CITY DEVELOPMENT DIRECTORATE: 2011/12 BUDGET – PERIOD 5 REPORT

1.0 Introduction

This report sets out the financial position for City Development Directorate for Period 5.

2.0 Overall Summary

The Period 5 position for City Development Directorate shows a projected overspend of £1.347m. This is similar to the position at Period 4 (£1.236m). The major budget pressures continue to be planning and building fee income, markets income, planning appeal costs and staffing in some service areas. The projection assumes proposed budget saving plans will be implemented to largely offset these pressures and also assumes further staff will leave the directorate under the corporate Early Leaver Initiative scheme. However, in order to achieve the year end projection further savings will need to be identified and a full review of possible savings and other actions is currently being agreed with each service area.

3.0 Explanation of the Projected Overspend

The main reasons for the projected overspend are an overspend on staffing of £0.48m based on current staffing numbers, known leavers and assumed further leavers from the corporate ELI scheme, additional costs of £0.35m arising from ongoing planning appeal cases, legal costs of £0.1m and an overall shortfall in income of £0.97m. These are offset by other net savings of £0.56m.

Good progress continues to be made in implementing savings and budget actions included in the 2011/12 budget. These include significant reduction to the staffing budget, rationalisation of Sport and Library buildings, reduction in Highways spend, energy and procurement efficiency savings, reduction to contributions to external organisations and additional income generation proposals

The continuing poor economic outlook is, however, having an impact and achieving the Directorate's £94m income target is proving to be a challenge. Based on current trends a shortfall is projected. It is possible that the situation could improve later in the year but there is currently no real suggestion that this will be the case and income projections reflect this position. The projected variation by Service is shown below:

Projected Variation by Service:	£000s
Planning and Sustainable Development	1,452
Economic Development	12
Asset Management	641
Highways and Transportation	(484)
Libraries, Arts and Heritage	(226)

Recreation Services	339
Resources and Strategy	(389)
	1,347

The main projected variations are shown below and clearly show that the main budget issue is the projected shortfall in income in a number of areas.

Major Projected Budget Variations:

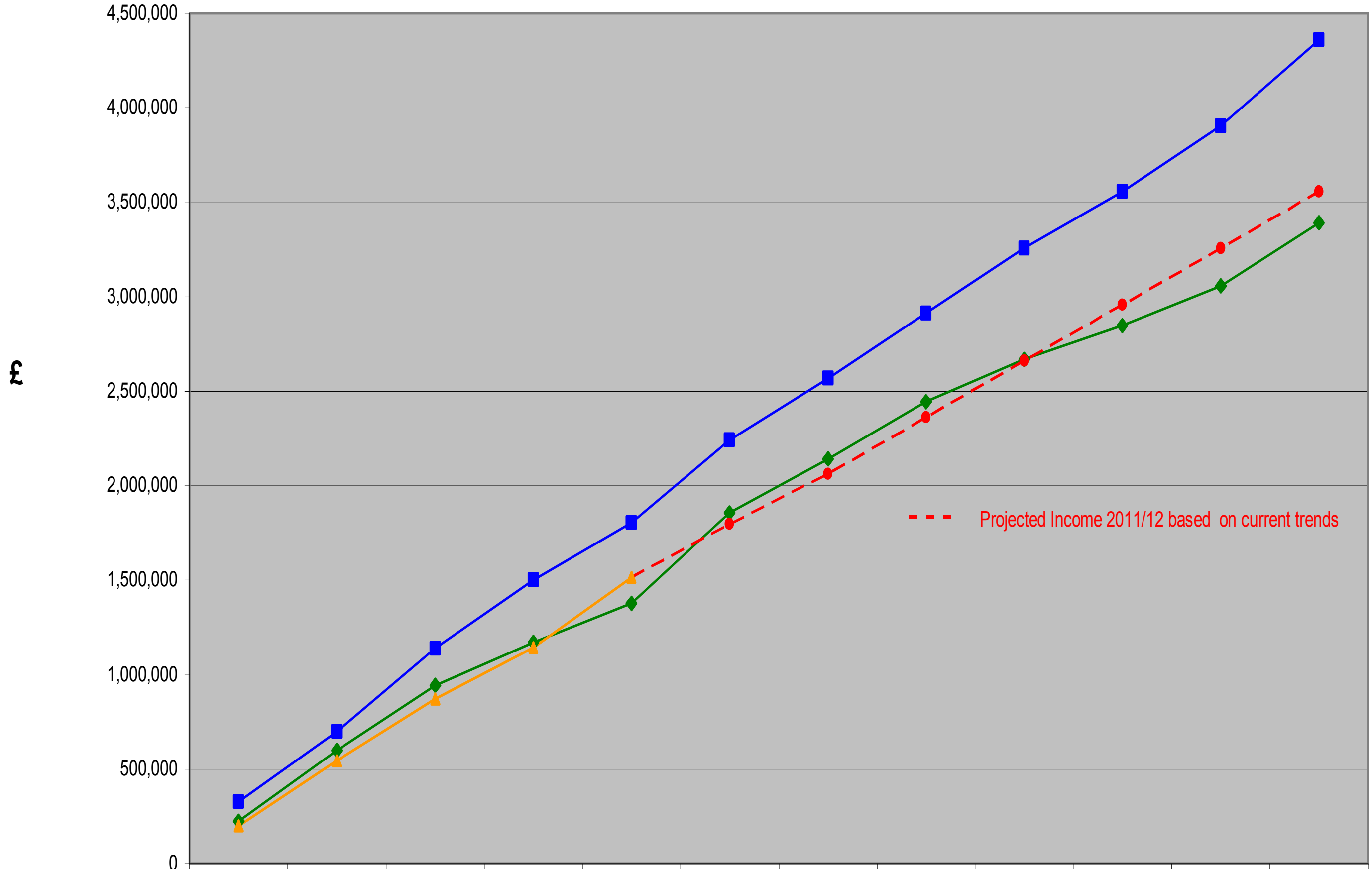
	£000s
Staffing	480
Building Fees shortfall	371
Planning Fees shortfall	618
Planning appeal costs (net of £200k provision)	350
Energy costs (mainly highways)	509
Advertising income shortfall	491
Markets income	359
ADS/Client services income shortfall	160
	3,338
Offset by:	
Supplies and Services savings	(402)
Transport savings	(213)
Premises savings	(423)
Other net variations (mainly additional income)	(953)
Total	**1,347**

