6. The increased volume of low cost carriers using the Airport has impacted on the nature of the Airport's operation and the mix of revenue streams which support the business. Low cost carriers inevitably seek to drive down landing fees as part of their business model. An analysis of Leeds Bradford International Airport's income per passenger illustrates that the Airport is beginning to feel the effect of this pressure. Income per passenger has fallen for the past three years from more than £8.00 per passenger in 2001, to less than £6.00 in 2004 and projections indicate that it could go as low as £4.00 per passenger by 2009.

2.4.7. As a consequence of the above, the Airport's future profitability is largely dependent on its ability to optimise its commercial (landside) revenue through secondary spend. Traditionally, the Airport has generated circa 32% of its turnover from commercial activities. However, as pressure on landing charges continues, for 2003/04 this ratio has increased to 39% of turnover. Some regional airports already rely on landside income of 50% or more of turnover.

## 2.5. Comparisons with other airports

2.5.1. The Civil Aviation Authority reported that in 2004 Leeds Bradford International Airport was ranked 15th in the UK in terms of passenger throughput, in contrast to the City being the fourth largest in the UK in terms of population. (See Appendix 1). In terms of passenger numbers, the closest comparables are Aberdeen with 2.6m passengers per annum and Prestwick with 2.1m passengers per annum.

2.5.2. With regard to Core City comparisons Leeds Bradford International Airport is significantly smaller in terms of passenger throughput per annum than, Manchester (21m), Birmingham (8.8m), Newcastle (4.7m), Bristol (4.6m) and East Midlands (4.4m).

2.5.3. Passenger growth is expected to be strong across all regional airports in the North of England. As detailed in Table 4 below.

**Table 4:** Passenger forecasts for regional airports in the North of England

Airport	Passenger Numbers (m) 2000	Passenger Forecast (m) 2015	Passenger Forecast (m) 2030
Teesside	0.7	2.0	3.0
Humbly Grove	0.4	0.8	1.6
LBIA	1.6	4.0	6.7
Liverpool	2.0	5.5	8.6
Newcastle	3.1	6.3	9.0
Finningley	0.0	7.0 <sup>1</sup>	-

<sup>1</sup> Finningley's own forecast

- 2.5.4. Strong growth in the volume of passengers in regional airports in the North of England is expected to be replicated across the whole of the UK as regional airports increase their share of the total market from 31% in 1991 to 42% by 2015, at the expense of hub airports.
- 2.5.5. Within the UK, Leeds Bradford International Airport is the only airport wholly in public ownership and also not part of a consortium.

## **2.6. The aviation market**

- 2.6.1. As a consequence of relaxations in the European airline market it has already been highlighted that there has been a significant growth in low cost carriers. Low cost carriers carried less than 1% of European passengers in 1991 as opposed to 24% by 2004. This growth is expected to increase to beyond 40% by 2010.
- 2.6.2. Within the low cost sector greater consolidation has occurred with Ryanair and Easy Jet now accounting for 85% of low cost air traffic. This has resulted in an increase in their bargaining power in the industry and a greater ability to drive down landing fees.
- 2.6.3. In terms of airports, Leeds Bradford International Airport is expected to continue to compete for passengers with Manchester. According to DfT figures there is significant leakage from the Yorkshire and Humber catchment with 75% of passengers using airports outside of the region.
- 2.6.4. In addition, the ownership of regional airports in the north of England has become more consolidated over time. Peel Holdings now own Liverpool, Teesside and Finningley. Also The Manchester Airport Company owns Humberside and East Midlands (along with Bournemouth), whilst Newcastle Airport is operated by Copenhagen Airport. As a consequence of this consolidation and in view of private investors seeking a return on their capital, the competition between airports is likely to increase.
- 2.6.5. This point is exemplified by Finningley Airport, who is understood to be offering attractive landing fees to develop their European route network.
- 2.6.6. From the Government's perspective, the recent White Paper on the future of Air Transport in the UK, has acknowledged the role of regional airports and their potential to grow. Specifically for Leeds Bradford International Airport, the White Paper has supported the continued growth in the airport to 7m passengers per annum by 2030 and highlighted the potential for terminal expansion and a possible runway extension. Such growth would appear to assume limited proactive intervention by airport companies and a willingness to accept a continuation of the current airport league table attached at Appendix 1. However, Peel Holdings have made clear their intentions to challenge the status quo through their ownership of Finningley.
- 2.6.7. In summary, it is apparent that, both in terms of carriers and airport operators, the industry is becoming increasingly dominated by larger players in the market, who are specialists in their sector and are investing capital for long term growth. In this context Leeds Bradford International Airport's future success will be dependent on its ability to maintain profitability and invest in its infrastructure in an increasingly competitive marketplace.

### **3. ISSUES**

3.1. Based on the background information presented it is evident that there are a number of issues to be addressed by the Airport Board and which are of significant concern to the Council as a major shareholder. In summary form, the main issues to highlight are as follows:

- The continued growth of low cost carriers and their bargaining power to drive down landing fees.
- The need for Leeds Bradford International Airport to increase its commercial revenue to offset any reduction in its landing fee income.
- The consolidation of regional airports in the marketplace and the possibility that Leeds Bradford International Airport may be exposed as a small player in the regional and national aviation markets.
- The need for the Airport to deliver sufficient capital investment to enable its commercial revenue to grow, to improve its passenger facilities and address runway maintenance issues over the medium term.
- The need for the airport to have access to the right expertise in capital and project planning and execution to deliver the infrastructure changes required.
- The need to improve surface access and thereby address one of the Airport's main operational weaknesses.
- The fact that Leeds Bradford International Airport is now one of a dwindling number of European airports operating as a sole player in the marketplace at a time when strategic investors are seeking long term opportunities in the airport sector.
- Perceived threat from Finningley, which is projecting 7-8 million passengers by 2015.

3.2. In addition to the above, the Council also has to consider the implications of the European Commission's ruling in 2004 on the charges made by Charleroi Airport to Ryanair. In effect, the European Commission ruled that state aid was being received by Ryanair from the Belgian Government, which has a majority stake in the Airport, in the form of discounted landing fees. This ruling may have long term implications for other regional airports which are in majority public ownership

3.3. In light of the issues identified above it is considered prudent at this time to examine the Council's aspirations for the airport, to assess the future of the Council's shareholding, and to explore the options available.

### **4. OPTIONS**

#### **4.1. Rationale for Council Involvement**

4.1.1. Before evaluating the options available, it is necessary to clarify the Council's current and future motivation for maintaining an interest in the Airport. In considering this point, it is postulated that there are two reasons for the Council's involvement.

- 4.1.2. Primary Objective - Firstly, the Airport has strategic importance to the economy of the city region and is closely linked to the Council's strategic outcome to make Leeds a highly competitive International City and to the objective of 'Going up a League'. Indeed, it is difficult to see how this strategic outcome could be fully achieved without Leeds Bradford International Airport continuing to grow, thrive and exceed DfT expectations.
- 4.1.3. It is, therefore, important to identify the options that could enable Leeds Bradford International Airport to play a full part in the economic regeneration of Leeds and the sub-region and to also enable the Council to continue to influence the ongoing development of the airport. In particular, which options provide the ability to deliver the required capital investment
- 4.1.4. Secondary Objective - The second area of the Council's interest is financial either in terms of the capital value of its shareholding, or in terms of dividend payments that support the annual revenue budget.
- 4.1.5. The initial assessment of the options is detailed in the confidential part of this agenda under Access to Information Rules

## **5. LINKS TO CORPORATE PRIORITIES**

- 5.1. The proposals outlined in this report support the City Council's strategic outcome, to make Leeds a highly competitive, international city, including our priorities to create a leading city in Europe which has an international reputation and to further develop the role of Leeds as the regional capital
6. See confidential section for points 7 to 11.

## **12. RECOMMENDATION**

- 12.1. Members of Executive Board are asked to approve the recommendations detailed in the confidential section of this agenda.

Background documents – Strategic advice on the Council's shareholding in Leeds Bradford International Airport by Price Waterhouse Coopers.

	<----- 2004 ----->		<----- 1999 ----->		Percentage Change (2004/1999)
	Terminal passengers (000)	Percentage of passengers at all UK airports	Terminal passengers (000)	Percentage of passengers at all UK airports	
HEATHROW	67 109	31.1	61 975	36.8	8.3
GATWICK	31 391	14.6	30 408	18.1	3.2
MANCHESTER	20 969	9.7	17 418	10.3	20.4
STANSTED	20 907	9.7	9 409	5.6	122.2
BIRMINGHAM	8 797	4.1	6 935	4.1	26.8
GLASGOW	8 557	4.0	6 755	4.0	26.7
EDINBURGH	7 992	3.7	5 084	3.0	57.2
LUTON	7 520	3.5	5 246	3.1	43.3
NEWCASTLE	4 708	2.2	2 930	1.7	60.7
BRISTOL	4 603	2.1	1 966	1.2	134.2
BELFAST INTERNATIONAL	4 403	2.0	3 012	1.8	46.2
NOTTINGHAM EAST MIDLANDS INT	4 375	2.0	2 217	1.3	97.4
LIVERPOOL	3 352	1.6	1 301	0.8	157.6
ABERDEEN	2 634	1.2	2 432	1.4	8.3
LEEDS BRADFORD	2 368	1.1	1 450	0.9	63.3
PRESTWICK	2 159	1.0	702	0.4	207.4
BELFAST CITY	2 091	1.0	1 282	0.8	63.1
CARDIFF WALES	1 873	0.9	1 297	0.8	44.4
LONDON CITY	1 675	0.8	1 384	0.8	21.0
SOUTHAMPTON	1 531	0.7	749	0.4	104.3
DURHAM TEES VALLEY	787	0.4	725	0.4	8.6
ISLE OF MAN	762	0.4	667	0.4	14.2
EXETER	614	0.3	288	0.2	113.6
HUMBERSIDE	531	0.2	413	0.2	28.6
INVERNESS	520	0.2	328	0.2	58.5
BOURNEMOUTH	493	0.2	273	0.2	80.5
COVENTRY	462	0.2	1	-	37063.7
NORWICH	444	0.2	341	0.2	30.0
BLACKPOOL	266	0.1	117	0.1	127.3
NEWQUAY	253	0.1	-	..	..
CITY OF DERRY (EGLINTON)	234	0.1	104	0.1	126.5
SCATSTA	229	0.1	93	0.1	145.9
ISLES OF SCILLY (ST.MARYS)	141	0.1	134	0.1	5.1
PENZANCE HELIPORT	129	0.1	127	0.1	1.5
STORNOWAY	111	0.1	88	0.1	25.5
SUMBURGH	108	0.1	251	0.1	-
PLYMOUTH	106	-	109	0.1	-
KIRKWALL	102	-	79	-	29.5
KENT INTERNATIONAL	101	-	-	..	..
DUNDEE	51	-	30	-	69.9
ISLES OF SCILLY (TRESKO)	43	-	36	-	19.6
BENBECULA	30	-	33	-	-
HAWARDEN	29	-	3	-	888.2
LANDS END (ST JUST)	26	-	-	..	..
ISLAY	21	-	20	-	8.9
SWANSEA	18	-	-	..	..
WICK	16	-	20	-	-
BARRA	9	-	7	-	23.9
CAMPBELTOWN	8	-	8	-	9.8
TIREE	6	-	5	-	14.3
SHOREHAM	4	-	2	-	131.2
LYDD	4	-	3	-	41.9
SOUTHEND	3	-	4	-	-
CAMBRIDGE	3	-	14	-	-
LERWICK (TINGWALL)	2	-	4	-	-
BIGGIN HILL	1	-	2	-	-
BARROW-IN-FURNESS	-	..	-	-	..
CARLISLE	-	..	-	-	..
GLOUCESTERSHIRE	-	..	2	-	..
METRO LONDON HELIPORT	-	..	5	-	..
SHEFFIELD CITY	-	..	75	-	..
UNST	-	..	2	-	..
All UK Airports Total	215 681	100.0	168 363	100.0	28.1

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**REPORT OF THE CHIEF CUSTOMER SERVICES OFFICER**

**REPORT TO EXECUTIVE BOARD**

**DATE: 16<sup>TH</sup> NOVEMBER 2005**

**SUBJECT: CUSTOMER STRATEGY 2005-08**

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<p><b>Electoral Wards Affected:</b></p> <p>All</p>	<p><b>Specific Implications For:</b></p> <p>Ethnic Minorities <input type="checkbox"/></p> <p>Women <input type="checkbox"/></p> <p>Disabled People <input type="checkbox"/></p>
--	--

Executive Function <input checked="" type="checkbox"/>	Eligible for Call In <input checked="" type="checkbox"/>
Council Function <input type="checkbox"/>	Not Eligible for Call In (details contained in report) <input type="checkbox"/>

**Summary**

The purpose of this report is to complement the Corporate Plan 2005-08 by setting out the Customer Strategy 2005-08. This report:

- Introduces the Customer Strategy as the strategic view of what is needed to transform services around the needs of our customers; and
- explains how this needs to operate across the Council with support and ownership at all levels.

The attached Strategy document is almost complete. Further formatting and insertion of appropriate graphics / photos will be made prior to finalising.

Executive Board is requested to review this draft strategy, which has been to Scrutiny Board (Transforming Services) and relevant officer groups, and which has been informed by detailed consultation with customers. Executive Board is asked to approve the strategy as a key corporate policy document, alongside other already published, such as the ICT Strategy, the People Strategy and the Communications Strategy.

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## **1.0 PURPOSE OF THIS REPORT**

- 1.1 The Customer Strategy draws on the vision and strategic direction of the Access to Services Best Value Review. 'Customer First' is used as a phrase to describe the work we have been doing to improve our customers' experience of the Council. The Council has also now adopted a value of 'Putting Customers First', and incorporated much of the direction of Customer First within its 'Transforming our services' theme of the Corporate Plan 2005-08. Recently, the Service Transformation Programme has been established; its first major task being to deliver the priority of a single corporate contact centre, which is providing a strong driver for change. The sub-brand 'Contact Leeds' has also been developed which will incorporate the Contact Centre (including e-mails) and One Stop Centres, to provide customers with an easy to access single, consistent contact point with the Council, regardless of how they choose to contact us.
- 1.2 The views of Customer First Board, Scrutiny and other colleagues have been sought and their comments incorporated in the Strategy. The Strategy is built up from detailed customer consultation carried out during the Access to Services Best Value Review, and since. This report seeks the support and approval of Executive Board to use this strategy across the Council to bring about improvements to services as we aim to put customers first.

## **2.0 BACKGROUND INFORMATION**

- 2.1 This is a new strategy for the period 2005-08; to date the Council has not worked to a formal customer strategy, but has been progressing the Access to Services Service Improvement Plan. The Customer Strategy has been written to support the Council's Corporate Plan. Like other supporting strategies, such as the People Strategy and the ICT Strategy, it will operate for the duration of the current Corporate Plan 2005-8.
- 2.2 The Corporate Plan emphasises that the Council will transform and modernise services around its customers' needs and priorities. In addition to our value of 'Putting Customers First', our Corporate Plan scorecard has a 'Customer/Stakeholder' quadrant. The Customer Strategy takes this approach a step further and sets out the vision for 2008 and develops the high-level action themes.

## **3.0 MAIN ISSUES**

- 3.1 The Strategy has been subject to an Equality Impact Assessment, and revised to ensure due consideration is given to providing services to all our customers and potential customers, taking account of the needs of the diverse communities of Leeds.
- 3.2 The Customer Strategy:
- supports our value of 'Putting Customers First';
  - explains how we will meet our objective of 'our customers receive excellent services which are efficient and effective and meet their needs'; and
  - complements the other high-level and cross-council strategies and plans.

3.3 The strategy details the key aims of organisational change and service transformation around the needs of our customers. The strategy:

- focuses on where we need to go, rather than on where we are now;
- details key targets, milestones and outcomes;
- develops improvement plans using five key themes, i.e. it is not just about ‘the channels’ that customers use, but covers:
  - i. Accessible one-stop services
  - ii. Responsive to customer needs
  - iii. Inclusive and customer-focused
  - iv. Efficient and effective processes and technology
  - v. Empowered and effective colleagues

3.4 To achieve the outcomes we want, it is important that the strategy is not a static document, but that it informs service plans and projects and is shared and communicated widely across the Council. As a start, it is important that the key messages contained in the Strategy are communicated and discussed with key stakeholders, following endorsement from Executive Board.

3.5 This strategy document is being brought to Executive Board at a time when the first services are moving into the new purpose-built contact centre at West Gate. The new contact centre will help us to bring to life much of what is in this strategy, making a real difference to our customers. Council services will become much more accessible through offering customers a much smaller range of silver numbers and a golden number. Trained customer service officers will handle a range of enquiries and will help customers get the services they request, and to which they are entitled.

3.6 We shall be providing regular updates on progress, and show how we are better meeting customer needs through the implementation of this strategy.

#### **4.0 RECOMMENDATIONS**

4.1 Executive Board is asked to approve the Customer Strategy as a key corporate policy document, and a sub-strategy of the Corporate Plan 2005-08.



**Leeds**  
CITY COUNCIL

## **Customer Strategy**

**2005 – 2008**

**Putting Customers First**



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## 1. Introduction

As a council we aim to put the customer at the heart of all we do in delivering excellent services. This contributes to the mission of the council, which is 'to bring the benefits of a prosperous, vibrant and attractive city to all the citizens of Leeds'. Putting customers first means treating people with respect and dignity, and in a way that offers choice, where possible, and supports the overall good of the wider community. It does not mean always saying 'yes' to requests for service, but it does mean being fair and transparent about decisions and actions.

We have four values: Looking after Leeds, Putting Customers First, Treating People Fairly and Valuing Colleagues. The implementation of this strategy responds to each of these values, and will particularly help bring the value of *putting customers first* to life and direct our focus on the needs of our customers. Everyone in the Council has a role to play to put our customers first and make sure that we are truly meeting their needs.

This Customer Strategy supports the council's Corporate Plan priorities and fits with other key work programmes in the Corporate Plan, particularly Transforming our Services; Implementing Electronic Government (IEG); ICT Strategy; Communications Strategy; People Strategy. It outlines how, by putting customers at the heart of what we do, we will enable the right services to be delivered to the right people in the right way, at the right time. It brings together in one document what we need to do to put our customers at the heart of everything we do, and to transform our services in order to do this effectively and efficiently.

The Customer Strategy is a living document which will provide the direction and focus for us all to work together to be seen by our customers as an excellent organisation, which is faster, friendlier and more flexible to our customers' needs and preferences. This Strategy builds on earlier work which has seen the development of a network of one stop centres, telephone hotlines, and numerous good practice examples from departmental initiatives.

We particularly hope that our customers will notice a difference over time as they come into contact with our staff who are willing and able to resolve their enquiries.

**Signed Councillor Harris**

**Dave Page**

Photo

Photo

## **2. Why a Customer Strategy?**

Leeds City Council's aim to deliver better services means we must put customers at the heart of all we do - consistently. The council has a track record in delivering services to meet the needs of customers, and had a council-wide Customer Services Strategy from 1999. We have been making improvements to the way we respond to customers, and in making our services more accessible. However, we are keen to do more to ensure that customers are consistently getting excellent service. This Customer Strategy has three purposes, namely to:

- establish the overall aims of the Council in placing the customer at the heart of all we do; with a focus on external customers;
- set out a specific direction for development of customer access channels, regardless of department or service; and
- provide a framework for customer service improvement, based upon clear and agreed principles.

The strategy sets out the background: why a Customer Strategy is needed, and what we mean by customer focus; it outlines the council's vision for customers, including some key outcomes; and finally it outlines the action plans for the five themes (accessible; responsive; inclusive and customer-focused; efficient processes and technology; and empowered colleagues) to help us achieve our vision. The Customer Strategy is supported by delivery plans for each of the key access channels: contact centre, face to face, and electronic/self service.

It is vital that the council continues to move from the traditional silo approach to a one council customer-focused approach (see Appendix A). This will make it easier for our customers to communicate with us, about both our services and, where appropriate, those of our partners. It will also mean that our customer service staff are empowered so they can deliver excellent customer service.

### **2.1 Who are our customers?**

All colleagues in the council have customers who may be internal or external, but ultimately all our services are delivered for the benefit of the people of Leeds. Whilst this strategy focuses on service delivery to our external customers, we must not lose sight of the fact that everything everyone does impacts on these services. By 'customer' we mean all those that benefit from the services we provide, and therefore, everyone in the chain that supports the final delivery of services, has customers. Our customers are those people and groups of people for whom we work to commission, contract, deliver, and enable services. They may be local citizens, or people coming in to the Leeds area to work or visit. They may be direct service users, employees of the Council, employees of other organisations, elected Members or partners.

The services we provide to our customers are wide-ranging, from advice to customers, to enforcement activity, as well as other direct services, e.g. home care and refuse collection. Some local authority services find it easier to identify their customers than others; for example, a paying visitor to a leisure centre can more

easily be seen as a customer, than perhaps the public, generally, benefiting from warden-controlled parking. However, all front-line services we provide, whether on a one to one basis, or to residents generally, should be in response to public need. We recognise that all local authority services are paid for, in some way, by residents. There may be limited, or in some cases, no choice of provider, but it is important that we identify our customers' needs in order for us to develop services accordingly.

Picture of service delivery to a customer – TO BE ADDED AT GRAPHICS STAGE

**2.2 Customer focus**

Putting customers first means adopting a customer focus and being customer dedicated. This means treating our customers in the way in which we would like to be treated ourselves. It extends to how we treat people generally, whether they are a colleague internally, someone on the receiving end of enforcement activity, or someone requesting a service. Whether or not our customers are easily identifiable, we must ensure that services are meeting the needs of those they are designed to benefit, particularly where our services need to reach the most vulnerable people in our diverse communities.

We are aware that there are groups which have not yet been reached and we will work hard to make sure that they, like everyone else, have access to our services. In particular we will focus on improving access for those with English as a second language, Black and Minority Ethnic (BME) communities, financially excluded individuals and disabled people. In order to understand our customers we need to know who they are, and a considerable amount of information is contained in the 2001 census, and also from on-going consultation and monitoring.

There is already some good evidence that we are involving our customers and taking their needs into account eg evidence available in the Equality Standard portfolios, and responding better to their needs. We can then begin making decisions about how we deliver services, for example by:

- focusing on the things that are most important to our customers;
- targeting services to those that need them most;
- improving business processes, and utilising technology where appropriate;
- empowering customer service staff to fully handle as many enquiries as possible; and
- contributing to harmonious communities.

All of us, as individuals and consumers in society, want and expect high quality service and for the transaction / purchase to be a positive experience. Standing in a queue, waiting for an 'expert' to conduct business with, is no longer part of the deal.

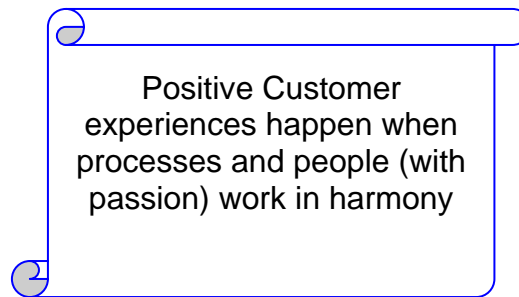
In 'our' business the same level of expectation applies. Our customers want high quality services. They are not so concerned about who delivers the services as long



as they are delivered; they want us to make it easier for them by owning their enquiries right through to a successful conclusion – even if the service is delivered by a different part of the council. They want council services to be:

- more accessible and more convenient than in the past;
- tailored to their needs – this means we listen to their needs and make more effort to find out what they want in the future; and
- easy to access from home or work and for us to use modern means to keep them informed of the services we provide.

If we can enable much of the community, who are willing and able, to self serve, it provides us with the opportunity to use the resources in a different way. For example, using more resources to reach the more vulnerable customers, or their intermediaries, and the groups not yet reached (the equivalent of ‘home delivery’).



### **3. Our priorities for customers**

#### **3.1 Corporate Priorities**

The ways in which services are delivered are critical from an efficiency and effectiveness perspective, and in helping deliver the Council's priorities. Our Corporate Plan 2005-08 sets out seven strategic outcomes. Within Leeds we want to make sure that:

- 1. all neighbourhoods are safe, clean, green and well maintained;**
- 2. all communities are thriving and harmonious places where people are happy to live;**
- 3. our children and young people are healthy, safe and successful;**
- 4. at each stage of life, people are able to live healthy, fulfilling lives;**
- 5. Leeds is a highly competitive, international city.**

In order to achieve these objectives we need to change the way we work. So within the Council we must make sure that :

- 6. our staff perform well and are constantly learning and there is effective leadership at all levels.**
- 7. our customers receive excellent services which are efficient and effective and meet their needs.**

Strategic outcomes (6) and (7) are particularly relevant to this Customer Strategy.

