

Directorate: City Development

1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2018/19 financial year.

2 Service Context

- 2.1 City Development are responsible for the Council's physical, economic and cultural and sport services. The range of services and functions that the Directorate provides makes a significant contribution to the life, growth and vitality of the city.

3 Budget Proposals

- 3.1 This 2018/19 budget has been set at £33,721k representing a net decrease of £2,826k (7.7%) when compared to the adjusted budget for 2017/18. This net decrease comprises a number of pressures totalling £4,811k which are more than offset by savings of £5,722k and proposed use of balances of £1,915k. The key pressures and savings recognised within the 2018/19 budget proposals are explained below.

3.2 Budget Adjustments and Transfers

- 3.2.1 Following a review of the Public Private Partnership Unit (PPPU), which provides project management and procurement support to directorates, a new operating model is to be adopted which disbands the current unit with resources being integrated into existing directorate teams. Implementation of this proposal brings with it resources of £1,570k. A piece of work to allocate the associated income budget is underway and a budget adjustment will be undertaken in 2018/19. A significant level of this income will be primarily derived from recharges to capital projects. Sustaining this level of income in 2018/19 represents a key risk to the directorate next year.
- 3.2.2 Recharges between services are often seen as divisive, leading to protracted disputes after the work has been done. They are also often seen as an impediment to service delivery. Therefore as a continuation of the process of reducing the number of recharges between services, the 2018/19 budget submission reflects the transfer of budgetary provision of £749k to the Resources and Housing Directorate in respect of Legal Services. Future budget submissions will see further reductions in the number of recharges and where they remain it is the intention to reduce their frequency in 2018/19.
- 3.2.3 During the 2017/18 financial year a small number of administrative staff transferred back to the City Development Directorate from Resources & Housing and conversely, a small number of Information Management & Technology staff transferred to the Digital Information Service (within Resources & Housing). Four City Centre Management staff are transferring to Communities and Environments. The net effect of these transfers equates to a budget reduction for the Directorate of £144k.

3.3 Changes in prices – pressure of £2,062k

- 3.3.1 The budget includes provision of £1,160k for the National Employers' two year pay offer made in December 2017. For 2018/19 this offer was for a 2% increase for spinal column points (SCP) 20 and above, with increases greater than 2% for SCP 6 to 19. As a result of this pay offer, the minimum hourly rate paid to Leeds City Council employees will rise from the current £8.25/hour to £8.75/hour.
- 3.3.2 After taking account of the proportion of salary costs that may be capitalised or charged to the Housing Revenue Account, the net cost of the pay award is estimated at £688k with a further £65k being attributable to the commitment to pay the National Living Wage.
- 3.3.3 No provision has been made for inflation on running cost budgets other than for utilities and for services where there are specific contractual commitments. In total, £922k has been provided for non-pay inflation including £248k for PFI contracts and £327k for NNDR and utilities.

3.4 Actuarial Review – pressure of £116k

- 3.4.1 A review of the West Yorkshire Pension Fund was undertaken in the autumn of 2017 which confirmed the figures advised to the Council in the last triennial review. As a result of this, the rate provided for will increase from the current 15.6% to 15.9% in 2018/19 with a resultant budget increase of £116k.

3.5 Capitalised Pension Costs – pressure of £27k

- 3.5.1 The net effect of capitalised pension costs associated with staff who have left the Council under the Early Leavers Initiative (ELI) are negligible for the directorate in 2018/19.

3.6 Demand and Demography £1,310k

- 3.6.1 Regulations providing for a 20% increase in planning application fees in England came into effect on 17th January 2018. The increase is conditional on the new funding being ring-fenced for additional spending on development management and other related activities.
- 3.6.2 For Leeds it is estimated that the increase in planning fees will generate additional income of £730k with a corresponding increase in expenditure.
- 3.6.3 Other demand pressures totalling £580k reflect the realignment of 'stretch' income targets particularly within Economic Development.

3.7 Specific Grant Funding Changes

- 3.7.1 The 2018/19 budget recognises the fall-out of Public Health funding for sport (active lifestyles and bodyline access) totalling approximately £100k.

