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**REPORT TO:** Cabinet Member for Economic Development (Leader of the Council)

**DATE:** 20 December 2006

**DEPARTMENT:** Development Services

**REPORTING OFFICER:** Head of Economic Development  
(*N W Avison*)

**SUBJECT:** **DRAFT GENERAL FUND BUDGET 2007/08  
ECONOMIC DEVELOPMENT SERVICE**

**WARD/S AFFECTED:** N/A

**FORWARD PLAN REF:** N/A

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**1.0 PURPOSE OF REPORT**

- 1.1 To consider budget details as they relate to services which fall under the terms of reference of the Cabinet Member for Economic Development.
- The Revised Estimates for 2006/07
  - The draft Revenue Estimates for 2007/08 (the proposed base budget)
  - Requests for discretionary growth in service in 2007/08
  - Projections for 2008/09 and 2009/10

**2.0 RECOMMENDATION/S**

The Leader of the Council is asked to: -

- 2.1 Note the latest position shown in the Revised Estimates for 2006/07.
- 2.2 Recommend the draft 2007/08 General Fund Estimates for the Economic Development Unit to the Cabinet.
- 2.3 Note the projections for 2008/09 and 2009/10.

### 3.0 THE REPORT

3.1 The information contained in this report is as follows: -

- Main report, which includes specific information and comments on the main features of the detailed budget from the Head of Economic Development.
- Appendix A, contains the draft revenue budget pages for the Economic Development Service

3.2 The report covers the 6 cost centres administered by the Economic Development Unit.

- The staff and related budgets of the Economic Development Unit.
- Staff and related budgets of the Regeneration Support Team
- Expenditure and income related to the Ripon Single Regeneration Budget Programme.
- Income and Expenditure at Conyngham Hall (2 cost centres - main buildings and Innovation Centre).
- Income and expenditure from the Council's industrial workspace portfolio. (The Units at Phoenix Business Centre at Ripon, Isles Lane at Knaresborough, Pateley Bridge and Summerbridge).

### 4.0 BUDGET CHANGES RESULTING FROM NEW STATEMENT OF RECOMMENDED PRACTICE 2006

4.1 The CIPFA Accounting Code of Practice Issued in 2006 has brought in a number of changes to the way that local authorities present their accounts from 2006/07.

4.2 In order to prepare for 2006/07 final accounts, we have introduced these changes from 2006/07 Revised Estimates. The changes affecting service budgets are:

#### **Capital Charges**

4.3 The main change is the removal of the notional interest element of the capital charge. This was 3.5% of the net book value of service assets and its removal has resulted in a large reduction in capital charges shown in the estimates. The remaining element is a charge for depreciation.

4.4 The notional interest charges were charged to services, but reversed centrally. Their removal therefore, has no impact on the general Fund bottom line because central reversal is also removed.

#### **Release of Grants Deferred**

4.5 'Release of Grants Deferred' relates to capital expenditure on fixed assets financed from grants. These grants are credited to the balance sheet and

released to revenue over the life of the asset, to offset the depreciation charges to services.

- 4.6 Prior to 2006/07 the release of grants was a central credit to AMRA. From 2006/07, the release of grant is now shown as service income in the relevant service. This has resulted in a cost reduction to services, **but there is no impact on the General Fund bottom line, because the central credit is also removed.**

## **5.0 REVISED ESTIMATES 2006/07**

- 5.1 The revised estimates for the Economic Development Service show a net decrease in expenditure of £100k (see Appendix B) largely the result of strong performance on income recovery (£11k) as well as a change in accounting practice (£108k see section 9 below). The revised estimates also show a contribution of £204k to reserves, which is being made possible by the receipt of a government grant under the Local Authority Business Growth Incentive (LABGI) scheme.