**People and culture - our staff perform well and are constantly learning and there is effective leadership at all levels.** We need to make increasingly more effective use of staff. At the moment we have a variable approach to customer contact, sometimes with highly specialised staff dealing with fairly basic and routine customer enquiries. We need to find a way of routing enquiries quickly and efficiently to someone that can best handle them. At the moment we are sometimes passing routine calls through to 'specialists', simply because the necessary systems and support are not in place to allow them to be handled by generically trained customer service specialists.

**Transforming our services - our customers receive excellent services which are efficient and effective and meet their needs** We need to improve our processes. A lot of services are delivered in the same way they have 'always been delivered'. Many services operate stand-alone, and so processes can tend to be built from the service perspective rather than from the customers' perspective.

With often limited management information, managers have been unable to identify the full impact of service actions, or inaction, on customer contact. The level of 'demand' can be significantly managed by the service through carefully planned communication, and through reducing service failure. Investment in customer relationship management (CRM) software (Contact Leeds CRM) allows a single view of the customer, but the full benefits of this software have not yet been realised. Contact histories enable customer service officers to quickly retrieve relevant

information, but the system is available for a limited range of services at the moment. We need to build on this and ensure cross council information is available for use in the future

Management information is limited in understanding who our customers are, but service reviews of some areas have suggested under-representation of certain community groups. We need to be more consistent in monitoring take-up of services across community groups, and using this information to address the reasons why.

### **3.2 Transforming our services around customers**

The city of Leeds and the Council have undergone significant changes over the last few years. We are aware of some of the challenges and opportunities we face, we can predict others and some are unknown. The only certainty is that things will not stay the same and that we need to continually improve in order to be fit for the future. The Corporate Plan 2005-08 sets out our priorities for customers in transforming our services so that our customers receive excellent services which are efficient and effective and meet their needs. We will:

- improve the whole customer-service experience from beginning to end;
- improve the efficiency and effectiveness of services;
- improve consultation and engagement in all aspects of delivering services;
- prioritise services to those who need them most, for example, those most at risk of social exclusion and disadvantage;
- promote and support new ways of working and make best use of technology to improve the quality and efficiency of services; and
- develop partnerships between ourselves and other organisations in the public, private and/or voluntary sectors, to improve the delivery of services.

The Customer Strategy underpins these priorities and identifies the service transformation needed to deliver them successfully. This Customer Strategy document is part of a suite of corporate documents for the period 2005-08. A table showing the full suite of documents and their purposes is at Appendix B. The strategy must inform service improvement plans, which in turn inform and influence team and individual plans.

## 4. Where are we now?

### 4.1 Context

The council has much to be proud of in terms of delivering services, and overall resident satisfaction levels are consistently well above average, and this is the case for most service areas. Customer focus and dedication is demonstrated in the achievement of the Government's external customer service standard, Charter Mark, held by some key front-line services, and being actively pursued by others. The Council's success in being recognised with Beacon Status for some of its front-line services: Libraries; Benefits; and Jobs and Skills, demonstrates our commitment to excellence in service delivery.

Our One Stop approach adopted in face-to-face contact, and increasingly in the Council's developing Contact Centre, is the result of customer-focused initiatives, and is held up nationally as good practice. There is much to build on, but we recognise that there is a lot more to do to truly adopt a customer-focus consistently across the Council. Being truly customer focused means much more than providing just a pleasant 'front-end': what matters is the whole customer experience from beginning to end.

#### ***Contact Centre Development***

To help deliver our strategic outcomes, a significant early development of the Transforming our Services work programme is the development of a corporate contact centre to cover 90% of all contact with the Council that is by either telephone or electronic channels. By making it easier for customers to contact us, we aim to improve customer satisfaction as we identify weaknesses in processes, and use performance information to drive service improvement.

#### ***Contact Leeds Brand***

Another visible signal of the change programme we are undertaking will be the adoption of a sub-brand, **Contact Leeds**, to sit alongside the Council's logo. **Contact Leeds** helps identify the route in to the Council through the new developments that are taking place – for both customers and colleagues within the Council. The sub-brand also allows us to clearly distinguish and measure the improvements that are made as a result of the initiatives that are to be introduced. **Contact Leeds** will be used for the Contact Centre (telephone, SMS texting, e-mail) and the Council's fifteen One Stop Centres.

### 4.2 What Customers have told us

In 2003, our comprehensive Best Value review of Access to Services identified issues about the council's customer focus. There has been considerable work in this area and this Strategy formalises our response and approach to these. As part of the Best Value review there was detailed consultation with residents, and the information gained from them is shown in the table below, along with progress which has been made (see table):

<p align="center"><b>Best Value Review 2003</b></p> <p align="center"><b>Residents told us that....</b></p>	<p align="center"><b>Progress at July 2005</b></p>
<p>There are low levels of awareness of Council services.</p>	<p>The Civic newspaper has been reviewed, and is produced quarterly and delivered to all households in Leeds. It includes information about all our services so that people are better informed. It works in conjunction with other particular campaigns, e.g. the Council's approach to Waste; Area Management. One Stop Centres hold a wide variety of information about our services, and we are looking at ways to extend services through libraries and the free internet access they provide. In addition, more information is being added to the internet in line with national priorities and implementing electronic government principles.</p>
<p>We need to make it easier for people to contact us.</p>	<p>Services are reviewing their opening hours and this has resulted in some changes eg benefits, and registrars are now open longer hours, and at times/places more convenient for customers. We will continue to review these. Along with extending 24-hour access over the internet and other self-service means, we are also considering extending the opening hours of the contact centre.</p>
<p>Telephone is, and is likely to remain for some time, the preferred method of contact.</p> <p>People experience difficulties getting in touch by telephone: first finding what number to call; second, getting the call answered; third, in being passed from pillar to post.</p>	<p>We are developing a single contact centre approach with a golden, and silver numbers, with a view to completing work as close to the customer as possible. We are setting up a referrals team to deal quickly with cases that could potentially drag on.</p> <p>Customer service officers are able to resolve a number of queries at first point and where necessary will direct customers appropriately for further information/advice. We are building on this and, as more services join the contact centre, services are being transformed, and new technology is being used, then the number of enquiries resolved at first contact will increase.</p> <p>Our answer rates across the council have improved significantly. Back in 2002 the average call answer rate across the Council was 26%, whereas the average last year was 60%, with answer rates of 90%+ on some of our main public lines.</p>
<p>Almost a third of people (31%) were not happy with the way their contact was handled</p>	<p>Satisfaction levels are improving (currently 23% of residents are not satisfied with council services), and this is continually being monitored. In our last annual survey 77% of customers were satisfied with Council services overall, the second highest score amongst local authorities in the country.</p> <p>Action is taken to ensure that specific issues are resolved as quickly as possible. There is a high level of commitment to improve customers' experiences and the appropriate management team receives an overview of all compliments and complaints on a regular basis.</p>
<p>The internet is not a popular method of contact, but simplifying the number of e-mail contacts might help encourage use.</p>	<p>As part of IEG we are simplifying the methods of contact via the internet, and we are providing more information this way. We have a one stop email address which will have a 24 hour response time by December 2005. We have also provided e-forms to improve our ability to deal with contact through the corporate compliments and complaints process. We are also developing further self service methods using the internet.</p>

When it is not easy to contact us, it is often those who are already the most vulnerable and disadvantaged that lose out. We must improve access to all council services and target those that are most in need of the services we provide. In doing this we shall be helping to meet the council mission and 'bring the benefits of a prosperous, vibrant and attractive city to all the people of Leeds'.

The aim of the Customer Strategy and the associated work activities is to transform services around customer priorities, preferences, habits and choices. In particular, we will increasingly use a 'One Council' approach to managing customer contact and responding to service requests, thereby removing the complexity for the customer.

In transforming our services we will be meeting both the needs of our customers and go some way to meet the needs of the Gershon review. Our customers will benefit from more choice of accessing services (including self service), at times which are more suitable to themselves. Business Process Re-engineering is being used to do this work thoroughly, and thereby modernise our services and improve efficiency.

In developing these access channels and processes the council will benefit from reduced costs and increased efficiency. This will free up resources to be redirected to not-yet-reached groups. As can be seen, work has already taken place and we need to build on this in order to achieve further benefits for the people of Leeds



## 5. Where do we want to be?

Picture of service delivery to a customer – TO BE ADDED AT GRAPHICS STAGE

Putting customers first extends to cover all areas of council operations, and the task of adopting a council-wide focus on customers is all-encompassing. However, to keep the Customer Strategy manageable, it focuses on key themes, while making links with other key strategies and programmes. Our aims have been developed through wide-spread consultation, and from this five key themes have been established which will enable us to put the customer at the heart of what we do.

These themes are outlined on the following page.

These themes are inter-dependent and will work together to ensure that we deliver our priorities. The action plans on the following pages outline the key aims, priorities, activities (work programmes), success factors, key standards, impact and links for each of the themes. These plans are intended to be helpful for those who need the detail to inform service, team and individual plans and objectives.

Appendix D outlines the customer care standards (to be launched January 2006) which customers can expect and against which our performance should be measured across the Council. These standards relate to customer care and are therefore applicable to whichever service is being used. These should be supplemented by service standards which are more about service delivery performance and are therefore service-specific. As services are migrated to the Contact Centre they will need to agree these if they are not already in place. They should be clear, measurable and relevant to the customer.

**How will we know when we get there?** It is vital that there are clear targets and indicators against which we can measure our improvement. There are a number of relevant BVPIs and local indicators currently in place and these will, in the first instance show our performance and be our success criteria. In line with corporate developments around the Balanced Scorecard, further measures around the 'customer/stakeholder' perspective will be further developed. These measures will feed into departments and service areas through Corporate Management Team (CMT), Corporate Priority Boards, and Director appraisals. They will be cascaded to teams and individuals through service planning and individual appraisals.

The end of 2005 has seen the implementation of an annual residents survey which will provide measures of customer satisfaction. In order to ensure that performance information is acted upon in a timely manner it will be reported to the appropriate board or management team for discussion, decision and action. We will also be monitoring complaints to the council to help us measure improvements and identify areas that need to be improved.



Theme	We will....	Customers will....	Progress to March 2008 will be measured against the following targets....
<b>Accessible one stop services</b>	<ul style="list-style-type: none"> <li>improve access for everyone through a choice of one-stop access channels</li> <li>promote electronic and self-service channels</li> <li>ensure buildings are conveniently located</li> <li>review and extend opening times, as appropriate</li> </ul>	<ul style="list-style-type: none"> <li>be able to contact the relevant services via a channel which suits their needs</li> <li>be confident of getting to the right person, quickly, who will be able to satisfy their particular queries</li> <li>contact the Council at times convenient to them.</li> </ul>	<ul style="list-style-type: none"> <li>Provide access to all principal council services outside normal 9-5 working hours</li> </ul>
<b>Responsive to customer needs</b>	<ul style="list-style-type: none"> <li>understand our customers' needs across the council</li> <li>design services to reflect those needs</li> <li>join up services (including with partners) to better respond to customer needs</li> <li>utilise customer information and feedback to continually improve processes and minimise service failure.</li> </ul>	<ul style="list-style-type: none"> <li>let us know how services can be improved</li> <li>be satisfied with all services and feel involved in service improvement</li> <li>be able to access a range of services through generically trained staff</li> </ul>	<ul style="list-style-type: none"> <li>Ensure 80% of enquiries to the council are resolved at the first point of contact</li> <li>Increase to 90% the proportion of public telephone calls to the council that are handled by the corporate Contact Centre</li> </ul>
<b>Inclusive and customer-focused</b>	<ul style="list-style-type: none"> <li>combat exclusion so that those that need services most are able to get them</li> <li>recognise and respond to the needs of our diverse customers</li> <li>involve all our diverse communities in evaluating services and helping design services around their needs – not ours</li> <li>consistently deliver services to high standards which are publicised to customers.</li> </ul>	<ul style="list-style-type: none"> <li>find it easy to access relevant services regardless of race, language or other perceived barriers to access</li> <li>feel services take account of their particular needs</li> <li>know the standards of service they can expect and agree we achieve them</li> </ul>	<ul style="list-style-type: none"> <li>Increase to 92% the answer rate of public telephone calls answered by the contact centre</li> <li>Increase from 53% to 60% the percentage of residents satisfied that they 'have a say in what the council does'</li> <li>Maintain 77% overall resident satisfaction with the Council</li> </ul>
<b>Efficient and effective processes and technology</b>	<ul style="list-style-type: none"> <li>radically improve services through a comprehensive programme of Business Process Reengineering (BPR)</li> <li>encourage self-service for those that are able to use these cheaper methods of contact</li> <li>develop supporting technology to deliver "joined up" e-government services</li> <li>get a single view of the customer, through an effective approach to customer relationship management</li> </ul>	<ul style="list-style-type: none"> <li>use more convenient self-service methods and want to continue using them</li> <li>get improved end to end services - faster</li> <li>receive a holistic service from staff who have their recent transaction history to hand and can identify relevant services</li> </ul>	<ul style="list-style-type: none"> <li>Increase to 60% the proportion of those making complaints that are satisfied with the way we handle complaints</li> <li>Establish a baseline of overall satisfaction with the Council from BME residents specifically, and set targets for improvement</li> </ul>
<b>Empowered and effective colleagues</b>	<ul style="list-style-type: none"> <li>encourage a customer-focused culture across the Council</li> <li>ensure effective recruitment and retention of a professional customer service workforce</li> <li>give front office the authority to own customer issues through to getting solutions</li> </ul>	<ul style="list-style-type: none"> <li>feel staff are helpful and the advice given accurate</li> <li>rate staff highly and have confidence in them</li> <li>feel their problems are owned by staff and problems resolved quickly</li> <li>not be 'passed from pillar to post'</li> </ul>	<ul style="list-style-type: none"> <li>Increase the volume of total transactions through customer self-service by 25%</li> </ul>

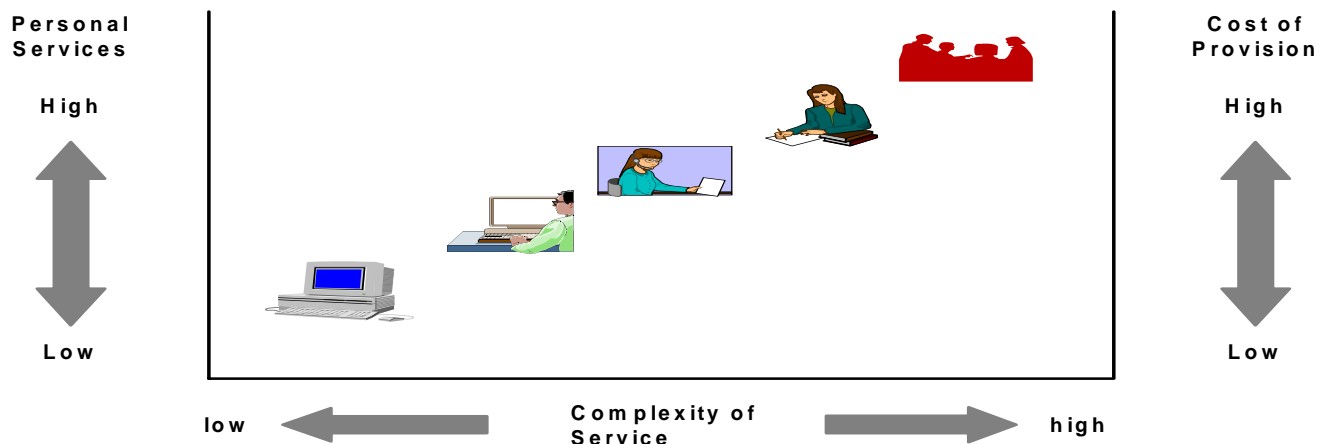
## 6. Implementing the Strategy around the Themes

### 6.1 Theme 1 - Accessible One Stop Services

The ways in which customers are able to contact us will have a huge bearing on the overall quality of the service we provide. It is crucial that customers are able to access services conveniently and efficiently, and it is these two drivers which justify a one stop approach being adopted across all access channels. Under the 'One Council' approach, customers will receive a more tailored service through contact being focused around customer needs rather than by service specialism.

The choice of access channel will depend on the type of transaction, i.e. level of complexity, and also on the level of personal service required (see below). The level of personal service depends to some extent on the customer. We have found that those most needing personal service are often the most disadvantaged in the community.

#### Delivery Methods - Analysis of Options



The levels of use and cost vary considerably between contact channels, and research consistently shows the financial benefit of encouraging the use of the telephone and electronic channels. Self-service, or automated contact is by far the cheapest method of transaction. The Council is committed to implementing electronic government and achieving BVPI 157. Both of these areas report into the Customer First Board. As well as being a statutory requirement we view these as positive ways forward in their own rights to ensure that customers are treated appropriately

Based on experience at other authorities, it is likely that overall demand for services will **initially increase** as we:

- become better at delivering services, and consistently meet expectations
- target services more effectively to disadvantaged groups.

Over time, however, we expect a **decrease** in the number of repeat and follow-up calls and visits, and other calls and visits currently generated by our failure to consistently deliver excellent services. Assuming the overall level of contact initially increases, and then levels out, we shall expect to see the mix of channel usage where the trend in demand will be toward electronic access, while other channels will eventually fall.

<b>Key Corporate Plan Priority</b>	<b><i>Improve the whole customer-service experience from beginning to end</i></b>
<b>Customer Strategy Aims</b>	<ol style="list-style-type: none"> <li>1. Widen the choice of access channels for customers, and improve performance, focusing on telephone contact as the most popular contact method</li> <li>2. Promote customer self-service and cheaper channels through effective communication and by making them easier to use, to deliver significant efficiency and quality improvements</li> <li>3. Achieve requirements of BVPI 157 and the national priorities under implementing electronic government</li> </ol>
<b>Activities (Programmes of work)</b>	<ul style="list-style-type: none"> <li>• Contact centre development – develop a corporately funded and managed contact centre to cover all high volume telephone and email contact and allow flexibility of contact handling; develop and launch the Council's 'golden' and 'silver' telephone numbers.</li> <li>• Face-to-face development – extend the range of services available through the network of one stop face-to-face centres; open three new strategically located joint service centres in partnership with the healthcare trusts; evaluate and extend, if appropriate, public access points in areas most needed; close public receptions which do not meet needs; assess potential for better use of home visiting where needed and appropriate.</li> <li>• Promotion of Contact Leeds sub-brand and identity to get a clear and consistent message to customers and staff about the routes into the Council, making it easier to get to the right person. Review and revise (as appropriate) opening times for all channels according to need, within affordable solutions.</li> <li>• Achievement of IEG priorities - Electronic interaction development to extend the transactional capability of the Council's website; make other electronic channel methods available (e.g. Text SMS, Digital TV, kiosks, mobile working, smartcards).</li> <li>• Channel migration development – set targets for channel take-up; promote and market self-service and cheaper channels, target disadvantaged/excluded groups for channel take-up.</li> </ul>
<b>How we measure success</b>	<ul style="list-style-type: none"> <li>• Provide access to all principal council services outside normal 9-5 working hours</li> <li>• Ensure 80% of enquiries to the council are resolved at the first point of contact</li> <li>• Increase to 90% the proportion of public telephone calls to the council that are handled by the corporate contact centre</li> <li>• Increase by 25% the volume of enquiries through self service</li> <li>• Increase to 92% the answer rate for public telephone calls answered by the Contact Centre</li> </ul>
<b>Impact</b>	<p>Customers will:</p> <ul style="list-style-type: none"> <li>• find it easy to get through to the right person</li> <li>• be able to call us in the evening and at weekends</li> <li>• always get a timely response</li> <li>• be aware of the services to which they are entitled</li> </ul> <p>Partners will:</p> <ul style="list-style-type: none"> <li>• find it easy to understand who they need to work with within the council to enable better services to the people of Leeds</li> <li>• be encouraged to participate in the delivery of joint services</li> </ul>
<b>Links</b>	<ul style="list-style-type: none"> <li>• Contact Centre Strategy</li> <li>• CRM Strategy</li> <li>• ICT Technical Blueprint</li> <li>• Implementing Electronic Government (IEG) Strategy and statements</li> <li>• Face-to-face Strategy</li> <li>• Asset Management Plan</li> <li>• Equality Standard and/or Equality and Diversity Scheme</li> </ul>

## 6.2 Theme 2 – Responsive to Customer Needs

The Council was an early adopter of both a one-stop approach and CRM technology. However, the customer orientation and responsiveness is uneven across the Council. We need to develop a 'One council' approach which is strongly customer-focused and continues to reduce unnecessary bureaucracy and departmental silos.

Our Customer survey reports relatively high levels (compared with other local authorities) of overall satisfaction from Leeds citizens, however, national research suggests that many customers either are dissatisfied or have low expectations of local authority services.

Responsiveness to customers is a two-way process: as we make available more information to customers to allow them to make choices and decisions about our services, and they provide us with feedback on how we can further improve the customer end-to-end experience.

A council wide approach is being developed to ascertaining feedback from customers. This approach will take into account the need to ensure that customers are clear about how the information will be used and also what has changed as a result of it.

PICTURE OR DIAGRAM TO BE INSERTED HERE

<b>Key Corporate Plan Priority</b>	<b><i>Improve consultation and engagement in all aspects of delivering services</i></b>
<b>Customer Strategy Aims</b>	<ol style="list-style-type: none"> <li>1. Use customer insight and intelligence captured by CRM and accompanying systems to make customer contact and service delivery more responsive to customer priorities, preferences and needs.</li> <li>2. Let customers know what standards of service they should expect and encourage them to comment and make suggestions.</li> </ol>
<b>Activities (Programmes of work)</b>	<ul style="list-style-type: none"> <li>• Use management information to support continuous improvement – define, identify owners/reports, integrated feedback systems for service managers.</li> <li>• Build capacity in the Contact Centre to provide a referrals team to own ‘difficult’ problems through to resolution for the customer</li> <li>• Develop a corporate model for customer satisfaction measurement.</li> <li>• Develop a corporate model for reporting customer activity to predict future service demand.</li> <li>• Develop a methodology for understanding cost and value, e.g. failure work.</li> </ul>
<b>How we measure success</b>	<ul style="list-style-type: none"> <li>• 92% of customers agreeing that they got all the information and advice they needed</li> <li>• Increase to 83% of customers that they were seen within 15 minutes at one stop centres</li> <li>• 92% of customers agreeing that they received a ‘good’ or ‘excellent’ service</li> <li>• % of those making complaints satisfied with the handling of those complaints</li> <li>• £6.1m of welfare rights benefits gains</li> </ul>
<b>Impact</b>	<p>Customers will:</p> <ul style="list-style-type: none"> <li>• be promised service standards which are met consistently</li> <li>• feel confident that their queries will be dealt with satisfactorily</li> <li>• get excellent services.</li> </ul>
<b>Links</b>	<ul style="list-style-type: none"> <li>• Contact Centre Strategy</li> <li>• Face-to-face Strategy</li> <li>• Libraries and Information</li> <li>• Citizen’s Panel</li> <li>• Service Transformation Programme</li> </ul>

### 6.3 Theme 3 - Inclusive and Customer Focused

We have taken a number of steps to ensure we reach the most vulnerable sections of the community. There are examples of good, and even best practice in some service areas, but this is not consistent across the whole Council. We know through our Best Value reviews and in our Comprehensive Performance Assessments that we are not consistently reaching some sections of our community. Monitoring of the uptake of services by different community groups and other equality strands eg disabled, age, gender etc. continues to present a challenge, making it difficult to see how well we are responding to the needs of our diverse communities.

It is vital that we take more action to remedy this, especially against the background of narrowing the gap. A key partner in this area is the Equality Team and all Services are working closely with them to establish effective mechanisms for monitoring our users and satisfaction rates between different groups. We will actively use customer feedback to improve our services in a way that meets their needs.

