

LEEDS CITY COUNCIL 2007/08 BUDGET REPORT

Department: NEIGHBOURHOODS & HOUSING

1 Introduction

- 1.1 This briefing note has been produced in order to inform members of the Executive Board as to the main variations and factors influencing the department's budget for the Original Estimate (OE) 2007/08.
- 1.2 The figures for actual spend in 2005/06 and the latest estimate (LE) for 2006/07 have been included in the following table. Variations between the OE 2006/07 and the LE 2006/07 reflect approved variations in accordance with the Budget and Policy framework.
- 1.3 The Original Estimate, as in previous years, has been prepared at outturn prices and as such there is no central provision for pay and prices.

2 Summary of the Revenue Budget

Actual 2005/06		Original Estimate (OE) 06/07	Latest Estimate (LE) 06/07	Variation OE to LE 06/07		Original Estimate (OE) 07/08	Variation OE 06/07 to OE 07/08	
				£000	%		£000	%
£000		£000	£000	£000	%	£000	£000	%
228,392	Gross Expenditure	222,713	236,676	13,963	6	245,819	23,106	10
197,086	Income	190,781	203,510	12,729	7	207,594	16,813	9
31,306	Net Expenditure	31,932	33,166	1,234	4	38,225	6,293	20
2,270	Charges to other departments	2,809	4,577	1,768	63	4,402	1,593	57
29,036	Net Cost of Service	29,123	28,589	534	2	33,823	4,700	16

The variation between the 06/07 OE & LE includes the incorporation of the budgets for the Safer Leeds Drugs Team during the year. This resulted in a £9.4m increase in both gross expenditure & income.

3 Explanation of variations between the Original Estimate 2006/07 and the Original Estimate 2007/08 (£4,700k)

3.1 The variation between the OE 2006/07 and the OE 2007/08 can be summarised as follows:

	£000
Net Cost of Service – Original Estimate 2006/07	29,123
Changes in prices	576
Other factors not affecting the level of service	5,723
Variations in charges for capital	(1,357)
Changes in service levels	940
Efficiency savings (cashable)	(1,182)
Net Cost of Service – Original Estimate 2007/08	33,823

3.2 Changes in prices

The submission allows for the approved pay award, changes in superannuation and national insurance rates and income increases where applicable.

3.3 Other factors not affecting the level of service:

The net cost of Housing Benefits has increased by £414k. Within this, it has been assumed that there will be an additional cost of £500k on homelessness benefits which has been partly offset by an expected increase in subsidy of £300k, leaving a net increase in benefits payments of £200k. In addition, subsidy rules on Exempt Accommodation have resulted in a reduction in grant of £100k. Within Benefits Administration, the grant allocated from the DWP has reduced by £798k, increasing the net cost of the service. To partly offset this, savings have been found on running costs of £120k, legal fees of £100k, staffing savings of £70k and savings on project costs of £90k. Further reductions on capital and internal charges have reduced the overall increase to the Housing Benefit budget for administration costs to £114k.

Support services, to the value of £343k, have been transferred to the General Fund from the HRA as part of a four year strategy to fully align costs. In addition to the improved housing advice service referred to in paragraph 3.5, additional provision of £626k has been included for other housing services, which includes prudentially funding the cost of replacement care ring equipment.

2006/07 was the first year of the HMO licensing scheme with the majority of the income expected to occur in the first year. The net change is a reduction in income of £3,500k to reflect these phasing differences.

3.4 Variations in charges for capital

Under new accounting requirements introduced in the 2006 SORP, the Departmental revenue charge for the use of assets will continue to include a charge for depreciation but will now no longer include a capital financing charge. The overall impact of this accounting adjustment is to decrease the net cost of service by £1,357k. There is no overall impact on Council Tax levels of this change as the corresponding credit entry in the Asset Management Revenue Account has also been removed.

3.5 Changes in service levels

Changes in levels of service levels planned for 07/08 include:

- Funding to be provided for an additional 99 PCSOs.
(this will bring the number of PCSOs supported by the council to 170) £680k
- Improved service for Housing Advice (move to 2GGS) £110k (net)
- Family Intervention project £150k

3.6 Efficiency savings

Following the publication of the Gershon report on public sector efficiencies. In setting the budget the Council is required to identify actions to improve efficiency and quantify the expected gains. Cashable gains represent the potential to release savings in cash for other areas of spend; non-cashable efficiencies relate to improved outputs or enhanced service quality for the same expenditure, efficiencies that achieve reductions in fees and charges to the public, and improvements to productive time (unless fewer staff are needed as a result). In terms of this department the following savings have been identified.

Nature of saving	Total £k
Introduction of electronic payments (to replace numerous invoices for self payers)	30
Integration of street outreach co-ordination into funding for alcohol agenda	45
Reduction in security costs at hostels following tender exercise	60
Targeted savings in housing premises costs	160
Reduced expenditure on community centres	100
Supporting People administration savings	150
Housing Needs restructures (net of lost income)	35
Review of Regeneration division	400
Reductions in telecoms costs	26
Service Improvement section restructure	55
General staffing efficiencies	121
	1,182

4 Prudential Borrowing

In addition to the above budget, provision has been made for the revenue implications of approved prudential borrowing schemes. This relates to investment in replacement Care Ring equipment.

5 Risk Assessment

5.1 In determining the budget, consideration is given to all the risks and these are managed within the department's overall risk management framework. Within this framework, a register of those items considered to carry the highest risk and therefore requiring careful and regular monitoring has been prepared.

5.2 The key risks in the 2007/08 budget for this department are as follows:-

(1) Asylum contract

The asylum contract is calculated based on the numbers and types of asylum seekers and changes to the numbers or the mix could have a significant impact on income levels.

(2) Hostels

The contracts for funding the hostels are with Supporting People who have been reviewing the homelessness service for Leeds. The two remaining hostels are currently in the process of being tendered and there is a risk that LCC will not retain the contracts. These contracts allow us to recover an element of overheads and that ability would be lost.

(3) ASB Legal fees

ASB legal fees are highly dependent upon volumes and patterns are difficult to predict.

(4) HMO Licensing

The projected scheme included an expectation of 8,000 licence applications over five years. The number to date has been around 2,500. The costs of the service are being reviewed over the life of the scheme to ensure a balanced position.

(5) Efficiency Savings

The budget includes a large number of savings plans which will be monitored on a regular basis. All action plans to meet the budget have been identified and responsibility and timescales are clear.

(6) Staffing budgets

The budget assumes average vacancy rates of 4.5%. Staff turnover rates will be monitored closely to ensure these targets are achieved. Additionally the budget assumes the impact of a number of restructures and the assumption that surplus staff can be redeployed successfully.

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