3.8 Other budget pressures £1,185k

- 3.8.1 Following the cancellation of the European Capital of Culture competition by the European Commission, the Council has signalled the strong intent to retain the allocated funding in order to progress the ambitions which winning the competition would have delivered, albeit by a new route. Cultural Legacy Funding of £385k for 2018/19 is the first part of that commitment.

- 3.8.2 At the time of publication, the exact nature of how to move forward is still a matter of discussion with other stake-holders but it is anticipated that Council investment would attract significant external funding (potential leverage x2.5) over the course of 2018-24. The majority of spend in 2018/19 is likely to be in the second half of the year.
- 3.8.3 As part of the government's Carbon Reduction Commitment (CRC) Scheme, each year the Council is required to submit an energy return to government. The scheme is now in its second phase of operation and has been updated to include street lighting and other Council unmetered supplies within the CRC calculation. The financial impact of this change is estimated at approximately £300k in 2018/19.
- 3.8.4 The fall-out of historic revenue balances referred to as 'commuted sums' (developer contributions), previously used to fund spending commitments within the Highways Service, will create an additional budget pressure of £300k in 2018/19.
- 3.8.5 In May 2018 Leeds will host the conclusion of the Tour de Yorkshire with the race scheduled to finish on The Headrow, in exactly the same place as the 2014 Tour de France started. The estimated net cost of hosting the Tour de Yorkshire (£100k) is also recognised within the 2018/19 budget proposals.
- 3.8.6 The 2017/18 base budget identified £50k to support the Directorate's partnership working with British Cycling and the intention to enter into a new long term partnership agreement. It is anticipated that such an arrangement may require an additional cash contribution of circa £25k in 2018/19 and has the potential to lever in significant further funding from British Cycling and its partners.

3.9 **Savings**

3.10 **Efficiencies – £752k.**

- 3.10.1 The Directorate continues to identify and realise efficiency savings across all service areas including staffing and other running costs. For 2018/19, the Directorate proposes to deliver savings of £290k through astute management of staff turnover and associated vacancies and a further £460k from other running costs including insurance (£152k) and street lighting (£100k).

3.11 **Income – Fees and Charges £3,435k**

- 3.11.1 In July 2017, the European Court of Justice determined that the UK requirement for local authorities to charge VAT on leisure activities was unlawful. On the basis of this judgement and following further guidance from HM Revenue & Customs, with effect from January 2018 the Council no longer charges VAT for exempt leisure activities. Based on current levels of demand, the full year impact on leisure centre income is estimated at circa £1,200k per annum.
- 3.11.2 Regulations providing for a 20% increase in planning fees are estimated to generate additional income of £730k for the directorate with a corresponding increase in planning management and other planning-related expenditure. The 2018/19 budget also incorporates a further £380k of fee income reflecting increased activity levels and demand for premium services.
- 3.11.3 The Highways capital programme continues to grow with some significant schemes in the pipeline including those relating to the Local Public Transport Investment programme. During 2017/18 the Highways Service has re-structured and is actively recruiting across a

range of technical posts in order to create sufficient in-house capacity to deliver this growing programme of work. In recognition of this growth, the 2018/19 budget proposals include additional Highways fee income of £500K.

- 3.11.4 After taking account of income trends, the impact of improved publicity and marketing and the need for some temporary service disruption for refurbishments, the 2018/19 budget incorporates a net saving of £115k for Sport and Active Lifestyles.
- 3.11.5 The 2018/19 budget also incorporates £170k of additional income for the Arts & Heritage Service and £70k of additional income for Economic Development. These proposals include £50k of additional income for 'Breeze', £80k for Museums, £40k for events/licences and £30k for street trading.

3.12 Income – Traded Services and Other £1,490k

- 3.12.1 Asset Management will continue to support the budget strategy of providing greater revenue resilience by generating additional rental income from the proposed purchase of commercial assets and additional surveyor fee income from capital sales. The 2018/19 budget incorporates a saving of £1,000k from increased rental incomes (net of borrowing costs) and a further £470k from additional surveyor fee income from capital sales. An additional £20k reflects the trends in Building Control.