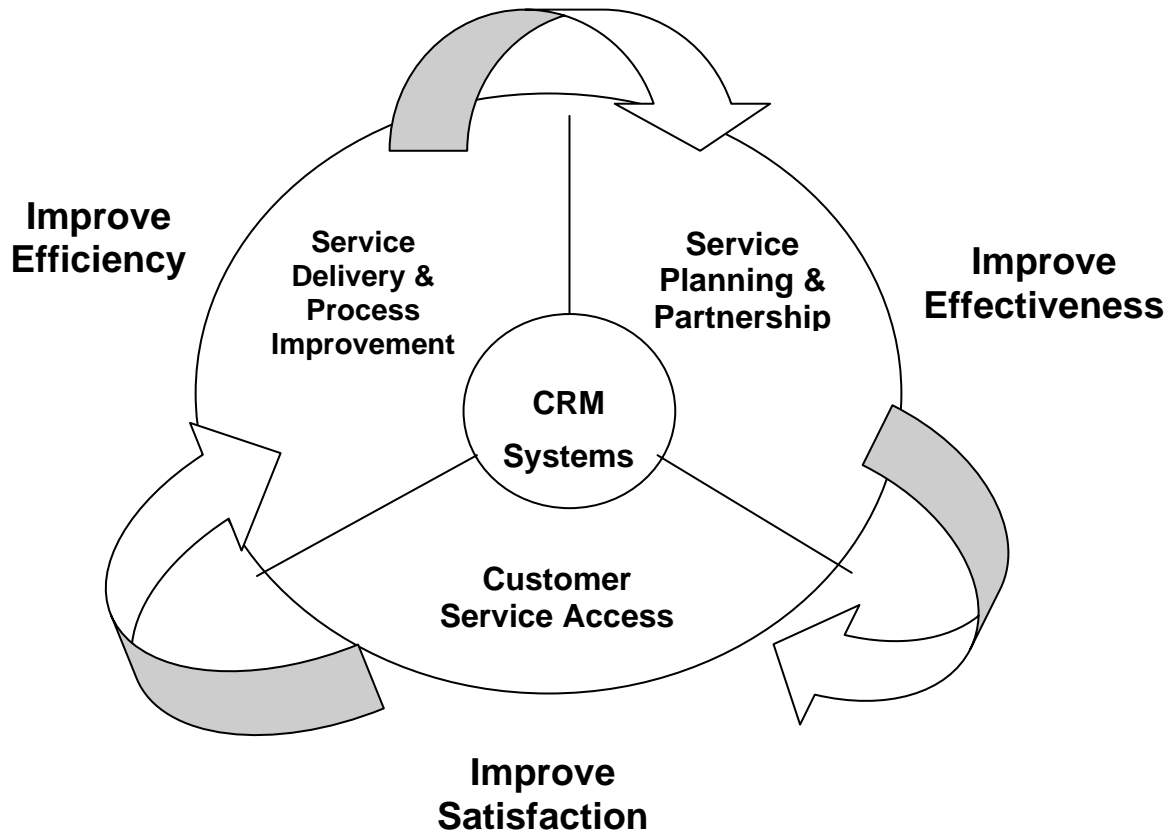
Our Customer Relationship Management system (Contact Leeds) also provides an opportunity to gather further evidence and information about our services and this will be used proactively.

PICTURE OR DIAGRAM TO BE INSERTED HERE

<b>Key Corporate Plan Priority</b>	<b><i>Prioritise services to those who need them most, for example, those most at risk of social exclusion and disadvantage</i></b>
<b>Customer Strategy Aims</b>	<ol style="list-style-type: none"> <li>1. Make it easier for all our diverse communities to contact us by ensuring we provide appropriate information and adequate access for not yet reached customers.</li> <li>2. Understand the current and future needs of customers and customer groups and identify ways of meeting these needs.</li> <li>3. Use customer profiling to ensure services respond to the needs of our diverse communities</li> </ol>
<b>Activities (Programmes of work)</b>	<ul style="list-style-type: none"> <li>• Accessibility and service standards – achieve and promote a consistently effective use of minicom/text phone services for all public lines.</li> <li>• Provide interpretation and translation on request for all services accessed via all channels.</li> <li>• Actively pursue Chartermark accreditation for all high volume public services, beginning initially with Contact Leeds. Develop awareness amongst staff of the needs of our diverse range of customers.</li> <li>• Review financial barriers to services with a view to their removal where they promote inequalities or conflict with the Council's aim of narrowing the gap.</li> <li>• Determine and agree a Council-wide approach to satisfaction measures, consultation and engagement which identifies and involves the following community groups: <ul style="list-style-type: none"> <li>▪ People with a disability</li> <li>▪ People with low literacy levels</li> <li>▪ People whose first language is not English</li> <li>▪ Young adults</li> </ul> </li> </ul>
<b>How we measure success</b>	<ul style="list-style-type: none"> <li>• Increased take-up of services by those sections of the community currently under-represented</li> <li>• Improved customer satisfaction rates among identified key customer groups, as identified in the Equality and Diversity Strategy 2006.</li> <li>• Increased attendance at focus group meetings, by all identified community groups.</li> <li>• Increase satisfaction of corporate consultation groups eg Race Equality Advisory Forum, Access Advisory Group, Women Speak Out</li> </ul>
<b>Impact</b>	<ul style="list-style-type: none"> <li>• Combating exclusion strategy contributes to corporate priority of closing the gap.</li> <li>• Improved input into service provision decisions from identified key customer groups will improve accountability of services.</li> <li>• Meet previously unmet or latent demand.</li> </ul>
<b>Links</b>	<ul style="list-style-type: none"> <li>• CRM Blueprint</li> <li>• ICT Technical Blueprint</li> <li>• Implementing Electronic Government (IEG) Strategy and statements</li> <li>• Face-to-face Strategy</li> <li>• Equality Strategy and action plans</li> <li>• CPA Action Plans</li> <li>• Race Equality Scheme (to be replaced with Equality and Diversity Strategy 2006)</li> </ul>

## 6.4 Theme 4 Efficient and Effective Processes and Technology

We need to improve and redesign our business processes to enable us to deliver customer-focused continuous improvement. Technology is a key enabler to implementing this Customer Strategy, and investment in new technology such as Siebel CRM should help the Council to get a far better view of its customers and respond better to their needs. The picture below illustrates how the cycle of customer information can be used for process improvement planning.



**Diagram : CRM Public Sector Model**

Our CRM systems enable the Council to analyse the nature of customer enquiries and tailor the services we offer accordingly. We will complement the use of technology by developing strong relationships and reporting mechanisms across our services. Emerging technology will have a direct and immediate impact on our ability to move forward IEG. As we are able to exploit new technology we will do so in line with the IT strategy, and will work closely with IT colleagues.

For improvements to take place, the service planning framework of the Council must play a key role in this virtuous cycle. As customer needs are identified they must then be put into service improvement plans, with the necessary resources identified and attached.

The Council has agreed a technical architecture which very much includes the CRM system. Reference to the ICT Blueprint will enable the reader to gain a better appreciation of how these fit together.



<b>Key Corporate Plan Priorities</b>	<p><b><i>Improve the efficiency and effectiveness of services</i></b></p> <p><b><i>Promote and support new ways of working and make best use of technology to improve the quality and efficiency of services</i></b></p>
<b>Priorities</b>	<ol style="list-style-type: none"> <li>1. Review all processes and undertake Business Process Re-engineering (BPR), as appropriate, to make services more customer-oriented and efficient</li> <li>2. Develop a holistic view of the customer through a consistent customer relationship management (CRM) system for handling customer contact and use of workflow tools to manage enquiries and requests for service.</li> <li>3. Enable the use of electronic self-service by providing easy to use facilities which are available to our diverse communities</li> </ol>
<b>Activities (Programmes of work)</b>	<ul style="list-style-type: none"> <li>• Extensive Business Process Re-engineering and re-design – mapping exercises to understand processes, involve staff and customers, identify customers.</li> <li>• Contact Centre development – Strengthen the Operational Support function to optimise the use of people, processes, and technology in responding to customer needs.</li> <li>• CRM development – extend corporate CRM model and capability to cover all high volume telephone and email contact and interact with back-office systems.</li> <li>• Implementing electronic government work programme</li> <li>• Support self-service by delivering against the Government's electronic government agenda, as appropriate.</li> </ul>
<b>How we measure success</b>	<ul style="list-style-type: none"> <li>• IEG targets for electronic service delivery met. (BVPI 157 and National Priority Outcomes)</li> <li>• Increase by 25% in number of enquiries delivered through self service means</li> <li>• Correspondence monitoring system in place and targets met</li> </ul>
<b>Impact</b>	<ul style="list-style-type: none"> <li>• 'One Council' approach to all high volume contact ensures consistently high standards of customer service, irrespective of service provision department.</li> <li>• Improved business insight and intelligence allows resources to be matched to demand, leading to better management of 'peaks and troughs'.</li> <li>• Proactive in recognising where changes to procedure/processes are needed</li> </ul>
<b>Links</b>	<ul style="list-style-type: none"> <li>• Contact Centre Strategy</li> <li>• CRM Blueprint</li> <li>• ICT Technical Blueprint</li> <li>• IEG Strategy and statements</li> </ul>

## **6.5 Theme 5 - Empowered and Effective Colleagues**

We have a committed and skilled workforce who are regularly praised by customers for the work they do. Staff are well-informed and customers have said that when they contact us “staff are helpful and polite”. However, many staff currently work within department and service silos, with the exception of staff in one stop centres and the corporate contact centre. The result is that customers can get passed “from pillar to post”. It also means that sometimes ‘specialist’ staff end up dealing with quite straightforward enquiries which could be more appropriately dealt with by generically trained staff.

Customers would like queries ‘owned’ by staff rather than being passed on around the system. Staff themselves would like to ‘own’ customer queries, but often do not have the right information, or tools to do this.

The concept of ‘internal customer’ needs to be more widely accepted in relation to the connection of the front- and back-office. Staff at the front-office can be used to ‘shield’ the back-office staff from the customer. Poor links have led to unfulfilled promises, unrealistic expectations and lack of feedback from customers.

Our plans are to build the skills, capacity and attitude to put customers first Council-wide. We will work in partnership with Learning and Development Unit and the Equality Team to achieve this.

The achievement of much that is included within this theme will be through the success of the People Strategy. This document needs to be understood to see how the two strategies fit together.

<b>Key Corporate Plan Priority</b>	<b><i>Develop partnerships between ourselves and other organisations in the public, private and/or voluntary sectors, to improve the delivery of services</i></b>
<b>Customer Strategy Aims</b>	<ol style="list-style-type: none"> <li>1. Support the embedding of a customer-focused and customer dedicated culture across the Council.</li> <li>2. Establish a professional customer service workforce that champions the current and future needs of customers.</li> <li>3. Put in place awareness, skills and formal relationships in front and back offices which reduce failure demand and ensure consistency of service from end to end.</li> <li>4. Effective and timely recruitment</li> </ol>
<b>Activities (Programmes of work)</b>	<ul style="list-style-type: none"> <li>• Development of generic customer first training.</li> <li>• Customer awareness development to help ensure staff respond to the customers' individual needs, as appropriate.</li> <li>• Introduction of workforce planning processes across all customer service functions to align job design, pay and reward, recruitment, training and career progression.</li> <li>• Introduction of formal and informal communication mechanisms between front and back offices.</li> <li>• Links into Leadership and Management Development programmes.</li> </ul>
<b>How we measure success</b>	<ul style="list-style-type: none"> <li>• Improved overall customer satisfaction rates and fewer complaints.</li> <li>• Efficiency and effectiveness improvements are generated as failure work is reduced. Methodology to be agreed</li> <li>• Common and consistent appraisal and development mechanism is implemented which picks up on customer service</li> </ul>
<b>Impact</b>	<ul style="list-style-type: none"> <li>• Colleagues will: <ul style="list-style-type: none"> <li>feel supported and empowered to deliver excellent service</li> <li>be proud to work for Leeds City Council</li> <li>communicate openly across service provision departments</li> <li>take ownership of customer problems</li> </ul> </li> <li>• Improved customer focus and responsiveness across the Council.</li> <li>• Improved end to end productivity and efficiency.</li> <li>• Improved attendance and job satisfaction as staff feel valued.</li> </ul>
<b>Links</b>	<ul style="list-style-type: none"> <li>• Contact Centre Strategy</li> <li>• ICT Technical Blueprint</li> <li>• Customer Satisfaction</li> <li>• Face-to-face Strategy</li> <li>• People Strategy/Workforce Development plan</li> <li>• Investor in People assessment</li> <li>• Staff satisfaction survey</li> </ul>

## **7. Responsibility for the Customer Strategy**

The key to delivering excellent customer service lies in transforming the way we deliver these services. We will review the systems, processes and structures we use, and, where appropriate change these so that we are able to deliver effective, efficient services which are accessible to, and meet the needs of, all our diverse customers. We will provide simple, effective processes for all our customers.

The responsibility for delivering the actions identified in the Customer Strategy, therefore, lies with all colleagues in the council, and the council will not meet its aims unless everyone understands and supports our priorities. Everyone in the Council has a responsibility to work positively to put customers first, and to enable and support the necessary service transformations to take place. Each director is personally accountable for the delivery of their services, and this performance will be discussed during accountability meetings and appraisals.

Delivery of the Customer Strategy will be monitored through the appropriate corporate management board, with Corporate Plan priorities driven by the council's Corporate Management Team. The council's Corporate Management Team will engage and support members, directors and senior managers in understanding and achieving our priorities.

From the Customer Strategy flows a work programme, some of which will be picked up in individual service and budget plans, and other aspects through the Service Transformation Programme. The work from this will encompass colleagues from across the Council, including Education Leeds and the ALMOs, all working together to achieve the same ends – high customer satisfaction and value for money. Clearly there are significant resource implications, and these will be considered and planned for as part of the work programme itself.

In delivering the Service Transformation Programme, each service, and the links between them, will be considered and analysed to fully understand the processes involved. These processes will be redesigned, where appropriate, involving the staff and customers who use them to ensure that services are more inclusive and simple. The impact will be measured using the key performance information in Section 8.



## 8. Key Performance Information

A key priority for the Council is to ensure that customers receive excellent services which are efficient and effective and meet their needs. As shown within the theme sections all customer services aims are directly related to the council priorities, as shown in the table below.

### Council Plan – Council Priority Indicators

Indicator	Title	2005 Baseline	2005/06 Target	2006/07 Target	2007/08 Target
CP-AS50	Provide access to all principal council services outside normal 9-5 working hours	n/a	Establish baseline	100%	100%
CP-AS51	Answer more than 90% of public telephone calls to the council	66%	80%	90%	92%
CP-AS52	Ensure 80% of enquiries to the council (in person or by telephone) are resolved at the first point of contact	n/a	70%	75%	80%
CP-AS53	Increase to 90% the proportion of public telephone calls to the council that are handled by a corporate contact centre	40%	60%	75%	90%
CP-AS54	Increase the volume of total transactions delivered through customer self-service	n/a	Establish baseline	Baseline + 10%	Baseline + 25%
CP-AS55	Increase the percentage of residents satisfied that they 'have a say in what the Council does'	53% (2003)	55%	58%	60%
CP-AS56	Percentage of citizens satisfied with the overall service provided by their authority	77% (2003)	77%	77%	77%
BV-157	The number of types of interactions that are enabled for electronic delivery as a percentage of the types of interactions that are legally permissible for electronic delivery	80%	100%	100%	100%

### Other Performance Indicators

Indicator	Title	2005 Baseline	2005/06 Target	2006/07 Target	2007/08 Target
LKPI-CUS9	Value of Welfare Rights Benefit Gains	£6.1m	£5.9m	£6m	£6.1m
LKPI-CUS10	Number of translations and interpretations arranged by the Central Interpretation and Translation Unit	8342	9000	9585	10208
LKPI-CUS15	% of complaints responded to within 15 days	New indicator	90%	95%	98%

<b>Indicator</b>	<b>Title</b>	<b>2005 Baseline</b>	<b>2005/06 Target</b>	<b>2006/07 Target</b>	<b>2007/08 Target</b>
<b>LKPI-CUS16</b>	% of customers seen in person within 15 mins	<b>Check online data</b>	<b>81%</b>	<b>82%</b>	<b>83%</b>
<b>LKPI-CUS17</b>	% of letters from the public responded to within 10 working days	<b>est. 70%</b>	<b>80%</b>	<b>90%</b>	<b>98%</b>
<b>BVPI 4</b>	% of those making complaints satisfied with the handling of those complaints	<b>35% (03/04 actual)</b>	<b>42%</b>	<b>50%</b>	<b>60%</b>

<b>BVPI 156</b>	% of council buildings open to the public in which all public areas are suitable for and accessible to disabled people	<b>44.6 (2003/04 actual)</b>	<b>44%</b>	<b>47%</b>	<b>49%</b>
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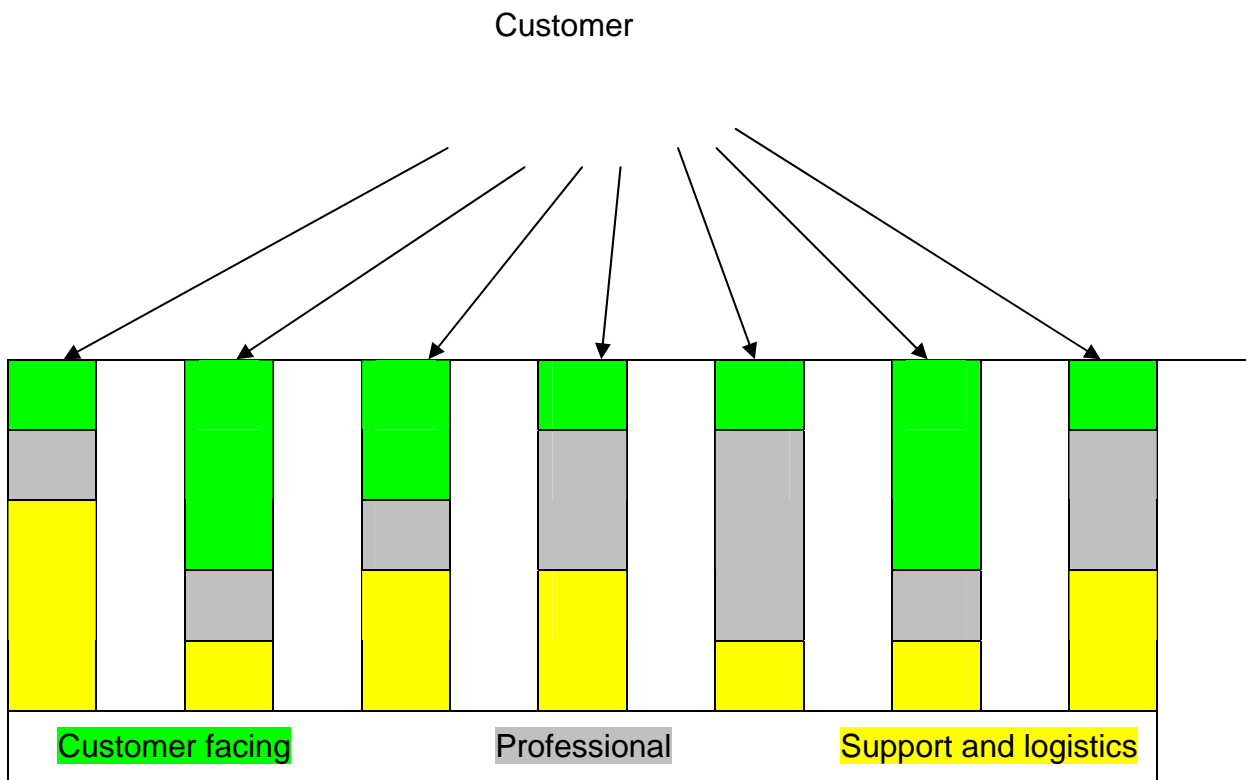
<b>LKPI-CUS1a</b>	% of customers agreeing that they were able to access the service without difficulty		<b>89%*</b>	<b>89%*</b>	<b>90%*</b>
<b>LKPI-CUS1b</b>	% of customers agreeing that staff were helpful		<b>90%*</b>	<b>91%*</b>	<b>92*</b>
<b>LKPI-CUS1c</b>	% of customers agreeing that they got all the information and advice they needed.		<b>90%*</b>	<b>91%*</b>	<b>92%*</b>
<b>New Indicator</b>	Overall satisfaction with service received ('good' or 'excellent')		<b>90%*</b>	<b>91%*</b>	<b>92*</b>

<b>LKPI-CUS13</b>	Staff turnover in CS	<b>6.9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>
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\* Corporate Contact Centre only

# Appendix A - Customer contact with the Council

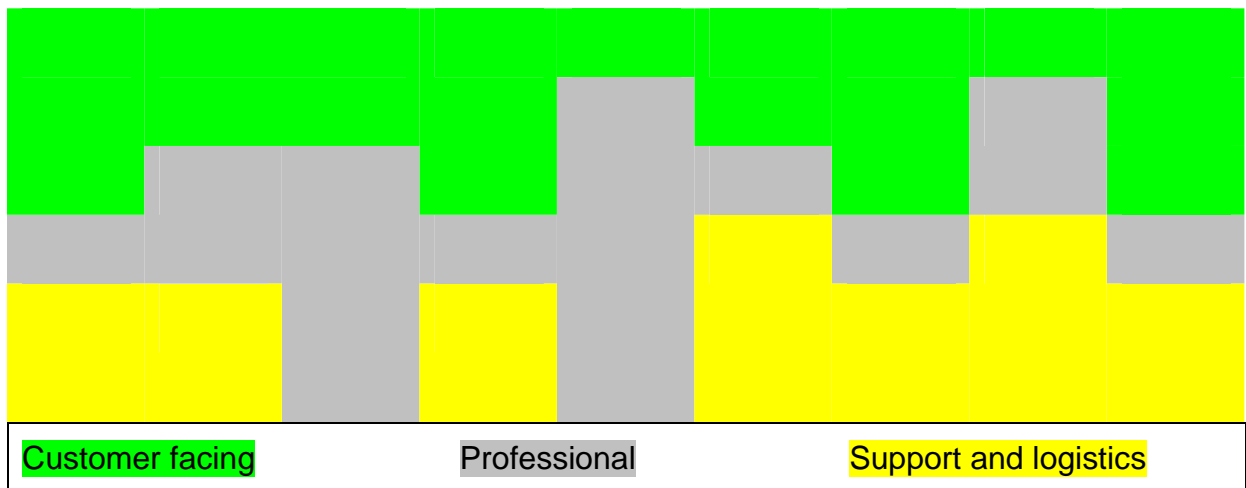
## Traditional silo approach



Customer



## One council contact approach





## Appendix B - Plans and Purposes

Document	Purpose
The Vision for Leeds 2004-2020	The community strategy for the Leeds district - a long-term plan for the economic, cultural, environmental and technological development of the area. The Vision was drawn up by the Leeds Initiative, the city's strategic partnership.
Corporate Plan 2005-2008	The Council's response or contribution to the Vision, this is the Council's most strategic document.
Financial Plan 2005-2008	Explains how the Council plans to spend its money over the next three years.
Other Strategies*	There is a range of strategies each of which is an integral part of the whole. They each give details in a specific area which, together enable achievement of the corporate vision
Annual Council Plan	The Council is required by law to publish an annual plan to explain what we are trying to achieve over the next year and what we have and have not achieved over the preceding year.
Area Committee Delivery Plans	These explain what each Area Committee's priorities will be over the following year.
Departmental Plans	Each Council department must outline how it is going to deliver its services to ensure that the promises in the Council Plan and Corporate Plans are delivered.
Service Improvement Plans	Each Service within each department must outline what they are going to do and how much it will cost them over the following year.

\* People Strategy, ICT Strategy, Customer Strategy, Local Transport Plan, Asset Management Plan, Risk Management Strategy, Equalities Action Plan, Corporate Procurement Strategy Community Safety Strategy, Housing Strategy and Regeneration Plan.