## **6.0 ORIGINAL ESTIMATES 2007/08**

- 6.1 The Original Estimates for 2007/08 show a net decrease of £111k on the Original Estimate for the current year. Full details appear in Appendix C to this report. Excluding the effect of pay awards, the main variations relate to:
- increased Income from Conyngham Hall, the Workshops and Spa Water project (£35k) and changes in accountancy practice (£106k).

## **7.0 PROJECTION 2008/09 and 2009/10**

- 7.1 We are now required, under the Government's new Prudential Code and also for the Comprehensive Performance Assessment, to produce projections for the next three years. These projections are only a broad indication of likely net expenditure levels and have been compiled in accordance with the guidance and parameters set.

## **8.0 EFFICIENCY SAVINGS**

- 8.1 The Economic Development Unit is part of the Development Services Department and thus is expected to contribute to the Departmental savings target. The unit's pro-rata share of the target is £3k cash and £5k non-cash.
- 8.2 In total, the Economic Development Unit has identified £41k of cash savings as follows: -

Increased income Conyngham Hall and Innovation Centre	£ 18k
Increased Income Workshops	£ 13k
Increased income Spa Water	£ 10k

**Total cash savings £ 41k**

- 8.3 These savings are partially offset by a reduction (£16k) in the planned drawdown of reserves
- 8.4 Both the cash savings and the reduced call on reserves are shown as being implemented in the original estimate for 2007/08, allowing the Unit to show a net real cash saving of £25k and a non-cash saving (increased service for same cost) of £16k.

## **9.0 OPTIONS FOR DISCRETIONARY GROWTH**

- 9.1 No new proposals for discretionary growth are put forward for 2007/08.

## **10.0 FEES & CHARGES**

- 10.1 The EDU Conyngham Hall Room & Services charges were included in a separate report to the Cabinet member on the 8th November 2006.
- 10.2 The overall increase in charges, ranges from no change to 33.33% and together with new charges, results in a net increase in excess of the Council's 3.9% target.

## **11.0 FINANCIAL RISK MANAGEMENT**

- 11.1 A key aspect of the Council's approach to budgeting is a risk management assessment, which is carried out throughout the budget process.
- 11.2 The main risk to the Economic Development Service is that income does not materialise as forecast. The gross budget of the service is £1.1 million of which £620k is recovered as grants, rental and service income. The main threat to this income is in the Council's inability to provide the promised level of service to tenants, other customers and grant awarding bodies.
- 11.3 Income from the Spa Water Project is of increasing importance to the Economic Development budget. In estimating the level of turnover rent to be received in 2007/08, Officers have taken the 2006/07 projections supplied by the tenant (which are based on half year trading figures) and inflated this by 3.9% to allow for modest year on year growth. This is felt to be a cautious but realistic approach, which limits exposure to unforeseen events.

## **12.0 SCRUTINY**

- 12.1 This report will be considered by the Organisation Improvement and Environment Scrutiny Commission on the 15<sup>th</sup> January 2006.

## **APPENDICES**

- A) Revenue Budget 2007/08 – Economic Development Summary  
B) Major Variances Schedule – Revised Estimates 2006/07  
C) Major Variances Schedule – Original Estimates 2006/7 and 2007/8

**OFFICER CONTACT:** Please contact Nigel Avison if you require any further information on the contents of this report. The officer can be contacted at Knapping Mount by telephone on (01423) 556537 or by Email – [nigel.avison@harrogate.gov.uk](mailto:nigel.avison@harrogate.gov.uk)

**SUSTAINABILITY ASSESSMENT / POLICY CONSIDERATIONS**

		Implications are		
		Positive	Neutral	Negative
A	Economy		✓	
B	Environment		✓	
C	Social Equity			
i)	General		✓	
ii)	Customer Care / People with Disabilities		✓	
iii)	Health Implications		✓	
D	Crime and Disorder Implications		✓	

If all comments lie within the shaded areas, the proposal is sustainable.