3.13 Use of Section 106 balances - £1,915k

- 3.13.1 Planning obligations, also known as Section 106 agreements, are private agreements made between Local Authorities and developers and can be attached to a planning permission. Through this mechanism contributions may be sought for the costs associated with providing community and social infrastructure, the need for which may arise as a result of a new development taking place.
- 3.13.2 As at 31st March 2017 the Council had £32.1m of Section 106 earmarked reserves on its balance sheet. Subject to satisfying any legal requirements contained within the Section 106 agreement e.g. clawback, it is proposed that Section 106 balances totalling £1,915k be used to support the 2018/19 revenue budget.

4 Risk Assessment

- 4.1 In determining the 2018/19 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2018/19 budget for City Development are outlined below.
- 4.2 The 2018/19 budget proposals for City Development incorporate income growth for a number of services and significant income growth for Asset Management and to a lesser extent Highways Services. This reflects the Council's ambition to continue to alleviate the financial impact of austerity by adopting a more commercial approach.
- 4.3 Delivery of the additional income targets continues to be reliant upon the outlook for the UK and local economy and with continued uncertainty around Brexit, the Directorate will need to ensure that income levels and the actions required to deliver them are closely monitored.
- 4.4 Integration of (former) PPPU staffing resources into the directorate introduces a further income-related budget risk to the directorate in terms of the feasibility of continuing to charge and recover overheads from capital projects and other external funding sources.

- 4.5 The proposal to use £1,915k of section 106 balances to support the 2018/19 revenue budget creates an obligation in future years as the Council will be required to identify the resources to meet expenditure commitments that would previously have been funded through these balances.

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Directorate - City Development

	2018/19 £m	FTEs
Net managed budget 2017/18	35.82	
Adjustments - Transfers of Function	1.43	
Other Adjustments	(0.70)	
Adjusted net managed budget	36.54	0.00
Budget Pressures:		
Inflation		
Pay	1.16	
Price	0.92	
Income	(0.02)	
Employers Pension	0.12	
Capitalised Pensions	0.03	
National Living Wage - commissioned services	0.01	
Demographic and demand pressures		
Planning Management & Development	0.73	9.00
Realignment of Economic Development Income Targets	0.58	
Grant Fallout		
Fall-out of Public Health Funding	0.10	
Other		
Cultural Legacy	0.39	
Fall-out of 'Commuted Sums'	0.30	
Carbon Reduction Commitment	0.30	
Removal of income target for Tourism, Marketing & Advertising	0.10	
Tour de Yorkshire	0.10	
Total Pressures	4.81	9.00
Savings Proposals:		
Efficiencies		
Management of vacancies	(0.29)	
Insurance	(0.15)	
Economic Development running cost savings	(0.10)	
Energy savings (street lighting)	(0.10)	
Sport Efficiencies	(0.06)	(3.00)
Running cost savings	(0.09)	
Income - Fees & Charges		
Sport VAT Exemption	(1.20)	
20% increase in Planning Fees	(0.73)	
Highways additional fee income	(0.50)	
Planning Fee Income Trends & charges for premium services	(0.38)	
Increased charges reflecting additional pay award	(0.27)	
Income from Sport & Active Lifestyles	(0.12)	
Arts & Heritage service - income opportunities	(0.17)	
Economic Development income opportunities (Events/lights/street tradin	(0.07)	
Income - Traded Services, Partner Income		
Asset Management - income from commercial rents & Fee Recovery	(1.47)	
Building Control income trends	(0.02)	
Use of S106 balances	(1.92)	
Total Savings	(7.64)	(3.00)
Net Managed Budget 2018/19	33.72	6.00

Relevant details of the decisions that will required to be taken to deliver the budgeted assumptions

City Development

Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2018/19 Budget Amount £	Decision Maker
Purchase of additional commercial assets to support the revenue budget	Do nothing would mean further savings would have to be identified	No suitable investment opportunities arise	Director of City Development will consult with Lead member and S151 Officer before entering into commitments	N/A	TBC	Net contribution of £1m	Director of City Development

Communities and Environment

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2018/19 Budget Amount £	Decision Maker
Increase car parking tariffs at Woodhouse Lane car park	The additional revenue generated will be used to fund other pressures within car parking services	Price increases could lead to a reduction in demand	Statutory obligation to advertise tariff increases	To be undertaken as a part of the decision process	March 2018	£0.13m additional income	Chief Officer – Environmental Action