## Appendix C - Glossary/jargon-buster

ACD	Automatic Call Distribution: a system which allocates and matches callers to customer service staff with the right skills and knowledge.
Back office	A service which handles service requests following a customer making contact with a front office.
BPR	Business Process Re-engineering: a radical approach to change which involves challenging current ways of working and redesigning processes.
Contact centre	A telephone call centre which is equipped to handle other forms of contact, such as email and written correspondence.
CPA	Comprehensive Performance Assessment
CRM	Customer Relationship Management: a way of organising work and delivering services that put the customer at the centre, using combination of strategy, processes, skills and technology.
Face-to-face	Any customer contact which is handled directly by a member of staff.
Failure work	Work of no added value required as a result of incomplete or inaccurate information, missed appointment.
Front office	A service which deals directly with customer enquiries.
ICT	Information and Communication Technology:
IEG	Implementing Electronic Government: a programme of work aimed at making all Council services electronically enabled.
IVR	Interactive Voice Response: a system which allows customers to key in details and leave a message.
KPI	Key performance Indicator

## **Appendix D      Customer Care Standards (from 1 January 2006)**

1. All public documents produced by the Council are available on request. If you ask for a version in a different language, or in braille, large print or on tape, we will let you know when you can expect to receive it.
2. If English is not your first language, or if you communicate using British Sign Language, we can arrange an interpreter for you.
3. In our public buildings we will wear a name badge so you know who you are speaking to, and if you need to discuss a sensitive or confidential issue, we can arrange a private room for you.
4. We will answer calls politely and professionally, and will tell you who is dealing with your enquiry.
5. We are committed to communicating with you in plain English, using terms that are clear and easy to understand.
6. We welcome and encourage your feedback and will try and resolve any complaints on the spot. Where this is not possible, we will acknowledge your complaints within 3 days and provide a full response within 15 working days.
7. We will acknowledge e-mails within 24 hours and provide a full response as early as possible, but certainly within 10 working days. If this is not possible, we will respond within 5 working days explaining the reasons for the delay, and letting you know when you will receive a full reply.
8. We will respond fully to your correspondence (faxes and letters) within 10 working days. If this is not possible, we will respond within 5 working days explaining the reasons for the delay, and letting you know when you will receive a full reply.

**REPORT OF THE DIRECTOR OF CORPORATE SERVICES**

**REPORT TO EXECUTIVE BOARD**

**DATE 16<sup>th</sup> NOVEMBER 2005**

**SUBJECT : FINANCIAL HEALTH MONITORING – CAPITAL PROGRAMME UPDATE**

**Electoral Wards Affected :**

**Specific Implications For :**

Ethnic Minorities

Women

Disabled People

Executive Function  Eligible for Call In  Not eligible for Call In

*(details contained within the report)*

**1. Executive Summary**

- 1.1 The purpose of the report is to inform Members of the latest financial position in respect of the 2005/06 Capital Programme. The report highlights major capital schemes that have been injected into the Capital Programme since it was approved at Council in March 2005 and some additional expenditure pressures for which the necessary approvals are sought.

**2. Background**

- 2.1 The Capital Programme 2004/5 - 2007/08, approved by Council in March 2005, projected expenditure of £377.5m<sup>1</sup> in 2005/06 with a supplementary programme of £28.2m<sup>2</sup> dependant partly on Government approval of additional 2 star funding. General Fund overprogramming of £10.4m was assumed, which based on previous years, was considered to be manageable.
- 2.2 This report sets out an updated Capital Programme position for both the General Fund and for the Housing Revenue Account (including ALMOs) incorporating a number of expenditure pressures which have emerged since the Capital Programme was approved. In preparing this updated position, the incidence of expenditure on existing schemes has been reviewed and updated and any changes to resources available have been reflected.

**3. General Fund Capital programme**

<sup>1</sup> Excludes £10.4m overprogramming

<sup>2</sup> Comprised £13.7m additional 2 star funding & £14.5m HRA overprogramming.

- 3.1 The Capital Programme 2004/5 - 2007/08, approved by Council in March 2005, projected 2005/06 expenditure for the General Fund of £224.0m. Since March 2005 there have been a number of Capital Programme injections some of which have been funded by external sources and others requiring Council resources. A full schedule of these is included at Appendix A.
- 3.2 The phasing of expenditure on existing schemes has been updated to reflect latest programme information. At the end of the 2004/05 financial year, some expenditure planned for 2004/05 slipped into 2005/06, increasing the overall spend for the current year. Estimated expenditure for 2005/06 now totals £210.7m whilst resources are projected at £184.9m. Flexible resources available for 2005/06 have reduced by £36.4m largely due to revised capital receipt forecasts. A number of significant receipts which previously it was thought possible to deliver in 2005/06 will now be received in later years. In addition, there is a requirement to retain some capital receipts in order to meet the Council's potential future liability in respect of settlement of the Equal Pay negotiations.
- 3.3 The resulting overprogramming of £25.8m has increased significantly since the March 2005 programme. However, estimated spend of £210.7m for the year when compared to actual spend of £142.5m on General Fund services in 2004/05 does appear optimistic and whilst it is likely that further slippage will occur it is difficult at this stage to say which schemes this will involve.
- 3.4 The programme will continue to be monitored throughout the second half of the year and during the capital programme review with a view to moving to a more balanced programme by February 2006. It is clear however, that there is an urgent need to rigorously reassess the priorities of schemes within the Capital Programme so ensure that it can be effectively delivered into the future. A detailed review will therefore be undertaken as part of the preparation for the Capital Programme 2005/09 up to February 2006. A capital expenditure and resources statement is included at Appendix B.

#### **4. Housing Revenue Account Programme**

- 4.1 The Capital Programme approved in March 2005, projected a balanced programme for the HRA in 2005/06 with estimated 2005/06 expenditure and resources of £163.9m. A supplementary programme of £28.2m was also included; £13.7m of this figure was subject to Government approval of additional 2 star funding (and the balance of £14.5m represented overprogramming). Of the estimated expenditure of 192.1m, £187.1m related to the ALMOs.
- 4.2 The latest position for the HRA shows projected expenditure of £191.4m with corresponding resources of £153.4m leaving a shortfall of £38.0m. Given the uncertainty surrounding Government approval of additional resources and the impact on the projected level of overprogramming, further work is being undertaken with the Director of Neighbourhoods & Housing to address these issues. Executive Board will receive a separate report at a later date on the position of the HRA programme.

#### **5. Capital Programme Additional Funding & Pressures**

- 5.1 The annual review of the capital programme has commenced and is scheduled to be reported to Executive Board in February 2006. Recent discussions with service departments have highlighted a small number of expenditure areas which require consideration and approval in advance of the February review and these are highlighted below:

5.2 Regional Housing Board (RHB) funding – Ashley Road Phs 1 & 2

The Council has been advised it is to receive £2.5m RHB funding to tackle low housing demand issues in the St James / Ashley Road areas of inner east Leeds. Given the planning timescales for the use of these funds it is proposed to include £0.5m as 2005/06 spend and £2m in 2006/07.

5.3 Town & Districts Regeneration Funding

The approved March 2005 Capital Programme included £5m funding (currently phased as £1.5m expenditure in 2005/06 and £3.5m in 2006/07) for regeneration type projects in district centres. An exercise has subsequently been undertaken in conjunction with service departments, in particular with Neighbourhoods & Housing and Area Committees to identify potential schemes. Based on the work to date significantly more projects have been identified than could be resourced from the £5m funding. As a result of the value of potential schemes identified and in order to make significant progress in addressing the priorities identified, a further £3.5m funding is proposed to be injected into the Capital Programme, from 2007/08 onwards. In addition a number of proposals have been received from the Director of Learning & Leisure for urban renaissance type schemes within parks. The intention of the proposed Parks schemes is support and supplement the broader regeneration works in the Town and Districts Programme. It is therefore proposed to inject £1.5m into the Programme to fund these schemes. A separate report on progress to date with the Town & Districts programme is being prepared for consideration by the Executive Board.

5.4 Additional Childrens Centres Funding, 2006-08

The Government has announced a significant further tranche of funding to deliver a second phase of Sure Start children's centres. The Council has been advised of an indicative funding allocation of £7.308m covering 2006/07 and 2007/08. The final allocation of funding will be subject to dialogue between Government office and the Council and dependent upon the detailed proposals for this second round of children's centres.

5.5 Roundhay Park Gorge, reinstatement works – As a result of flood damage that

occurred to landscaping works that had been undertaken as part of the broader refurbishment works at Roundhay Park, Learning and Leisure are having to undertake significant reinstatement works at an estimated cost of £250k. Works of this nature are not subject to insurance cover and in order to complete the programme of works for which the Council has obtained Heritage Lottery funding, £250k additional funding requires injection into the overall scheme.

5.6 Gamblethorpe capping works, additional costs – A £2.1m contract was awarded to

provide an inert capping to this former household waste site. Given the nature and complexity of the site additional compensatory works have been required at an additional cost of £200k. This report seeks approval to allocate the additional funds for the completed works from the central Contingency scheme.

If Members are minded to approve the above schemes and expenditure and funding injections then the level of General Fund overprogramming, 2005/06 to 2007/08 will increase to £31.0m.

**6. Capital Programme & Resources 2006/07 to 2007/08**

6.1 As a result of the capital programme update exercise referred to above, some expenditure has slipped back into the years 2006/07 to 2007/08. Similarly, some capital receipts sites have also slipped back into later years. In the years 2005/06 to 2007/08, projected General Fund expenditure totals some £566.6m with

corresponding resources projected at £538.4m, leaving a shortfall of £28.2m. This level of shortfall at this stage in the planning process is considered acceptable but the projected level of overprogramming of £28.2m should also be compared to flexible resources of £161.0m excluding those that are scheme specific. On this comparator the overprogramming equates to 17.5% of the flexible resource pot from which funding would have to be identified. This level of overprogramming compared to flexible resources represents a significant degree of financial risk and further work will be undertaken to seek to manage this figure down towards an acceptable target of 10%. There is currently also a projected peak of expenditure in 2006/07 which needs to be ironed out through more realistic programming and work will continue on this through the review process.

## **7. Risk Assessment**

The General Fund overprogramming position in 2005/06 stands at £25.8m. It is likely that this will be reduced over the coming months and controls are in place to ensure that the Council does not commit expenditure in excess of resources available. However, under the prudential borrowing regime, operational since April 2004, the Council can borrow to fund capital provided it can afford the revenue cost of the borrowing and provided that it falls within its prudential limits set at the start of the year. Over the next three years, General Fund Capital Programme overprogramming is currently forecast at £28.2m, and unsupported borrowing is currently projected at £50.4m.

A number of schemes in the Capital Programme are funded by specific capital receipts. Where expenditure on these schemes occurs before the capital receipt is received the Council can now borrow to cover the associated cash flow effects with the relevant department meeting the cost of the borrowing.

## **8. Recommendations**

Executive Board are requested to:

- 8.1 To note the latest position of the Capital Programme 2005/06 and the projections for 2006/07 to 2007/08.
- 8.2 To approve the injection into the Capital Programme of additional resources:
  - i) £7.308m Children's Centres funding for 2006/07 and 2007/08; and,
  - ii) £2.5m HRA Regional Housing Board monies for 2005/06 and 2006/07.
- 8.3 To approve the financial provision for additional capital pressures of:
  - i) £3.5m injection into the Town and Districts Regeneration programme from 2007/08;
  - ii) £1.5m injection for the Parks urban renaissance programme;
  - iii) £0.250m injection into the Roundhay Park refurbishment programme for reinstatement works; and,
  - iv) £0.200m allocation from the Contingency scheme for the additional costs of the Gamblethorpe capping works.

Appendices:

Appendix A: Schemes over £100k injected since the March 2005 Capital Programme

Appendix B: General Fund position statement (currently excluding proposed scheme injections)

Appendix C: HRA position statement (currently excluding proposed scheme injections)

**Does not Include :-**

New schemes which have been created from Parent scheme "pots" in other Departments ;  
 New schemes which have been created from Parent scheme "pots" within sections ;  
 Ward Based Initiative Schemes / Disability Discrimination Act / Asset Management or  
 Priority Major Maintenance schemes ;  
 Schemes which were previously in Final A/C sections but have become live due to payments.  
 New schemes added into the Reserved section.  
 ALMO's

Department	Scheme Number	Scheme Title	Injections £000's	Funding Source
Asset Management	12348	Colombo Childrens Resource Centre	100.0	Injection Leeds City Council Resource
	1889	WYJS Archive Building	226.6	Injection of Unsupported Borrowing
Economic Services	89916	Briggate Phase 2	4.3	Injection Private Sector
			110.0	Injection of Yorkshire Forward Grant
Design Services	Various	Various Highways initiatives	240.0	Injection Leeds City Council Resource
			4,921.4	Injection of Section 278 funding.
Strategy & Policy	1111	A64 New York Street Tunnel.	115.0	Injection of RCCO
	Various	Various Greenspace / Environmental Schemes	455.2	Injection of S106 funding
Streetscene	01338	Street Litter Bins	240.3	Injection of DEFRA Grant
Highways	12259	Highways Capitalisation	763.1	Injection of Leeds City Council Resource
Information Technology	1398	Knowledge Management Project	120.0	Injection Local e-Government ODPM Grant
Learning	00886	Integrated Childrens Centres	270.0	Injection of +nl Surestart Grant
Libraries, Arts & Heritage	01368/ST1/000	City Varieties	200.0	Injection of Leeds City Council Resource
Recreation	99963/JOH/LIN	John Smeaton Link Corridor	123.2	100% Injection Sport England Lottery.
	12407	Stanningley Park Depot	100.0	Injection - Capital Receipts
	1491	South Leeds Sports Centre Improvements	826.3	Injection of additional Surestart Funding
	2276	Kitchen Refurbs Pudsey/Armley/Rothwell	120.0	Injection of additional RCCO
	01155	South Leeds Stadium 5-a-side Pitches	275.0	Injection Unsupported (Pru) Borrowing
Education Leeds	00639/BRA/000	Bracken Edge Primary School	1800.0	Injection of Unsupported Borrowing
	99963/JOH/000	John Smeaton	365.5	Injection of Big Lottery Funding (BLF)
	12383	Property Risk Reduction Fire Separation	750.0	Injection Revenue
	12078	CLC Refresh funding 2004/05	100.0	Injection SCE (R)
Community	01329/000/000	East End Park CCTV	100.0	Injection of SRB5 Grant
Housing Needs	12136	Golden Triangle 2005	500.0	Injection of Regional Housing Board
	1359	Beeston Beverleys	2,000.0	Injection of Regional Housing Board
Social Services	12403	Digital Pen Technology	366.1	Injection of Unsupported Borrowing
Miscellaneous	99863	General Capitalisations	2,040.0	Injection LCC Resource
<b>Total</b>			<b>17,232.0</b>	



## GENERAL FUND CAPITAL PROGRAMME POSITION STATEMENT 2005/06 TO 2007/08

Programme Position as at month 6	2005/06 £000	2006/07 £000	2007/08 £000	3 Year Total 2005-06 to 2007-08 £000
<b>Expenditure</b>				
Development	43,691	62,984	51,503	158,178
City Services	20,178	23,294	7,304	50,776
Corporate Services	8,997	6,337	6,125	21,458
Learning & Leisure	45,948	50,045	12,435	108,427
Education Leeds	51,889	44,959	44,770	141,618
Neighbourhoods and Housing	19,369	6,627	5,545	31,541
Chief Executives	2,636	500	0	3,136
Social Services	4,032	2,725	3,057	9,813
Strategic Accounts	13,943	15,750	11,984	41,677
	210,682.3	213,219.8	142,721.6	566,624
less overprogramming	(25,792)	(26,475)	24,032	(28,235)
<b>Capital Expenditure to be financed</b>	<b>184,891</b>	<b>186,745</b>	<b>166,754</b>	<b>538,389</b>
<b>Financed By:</b>				
Government Grants	30,074	33,083	21,776	84,933
Other grants & contributions	28,359	35,246	13,428	77,033
Revenue / Reserves	1,915	1,005	370	3,290
Capital receipts - specific to schemes	11,021	30,293	6,686	48,000
Capital Receipts - General Forecast	43550	9,950	53,276	106,776
Capital Receipts - Additional Target		14,000	15,000	29,000
Capital Receipts - RTB	12,000.0	12,000		24,000
Capital Receipts Housing land sales	400.0	400	400	1,200
Other				0
<b>subtotal</b>	<b>127,319</b>	<b>135,977</b>	<b>110,935</b>	<b>374,231</b>
<b>To be financed from borrowing</b>	<b>57,572</b>	<b>50,767</b>	<b>55,819</b>	<b>164,158</b>
Supported - SCAs	674	0	0	674
Supported - SCE(R) & adjustments	30,822	39,139	43,095	113,056
Unsupported	26,076	11,628	12,724	50,428
<b>Total Borrowing</b>	<b>57,572</b>	<b>50,767</b>	<b>55,819</b>	<b>164,158</b>

## HRA CAPITAL PROGRAMME POSITION STATEMENT 2005/06 TO 2008/09

HRA Programme Position as at month 6	2005/06 £000	2006/07 £000	2007/08 £000	3 Year Total 2005-06 to 2007-08 £000
<b>Expenditure</b>				
Strategic Landlord ALMOs	4593	3203	5650	13,446
North East Homes	21166	18477	14819	54,462
East Homes	29032	21626	18813	69,471
South East Homes	25168	19048	11320	55,536
Belle Isle	5475	4899	4848	15,222
South Homes	37170	33226	32655	103,051
West Homes	36417	67436	45066	148,918
North West Homes	32360	31323	30512	94,195
	<b>191,382</b>	<b>199,238</b>	<b>163,682</b>	<b>554,302</b>
less 2 star awaited	(13,701)	(11,048)	(10,762)	(35,511)
<b>Revised Capital Expenditure</b>	<b>177,681</b>	<b>188,190</b>	<b>152,920</b>	<b>518,790</b>
less overprogramming	(24,315)	(48,960)	(32,165)	(105,440)
<b>Capital Expenditure to be financed</b>	<b>153,366</b>	<b>139,229</b>	<b>120,755</b>	<b>413,351</b>
<b>Financed By:</b>				
MRA /Govt Grants	31,340.8	30,924.5	30,584.4	92,850
MRA To/From Reserve	2,204.0	4,941.6	2,206.1	9,352
Other grants & contributions	881.8	99.4	0.0	981
Revenue/ Reserves	0.0	0.0	0.0	0
Capital Receipts - RTB	4,000.0	4,000.0	7,918.6	15,919
Capital Receipts Housing land sales	0.0	0.0	0.0	0
Other	64.5	0.0	0.0	65
<b>subtotal</b>	<b>38,491</b>	<b>39,965</b>	<b>40,709</b>	<b>119,166</b>
<b>To be financed from borrowing</b>	<b>114,875</b>	<b>99,264</b>	<b>80,046</b>	<b>294,185</b>
Supported - SCAs	107,259.0	91,648.0	72,430.0	271,337
Supported - SCE(R) & adjustments	7,616.0	7,616.0	7,616.0	22,848
Unsupported				0
<b>Total Borrowing</b>	<b>114,875</b>	<b>99,264</b>	<b>80,046</b>	<b>294,185</b>

**REPORT OF THE DIRECTOR OF CORPORATE SERVICES**

**REPORT TO EXECUTIVE BOARD**

**DATE : 16<sup>TH</sup> NOVEMBER 2005**

**SUBJECT: Financial Health Monitoring 2005/06 – Half year Report**

<b>Electoral Wards Affected:</b>	<b>Specific Implications For :</b>
	Ethnic Minorities <input type="checkbox"/> Women <input type="checkbox"/> Disabled People <input type="checkbox"/>

<b>Executive Board Decision</b>	<input checked="" type="checkbox"/>	<b>Eligible for Call In</b>	<input checked="" type="checkbox"/>	<b>Not eligible for Call In (details contained in the report)</b>	<input type="checkbox"/>
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**1. INTRODUCTION**

1.1 This report sets out for the Board the Council's financial health for 2005/06 after six months of the financial year. The report covers expenditure and income to date compared to the approved budget, the projected year end position based on performance after six months and proposed actions to ensure a balanced budget by the year end. The report also highlights the position regarding other key financial indicators, including Council Tax collection and the payment of creditors.

**2 REVENUE BUDGET MONITORING POSITION – GENERAL FUND**

2.1 Members will recall that the net budget for the general fund was set at £803.9m, which provided for a contribution to reserves of £3.0m. As a result, the level of general fund reserves at 31st March 2006 were estimated at £12.0m. However, following variations in the outturn 2004/05, the opening position for the year is £859k better than anticipated.

2.2 Budget Monitoring is a continuous process throughout the year, and this report reviews the position of the budget at the half-year stage and comments on the key issues impacting on the overall achievement of the budget for the current year.

2.3 At the half year stage, the majority of services have action plans in place which will address identified budget pressures which have arisen during the year. However, there are concerns regarding the Social Services budget. The paragraphs below set out the main issues.

**2.4 Social Services**

2.4.1 Budget pressures experienced in 2004/05 have continued to some degree in the current financial year, but at a lower level than were experienced last year. Members will recall that the Social Services spend at the end of 2004/05 was £13.3m in excess of the budget set for the year. The 2005/06 Budget included challenging targets for service improvement and

realignment with associated financial savings. Although much has been achieved in the current year, there has been some slippage in delivering the required actions.

- 2.4.2 The community care budget for residential and nursing placements, net of income from Primary Care Trusts, is projected to be overspent at the year-end by £0.8m based on the position at Period 6. The investment of £1.5m in increased direct payments is not being fully realised and the resultant saving of £1.2m is partly offsetting some slippage in delivering budgeted efficiency savings within community care. The independent sector domiciliary care budget shows a projected year-end overspend of £1.3m. This also reflects some slippage in delivering budgeted efficiency savings and progress on service reviews being slower in the early months of the year than expected.
- 2.4.3 The learning disability pooled budget is facing growing demographic pressures, with an increasing number of service users with very complex needs requiring expensive packages of care. Actions have been identified to reconfigure services and deliver more cost effective care but this will take time to achieve in full. For 2005/06 the additional projected costs for the pooled budget that will fall to Social Services amount to £1.1m.
- 2.4.4 Children's Services projected year-end overspend is £0.7m on children's placements and £0.2m relating to legal charges. Work is underway to reduce the number of Looked After Children for which a saving of £1m was included within the 2005/06 Budget. This is not being fully achieved, partly because of the need to ensure that unacceptable risks are not taken in the decision making process.
- 2.4.5 The staffing budget is projecting an underspend of £0.9m. Substantial savings from service reconfigurations impacted on the 2005/06 staffing budget, particularly through raising the line of eligibility, investing in direct payments and reconfiguring services for older people. Further budgeted savings relate to improved attendance management. The use of agency staff and overtime are being tightly controlled by managers and spending in 2005/06 is projected to be £2.6m (27%) less than in 2004/05.
- 2.4.6 The transport budget is projected to overspend by £1.3m. This partly reflects some delay in establishing an approved transport policy for the Department and demand pressures within frontline services. Spending on the meals service net of income is projected to be £0.8m higher at the year-end than budgeted as plans to reconfigure the service and review meals charges have not yet been fully achieved.
- 2.4.7 Income from clients is projected to be £0.3m less than budgeted, mainly in respect of home care, offset by additional income of £0.2m from other organisations within learning disability services. Housing Benefit and Supporting People income is forecast to be £0.9m higher than budgeted, partly because the transfer of Supporting People funding out of learning disability services in accordance with the Commissioning Strategy will now not take place until 2006/07.

## 2.5 City Services

- 2.5.1 A significant pressure of £0.8m has resulted from the fire at the Milton Keynes recycling facility. A re-tendering exercise is in progress. Ongoing staffing pressures within the Refuse Collection Service are projected at an additional cost of £0.5m, which mainly reflects increased staffing levels due to the backup of failed routes and targeted route savings not being achieved together with increased sickness levels.
- 2.5.2 Delays in the implementation of new legislation regarding Roads and Streetworks Act (RASWA) income is estimated to result in a loss of income of £0.2m, although this is partly offset by staffing savings of £0.1m. A shortfall of Decriminalised Parking income of £0.8m is

projected as a result of fewer than anticipated parking notices being issued, although this is offset by additional fee income from car parks of £0.8m.

2.5.3 The department has implemented an action plan totalling £0.6m to partly address the above pressures by a targeted review of spending within environmental services £0.3m, and by deferring non service critical developments in the department.

2.5.4 A further review of the prospects and pressures for the department over the remaining six months of the year has resulted in a potential shortfall in excess of £1.2m, and in order to achieve a balanced budget in year, the department has identified highways expenditure which is more appropriately charged to capital. The revenue effect of this proposal in 2006/07 is £0.2m for which the Department will identify funding.

## 2.6 Learning and Leisure

2.6.1 The adverse trend on cemeteries and crematoria income continues at £0.2m, with the number of deaths per annum falling at a greater than anticipated rate and non implementation of agreed budget actions in Libraries and grants to major arts amount to £0.2m. In addition a savings target in support services of £0.1m has been achieved by managing vacant posts in this area, although increased energy costs and the cost of travellers' site clearance in year amount to £0.4m.

2.6.2 These cost pressures have been managed by the department through savings in Early Years staffing and additional fee income, an increase in Leisure centre income, NNDR rebates and a reduction in cemeteries and crematoria running costs.

2.6.3 However, there is a net additional staffing cost of £0.2m reflecting VERs and severance packages within Jobs and Skills which will generate significant savings in future years and a reduction in the European grant claims for £0.4m. The department is developing further action plans which if necessary will require the freezing of posts in the latter part of the year.