**LEADER PORTFOLIO  
REVENUE BUDGET 2007/08**

**ECONOMIC DEVELOPMENT  
SUMMARY**

2005/06 Actual	2006/07 Original Estimate	2006/07 Revised Estimate	Cost Centre	2007/08 Original Estimate	2008/09 Projection	2009/10 Projection
£	£	£		£	£	£
			<b>Cultural, Environmental &amp; Planning Services:</b>			
			<b>Planning &amp; Development Services:</b>			
			<b>Economic Development</b>			
85,560	287,660	41,310	Economic Development Unit	45,070	245,980	249,940
99,284	141,180	133,290	Regeneration	138,250	128,210	127,550
4,250	5,000	5,000	Knaresborough Partnership	5,000	5,000	5,000
55,285	38,860	33,940	Ripon SRB Project	27,880	27,780	28,240
100,024	0	0	Deferred Charges write downs	0	0	0
-100,024	0	0	Appropriation from CFA	0	0	0
47,289	57,320	45,680	Conyngham Hall	56,100	56,870	55,750
22,722	31,860	22,280	Innovation Centre	22,750	22,250	21,720
-12,033	-5,230	-50,790	Workshops	-67,740	-83,460	-97,620
196,056	-21,240	203,760	Appropriation to/from (-) Reserves	197,000	0	0
498,413	535,410	434,470	<b>GF Net Expenditure</b>	424,310	402,630	390,580
			<b>Subjective Analysis</b>			
429,931	417,560	404,790	Employees	452,540	435,370	412,610
45,647	32,300	34,230	Premises	37,300	38,270	39,270
281,637	246,360	257,020	Supplies & Services	226,540	218,180	211,670
7,209	10,270	9,530	Transport	9,470	9,700	9,930
33,512	0	20,989	Transfer payments	0	0	0
196,055	-21,240	203,760	Appropriation to/from (-) Reserves	197,000	0	0
993,991	685,250	930,319	<b>Total Controllable Expenditure</b>	922,850	701,520	673,480
25,651	31,730	32,270	Employees	33,250	34,090	34,950
86,796	91,920	97,000	Premises	112,770	115,970	117,410
20,333	25,740	23,580	Supplies & Services	22,320	22,890	23,470
180,004	202,320	197,000	Support Services	196,430	201,310	206,340
100,024	0	0	Deferred Charges write downs	0	0	0
149,032	147,080	73,620	Capital Charges	73,620	73,620	73,620
561,840	498,790	423,470	<b>Total Additional Expenditure</b>	438,390	447,880	455,790
1,555,831	1,184,040	1,353,789	<b>Total Expenditure</b>	1,361,240	1,149,400	1,129,270
			<b>Less Income</b>			
363,969	80,580	305,259	Government Grants	244,030	33,000	3,260
465,712	451,120	474,910	Sales, Fees & Charges	500,270	518,030	536,480
62,175	55,480	58,440	Other Income	110,740	112,570	114,470
0	0	15,660	Internal Capital Charges	15,660	15,660	15,660
65,538	61,450	65,050	Internal Recharges	66,230	67,510	68,820
100,024	0	0	Appropriation from CFA	0	0	0
498,413	535,410	434,470	<b>Net Expenditure</b>	424,310	402,630	390,580

**Full Time Equivalents**

The employees cost relates to the following number of full time equivalent employees:

OE 2006/7 12.99 RE 2006/7 12.99 OE 2007/8 12.99

LEADER PORTFOLIO  
REVENUE BUDGET 2007/08

ECONOMIC DEVELOPMENT

Major Variances between 2006/07 Revised and Original Estimates

Revised Estimate 2006/07	£	
Original Estimate 2006/07	434,470	
Increase/Decrease(-) in Net Expenditure	535,410	
	<u>-100,940</u>	
<b>Explained by:-</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Controllable Expenditure</u></b>		
Decrease in Employee Costs:-		
Assist Regeneration officer- vacancy one month	-3	
Business Dev officer - new post	10	
Assist ED officer - post deleted	-32	
SRIP post - vacant one month / lower scp	-5	
Temporary post	3	
Ripon City Partnership staff ( Ripon SRB )	15	
Increase in Premises Costs:-		
NNDR Acorn unit New York Mills	2	
Increase in Supplies & Services Costs:-		
1) Cony Hall catering direct purchases	6	
2) Rech expenditure telephones Conyngham Hall	14	
Bad debt provision	5	
Ripon SRB Forward strategy reduced supplies & services	-16	
Increase in Transfer Payments:-		
3) Ripon SRB grant payments	21	
Appropriations:-		
Funding for Partnership/SRIP posts not required	21	
4) LABGI grant (7k 05/6 adj 197k 06/7 grant)	<u>204</u>	245
<b><u>Income</u></b>		
Increased income:-		
4) LABGI Grant (7k 05/6 adj 197k 06/7 grant)	-204	
3) Ripon SRB grant income	-21	
2) Recharged telephones Conyngham Hall	-3	
1) Conyngham Hall conference hire	-20	
Spa water back rent	-8	
Internal Inc - grants deferred relating to revenue ( N.Y mills)	<u>-16</u>	-272
<b><u>Additional Expenditure</u></b>		
Removal of notional interest charges	-92	
Increase in depreciation for workshops due to revaluation	18	
BMA	5	
Decreases in support services charges	<u>-5</u>	-74
		<u><u>-101</u></u>

Note: numbered items are linked

**LEADER PORTFOLIO  
REVENUE BUDGET 2007/08**

**ECONOMIC DEVELOPMENT**

**Major Variances between 2006/07 and 2007/08 Original Estimates**

	£	
Original Estimate 2007/08	424,310	
Original Estimate 2006/07	535,410	
Increase/Decrease(-) in Net Expenditure	<u>-111,100</u>	
<b>Explained by:-</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Controllable Expenditure</u></b>		
Increase in Employee Costs:-		
Pay award plus superannuation increase	14	
New post Business Development officer	31	
Post deleted Assistant ED officer	-38	
(1) Partnership Development officer post ends 31/12/07	-7	
(1) Resource worker post ends 31/12/07	-2	
(2) Ripon City Partnership staff ( Ripon SRB )	39	
Other	-3	
Increase in Premises Costs:-		
NNDR Cony hall / workshops	5	
Decrease in Supplies & Services Costs:-		
(3) Cony Hall catering direct purchases	6 cash saving	
(4) Rent share agreements cease (P.Bridge 31/3/07 Cath unit 30/6/07)	-12 non cash saving	
(5) Rechargeable telephones Cony hall	4 cash saving	
Ripon SRB Forward Strategy	-16	
Ripon SRB reduced District Audit fees	-2	
Appropriations:-		
(1) Funding for Partnership/SRIP posts not required	21	
(6) LABGI grant	<u>197</u>	
		237
<b><u>Income</u></b>		
Increased income:-		
Partnership posts grant income reduction	4	
(6) LABGI grant	-197	
Spa water income	-11 cash sav £9610	
(5) Recharged telephones Conyngnam Hall	-3 cash saving	
(3) Conyngnam Hall conf hire - incl use of accommodation	-20 cash saving	
(4) Rents Workshops (P. Bridge 4k, Innov Centre 3k )	-9 non cash saving	
Conyngnam Hall rents	-11	
(2) Ripon SRB grant income towards cost of above post	-23	
Internal Inc - grants deferred relating to revenue ( N.Y mills)	-16	
Other	-2	
		-288
<b><u>Additional Expenditure</u></b>		
Removal of notional interest charges	-90	
Increase in depreciation for workshops due to revaluation	18	
BMA ( low mills roof 8k, C.Hall decoration/car park 15k)	21	
Decreases in support services charges	-9	
		-60
		<u>-111</u>

Note: numbered items are linked