Income

The projected outturn at Period 5 for income includes the additional grant of £1.84m for pot hole repairs for which a virement is required to inject the additional expenditure and income. Allowing for this there is an overall projected shortfall of £0.97m.

All income targets were reviewed as part of the 2011/12 budget process but in some cases income levels are falling short of the revised targets. The most significant shortfalls are projected to be on Planning and Building fees. At period 5 the combined shortfall is £256k, the projected shortfall for the year is forecast to be just under £1m. The graph over the page shows the position to date for planning and building fee income. The budget assumed that there will be an increase in the amount collected in 2011/12 over that in 2010/11 but so far the signs are that this will not be the case and the service has yet to experience an increase in major planning applications which is where the majority of the fee income is from.

Planning and Building Fee Income (Cumulative)



	April	May	June	July	August	September	October	November	December	January	February	March
Actual 2010/11	223,435	597,604	941,761	1,172,090	1,377,726	1,854,583	2,141,236	2,444,982	2,667,252	2,845,918	3,056,211	3,389,797
OE 2011/12	325,831	698,842	1,141,295	1,501,978	1,804,822	2,241,744	2,568,384	2,914,130	3,255,761	3,556,454	3,903,771	4,358,710
Actual 2011/12	199,115	544,505	872,572	1,143,242	1,515,253							
Projected 2011-12 (Trend)	199,115	544,505	872,572	1,143,242	1,515,253	1,796,445	2,063,346	2,361,730	2,660,114	2,958,498	3,256,882	3,555,236

Period

On the whole income in Sport is expected to be in line with budgets and Bodyline income is holding up well.

Other income variations include a shortfall in Markets income of £359k which is a reflection of reduced occupancy levels at Kirkgate Market and a £160k shortfall in Architectural Design Services and Client Services income reflecting lower workloads than assumed in the budget. The 2011/12 budget included additional income of £500k to be raised from new advertising opportunities in the City. A number of new sites have been identified and proposals are being developed with 9 new sites currently being progressed but due to highways, planning and other issues it is currently assumed that the majority of this income will not be received in 2011/12.

There are a number of other income risk areas that are currently projected to achieve the budget. These include income from charging for events such as for Opera in the Park and Classical Fantasia and whilst there maybe a shortfall against original budget assumptions for these additional commercial events have been introduced this year and overall it is expected that income assumptions will be met.

Staffing

The 2011/12 budget includes challenging saving targets for staffing. Staffing levels in the Directorate reduced by 229 Full Time Equivalents (FTEs) in 2010/11 and the 2011/12 budget assumes a further reduction of 67 FTEs from the position as at 1st April 2011. It is envisaged that this reduction will be achieved through a combination of managing vacancies, new Early Leaver Initiative business cases and restructures in some services. Whilst a significant proportion of the staffing savings have been achieved, mainly through the ELI exercise in 2010/11, further actions are still required to deliver the full savings. Currently it is projected that staffing will overspend the budget by £0.48m, mainly because the saving assumed in the budget on weekend enhancements in Sport are now unlikely to be made. The staffing projection assumes that additional staff will leave through the ELI. To the end of August there have been 162 expressions of interest in the scheme and Human Resources staff are working closely with service managers to prioritise progressing business cases for staff who wish to leave before the 31st December and therefore maximize the saving in 2011/12.

Control measures to actively manage staffing continue to be exercised in the directorate.

Operational Budgets

As shown above, savings are anticipated on operational budgets.

Premises Costs

There is a projected underspend of £423k on premises costs, excluding the £509k overspend on energy costs. A pressure of £400k is anticipated in Highways and Transportation as a result of a larger increase in the Street Lighting energy contract than was anticipated in the budget. There is also a risk that the energy savings assumed in the budget are not achieved. The majority of savings anticipated from the rationalisation of Sport and Library facilities will be achieved.

Supplies and Services

Savings in supplies and services are now expected to be delivered in most services to help offset other budget pressures. The cost of planning appeals was a major budget pressure in 2010/11 and will continue to be an issue in 2011/12 as costs for some cases have still be finalised and charged, the outcome of other cases is still unknown. A provision of £200k was made in the 2010/11 accounts where the outcome and amount was known but it is projected that there could be additional costs of £350k over and above the budget provision. All services are committed to reviewing spend on supplies and services spend to identify additional savings.

Transport

Savings of £213k are anticipated across the Directorate, with these mainly in Highways and Transportation from reduced spend on plant and fuel.

4.0 Other Issues

Options for further savings and opportunities for generating additional income are currently being discussed and assessed in the directorate. There is a risk that budget actions currently assumed to be achieved will be delayed or will realise a lower level of saving. There is also a risk that income shortfalls and workloads worsen depending on the future economic position.