## 2.7 Neighbourhoods and Housing

2.7.1 The necessity to employ greater staffing levels to satisfy the conditions of the NASS funded asylum contract has reduced the surplus generated on this account by £0.2m. Within the Homeless service there has been a reduction in homeless placements which has meant an under occupancy on the accommodation contract with a subsequent reduction in subsidy income, £0.3m and as the Government set the homeless related Housing Benefit subsidy rate at a lower than anticipated value, this has reduced income by £0.1m. Problems related to the recovery of income from Sheltered Housing schemes represent an under-recovery of income of £0.3m.

2.7.2 A Government delay in the implementation of the HMO Licensing scheme to April 2006 has led to preparatory costs of £0.2m being incurred within this financial year, but related income not being receivable until the financial year 2006/07. A recovery plan is being introduced to offset this pressure. Due to greater than anticipated work caused by the impact of legislative changes to Commercial Licensing an increase in costs of £0.1m will be incurred. A plan to recover this is currently being investigated.

2.7.3 There is a £0.1m staffing related pressure in community centres.

2.7.4 The department has identified a number of measures to balance, including a review of vacant posts, a review of the necessity for the employment of agency staff and associated cost-benefit analysis of the use of temporary contracts. In addition a detailed review of all

budget heads is currently being undertaken to ensure that only essential expenditure is incurred.

### **3 Proposals to Balance the General Fund Position**

- 3.1 All departments are aware of the need to contain their net expenditure within their approved budget, and as detailed above, action plans have been put in place to work towards this goal. No significant corporate funding options are available as a source of virement. Should the position at the year end not improve it may be necessary to draw on reserves, which will impact on the resources available to support the 2006/07 budget.

### **4 REVENUE BUDGET MONITORING POSITION - HOUSING REVENUE ACCOUNT (HRA)**

- 4.1 The Original Estimate 2005/06 provided for a contribution from working balances of £0.2m, which would bring the working balance at 31<sup>st</sup> March 2006 to £2.0m.
- 4.2 At the half year, there are only minor variations in running cost which can be contained within the overall budget.
- 4.3 It should be noted however that following the conclusion of the 2004/05 final accounts the balance brought forward into 2005/6 stood at £4.6m. It was agreed as a recommendation in the outturn report to Members in July 2005 that the management fee payable to the ALMOs would be reassessed and, if deemed appropriate, additional payments would be made from working balances. This has now been effected at a cost of £1.7m.
- 4.4 After taking into account the above, the department is projecting a working balances figure carried forward in to 2006/07 of £3.0m.

**5 CAPITAL PROGRAMME** - a separate report is provided elsewhere on this agenda.

### **6 COLLECTION OF LOCAL TAXATION**

- 6.1 The level of Council Tax collected at the end of September 2005 is 56.3% of the debit for the year being £202m. This is ahead of the same period last year and is on line to achieve the performance target of 96.40% for the year.
- 6.2 The collection of non-domestic rates at the half-year is 61.3% of the current net debit being £258.6m, which is 0.75% ahead of the same period last year. Again, the performance target of 95.5% is expected to be achieved at the year end.

### **7 PROMPT PAYMENT OF INVOICES**

A local target of 92% for paying all undisputed invoices within 30 days of receipt of agreed terms was set for the year. For the period 1<sup>st</sup> April to 30<sup>th</sup> September 2005 the actual performance was 90.7%, compared with 87.5% for the equivalent period last year. It is anticipated that the improved position will continue and the target for the year will be achieved.

### **8 RECOMMENDATION**

Members of the Executive Board are asked to:

- 8.1 note the projected financial position of the Authority.
- 8.2 approve the appropriate budget adjustments as described within Section 2.

**AGENDA  
ITEM NO.:**

Originator:  
Maureen Taylor

Tel: x74234

**REPORT OF THE DIRECTOR OF CORPORATE SERVICES**

**MEETING: EXECUTIVE BOARD**

**DATE : 16<sup>TH</sup> NOVEMBER 2005**

**SUBJECT : TREASURY MANAGEMENT STRATEGY UPDATE 2005/06**

<b>Electoral Wards Affected :</b>	<b>Specific Implications For :</b>  Ethnic Minorities <input type="checkbox"/> Women <input type="checkbox"/> Disabled People <input type="checkbox"/>	
<b>Executive Function</b> <input type="checkbox" value="yes"/>	<b>Eligible for Call In</b> <input type="checkbox" value="yes"/>	<b>Not eligible for Call In (details contained in the report)</b> <input type="checkbox"/>

**Executive Summary**

This report provides a review and update of the treasury management strategy for 2005/06.

The Council's level of external debt at 31<sup>st</sup> March 2006 is anticipated to be £1,071m, slightly lower than expected when the strategy was approved in February 2005. This is due to a reduction in borrowing required to fund the capital programme.

Budgeted revenue savings of £1m from treasury management activity during the year have been achieved and in addition a further £90k saving is anticipated. This is largely due to a reduction in the borrowing requirement for the year and securing long term borrowing at lower rates than assumed in the strategy.

The level of debt is expected to remain within the Authorised limit for external debt set by the Council in March 2005.

## 1. Introduction

- 1.1. The operation of the Treasury Management function is governed by provisions set out under part 1 of the Local Government Act 2003 whereby the Council is required to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities.
- 1.2. The Prudential Code requires that full Council set certain limits on the level and type of borrowing before the start of the financial year together with a number of Prudential indicators. Any in year revision of these limits must similarly be set by Council.
- 1.3. The Code of Practice requires that policy statements are prepared for approval by the Council at least twice a year. The Policy and Strategy statement for 2005/2006 was approved by the Executive Board on 14<sup>th</sup> February 2005 and by full Council on 23<sup>rd</sup> February 2005. This report provides Members with a review and update of the strategy for 2005/2006.

## 2. Review of Strategy 2005/2006

- 2.1 The current debt forecasts are shown in Table 1.

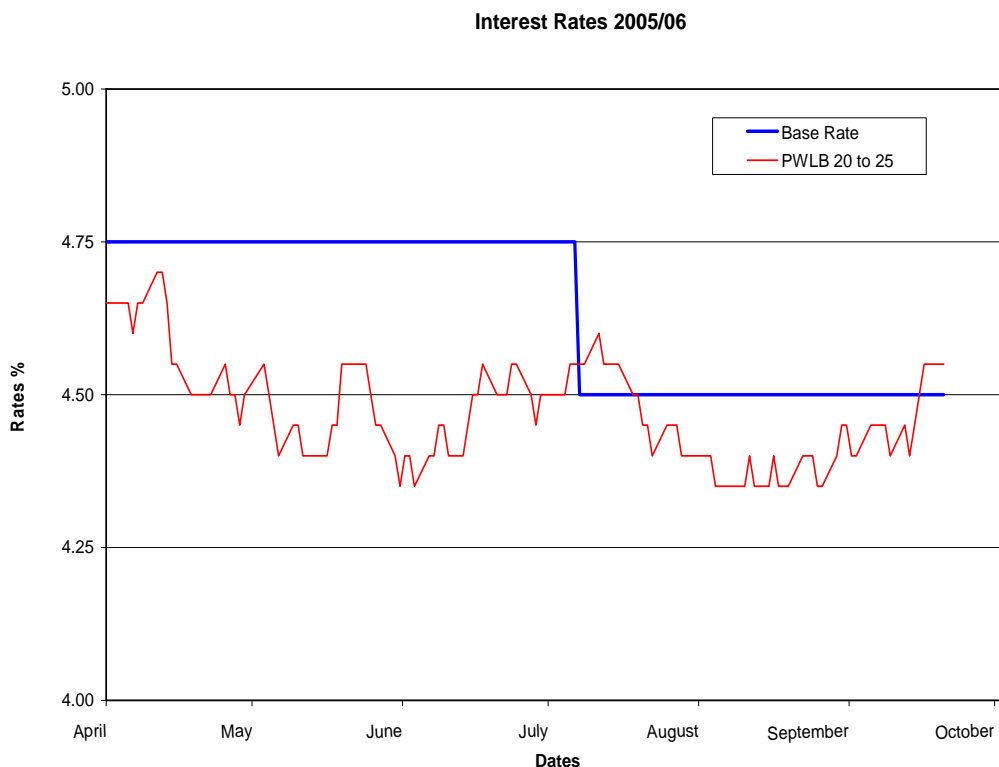
**Table 1**

<b>ANALYSIS OF DEBT 2005/05 - 2007/08</b>	2005/06 Feb 05 £m	<b>2005/06 Nov 05 £m</b>	2006/07 £m	2007/08 £m
<b>Net Debt at 1 April</b>	919	<b>927</b>	1,071	1,184
New Borrowing for the Capital Programme - HRA	120	<b>115</b>	99	80
New Borrowing for the Capital Programme – Non HRA	66	<b>58</b>	46	48
Debt redemption costs charged to Revenue (Non HRA)	( 25)	<b>( 24)</b>	( 26)	( 27)
Reduced/(Increased) level of Revenue Balances	11	<b>( 5)</b>	( 6)	7
<b>Net Debt at 31 March</b>	1,091	<b>1,071</b>	1,184	1,292
Capital Financing Requirement (Maximum Net Debt)	1,102	<b>1,089</b>	1,213	1,323
* Comprised as follows	£m	<b>£m</b>	£m	£m
Long term borrowing				
Fixed	791	<b>891</b>	871	981
Variable	130	<b>95</b>	115	110
Short term Borrowing	171	<b>85</b>	198	201
Total External Borrowing	1,091	<b>1,071</b>	1,184	1,292
Less Investments	-	<b>-</b>	-	-
Net External Debt	1,091	<b>1,071</b>	1,184	1,292
% debt funded by short term and variable rate loans	28%	<b>17%</b>	26%	24%

Note: The Capital Financing Requirement (CFR) is the maximum the Council can borrow for capital purposes.



- 2.2. Table 1 above shows that net external debt is expected to rise from £927m by £144m to £1,071m in the course of 2005/2006, lower than reported in February due to a reduction in capital programme borrowing. There is £60m of maturing debt in the year of which £30m was financed from maturing investments. The forecast borrowing requirement for the year is therefore £174m. The largest element of this increase relates to HRA ALMO's, which have all now received their 2 star best value inspection ratings. The balance relates to borrowing in respect of the capital programme. The interest costs arising from the HRA capital programme borrowing is fully met from Government Subsidy and is not a charge on Council Tax.
- 2.3. Interest rate movements during the year are shown on the graph below. Base Rate has moved in line with expectations in February 2005, staying at 4.75% until August 2005 when it reduced to its current level of 4.5%. This reduction reflected subdued output growth in the first half year and slowing of household spending and business investment growth. Inflation currently exceeds the Bank of England target, largely due to oil prices. Economists predict that Base Rate will remain at 4.5% into the new financial year when the consensus of opinion is for rates to fall slightly. Long term rates have fallen during the year and in the year to date have ranged between 4.35% and 4.85% for the 20 to 25 year period. It is predicted that PWLB rates will remain within this range for the rest of this year and into 2006/07.



- 2.4. With long term rates at such low levels there has been little opportunity to restructure PWLB loans to generate revenue savings. A number of market loans have been restructured during the year with the objective of removing the number of opportunities for the lender to vary the interest rate on the loans and thereby reduce volatility. To meet the borrowing requirement for the year, new loans of £145m have been taken, £110m from PWLB and £35m in market loans. These loans are termed Lenders Option Borrowers Option (LOBO) and contain clauses which allow the lender, at pre-determined dates, to vary the interest rate on the loan. If one of these

options is exercised and the new rate is not accepted, the borrower then has the option to repay the loan. Details of new borrowing undertaken during the year are set out in Table 2.

- 2.5. The revenue budget set in February this year assumed that savings of £1.0m would be delivered through rescheduling and improved balances. With debt being lower than anticipated during 2005/06 and long term borrowing being taken at rates lower than anticipated, this has been improved upon. To date a further £90k of savings have been achieved in General Fund. In the current interest rate climate it is not anticipated that there will be opportunities for restructuring of loans to generate further revenue savings.

**Table 2**

<b>New Borrowing</b>				
Date	Source	Amount (£m)	Term (Years)	Interest Rate
13/04/05	Market Loan	5.0	50	4.00%
06/05/05	PWLB	20.0	20	4.60%
11/05/05	Market Loan	10.0	50	3.99%
23/05/05	PWLB	30.0	30	4.45%
25/05/05	Market Loan	5.0	50	3.995%
25/05/05	Market Loan	5.0	50	3.995%
13/06/05	PWLB	30.0	50	4.35%
29/06/05	Market Loan	5.0	60	3.67%
29/06/05	Market Loan	5.0	60	3.67%
23/08/05	PWLB	30.0	8	4.35%
		<b>145.0</b>		

### **3. Borrowing Limits for 2005/2006 , 2006/07 and 2007/08**

- 3.1 The Council is required to set various limits for 2005/06, 2006/07 and 2007/08 in accordance with the Local Government Act 2003, having regard for CIPFA's prudential code. These limits including prudential indicators are detailed in Appendix A.
- 3.2 The limits specific to Treasury Management are were set in February by Full Council. It is anticipated that the authority will remain within the authorised limit for 2005/06 for the reasons outlined earlier in this report. Both the authorised limit and operational boundary are made up of a limit for borrowing and one for other long term liabilities and the Director of Corporate Services has authority, under the Prudential Code, to vary these two elements within the overall limits. Following an update of finance leases, the Director of Corporate Services has increased the other long term liabilities limit from £10m to £20m and reduced the borrowing limit accordingly, to more accurately reflect the principal outstanding on the balance sheet for finance leases.
- 3.3 Current performance against borrowing limits is shown in Appendix B. The level of the capital programme in future years will require an increase in borrowing limits. A full review of the limits for 2006/07 onwards will be undertaken when the capital programme is reviewed for the Council meeting next March.

### **4. Investment Strategy & Limits**

- 4.1. With effect from the 1<sup>st</sup> April 2004, to coincide with the introduction of the prudential code, new legislation has been issued to deal with the issue of Local Government Investments. This legislation lifts the restrictions on Councils with external debt to not

hold investments for more than 364 days. Further freedoms are also provided which will give Council's greater flexibility and hence access to higher returns, provided that any investment strategy is consistent with the new prudential framework. In light of the borrowing requirements for 2006/07 and coming years, it is likely that investments will remain short term (i.e. less than 364 days) and will be held as cash deposits and in money market funds for liquidity purposes as part of cash flow management.

## **5. Recommendations**

- 5.1 That the Executive Board note the borrowing and investment strategy update for 2005/06.

**REPORT OF THE DIRECTOR OF CORPORATE SERVICES**

**COMMITTEE : EXECUTIVE BOARD**

**DATE : 16th NOVEMBER 2005**

**SUBJECT : FINANCIAL PLAN - REVIEW**

<b>Electoral Wards Affected :</b>	<b>Specific Implications For :</b> Ethnic Minorities <input type="checkbox"/> Women <input type="checkbox"/> Disabled People <input type="checkbox"/>	
<b>Executive Function</b> <input type="checkbox"/>	<b>Eligible for Call In</b> <input type="checkbox"/>	<b>Not eligible for Call In</b> (details contained in the report) <input type="checkbox"/>

**1. INTRODUCTION**

- 1.1. The Council's third Financial Plan was approved by Executive Board on 17<sup>th</sup> November 2004. It covers the three years 2005 – 2008 and its purpose is to support the Council's corporate planning process, to outline the principles which will shape the Council's financial strategy over the planning period and to provide a framework for the preparation of annual budgets.
  
- 1.2. This annual review of the plan will reflect on the current approved budget for 2005/06, provide an assessment of the financial health of the Council, and a progress check on the delivery of the plan and the efficiencies that are a key element of it. It will also review a number of significant developments at the national level which will impact upon the Council's future budgets, as well as identifying some of the budget pressures facing the Council over the remaining two years of the Plan. It will also consider mechanisms which, as part of the process of setting budgets for 2006/07 and 2007/08, can be used to improve the realignment of resources to the Council's key priorities.

**2. CURRENT PLAN**

- 2.1. The current Financial Plan was prepared in the context of the Government's July 2004 Spending Review. This covered the period 2005/06 to 2007/08. The spending review identified significant increases in public spending of £61bn over the three years to £341bn by 2007/08. A significant aspect of the Spending Review 2004 was the announcement of efficiency savings across government departments, as detailed in the Gershon Review. The efficiency review assumed that savings of 2.5% per annum would be made, totalling 7.5% over the Spending Review period. This

equated to £6.45bn savings for Local Government, and Leeds' Financial Plan was underpinned by achieving this target level of efficiencies. A further requirement was that at least 50% of the efficiency gains were cashable i.e. reduced cost for the same level of service. The remaining efficiency gains up to 50% may be non cashable i.e. increased outcome or output for the same level of input.

- 2.2. The increases in National Formula Spending Shares impacting upon Local Government are detailed in the table below.

	2005/06		2006/07		2007/08	
	Increase (£m)	Increase (%)	Increase (£m)	Increase (%)	Increase (£m)	Increase (%)
<b>Education</b>	1,561	5.91	1,900	6.79	1,800	6.03
<b>Childrens Social Services</b>	279	7.47	300	7.47	200	4.63
<b>Adult Social Services</b>	863	9.93	380	3.98	440	4.43
<b>Highways</b>	50	2.50	0	0	0	0
<b>Other Services</b>	65	0.58	389	3.47	434	3.74
<b>Capital Financing</b>	467	16.67	330	10.09	325	9.03
<b>Total FSS</b>	<b>3,285</b>	<b>6.00</b>	<b>3,299</b>	<b>5.68</b>	<b>3,199</b>	<b>5.21</b>

- 2.3. Within the national figures, Aggregate External Finance (the government's contribution by way of general grant and the distribution of non-domestic rates) and the assumed increases from local taxation were as follows:

	<b>Aggregate External Finance</b> %	<b>Local Taxation</b> %
2005/06	5.4	6.7
2006/07	5.5	5.5
2007/08	5.1	5.1

- 2.4. Based upon available data at the time, the national increases in FSS were projected down to the local level as shown in the following table:

	<b>Spending Review 2004</b>					
	2005/06		2006/07		2007/08	
	£m	%	£m	%	£m	%
Education	19.0	5.3	24.5	6.4	23.7	5.8
Social Services	15.3	8.5	8.3	4.3	7.4	3.7
Highways	0.7	2.5	0.0	0.0	0.0	0.0
Other Services	0.9	0.6	4.0	2.6	4.6	2.8
Capital	2.6	6.5	1.2	2.6	0.3	0.6
<b>Total</b>	<b>38.5</b>	<b>5.1</b>	<b>38.0</b>	<b>4.7</b>	<b>36.0</b>	<b>4.3</b>

- 2.5. The table shows that the assumed increases for Leeds were below the national increase which has tended to be the case for a number of years. Based on these forecasts, the Financial Plan outlined the following financial strategy:
- Overall spending to increase in line with the projected FSS increase
  - Passport the increase in FSS to Education and Social Services in line with both national and local priorities
  - For all other services, resources were directed towards maintaining existing levels of service and reflecting unavoidable and approved increases, as follows:
    - the effect of pay awards
    - the increase in employer's superannuation rates
    - other inflation
    - full year effects of approved developments
    - support to the Council's Corporate Plan priorities
    - 2.5% savings to reflect the efficiency agenda
- 2.6. The plan identified that in order to deliver the strategy and to address both corporate and service priorities, a number of departmental efficiency reviews would need to be undertaken throughout the period of the plan. A number of cross-cutting reviews were also proposed including:
- Reducing the number of days lost to sickness
  - Procurement of good and services
  - Extending trading and charging opportunities
  - Review of advertising income and publicity expenditure
  - More efficient delivery of support services
  - Support provided to the voluntary sector and other organisations.

### **3. REVIEW OF PROGRESS TOWARDS THE PLAN**

#### **3.1. Budget 2005/06**

3.1.1. In developing the 2005/06 budget, consideration was given to the following issues:

- Impact of the 2005/06 Local Government Finance settlement
- The Council's spending priorities
- The need to develop a reserves policy for the Council

3.1.2. The overall cash increase in the Council's FSS was £42.4m, which represented an increase of 5.0% over the 2004/05 adjusted level. The table below shows that this was £3.9m over and above that assumed in the Financial Plan, although an adjustment of £1.3m was required following the issue of a 2003/04 Amending Report.

	<b>Financial Plan £m</b>	<b>Settlement £m</b>	<b>Variation £m</b>
Education			
-Schools	17.8	16.9	-0.9
- Other	1.2	1.5	+0.3
Social Services	15.3	14.9	-0.4
Highways Maintenance	0.7	0.4	-0.3
EPCS	0.9	2.2	+1.3
Capital Financing	2.6	6.5	+3.9
<b>Total</b>	<b>38.5</b>	<b>42.4</b>	<b>+3.9</b>

3.1.3. The significant increase in FSS for capital financing cost reflects changes in the funding of PFI schemes, which has led to increased resources being made available at the national level. As the plan provided for the additional cost of borrowing, these additional resources were directed to front line services.

3.1.4. The 2005/06 revenue budget was set at £803.9m. This equated to a Council Tax Band D of £929.74 for the Leeds element, which represented an increase of 4.25% over the 2004/05 level. Although the Spending Review 2004 assumed an increase in the Council Tax yield of 6.7% (paragraph 2.3) the Government provided an additional £1bn nationally over and above the Spending Review in order to restrict average Council Tax increases to less than 5%.

3.1.5. The main features of the 2005/06 budget are summarised in the table below:

	<b>£m</b>
Budget 2004/05	758.2
2003/04 Amending Report	1.3
Revised Base Budget	759.5
Increase in the budget for Education	17.7
Increase in the budget for Social Services	16.5
All other services	
Effect of pay awards and inflation	10.1
FYE of current year pressures, and other pressures	4.9
Efficiency savings	-10.2
Increase in contribution to general reserves	5.4
One off income	- 4.0
Variation in capital charges	1.0
Additional Support to Corporate Plan priorities	3.0
<b>Base Budget 2005/06</b>	<b>803.9</b>

3.1.6. In arriving at the approved budget, and in accordance with the Financial Plan, significant pressures were identified which required a number of efficiencies to be developed by departments to contain overall spending, in addition to a number of further savings which were identified at a corporate level. The budget did, however, provide for further support to Corporate Plan Priorities as detailed below:

- £779k for transforming services and a range of initiatives for the more efficient delivery of support services
- £2.4m to ensure all neighbourhoods are safe, clean, green and well maintained
- £340k towards communities being thriving and harmonious places where people are happy to live
- £630k to ensure our children and young people are healthy, safe and successful
- £820k for independent living
- £100k to support Leeds as a highly competitive, international city.

- 3.1.7. A formal reserves policy was established as part of the 2005/06 budget process which set a target of between 3% and 4% of net expenditure excluding schools, which in cash terms amounts to between £14m and £18m, and it was agreed that reserves would be increased to this level by 31<sup>st</sup> March 2008. As a result, the 2005/06 budget provides for a £3m contribution *to* reserves as opposed to the £2.4m contribution *from* reserves assumed in the 2004/05 budget.
- 3.1.8. It was further agreed that, from 2005/06, departments would be required to prepare budget action plans to deal with spending variations on departmentally controlled budgets during the year up to a limit of 2% of net expenditure. Any budget variations above this amount would be dealt with corporately, using, where necessary, the General Fund reserve.

### 3.2. Efficiency Reviews

- 3.2.1. As outlined in paragraph 2.1, the budget provided for an efficiency gains target of 2.5%. For the Council the 2.5% per annum target equates to efficiency gains of just over £15.3m. As part of the framework the Council is required to produce an annual efficiency statement, which comprises 2 key components: one part forward looking and the other part backward looking. The forward looking element sets out efficiencies that the Council plans to achieve in the forthcoming year, whilst the backward looking element reports on efficiencies that have been achieved. The Council's submitted forward looking annual efficiency statement for 2005/06 identifies total efficiency gains of £18.85m of which £14.54m is forecast to be cashable, and indeed has largely been included within the Council's budget for 2005/06.
- 3.2.2. The achievement of the Council's Efficiency Programme is a key objective both in terms of delivering the Government's requirements in respect of Gershon but also in terms of delivering the realignment of resources to support the Council's key corporate priorities.

### 3.3. Budget Management 2005/06

- 3.3.1. Achievement of the objectives of the Financial Plan is dependent upon effective in-year budget monitoring. Budget monitoring is a continuous process and financial health reports are provided to members on a regular basis.
- 3.3.2. The half year financial health report highlights a number of specific cost pressures and details of these and proposals to minimise the impact on the financial strategy are detailed in a separate report elsewhere on this agenda.

## 4. NATIONAL DEVELOPMENTS

- 4.1. Over the last year, since the approval of the Financial Plan 2005-2008, there have been a number of developments at the national level which will impact upon the Council's future budget and also possibly the way in which the Council sets its budgets. These are discussed under the following headings:-

- Comprehensive Performance Assessment (CPA) 2005
- Formula Grant Distribution Consultation
- Funding announcements



## 4.2. **COMPREHENSIVE PERFORMANCE ASSESSMENT 2005**

- 4.2.1. Earlier this year, following consultation, the Audit Commission announced a number of fundamental changes to the overall framework for the Comprehensive Performance Assessment of Local Authorities. It is generally recognised that the new assessment does represent a “harder test” within all components of the new framework. The outcomes of the assessment have been reclassified into a star rating system ranging from no stars to four stars replacing the previous poor to excellent categories.
- 4.2.2. Within the new framework, the Use of Resources criteria has been fundamentally reviewed and its importance has been elevated in that it is now classified as a Level 1 Assessment and is on a par with the Assessments for Children and Young People and for Social Care (Adults). The Use of Resources judgement attempts to assess how well the Council manages and uses its financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and to improve services. The judgement is based on 5 themes:-
- financial reporting
  - financial management
  - financial standing
  - internal control
  - value for money
- 4.2.3. The Use of Resources assessment will be conducted annually and in all Councils by the Council's auditors. In respect of the value for money criteria, the Council is required to complete a self assessment. The overall Use of Resources judgement will be based on combining auditor's scores for each of the areas covered. The scores will be on the following scale:-
- 4 = well above minimum requirement - performing strongly,  
3 = consistently above minimum requirements - performing well,  
2 = at only minimum requirements - adequate performance,
- It is worth noting that within the previous Comprehensive Performance Assessment, adequate performance scored 3, whilst under the new framework adequate performance only scores 2.
- 4.2.4. Each judgement area consists of a number of key lines of enquiry which provide areas of auditor focus and also identify the need to provide evidence. These key lines of enquiry for each of the five judgement areas have been made available and cover the performance levels 2, 3 and 4. The key lines of enquiries form the basis of the auditor's judgement and are supported by descriptors for the value for money theme and criteria for those other than value for money. These describe what performance by a Council at each level might look like and identify the arrangements it should have in place. For the value for money assessment, auditors will assess which set of descriptions represent the “best fit” for the Council. However, for the other four themes the criteria include elements that are shown and indicated as being 'must haves'. The general requirement is that failure to meet any of those 'must haves' would prevent that level being achieved for the key line of enquiry. These descriptions are cumulative, for example for the Council to meet the level 3 criteria it must have all the 'must haves' within the level 2 criteria.

- 4.2.5. Councils were required to produce their value for money assessments by the end of July. Auditors undertook their fieldwork for the Use of Resources assessment during August and September with results reported in mid December as part of the Council's overall CPA assessment.
- 4.2.6. Many of the themes within the Use of Resources judgement have implications for the Council's financial planning processes. The financial management theme looks at how well the Council plans and manages its finances and asks the question whether the Council's medium term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities. Under this theme there are also questions around how well the Council manages performance against budget and the Council's management of its asset base. The financial standing theme asks the question as to how well the Council manages its spending within the available resources, whilst under internal control questions are asked as to how the Council manages its significant business risks.
- 4.2.7. The value for money theme is a key aspect of the judgement and as from next year will be used in such a way that an authority cannot score more highly than the judgement on this particular theme, for example, if the authority is scored a 2 against value for money, it's overall score for Use of Resources cannot be greater than a 2. The value for money theme has two key focuses. The first is whether the Council currently achieves good value for money and the second is around how the Council manages and improves value for money. Within this second element, there are key questions around the Council's procurement processes and also its partnership working.
- 4.2.8. The significance of financial management and value for money is not confined to the Use of Resources judgement. They play key roles within the service judgements, the corporate assessment and indeed within the direction of travel statement. Thus for example, under the ambition theme for within the corporate assessment, questions are asked as to how the Council and partner organisations work together to assess the availability of resources. Within the prioritisation theme, consideration is given to the way in which the Council's resources and those of partners are managed, reviewed and revised to agreed priorities. It also looks at the way in which there is an integrated approach to setting priorities and allocating resources. Under the capacity theme, there are questions around reserves being set at appropriate levels and innovative approaches to using partnerships to access new funding.
- 4.2.9. The Use of Resources judgements are also quite closely linked to a number of other developments. For example, under the value for money theme, auditors will assess the Council's approach and implementation of efficiencies under the Gershon agenda. Indeed there is a requirement that the backward looking Gershon statement will need to be included in the self assessment under this theme. There are also clear links to the new code of auditor practice that will come into effect for the 2005/06 accounts. Under this code, the Council's auditors will be required to make a judgement as to the Council's Use of Resources in reviewing its accounts. Auditors in reaching their judgement will consider 12 specific aspects, 8 of which link directly to the Use of Resources and the other 4 link to the corporate assessment.

### **4.3. LOCAL GOVERNMENT FINANCE FORMULA GRANT DISTRIBUTION CONSULTATION**

- 4.3.1. A consultation paper on the Local Government Finance System was published on the 19th July 2005 by the ODPM. The paper comprises 300+ pages of background, analysis and exemplifications. It brings together a number of far reaching proposals to change the current Local Government Finance System as well as a number of quite technical options to amend the way in which the Government's formula grant is distributed amongst local authorities.

### **4.4. Schools Funding**

- 4.4.1. The paper confirms the Government's intention to take the schools' budget out of the general grants system and to introduce a new Dedicated Schools Grant (DSG) from 2006/07. The amount to be transferred out of the General Grants System to the new ring fenced DSG has yet to be announced by the Government, however, the consultation assumes for illustrative purposes that the transfer will be half way between spend (local authorities spend approximately £200m in excess of the Government's FSS) and the total Schools' Formula Spending Shares. The impact of such a transfer on the level of overall grant remaining for individual authorities varies depending upon an authority's position as to their spend on schools as compared to the schools FSS. Generally, where spending on the schools' budget is currently above the schools' FSS, when spending and grant are taken out of the general fund, there is a net gain. Likewise, where an authority is spending below its schools FSS there is a net loss. However, this benefit will be phased over a number of years because of the use of floors to limit the losses to losing authorities. But this will be at the expense of those authorities who are spending above the FSS. The paper suggests two alternatives, the first being the current floor arrangement by which an authority's increase in grant is guaranteed to go up by a minimum floor level which could be as little as 1%. The second option is for a customised dampening which would limit the impact for those authorities who would lose to Education and Social Service authorities. Leeds currently spends just above the schools FSS and as such any gain is not expected to be great at this stage.

### **4.5. New Grants System**

- 4.5.1 The consultation paper identifies the option of a significantly different general grants system. Although the current Local Government Finance system is primarily designed to allocate a given amount of Government Grant, it operates in such a way as to ensure that authorities spending at the Government's assessed need (FSS) are able to set the same Council Tax level (expressed as a Band D equivalent) taking account of their differing abilities to raise Council Tax (Council Tax Base). As such the current system not only includes a Government assessment of need but also an assumed National Council Tax. Underlying FSS are numerous complex mathematical models which attempt to correlate need with a vast array of objective factors. The Government had wanted to explore a very simple grant regime that would have given all the Council's a minimum increase and then added some specific top ups. However, councils have consistently opposed this idea on the grounds that any grants system should reflect need, and thus the Government's new proposals build on the approach to building funding blocks. However, the Government proposals do seek to make the mathematical models simpler. Overall the new system would just allocate Government grants and would not include assumptions about notional spending nor about Council Tax levels.

4.5.2. The proposed system would be built up from seven service categories as follows:

- Education
- Social Services
- Police
- Fire
- Highway Maintenance
- Environmental Protection and Cultural Services (EPCS)
- Capital Financing

There would be four blocks within each category:

- Relative needs block
- Resources block
- Basic amount block
- Damping block

4.5.3. The way in which these components are put together is extremely convoluted, although the principles and purpose of this approach are relatively simple. The relative needs block is built up of mathematical models using factors that have correlations to need, so, for example, the number of young unemployed men in an area has been correlated to the need for higher spending on crime. The resource block reflects the relative tax raising powers of different authorities. It avoids predicting Council Tax levels, but it ensures that Councils with smaller Council Tax bases get more grants to compensate. The basic amount block calculates a notional minimum base by looking at the lowest level of needs and highest ability to raise taxes and creates a source of minimum grant. The damping block slows the rate of change from last years grant to next years grant. It guarantees all authorities that they will not suddenly lose more than a set amount of grant. This is paid for by reducing the amount of increase in other Councils' grants. It should be noted that, as now, the new system would be dependent upon a series of subjective judgements and the relative importance of different blocks.

#### **4.6. Three Year Settlements**

4.6.1. The paper confirms the Government's intention to move to three year grant settlements. The settlement to be announced in November/December 2005 will, if these proposals are implemented, be for two years - the remaining period of the current three year national public spending plans. Three year settlements will subsequently be aligned with the national three year spending plans of the Government. Projections will be used for the dominant data drivers of population and Council Tax bases. For other data items, the Government will use frozen figures based on multi-year averages. New funding, for say new functions, will be distributed as specific grants, until it can be incorporated into the settlement cycle. As a general rule, no retrospective amendments will be made to formula grant settlement, except in the event of a major systematic error. In the light of the Government's original timetable for the Council Tax revaluation, the paper states that the 2007/08 settlement will only be provisional when announced at the time of the 2006/07 settlement. However, given the very recent decision to defer the Council Tax revaluation, it is not clear at this moment whether 2007/08 grant settlement will now in fact be a final or a provisional one.

4.6.2. Major capital funding and specific revenue grants will also be allocated on a three year forward basis.

#### **4.7. Formula Changes**

- 4.7.1. The consultation paper contains a wide range of options for changes to all the principal grant formulae.
- 4.7.2. The Education block has been transformed by the removal of the schools funding to the Dedicated Schools Grant. The new block provides for central services and youth and community work.
- 4.7.3. The Social Services block contains the biggest proposed changes to the grant calculations. There are three main blocks within Social Services: children, older people and young adults. New research has led to changes in the factors used for the mathematical models of need.
- 4.7.4. Within the Highways Maintenance block, there are changes which include the use of *average* traffic flows rather than those for a single year only. In addition there are proposals to use 2001 census data instead of 1991. For the first time there is also recognition for the cost of maintaining back lanes.
- 4.7.5. The environmental protective and cultural services block covers many areas and the report admits that the basis for the relative priority given to different services is a subjective judgement. Within the paper there are proposals for using 2001 census data instead of 1991 and also the allocation of monies in respect of a new Government scheme for free bus passes for the over 60's and disabled people.
- 4.7.6. Area cost adjustments are made to reflect the cost of providing services in different parts of the country. The report presents three options that essentially tidy up the data being used in the old system. They also propose two more radical options using different geographical groups of Councils. One proposal is to calculate an area cost adjustment for each upper tier authority rather than, as now, on a regional basis.
- 4.7.7. The report also asks whether or not resource equalisation (more grant to areas with a low Council Tax base) should be increased and suggests minor changes to the rules on damping and floors; the guarantee that grants will not drop too far in one year.

#### **4.8. Implications for Leeds**

- 4.8.1. The consultation on the Government's proposals as outlined above finished on the 10th October 2005. The Council did submit a response and also contributed to responses by SIGOMA and the Core Cities.
- 4.8.2. Should the proposed changes be implemented there clearly would be a number of implications for not only the grant that the Council receives, but also to the way in which the Council prepares and sets its budget and Council Tax. In introducing three year grant settlements, the Government see it as an important move to provide greater certainty to local authorities in their financial planning. However, in return it is clear that the Government are also looking to move "to greater certainty in forward indications of local authority council tax levels". This idea was first put forward by the Government in a consultation paper in December 2004 on three year grant settlements. The results of the consultation did confirm that there was widespread support amongst local authorities for the introduction of three year grant settlements. However, there was not the same level of agreement as to the question whether

legislation should require Council's to publish their Council Tax plans for the next three years. This was opposed by 69% of respondents. The recent consultation paper is relatively quiet on whether it is the Government's intention to push ahead with any requirement for Councils to publish council tax levels for more than just one year at a time. However, in the Minister's statement on the consultation paper to the House of Commons, it was stated that following consideration of the consultation responses, implementation will follow a number of broad principles, including a move to greater certainty in forward indications of local authority council tax levels. It was recognised that there would be a need for further discussions with local government to ensure that there is maximum forward looking information for council tax payers. At this time it is not clear as to the Government's precise intentions in this area; whether for example it would be the intention to introduce a mandatory or voluntary scheme or whether the intention would be for authorities to be required to give a broad indication, say a range of possible future increases for future years. Moreover it is not clear as to the implications should an authority wish to vary a Council Tax level from that previously indicated. Currently there is not just the requirement for a Council to determine its Council Tax for the forthcoming year, but also to have a robust budget for that particular year. In determining Council Tax indicators beyond the forthcoming year it is not clear as to whether this will be part of the Council's high level financial strategy or whether it would be required to be supported by a robust budget for each of the future years. Should it be the latter, this would clearly have implications for the current processes by which the Council prepares its budget.

- 4.8.3. The move from a system that not only distributes grant, but also includes an assessment of the need to spend and an explicit assumption about national Council tax and year on year increases will also have implications for authorities and the development of financial strategies. For example the Council's current Financial Plan is based on increasing spend in line with the increase in its total FSS and on "passporting" to both Education and Social Services. Such an approach also ensured that the resulting increase in Council Tax was within Government assumptions.
- 4.8.4. The consultation includes a large number of exemplifications of the proposed changes to the formula grant distribution. These exemplifications reflect what would happen in the current year should the proposed changes have been introduced for 2005/06. For Leeds they show a best case scenario of just under £15m increase and a worse case scenario of nearly £3m loss. It has also been noted that at a national level the proposed changes would involve a substantial shift of resources away from London and the South East to metropolitan and northern authorities. Given these uncertainties, for planning purposes we are assuming a neutral impact.

#### **4.9. FUNDING ANNOUNCEMENTS**

- 4.9.1. It is understood that it is likely that this year's announcement of the Local Government Finance Settlement will not be until sometime in early December 2005. However, it is worth Members being aware that there have been a number of other funding announcements which will have implications for the Council in the future.
- 4.9.2. On the 21st July 2005 the Office of the Deputy Prime Minister announced a package of £1.3bn to help local authorities and their partners to tackle crime, anti social behaviour, education, housing, liveability, health and equalities and worklessness. This includes £1.05bn for the Neighbourhood Renewal Fund (NRF) spread over two years 2006-08 to the eighty most deprived local authority districts in England and six other local authorities which have significantly improved. In the current year Leeds receives £8.4m from the Neighbourhood Renewal Fund and there had been concern

that 2005/06 was to be the final year of allocations of this fund. Under this new allocation, Leeds will now receive £12.8m in 2006/07 and £14.9m in 2007/08. The total allocation of Neighbourhood Renewal Fund in each of the next two years is in fact the same as in the current year. However, as can be seen above, Leeds' share has significantly increased. This would appear to result from the introduction of a new measurement tool - the detailed indices of deprivation 2004 - as the basis for identifying the areas to benefit. It is claimed that the new indices have enabled the ODPM to identify the most deprived areas and identified the pockets of deprivation that were previously masked by the most affluent areas surrounding them.

4.9.3. Included in the package announced by Government in July 2005, was £265m for the safer stronger communities fund. This is a joint fund which brings together various funding streams from the ODPM and the Home Office, and this announcement covered the allocation of ODPM resources into the fund. It is made up of two components. The neighbourhood element of the fund is to allocate £160m over the four years 2006 -10, to be targeted at the eighty four local authorities that contain pockets of deprivation and small neighbourhoods. This element is designed to support local strategic partnerships in promoting community safety, liveability and community engagement. Leeds will receive allocations over the following four years as follows:

- 2006/07 - £1.238m
- 2007/08 - £1.548m
- 2008/09 - £1.238m
- 2009/10 - £0.744m

Allocations for 2008/09 and 2009/10 will be subject to future Spending Reviews.

4.9.4. The second element of the safer stronger communities fund is the cleaner, safer, greener element which is to allocate £105m for the two years 2006-08 and is targeted at fifty local authority districts that need to make significant improvement in their public space. It is predominantly capital funding to be shared over two years among fifty of those local authorities which also receive the neighbourhood element. It is aimed at delivering physical improvements to local public space and will allow them to align this capital funding with the neighbourhood element funding to ensure that physical improvements can be sustained through better ongoing management and maintenance of those public spaces. Leeds will receive the following allocations:-

- 2006/07 - £970,000
- 2007/08 - £1,130,000

## **5. REVIEW OF PRESSURES**

5.1. In reviewing the financial strategy, it is appropriate to review a number of new and ongoing developments and pressures, and to consider any impact which they may have on the current strategy.

### **5.2. General Fund**

5.2.1. Provision for inflation has been included in the Plan at £21.1m in 2006/07 and a further £21.7m in 2007/08. This includes:-

- £10.1m for pay awards at 2.95% increase for 2006/07 and £10.6m in 2007/08 at 3%.

- Pensions increase £1.9m and £2.2m reflects the 2004 actuarial valuation of the West Yorkshire Pension Fund which recommended an increase in Leeds' contributions of 4.6%, to be phased in over six years.
- General running costs at £8.3m and £7.9m representing on average a 2% increase in expenditure and 3% increase from external income sources, although higher percentages have been assumed in some areas notably energy bills where significant increases are being experienced.
- Specific provision has been made for the annual £3 per tonne increase in landfill tax. The amounts to £0.8m in 2006/07 and £1m in 2007/08.

5.2.2. The projected cost of the full year effect of approved developments both revenue and capital reflect corporate plan priorities and are £3.0m in 2006/07 and £1.9m in 2007/08. The major elements are:-

- City Museum and Resource centre £0.4m and a further £0.3m
- Other new facilities including the Contact Centre £0.8m and £0.4m
- Water Asset management measures £1.2m in 2006/07
- Provision was made in the base budget 2005/06 for development costs associated with the successful PFI bids. Provision has been made for the ongoing affordability costs of £0.4m and £0.2m. Development costs have been included at £0.3m and £1.0m

5.2.3. Demography and volume changes amount to £4.2m in 2006/07 and a further £1.5m in 2007/08. The majority of this is to provide for the effects of service demands mainly in social services community care and children's services.

5.2.4. Changes in the level of income and other external funding is £6.8m in 2006/07 and £1.7m in 2007/08. The major elements are:-

- Social services grant fallout £1.9m and £0.3m
- ESF and SRB grant fallout £1.2m and £0.4m within Learning and Leisure and £2.7m in 2006/07 in respect of regeneration and community safety schemes, although these are being reviewed for other funding sources or rationalisation of service provision.

5.2.5. Unavoidable pressures amount to £7.0m in 2006/07 and £2.9m in 2007/08. This includes:-

- Additional recycling contract payments £1m in 2006/07
- Pressure on the learning disability pooled budget of £1.5m in 2006/07 and a further £1.0m in 2007/8
- Supporting People retraction plan to be phased in over a number of years is included at £0.6m per annum
- Other costs associated with social services amount to £1.5m in 2006/07
- Additional inspectorate costs associated with the Local Development Framework £0.5m

5.2.6. Negotiations are ongoing in respect of Equal Pay. In addition, the implementation of job evaluation by April 2007 is likely to lead to additional cost pressures.

5.2.7. The base budget for 2005/06 includes a contribution to reserves of £3m. As detailed in paragraph 3.1.7 a target level of reserves has been set. It has been possible to reduce the projected contribution in 2006/07 by £1m and still remain within the approved parameters, releasing additional resources to front line services.



- 5.2.8. The overall impact of the above pressures will undoubtedly leave a funding gap, between resources and priorities. The size of this gap will depend upon the ability of departments to contain their costs.
- 5.2.9. Depending upon the strategy to be adopted, this gap could be in the region of £24m in 2006/07, although when this is solved the gap in 2007/08 is marginal.
- 5.2.10. However, this could be mitigated by the identification of efficiency savings, which Members will recall are required by the Gershon efficiency targets, by service prioritisation informed by the current PwC exercise, and the generation of additional income through more innovative use of the trading and charging powers.

### 5.3. **Dedicated Schools Budget**

- 5.3.1. The Dedicated Schools Grant, the new funding arrangement for Education, is a ring-fenced grant that will be used wholly and only to fund Schools Block expenditure, i.e. the Individual Schools Budget (ISB) and the Central Schools Block. Education LEA functions are to be funded by mainstream government funding like other council services and have been included in the other services block above.
- 5.3.2. It is anticipated that ISB resources will increase by £13.5m. Two schools are closing to form a new City Academy from August 2006 with the effect that ISB funding will be reduced by £2.3m. There will however be an equivalent £2.3m reduction in ISB costs due to this.
- 5.3.3. Inflation is anticipated to amount to £9.0m including pay awards of £5.6m, superannuation increase of £0.4m, and running costs inflation of £3.0m.
- 5.3.4. A new pay agreement for nursery nurses is anticipated to cost £0.5m per year plus backpay of a further £0.5m. The implementation of a new career structure for teaching assistants will cost a further £0.5m. Additional resources of £1.1m have been assumed for Primary schools towards the cost of workforce reform.
- 5.3.5. Demographic trends should reduce school costs by £2.3m and school closures will deliver savings of £0.3m.
- 5.3.6. Sinking funds are being utilised to address the affordability gap between the cost of the various schools PFI schemes and the associated government funding and other contributions. The additional contributions to the sinking funds amount to £1.7m.

### 5.4. **Central Schools Budget**

- 5.4.1. It is anticipated that Central Schools Block resources will increase by £1.3m. Inflation is anticipated to amount to £0.6m including pay awards of £0.3m and running costs inflation of £0.3m.
- 5.4.2. Current trends on maternity costs indicate an additional £0.2m and funding for inclusion provision in the private, independent and voluntary sector is estimated to be £0.1m.
- 5.4.3. Prudential borrowing costs to fund the Primary School Review amount to £0.4m.

## 5.5 Housing Revenue Account

- 5.5.1 The HRA covers the management of the council's rented housing stock, and in accordance with government legislation operates as a ring-fenced account. The funding of the HRA is separate to the way in which the rest of the council is funded, with costs being met from rental income and government subsidy. However, in Leeds, for a number of years, the way in which the government calculates subsidy has resulted in a negative contribution rather than a grant.
- 5.5.2 The current year's budget for the HRA provides for negative subsidy of £30m. An average rent increase of £2.15 over 48 weeks (equivalent to 4.55%) was agreed in line with implementation of the Government's rent restructuring programme. A contribution from balances of £189k was built into the budget in order to achieve working balances at the year end of £2.0 m.
- 5.5.3. On 1st February 2003, six separate Arms Length Management Organisations ("ALMOs") became responsible for delivering management and repairs to the council's housing stock. The ALMOs are allocated an annual management fee for delivering this service. The value of this for 2005/06 was £72m. The Strategic Landlord is committed to maximising the funding directly available to the ALMOs whilst retaining a robust strategic function. Thus in future years it will continue to disaggregate appropriate expenditure for the ALMOs to directly manage and to actively review the appropriateness of costs contained within the HRA.
- 5.5.4. Over the period 2003/04 to 2004/05 all ALMOs were successful in achieving a 2-star inspection rating from the Audit Commission which gives them access to £359m of additional capital funding to invest in bringing the housing stock up to decent homes standards. This directly brings with it an element of additional subsidy over the life of the programme which is currently used to support ALMO expenditure programmes.
- 5.5.5. The financial strategy for the HRA is developed in the HRA Business Plan. The key factors in determining the strategy are the amount of Housing Subsidy allocated by Central Government and the implementation of the government's rent restructuring programme. Housing Subsidy is driven by three key elements: Management and Maintenance Allowances, stock numbers and funding of debt.
- 5.5.6. For 2006/07 the ODPM guidance is not yet available for national changes in Management and Maintenance Allowances.
- 5.5.7. It is estimated that over the four year period 2005/06 to 2008/09 there will be a reduction in council housing stock of 5,950 properties (equivalent to 9.5% of stock). This will occur through Right To Buy sales and demolitions or disposals of properties which are not sustainable either because of their physical condition or lack of demand. These changes are principally demand led and difficult to accurately predict. From 1 April 2004, 75% of receipts generated through RTB sales (net of expenses) are required to be paid over to central government.
- 5.5.8. Central government is continuing with its rent restructuring review which aims to harmonise Local Authority rents with Registered Social Landlords by April 2012 for comparable properties. The government has indicated that rent restructuring will be resource neutral when viewed nationally and proposes to compensate local authorities by increasing Management and Maintenance Allowances. Additionally, rent restructuring brings with it an increasing requirement to de-pool service charges.

- 5.5.9. The government previously delayed revising the rent restructuring rules for 2005/2006, but it is expected that a new consultation process will be commenced shortly. The effect on Leeds is impossible to meaningfully forecast from available data, although it is anticipated that this will ultimately lead to higher levels of actual rent. The final Subsidy Determination will be released in December 2005.
- 5.5.10. The average rent increases for council house tenants are also dependent upon the outcome of the government consultation programme. The HRA Business model currently assumes average rises of 4.5%.
- 5.5.11. Additionally the HRA receives subsidy based on the actual cost of borrowing, which broadly offsets the real cost of borrowing. Interest rates of 5.26% are assumed.
- 5.5.12. The HRA currently receives additional subsidy directly related to the ALMO's supplementary capital programme. Whilst not guaranteed, the Financial Plan assumes that this funding continues unaltered until completion of the Decent Homes programme. Significant reductions in the cost base of the HRA will be required to reflect this fall out of subsidy towards the end of this Financial Plan.
- 5.5.13. The Swarcliffe PFI scheme commenced on 1 April 2005. The HRA Business model currently assumes average inflation rises of 2.5% in relation to management costs.

## **6. FINANCIAL STRATEGY 2006/07 and 2007/08 – UPDATE**

### **6.1. Forecast resources 2006/07 and 2007/08**

- 6.1.1 Although the consultation document put out by the Government includes a large number of exemplifications of proposed changes to formula grant distribution, as explained at 4.8.4. above there is considerable uncertainty regarding their potential impact and likely implementation and as such for planning purposes it is assumed that they have a neutral impact.
- 6.1.2. However, the Government's consultation did confirm their intention to take the schools budget out of the general grants system and to introduce a new Dedicated Schools Grant from 2006/07. As such it is clear that the Council's formula grant from the Government will be reduced for this proposed change. For planning purposes, the Council's formula grant from the Government is forecast as follows:-

<b>2006/07</b>	<b>£m</b>
Formula grant 2005/06	592.478
Transfer to DSG	<u>-342.953</u>
Revised base 2005/06	249.525
Less one off grant received in 2005/06	-3.900
Assumed increase based on spending review 2004	12.535
Forecast formula grant forecast	258.160
<b>Overall increase</b>	
<b>Percentage increase on previous year</b>	<b>8.635</b> <b>3.46%</b>
<b>2007/08</b>	
Forecast formula grant 2007/08 forecast	266.800
<b>Overall Increase</b>	<b>8.674</b>
<b>Percentage increase on previous year</b>	<b>3.36%</b>

- 6.1.3. The above calculations take account of known data changes which will likely impact upon the Council's settlement and also the one off additional increase in formula grant that Councils receive in 2005/06 which totalled £3.9m.
- 6.1.4. Under the present funding arrangements, Formula grant funds approximately 74% of the Council's net spending. Formula grant under the new arrangements will represent approximately 56% of the Council's net revenue costs, excluding the Dedicated Schools Budget. The forecast increases in grant above would provide for the following percentage increases in the Council's spending:
- 2006/07 – 1.9%
  - 2007/08 – 1.9%
- 6.1.5. The Council's ability to enhance these resources will depend upon:
- Specific Government Grants
  - The increase in the level of Council Tax – the additional resources generated by any increase is not only dependent upon the increase, but also on changes in the council tax base and collection levels.
- 6.1.6. As explained at paragraph 4.8.3. above, the proposed changes to the Local Government Finance system include the move from a system which includes an assessment of need spend and also an explicit assumption about national Council Tax and year on year increases. As such, more than ever, the decision as to the increase in the Council Tax is one of local political significance. It should be noted that at the margin every 1% variation in the level of Council Tax results in the corresponding variation in the level of resources equivalent to £2m.

## **6.2. Options to Deliver Balanced Budgets 2006/07 and 2007/08**

- 6.2.1. It is clear from the above review that the scale of financial pressures currently facing the Council in the next two financial years far exceeds the likely level of resources available to the Council, taking account of the forecast increase in the Government's grant to the authority and with an assumption of a reasonable increase in the Council's element of the Council Tax.
- 6.2.2. The Council's approved financial plan 2005-2008 set out a methodology for the allocation of resources to departments taking account of pay and other inflation and the full year effects of approved developments and support to the Council's corporate plan priorities. The plan did recognise that there was a need to improve the resource prioritisation to the Council's key priorities. It recognised that the delivery of additional resources to the Council's key priorities would not only be dependent on resources made available through Government settlements but also on the success of the Council in realigning resources. A variety of options will need to be explored in preparing detailed estimates for these years, including the following approaches:
- that all spending plans are subjected to rigorous review to ensure that they are aligned to identified need and provide value for money.
  - all efforts are made to maximise the availability of external sources of funding. Where departments are currently forecasting fall out of Government grant they have been requested to seek alternative forms of external funding or to identify

other appropriate exit plans. In addition other income generating initiatives will be pursued.

- all financial plans will continue to be supported with a risk management approach.
- Gershon efficiencies equivalent to at least 2.5%, or £15m across all services, will be targeted, at least 50% of which need to be cashable.

6.2.3. This approach to the determination of budgets as described above at 6.2.2. needs to be seen as an initial strategy. The Financial Plan proposed that as part of an ongoing process of reviewing services that an exercise would be undertaken to devise a priority categorisation for each service/activity. It argued that this would result in a clear statement of relative priorities across the Council but that this might mean that the resource allocations over the planning period would need to be reviewed.

### **6.3. The Service Prioritisation Model**

6.3.1. Over the summer, PriceWaterhouseCoopers LLP(Pwc) were commissioned by the Council to undertake a high level diagnostic of Council Services, identifying the relative value and quality of the main service areas and to seek out areas for efficiency and performance improvement. This was to be done through a series of interviews, documentation reviews and comparison. In particular they have reviewed the following sources of information:-

- performance data, benchmarks against a comparative group of excellent and good authorities
- value for money indicators
- corporate, council, service and financial plans
- budget books
- satisfaction report and performance data
- inspectorate reports

6.3.2. The model consists of two elements, a service catalogue and a project catalogue. The service catalogue allows the consideration of the priority of particular services against the quality of the delivery of these services. It provides scope for challenging the Council's key services and can also flag up the challenges and opportunities within each department by considering which services:

- really add value
- are delivered efficiently or effectively
- are delivered in the optimum way
- should be targeted for change
- could be improved through greater investment, collaboration, new ways of working etc.

Service prioritisation models have thus been produced for each of the Council's six departments plus a separate one for Education Leeds. The model is seen as a high level methodology rather than a pinpoint diagnostic and so should not act as the definitive performance or importance status of each service. Its benefit, however, is that it can provide for high level understanding of the relative strengths, weaknesses and importance of each of the Council's main services and teams. As such it can be

used to inform or guide the Council's budget and service planning processes as well as supporting a wider efficiency and improvement programme.

- 6.3.3. The second part of the work is a project catalogue. As part of the service prioritisation process, interviews and a collaboration of current good practice from other local authorities, the consultants have identified 140 efficiency and performance projects across all departments of the Council. Combined the consultants argue that these could constitute a wider improvement programme for Leeds City Council. These projects are in addition to a further 23 projects identified as requiring a more corporate approach. The number and size of the projects varies by each department but provides for sufficient balance between quick wins and major transformational projects. This work is seen as a high level methodology only and has been used to select and appraise the relative impact, complexity and benefit of each project. It is recognised that further investigations and full business cases will be required to fully understand the implications, cost of implementation and likely efficiency or performance improvement benefits of any shortlisted projects. However, it is argued that this project catalogue provides a useful starting point for identifying and understanding efficiency and performance projects that the Council can take forward within an improvement programme.
- 6.3.4. The results of the service prioritisation model are still at a relative early stage of understanding in terms of their full implications. Whilst at this stage it is not possible to easily convert the results of this work into a mathematical model for the distribution of resources between departments, nevertheless, it is thought that the results as part of the process for preparing the Council's annual budget can be used to improve the realignment of resources towards the Council's key priorities and to further develop the Council's efficiency agenda.

## **7. CONCLUSIONS**

- 7.1. With the Government's proposed changes to the Local Government Finance Framework, it is clear that there is a degree of uncertainty as to the likely level of Government grant that will be available to the Council in the next two financial years. However, within the parameters known, it has been possible for planning purposes to make assumptions as to the likely available resources taking account of assumptions as to the increase in the Government grant and also of an increase in the Council Tax no higher than in the current year.
- 7.2. It is clear that the financial pressures facing the Council over the next two financial years will far exceed the likely level of resources available. Moreover if the Council is to redirect its resources to its key corporate priorities, it will be necessary for difficult decisions to be taken as to service prioritisation and the realignment of resources. The service prioritisation model which is still at a relatively early stage of understanding and development together with the Council's robust approach to the delivery of efficiencies will be key to the delivery of a sustainable budget over the next two financial years which at the same time starts to deliver real realignment in accordance with the Council's Corporate Plan. Recognising that this approach will require further development as part of the process of developing budgets, an initial strategy is put forward in order to further the consideration of the Council's budget.

## **8. RECOMMENDATIONS**

- 8.1. Executive Board are asked to approve this update to the Council's Financial Plan 2005-08 and to request departments to prepare detailed budgets for 2006/07 and 2007/08 in accordance with the principles and proposals included within this update.

**REPORT OF DIRECTOR OF CORPORATE SERVICES**

**REPORT TO EXECUTIVE BOARD**

**DATE : 16<sup>TH</sup> November 2005**

**SUBJECT : Annual Efficiency Statement – Mid Year Update**

<p><b>Electoral Wards Affected :</b></p>	<p><b>Specific Implications For :</b></p> <p>Ethnic Minorities <input type="checkbox"/></p> <p>Women <input type="checkbox"/></p> <p>Disabled People <input type="checkbox"/></p>	
<p><b>Executive Board Decision</b> <input type="checkbox"/></p>	<p><b>Eligible for Call In</b> <input type="checkbox"/></p>	<p><b>Not eligible for Call In</b> <b>(details contained in the report)</b> <input type="checkbox"/></p>

**1. Introduction**

- 1.1. This report sets out the Council's efficiency gains to date for the 2005/06 financial year. These will form the basis of a Mid Year Update to the Office of the Deputy Prime Minister that is required by 17<sup>th</sup> November 2005.
  
- 1.2. Following the publication of a report entitled 'Releasing resources to the front line, independent review of Public Sector Efficiency' in July 2004, the Council is required to deliver efficiency gains of 2.5% per annum over the three year period of the Spending Review 2004 from 2005/06 to 2007/08. As part of this process, an Annual Efficiency Statement must be produced and signed by the Leader, Chief Executive and Chief Financial Officer on an annual basis.
  
- 1.3. The Annual Efficiency Statement comprises two key components; one part forward looking and the other part backward looking. The forward looking element sets out efficiencies that the Council plans to achieve in the forthcoming financial year, while the backward looking element reports on efficiencies that have been achieved. In addition, a Mid Year Update is required from all single tier and county councils, except those that have been rated as 'Excellent' under CPA. However, the ODPM recommend that all authorities complete a Mid Year Update as best practice.
  
- 1.4. As such, the Council will be completing a Mid Year Return by 17<sup>th</sup> November 2005, setting out the efficiencies that have been achieved during 2005/06 to date and the value of efficiencies that are expected to be achieved during the whole of 2005/06.

## **2. Annual Efficiency Statement – Backward Look 2004/05**

- 2.1. Following the introduction of the Annual Efficiency Statement, Local Authorities were permitted to submit an Annual Efficiency Statement for 2004/05. This only included efficiencies achieved during 2004/05 whose effects were anticipated to last through the period of the Spending Review to 2007/08.
- 2.2. As a result, the Council submitted a return totalling £11.95m for 2004/05.

## **3. Annual Efficiency Statement – Forward Look 2005/06**

- 3.1. The forward looking Annual Efficiency Statement contained planned efficiencies for 2005/06 of £18.85m as set out in the table below. This is against a 2.5% target of £15.34m for both revenue and capital efficiencies for the same period.

<b>Sector</b>	<b>Annual Efficiency Statement £m</b>	<b>Cashable £m</b>	<b>Non Cashable £m</b>
<b>Adult Social Services</b>	3.25	2.88	0.37
<b>Children's Services</b>	1.18	0.93	0.25
<b>Culture and Sport</b>	1.874	1.774	0.10
<b>Environmental Services</b>	2.043	1.544	0.499
<b>Local Transport</b>	0.602	0.602	0
<b>Local Authority Social Housing</b>	5.84	3.02	2.82
<b>Corporate Services</b>	1.101	1.101	0
<b>Procurement</b>	0.704	0.704	0
<b>Productive Time</b>	0.06	0	0.06
<b>Transactions</b>	0.544	0.544	0
<b>Miscellaneous</b>	1.652	1.442	0.21
<b>Total</b>	<b>18.85</b>	<b>14.541</b>	<b>4.309</b>

- 3.2. Significant efficiencies assumed as part of the above include:
- Adult Social Services
    - Review of Community Care purchasing procedures £1.0m;
    - Improved staff attendance £0.9m;
    - Improved income collection £0.4m;
    - Reconfiguration of meals service £0.1m.
  - Children's Services
    - Improved staff attendance £0.55m;
    - Re-procure family support services £0.2m;
    - Reconfigure transport service £0.1m;
    - Reconfigure business process £0.1m.



- Culture and Sport
  - Rationalise supplies and services through improved procurement £0.5m;
  - Improved staff attendance £0.5m;
  - Restructure of Jobs and Skills £0.25m;
  - Review transport and materials budgets within Parks and Countryside £0.2m.
- Environmental Services
  - New landfill contracts allowing direct transport to landfill sites £0.53m;
  - Extension to SORT scheme within existing resources £0.5m;
  - Review of Waste Management Service including fleet requirements £0.48m;
  - Review of Refuse Collection service £0.22m.
- Local Transport
  - Efficiency saving generated by the Passenger Transport Authority £0.53m (pro rata at 34% to reflect the Council's proportion of PTA efficiencies)
- Local Authority Social Housing
  - Procurement efficiencies by the ALMOs £5.6m
- Corporate Services
  - Decommissioning of mainframe computer systems £0.66m;
  - Review of running costs £0.27m.
- Procurement
  - Procurement efficiencies with departments not included above £0.7m.
- Transactions
  - Efficiencies following introduction of Revenues and Benefits system £0.25m;
  - Decommissioning of cash receipting system and subsequent closure of cash office £0.14m;
  - Transfer of weekly paid employees to monthly pay £0.14m.
- Miscellaneous Efficiencies
  - Community Safety efficiencies £0.3m;
  - Development department efficiencies £0.5m;
  - Reduced use of overtime and Agency staff in City Services £0.35m;
  - General efficiencies within Chief Executive's Department £0.3m.

#### **4. Annual Efficiency Statement – Mid Year Return 2005/06**

- 4.1. The Mid Year Update shows the value of efficiency gains achieved in the first six months of 2005/06 (April to September), the value of efficiencies expected to be achieved for the whole of 2005/06 and the forecast cumulative efficiency, equal to the 2004/05 efficiency gains plus the additional gains expected to be achieved in 2005/06.
- 4.2. A summary of the Mid Year Return may be seen below:

Sector	Efficiency Gain 04/05 £m	Efficiency Gain to Date 05/06 £m	Efficiency Gain Expected 05/06 £m	Cumulative £m
Adult Social Services	0.24	0.90	1.46	1.70
Children's Services	0	0.28	0.48	0.48
Culture and Sport	0.83	0.52	1.10	1.93
Environmental Services	0.51	0.91	1.83	2.34
Local Transport	0.93	0.07	0.10	1.03
Local Authority Social Housing	6.29	3.07	5.62	11.91
Homelessness	1.18	0	0	1.18
Corporate Services	0	0.95	1.0	1.0
Procurement	0.68	0.21	0.39	1.07
Productive Time	0.56	0.02	0.11	0.67
Transactions	0.73	0.33	0.57	1.3
Miscellaneous	0	0.85	1.73	1.73
<b>Total</b>	<b>11.95</b>	<b>8.11</b>	<b>14.39</b>	<b>26.34</b>

- 4.3. From the above it may be seen that the Council is projecting cumulative efficiencies in excess of £26m against a 2.5% target of £15.34m. The Council is therefore expected to be in excess of £10m ahead of the 2.5% target going into 2006/07.
- 4.4. At the half year, efficiencies in excess of £8m have been generated, being 56.4% of the efficiency gains expected to be generated during 2005/06 of £14.39m.
- 4.5. However, the efficiency gains expected of £14.39m are below the planned efficiencies of £18.85m as set out in the Forward Looking Statement for 2005/06, being a reduction of 23.7%. The main sectors that are now not expected to achieve their target gains are Adult Social Services, Children's Services, Culture and Sport and Local Transport. With regards to Local Transport, the Passenger Transport Authority are confident that efficiencies to the value included in the Forward Looking Statement will be achieved. However, at this point in time the plans for delivering these efficiencies are being developed and refined. With regards to the other areas that are not expected to achieve target gains, work is ongoing with officers in departments to refine projections and identify further efficiencies in place of those that may now not be achieved.
- 4.6. The delivery of the Annual Efficiency Statement is dependent upon the achievement of the Quality Cross Checks. It should be noted that the non-achievement of one or more of these will impact greatly on the ability of the Council to generate the projected level of efficiencies of £14.39m. The performance indicators that form the basis of the Quality Cross Checks continue to be closely monitored and steps will be taken where practicable to improve the position of a poorly performing indicator or to identify an alternative performance indicator.

- 4.7. In addition, it should be noted that significant levels of procurement efficiencies are anticipated and work is ongoing with officers in Corporate Procurement Unit and departments to identify these. Any such procurement efficiencies are not currently reflected in the figures above.

## **5. Conclusions**

- 5.1. As part of the Annual Efficiency Statements and following best practice, the Council is required to complete a Mid Year Return. This return shows the value of efficiency gains achieved in the first six months of 2005/06 (April to September), the value of efficiencies expected to be achieved for the whole of 2005/06 and the forecast cumulative efficiency.
- 5.2. Whilst the Council is on line to have achieved cumulative efficiencies in excess of £26m by the end of 2005/06 against a 2.5% target of £15.34m, projected efficiencies within 2005/06 of £14.39m are below the target level set by the Council in the Annual Efficiency Statement in April 2005 of £18.85m. The ongoing effects in 2005/06 of efficiencies identified in the 2004/05 Backward Looking Annual Efficiency Statement have helped ensure that the Council anticipates more than achieving the target level of efficiencies.
- 5.3. Furthermore, the achievement of the projected efficiencies of £14.39m in 2005/06 is dependent upon the achievement of Quality Cross Checks. The non-achievement of one or more of these will impact greatly on the ability of the Council to generate the projected level of efficiencies. The performance indicators that form the basis of the Quality Cross Checks continue to be closely monitored and remedial action taken where necessary.

## **6. Recommendations**

- 6.1. The Executive Board are asked to note the contents of this report and to approve the Annual Efficiency Statement - Mid Year Return so that it may be forwarded to the Office of the Deputy Prime Minister.

**NOT FOR PUBLICATION**

Page 12 of the attached Executive Summary –  
Exempt/Confidential Under Access to Information Procedure Rule 10.4 (7)

**REPORT OF THE DIRECTOR OF CORPORATE SERVICES**

**MEETING: EXECUTIVE BOARD**

**DATE : 16 NOVEMBER 2005**

**SUBJECT : CARRIAGEWORKS**

<p><b>Electoral Wards Affected :</b></p>	<p><b>Specific Implications For :</b></p> <p>Ethnic Minorities <input type="checkbox"/></p> <p>Women <input type="checkbox"/></p> <p>Disabled People <input type="checkbox"/></p>	
<p><b>Executive Board Decision</b> <input type="checkbox"/></p>	<p><b>Eligible for Call In</b> <input type="checkbox"/></p>	<p><b>Not eligible for Call In</b> (details contained in the report) <input type="checkbox"/></p>

**1. INTRODUCTION**

- 1.1. Following a request from Executive Board, Internal Audit has completed a review of the Carriageworks Theatre scheme within the Electric Press development.
- 1.2. Executive Board requested that a report be brought to the Board following a detailed investigation into the reasons for the increase in expenditure on the fit-out.

**2. APPROACH**

- 2.1. The audit approach has been to perform an objective assessment of costs and project management focusing on any lessons to be learnt and agreeing an action plan that will help drive procedural improvements.
- 2.2. Very early in this complex review it became apparent that to fully understand the pressures on the fit-out contract it would be necessary to extend the brief and review the business case and option appraisal for the Carriageworks Theatre and the disposal of the Electric Press site. The outcome of this work has been discussed and agreed with the Directors of Learning & Leisure and Development.

- 2.3. It should be noted that whilst this type of Internal Audit review has the benefit of hindsight and paperwork evidence to rely on, it is impossible to recreate the pressures and unique circumstances of this project.

### **3. CURRENT POSITION**

- 3.1. When considering the contents of this report it is important to remember the positive outcomes of this project:
- Regeneration of derelict buildings, some of which are listed.
  - Completion of the Millennium Square project
  - Investment of at least £15M by the private sector into the Electric Press scheme.
  - New theatre complex providing accommodation for the Arts Guild & also facilities for community use and daytime conferences and seminars.
  - Facilitated the release of £19M Heritage Lottery funding for the Museum development.
  - External funding (just under £1.2m) from Objective 2 and £50K from the Arts Council of England was secured to cover the increased fit out costs with no additional cost falling to the Council tax payers in Leeds.
  - Resolved a challenging issue concerning continuing accommodation for the Arts Guild.
- 3.2. The theatre project is currently estimated to cost £7.59M with the launch scheduled for 11th November 2005. This can be compared against the original approval for the scheme of £5.72M with an estimated completion date of December 2003.
- 3.3. As requested by Executive Board, this review specifically concentrated upon the fit-out budget estimate that has increased by £1.134M from £2.72M to a current estimate of £3.854M

### **4. FIT OUT BUDGET INCREASES**

- 4.1. In 2001 the estimate for the fit out reported to Executive Board was £2.72M. However, this was prior to the business plan being prepared and the report did not identify this as a potential cost pressure.
- 4.2. In February 2002 the business plan prepared by Consultant A recommended that the scheme included a second auditorium. This was approved at Project Board on 16<sup>th</sup> May 2002 but at that stage there was no estimate of the increased cost of the fit-out available.
- 4.3. In November 2002 Executive Board approved an increased budget of £2.925M to include the increased cost of the second auditorium.
- 4.4. Between August 2002 and May 2003 Cost Consultant A was advising that the estimate for the fit out was not sufficient. Their first estimate dated 22<sup>nd</sup> August 2002 was £3.48M – this had reduced to £2.963M by May 2003. This highlights the difficulty in producing accurate cost plans in the absence of a detailed specification.
- 4.5. In addition the Council's Design Services Agency prepared a cost report for the Project manager in August 2003 expressing concerns about the 'lightness' of

provision for areas such as mechanical and engineering works and contingencies. This report was never taken to the Project Board.

- 4.6. From around October 2003 additional items not included in the original estimate were requested by the Client. The total estimate of these variations exceeded £200K
- 4.7. In addition, the original estimate only included inflation to December 2003 but because the shell was not completed by that time the fit out was delayed by almost 2 years. This obviously had an inflationary pressure.
- 4.8. In July 2004 a revised estimate of £3.854M, taking account of all known factors at that time, was approved by Executive Board – this remains the estimate.

## **5. SUMMARY FINDINGS**

- 5.1. The review has concluded that the Contract Procedure Rules of the Council have been adhered to in all material respects and from the evidence reviewed, officers have acted appropriately.
- 5.2. The overriding conclusion is that this is an incredibly complex project that has been hindered by the extremely tight timescales available at project initiation stage due, in part, to the pressures to accommodate the Arts Guild. The tight timescales inevitably result in outline specifications not being as advanced as they should be which in turn makes cost estimation more difficult. A key learning point is that these cost risks should be made clearer in Executive Board reports.
- 5.3. Whilst it would be very difficult to recreate those exact pressures, nevertheless there was clear evidence of political, media and public support for the theatre project within the Electric Press building. The need to act decisively and negotiate with the developer of the Electric Press site significantly reduced the potential for a detailed feasibility study and options appraisal. At the time of the Executive Board approval it was clear that this would be a unique and complex project with a high risk of time overrun and cost pressure. These risks should have been detailed clearly in the Executive Board report as part of the decision making process.
- 5.4. At the commencement of this review, there was anecdotal evidence that the increased estimates were as a result of the two stage tender process for the fit out contract. However, the audit has concluded that the decision to undertake the fit-out contract as a two stage tender was reasonable although design engineering savings expected may not have been maximised as a result of the failure to promptly appoint the preferred contractor.
- 5.5. The audit has concluded that the appointment of Developer A for the shell construction and fit out contractor A was appropriate and could reasonably demonstrate best value once the decision had been taken to place the theatre within the Electric Press Development.
- 5.6. There were a number of cost pressures within this project that have resulted in an increased estimate. The key pressures were:
  - The initial estimate was based on floor area rather than an outline project specification.

- A number of major items deemed essential by the client were not included in the initial estimate.
- The significant non-essential variation of including a second auditorium was not fully costed at the time of approval.
- There were inflationary pressures due to the delayed start date of the fit-out.
- The complexity and high risks of the overall procurement process and wider development were not fully reflected in the original cost estimates.

## **6. RECOMMENDATIONS**

Officers from relevant departments are currently working on an Action Plan and the development of improved procedural guidelines for delivery of major capital projects. The outcome of this work will be reported back to Executive Board.

- 6.1. The Executive Board is asked to receive and note the contents of this report.
- 6.2. Executive Board request a further report on the outcome of the work to improve the delivery of major capital projects and receive the updated procedures for approval.

## 1. Introduction

- 1.1 The Civic Theatre was to be relocated following the award of a £19M grant from the Heritage Lottery Fund for the new museum. At the same time, Developer A, the preferred bidder for the Electric Press site had run into difficulties with their scheme in terms of size and cost. It was agreed with Developer A that they could accommodate a new Civic Theatre within their development. Subsequently, a cost of £3M for the shell was agreed with the developer. Leeds City Council would be responsible for the fit-out of the theatre. An independent estimate of the cost was prepared. This estimate was the basis of the Executive Board approval of the fit-out budget of £2.72M on 26 September 2001.
- 1.2 Subsequently, the fit-out budget increased further and Executive Board agreed on 13/11/02 to increase the budget to £3,110,000 (this includes £185,000 additional shell costs payable to Developer A).
- 1.3 Executive Board approved in July 2004 the request to increase the fit-out budget to £4,168M (includes £314,000 additional shell costs payable to Developer A). Since this represented a significant increase from the original approval of £2.72M, Executive Board requested an internal audit review of the Carriageworks project.
- 1.4 The audit review included an evaluation of the fit-out process, including budgeting, costing of draft plans, review of the tender process and justification for changes to the scheme.

A separate report has been issued to the Director of Development and the Director of Learning & Leisure. The scope of this audit included:

- the justification for a new theatre
- option appraisal of alternative locations and associated costs
- disposal of the Electric Press site

## 2. Increase in fit-out budget

- 2.1 Developer A employed their contractor to build the theatre shell to Leeds City Council requirements. The completion date for the theatre build was agreed as 12 April 2004. The fit-out of the theatre was due to commence after handover of the completed shell. There is provision in the contract for liquidated damages of £3,150 per week in the event of failure to handover the completed shell by the agreed date. The amount agreed was calculated on the basis of loss of profit. As at 10 June 2005, the Authority has received £68,250 from Developer A in respect of liquidated damages, with negotiations ongoing in respect of the remaining sum.
- 2.2 The commencement of the fit-out was pushed back due to continued delays with the completion of the shell. The delay in completion of the shell also resulted in the postponement in the formal awarding of the contract for the fit-



out. It is acknowledged that throughout the delay period, Leeds City Council were advised of numerous delivery dates for the shell which were not achieved by the developer.

- 2.3 The financial impact of the delay in the completion of the shell will not be covered by the liquidated damages potentially payable by Developer A. As a result of the ongoing delay to the completion of the shell, Fit-out Contractor A increased their stage two tender by £170,550. This is in addition to the £50,375.70 included in the original tender due to the projected delay at the time of the tender submission. As acknowledged at 2.1, a sum of £68,250, has been received, with negotiations ongoing in respect of the remaining sum.

The Chair of the Project Board has confirmed that a retendering of the fit-out contract was considered by the Project Board. However, due to the additional time and expense of such an exercise, it was agreed that the Authority would continue with Fit-out Contractor A as preferred contractor.

- 2.4 Independent Quantity Surveyors A advised the Council that the fit out would cost approximately £2.675M (the estimate was based on broad sq ft only). The cost audit stated explicitly that acoustic upgrades were not included in the estimate and separate specialist advice should be sought from acoustic consultants. Similarly, the provision for furniture was also excluded from the estimate.
- 2.5 A report to Executive Board on 26<sup>th</sup> September 2001 requested a capital release of £2.72M in respect of the fit-out of the theatre. This release was based on the estimate prepared by Independent Quantity Surveyors A of £2.675M. There are no detailed working papers to support the £2.72M but it assumed the increase of £45K was to cover acoustic upgrades and furniture.
- 2.6 In November 2001, Consultant A was procured (in accordance with Contract Procedure Rules) to prepare a business plan for the theatre and associated areas.
- 2.7 Consultant A submitted the business plan in February 2002. One of the key recommendations was to include a second auditorium using the space already earmarked for rehearsal rooms. The Civic Architect, on behalf of the client, prepared a report to Project Board on 16/5/02 recommending that the new proposals were adopted. The report also noted that Developer A estimated that the additional costs for the shell build would be £207,000.
- However, the report did not identify what, if any, impact the inclusion of the second auditorium would have on the costs of the fit-out.
- The business plan submitted by Consultant A forecast a net operating deficit of £305K in the first year, reducing to £204K by year four. This deficit, to be funded as a revenue cost by the Council, is not included in the overall cost of the Theatre project.
- 2.8 Cost Consultant A prepared a preliminary cost plan on 22 August 2002 estimating the cost of the fit-out as £3.48M. This was significantly higher than the estimate of £2.675M by Independent Quantity Surveyors A, on which the

## Carriageworks

Executive Board approval of £2.72M had been based. Also, the Cost Consultant A cost plan stated explicitly that a number of items were excluded from the estimate.

- 2.9 On the 27 September 2002, a revised cost plan for the fit-out project was prepared by Cost Consultant A. The cost plan estimated the cost of the fit-out as £3.4M. As with the previous cost plan, a number of items were again excluded.
- 2.10 On 30<sup>th</sup> October 2002, Cost Consultant A issued another cost plan for the fit out, revealing a significant reduction in the estimate to £2.9M - again the cost plan noted the same exclusions. There is nothing in the report to justify this significant change to the estimate.
- 2.11 At Executive Board on 13<sup>th</sup> November 2002, a report prepared on behalf of the client by the Group Manager, Development Department, was presented, identifying £390K additional costs of the shell and fit out.

The report outlined an increase of £205,000 in the estimated cost of the fit-out. It was stated in the report that the increase was due to the inclusion of the second performance space and construction inflation costs due to the projected 18 months delay in commencing the fit-out works. The total approval of increased capital injection was £390,000. A revised fit-out budget was agreed at £2.925M, broadly in line with the latest estimate of £2.9M from Cost Consultant A.

- 2.12 Although the decision had been taken by Project Board to include a second auditorium in May 2002, this was the first notification to Executive Board of the additional funding required for the fit out contract.
- 2.13 On 27 May 2003, a revised cost plan was issued by Cost Consultant A estimating the cost of the fit-out to be £2.872M. However, this figure has been calculated after the exclusion of work totalling £91K which should more appropriately be undertaken as part of the shell works. Again, there is no detailed evidence to support this estimate.
- 2.14 In line with the above cost plan, a report by the Civic Architect to Project Board on 4 June 2003 advised additional costs of £91K were to be incurred in constructing the shell. This amount was agreed to represent good value by Independent Quantity Surveyor A. It was decided that these costs could reasonably be funded from the fit out budget of the scheme.
- 2.15 At this time the approved budget for the fit out stood at £2.925M based on the estimate by Cost Consultant A. This budget already included a sum of £53K in respect of some of the additional work. Therefore, the effect of this additional estimate was to increase the estimated cost of the shell by £91K and reduce the estimated cost of the fit out by £53K, an increase to total scheme estimate of £38K.

2.16 The report also identified that £30,850 in respect of Project Manager fees was to be funded from Leisure revenue budget. It was also noted that further items would also be met from the revenue budget. These items included:

- Telephone installation
- Data cabling
- Security
- CCTV
- Bar fittings
- Computers, printers etc
- Tickets sales equipment.

In addition, £83,397 concept and feasibility work had been funded from an underspend in a former LDA revenue budget. Therefore a total of £114,247 fees in respect of the project were not to be accounted for in the capital expenditure of the scheme. This obviously is an additional cost to the scheme and should be included in the reported final cost figure. This has never been reported to Executive Board.

2.17 In July 2003, following Project Board approval, Architectural Design Services (ADS) was asked to undertake the detailed design work for the fit-out of the theatre. Up until this point, no detailed specification, drawings or costings had been commissioned.

2.18 ADS analysed the cost plan prepared by Cost Consultant A as at 27 May 2003 (their version 4) and produced a cost report for Learning and Leisure client team in August 2003.

2.19 The report by ADS expressed concerns at the 'lightness' of provisions, particularly in relation to the Mechanical & Electrical works (M&E). Recent school theatre project comparisons were used to demonstrate the basis for their opinion. It was suggested by ADS that the school schemes were likely to be much simpler and cheaper than the proposed Electric Press scheme which involved multi level combinations of new and old build.

The comparisons were as follows:

	M&E allowance £/m2
Canford School	423
Dormston School	471
Aylesford School	430
<b>Cost Consultant A M&amp;E cost plan provision</b>	<b>336</b>

As well as concerns over the level of provisions, ADS considered that Cost Consultant A's general construction estimates were consistently on the lowest possible tender price achievable. ADS considered that these consistent lowest prices would not be achievable across the board.

ADS also advised that the allowances for design and construction contingencies, including inflation, were considered inadequate. ADS recommended an increase of £69,000 for inflation and £250,000 for

contingencies but did not provide a value on the perceived shortfall in the M&E provision and general construction estimates.

- 2.20 The report from ADS, prepared at the request of the Project Manager, expressing concern about the budget for the fit out was not presented to either the Project Board or Executive Board. Consequently, approval to increase the budget was not sought. Reasons why ADS opinion was not acted upon could not be satisfactorily provided - particularly given that ADS were commissioned to provide exactly this type of objective and independent opinion.
- 2.21 The Project Board decided to appoint a contractor for the fit-out using a form of two stage tendering. Using this method, tenderers would be expected to supply information confirming their profit %, an hourly labour rate, a figure for preliminaries and quality assurances. The evaluation panel would then select the preferred contractor based upon a pre-determined price and quality evaluation. This stage does not result in a fully priced tender.
- 2.22 Tender documentation, based on the latest Cost Consultant A estimates in respect of the fit-out contract, was issued to six approved contractors on the 11 July 2003. Five tenders were received by the tender opening date of 21 August 2003. As a result of the evaluation, based on the criteria published in the tender documents, Fit-out Contractor A was selected as the preferred contractor.
- As the contractors had not tendered on the full contract specification, the ADS tender report highlighted that only the Stage Two tender could be compared with the construction budget.
- 2.23 The Project Manager questioned the appropriateness of the tender evaluation model and as a result there was a delay in the appointment of the preferred tenderer. This reduced the opportunity to make a speedy appointment and maximise the benefits of an early partnership with the contractor.
- 2.24 Further to a request from the Project Manager, ADS was asked to obtain more detailed information from Fit-out Contractor B in respect of their tender, in order for a comparison to be made with details already obtained from Fit-out Contractor A. On 15 September 2003, ADS prepared a report outlining the comparison of the bids. It was identified that Fit-out Contractor A had made greater provision in several areas, including construction period staff, general attendance, rubbish removal and temporary accommodation.

In this report, ADS also noted that in the opinion of the project manager the evaluation model did not allow sufficient weighting for price. ADS stated that the mechanism was taken directly from HM Treasury Procurement Guidance Note No 3 and was regularly used by ADS. ADS advised that the evaluation model had been agreed and included in tender documentation. Consequently, the 60/40 price/quality weighting should not be amended.

In conclusion, ADS recommended that Fit-out Contractor A be approached to seek agreement to a reduction in preliminaries in order to match the cost plan. This post tender negotiation was not supported by a waiver of Contract Procedure Rules.

- 2.25 On 26 September 2003, a supplementary tender report was prepared by ADS summarising further information received from Fit-out Contractor A and Fit-out Contractor B.

The report advised that a reduction of £38,850 had been achieved in the Fit-out Contractor A tender. The report again confirmed that tenders would be evaluated on a quality/price mechanism and that Fit-out Contractor A remained the preferred contractor.

The report recommendation was that Fit-out Contractor A be appointed to join the design team and invited to enter into second stage negotiations on the basis of the tender documents. This appointment would commit Leeds City Council to paying £27,350 in relation to 'pre-construction duties' up to the point of accepting the tender at stage two of the process.

The report also highlighted that the Cost Consultant A cost plan did not envisage a two stage tender procedure leading to the incurring of a pre-construction fee. However, ADS advised that the fee, £27,350 (Stage 1) should be self-funding from savings made in the measured works section of the cost plan.

- 2.26 A cost statement prepared by ADS on 9 October 2003, estimated the projected total cost of fit out construction at £2,553,000 (against the fit-out construction budget of £2,427,000). A number of additional items not previously identified in the cost plan had been identified, as well as an increase in the cost plan provision for a number of mechanical, electrical and acoustic items.
- 2.27 Fit-out Contractor A was awarded the Stage 1 contract for the Carriageworks fit-out on 7 January 2004. This represents a 5 month delay from the receipt of tenders.
- 2.28 On 19 January 2004 a report to Project Board by the Project Manager, highlighted the delay in appointing the Stage 1 contractor will reduce opportunities to incorporate design value engineering. The report also estimates the projected cost of the whole scheme to be £124,515 above the approved budget.
- 2.29 At the Executive Member briefing on 13 February 2004, members were advised that the project was currently projected to overspend by £124,000.
- 2.30 On 26 February 2004, Fit-out Contractor A produced Cost Report No 2. This highlights a projected overspend of £613,391 against the approved budget. Although none of the packages for the fit-out had yet been tendered by Fit-out Contractor A, the cost report included projected tender values which differed from the values in the approved cost plan.

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- 2.31 Between February and June 2004, Fit-out Contractor A produced 3 further cost reports, highlighting similar projected estimates for the cost of the fit-out.
- 2.32 At the Executive Member briefing on 6 May 2004, members were advised that the project was currently projected to overspend by approximately £600,000.
- 2.33 The Project Manager prepared a budget report for Project Board on 8 June 2004 estimating the cost of the fit-out scheme at £3,395,143 (including £30K value engineering savings). This was £470,143 more than the approved budget. However, these figures did not include £121,450 of additional specification items and potential variations. Together with increased shell costs which are to be funded from the fit-out budget (£91K), the scheme is now projected to have a £682,593 overspend.

The report confirmed that Fit-out Contractor A had commenced the tendering process for the fit-out packages and that approximately 72% of the estimated contract cost had been tendered.

- 2.34 On 21 July 2004, a report prepared on behalf of the client by the Venues Manager, Learning and Leisure was presented to Executive Board. At this time, the approved budget for the fit-out was £2,925,000 plus shell costs of £185,000. This report estimated the cost of the fit-out at £4,168,000 - an increase of £1,058,000. The revised estimate was made up of;

- Fit out construction	£3,240,000
- Provision for delayed start	£ 50,000
- Furniture and equipment	£ 100,000
- Fees	£ 464,000
- Shell Costs	£ 314,000
<b>Total</b>	<b>£4,168,000</b>

The report requested approval of a further injection into the capital programme of £793,000 to meet the additional costs of the fitout works to Carriageworks Theatre and £265,000 to be funded from virements within existing Learning and Leisure capital schemes within the capital programme.

- 2.35 Fit-out Contractor A submitted their second stage tender on 16 September 2004. The tender price of £3,170,001 included dayworks and provisional sums of £596,292. The high figure for provisional sums included provision for a number of items that were dependant upon the final design. The tender price assuming the commencement of fit-out works on 1 November 2004, included £50,375.70 as an increased cost due to the failure to commence fit-out works on 23<sup>rd</sup> August 2004.
- 2.36 On 16/11/04, Fit-out Contractor A raised an invoice for £37,394.38 (inc VAT) in respect of the delayed start costs. Although this invoice was paid by the Council, this prepayment was not authorised by the Director of Corporate Services in accordance with Financial Procedure Rules (Appendix L).
- 2.37 In response to the continued delay in the completion of the shell and consequential effect on the commencement date of the fit-out, the Council

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negotiated an increased tender price with Fit-out Contractor A, taking into account a delayed start date.

- 2.38 A revised tender of £3,340,551.48 was submitted with a revised start date of 28<sup>th</sup> February 2005. This increase of £170,550 from the previously agreed tender will be met in full by the Council - although it could be argued that any liquidated damages successfully applied to Developer A will reduce the net cost of the delayed start. Fit-out Contractor A were awarded the contract for the fit-out on 14 February 2005. Although the revised tender was £3,340,551.48, the agreement noted that £4,000 allocated to contingency would be payable to Fit-out Contractor A as a result of the failure to award the contract on 7 February 2005.

The delay in the completion of the shell has impacted on the commencement of the fit-out works. As a result of these delays, the tender price submitted by Fit-out Contractor A has increased in total by £220,925.70<sup>1</sup>. Additionally, £4,000 of the contingency sum has already been allocated.

- 2.39 Throughout the review, Internal Audit has received assurances from John Davies, Director of Learning & Leisure, that the current budget for the fit-out will not be exceeded.

### 3. Funding Timeline – Fit-out

	Increase	Budget
	£	£
Executive Board approval 26/9/01		
- including fees, furniture		2,720,000
Executive Board approval 13/11/02		
- fit-out (including fees & furniture)	205,000	
- shell	185,000	3,110,000
Executive Board approval July 04		
- fit-out (including fees & furniture)	879,000	
- provision for delayed start	50,000	
- shell	129,000	4,168,000
Revenue funding		114,247
<b>Total</b>		<b>4,282,247</b>
Less shell increase costs		(314,000)
<b>Fit-out budget</b>		<b>3,968,247</b>

<sup>1</sup> £50,375.70 as a result of delay between 23/8/04 - 1/11/04, an additional £170,550 in respect of delay from 1/11/04 - 7/02/05

### 4. Conclusions

- 4.1 The current approved budget for the fit-out is £4,168,000, or £3,854,000 (excluding increase in shell costs), an increase of £1,134,000 on the initial budget of £2,720,000. This is a total increase of 42%.
- 4.2 The liquidated damages figure included in the contract with Developer A, which were based on loss of profit, are not sufficient to cover the costs of the increase on cost of fit-out, which have arisen as a result of the delay in the completion of the shell.
- 4.3 There was no early feasibility plan, business case or costed option appraisal for the theatre scheme.
- 4.4 The approval of £2.72M for the cost of the fit-out, by Executive Board on 26 September 2001, was based on an initial estimate of £2.675M prepared by independent Quantity Surveyors A. Although the estimate prepared by the consultants did not include acoustic upgrades or provision for furniture, these exclusions were not noted in the Executive Board report, nor did the report detail the basis on which the estimate had been prepared.
- 4.5 The fit out procurement process was completed at the appropriate time, and in accordance with Contract Procedure Rules, assuming the handover date in April 2004 would be met. However, the delay in completion of the shell has led to increases in the tender price submitted by Fit-out Contractor A.
- 4.6 Delayed start claims against the Authority by the fit-out contractor could have been minimised had the significant delay in the completion of the shell been identified at an earlier stage. However, the Stage Two contract was not awarded to Fit-out Contractor A until 14 February 2005 and the Council was not liable to pay costs incurred by Fit-out Contractor A prior to this date. As a result of the significant delay in the completion of the shell, a retendering of the fit-out contract may have been advisable.
- 4.7 The costs of the scheme funded through revenue budgets have not been included in the costs reported to Executive Board.
- 4.8 Since the evaluation of the Cost Consultant A cost plan by both DSA and Fit-out Contractor A concluded that the estimates prepared were unrealistic, it could be concluded that the budget provision for the fit-out was insufficient. The cost plans were challenged by ADS, however there is no evidence that concerns were report to either the Project Board or the Executive Board.
- 4.9 The decision to undertake the fit-out contract as a two stage tender is reasonable. However, the opportunity to maximise design engineering could not be taken as the appointment of the fit-out contractor was disputed by the Project Manager.
- 4.10 All the cost plans prepared by Cost Consultant A omitted a number of essential items, notably air extraction in the bar area and front of house



cooling. Consequently the initial budget approvals would always be subject to pressure.

When ADS analysed the Cost Consultant A cost plan they identified these costs as additional items as they were considered essential by the client. ADS also identified additional costs to be incurred in ensuring the passenger lift meets new Disability Discrimination Act (DDA) requirements.

- 4.11 Until the market is fully tested by tender process there will continue to be a risk that the budget will be inadequate. At this late stage in the process a significant element of the fit out design has not been finalised and consequently cannot yet be subject to market testing. There is a risk that the costs of the works tendered by Fit-out Contractor A will not be met within the budget, due to the level of costs still identified as provisional sums.
- 4.12 There is currently no 'overspend' on the fit-out budget approved at Executive Board in July 04. However, there is a risk that the approved budget in respect of the scheme will be exceeded.
- 4.13 There has been insufficient challenge at every stage of the scheme.
- 4.14 The project has significantly changed during life-cycle
- 4.15 The variations in the design of the scheme, notably the inclusion of a second performance space and its impact on the fit-out budget have not been fully costed.
- 4.16 The reduction of £38,850 in the Fit-out Contractor A tender, achieved as a result of negotiation on preliminary sums, is contrary to Contract Procurement Rule 19, Post Tender Negotiation. CPR 19 states that where procurement is conducted through either open or restricted procedures, no post tender negotiations are permitted.
- 4.17 Advance payments have been made to Fit-out Contractor A outside of the contracted agreement. Financial Procedure Rule 9.6 states that payments in advance should be made only in exceptional circumstances and where payment exceeds £1,000, should only be made after consultation with the Director of Corporate Services.

## 5. Opinion

- 5.1 In general, procedures have been followed in respect of the Theatre project. However, given that there was no detailed and costed option appraisal, no business case and no detailed specification, it is audit opinion that there has been insufficient challenge at the key stages in the decision making process.

Further, ADS demonstrated in their report of August 2003 that the budget prepared by Cost Consultant A was unlikely to be achieved. Together with the pressure of the inclusion of additional items at the request of the client and the increase in the Fit-out Contractor A tender due to the delay in the

commencement of the fit-out, the budget originally agreed in 2001 for the project was obviously at high risk of being insufficient.

### 6. Lessons Learnt/Recommendations

- 6.1 The Option Appraisal Methodology, as approved by Executive Board in 2004, should be used to appraise all schemes over £3M or schemes which are complex.
- 6.2 A feasibility study should be undertaken prior to commitment to undertake large capital schemes. Funding should be made available to ensure a comprehensive feasibility study can be undertaken.
- 6.3 Where amendments to scheme designs are proposed, a full evaluation should be undertaken of the impact on the scheme and any cost implications.
- 6.4 Where estimated costs or draft cost plans are shown to be unrealistic, a re-evaluation of the costs should be undertaken. In the case of major schemes, where the revised estimates vary significantly from previously reported estimates, revised estimates should be reported to Executive Board.
- 6.5 An evaluation of the effectiveness of the two stage tendering process for the Carriageworks scheme should be undertaken. Best practice from previous schemes and lessons learnt should be carried forward to future two stage tender schemes.
- 6.6 Full costs of the scheme should be identified within the capital programme. Only legitimate revenue items should be identified for revenue funding.
- 6.7 Project Board members should receive appropriate training, where necessary. Core competencies should be agreed and the make up of Project Board's should be assessed to ensure the Board has members with the relevant skills and competencies.
- 6.8 A robust mechanism for the challenge of reports prior to going to Executive Board should be implemented by CMT.
- 6.9 The Authority is currently working towards adopting a corporate project methodology. The methodology should consider the issues raised in this report and be used for projects of this type in the future.

