

REPORT TO: Organisational Improvement and Environment
Overview and Scrutiny Commission

DATE: 14th January 2009

DEPARTMENT: Development Services

REPORTING OFFICER: Head of Property and Economic Development
(*Kathryn Daly - Economic Development Manager*)

SUBJECT: **DRAFT REVENUE BUDGET 2009/10 – ECONOMIC
DEVELOPMENT**

WARD/S AFFECTED: ALL

FORWARD PLAN REF: N/A

1.0 PURPOSE OF REPORT

1.1 This report sets out the details of the financial information for the Economic Development budgets as follows:

- Revised estimate 2008/09
- Original Estimates 2009/10
- Use of Reserves
- Details of savings

2.0 RECOMMENDATION

2.1 The Portfolio Holder is requested to:

- i Note the Revised Estimates for 2008/09
- ii Recommend the Original Estimate 2009/10 for Economic Development to Cabinet
- iii Note the savings to be made from the Economic Development budgets.

3.0 RECOMMENDED REASON FOR DECISION/S

3.1 The proposed revised estimates for 2008/09 and original estimates for 2009/10 will, if approved, underpin the delivery of the EDU Service Plan.

4.0 ALTERNATIVE OPTIONS CONSIDERED AND RECOMMENDED FOR REJECTION

4.1 No alternative options were considered.

5.0 THE REPORT

5.1 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 Economic Development Manager.
- Appendix A: contains the draft summary budget page for the Economic Development Service.
- Appendix B: contains the major variances for Revised Estimates 2008/09
- Appendix C: contains the major variances between Original Estimates 2008/09 and 2009/10

5.2 The Report covers the 6 cost centres administered by the Economic Development Unit.

- 3 3 20 Staff and related budgets of the EDU
- 3 3 18 Staff and related budget of the Regeneration Support Team.
- 3 3 50 Expenditure and income related to Ripon City Partnership
- 3 3 31/ Income and Expenditure at Conyngham Hall
3 3 32 (main building and Innovation Centre)
- 3 3 34 Income and expenditure from the Councils Industrial workspace portfolio at Ripon, Knaresborough and Pateley Bridge

6.0 EXPLANATION OF MAJOR VARIANCES

6.1 Revised Estimate for 2008/09

6.1.1 The revised estimates for the Economic Development Service show a net increase in expenditure of £62,660 (see Appendix B)

6.1.2 This increase in net expenditure is mainly attributed to EDU rental properties reflecting income shortfalls and cost increases, largely as a result of the general downturn in economic conditions. Voids are highest at the Innovation Centre, Knaresborough where rental income is anticipated to be £35,000 under original estimates. Rental income in other workspace is also predicted to be £14,000 under Original budget, partly due to planned voids at Phoenix Business Centre, Ripon where redevelopment works are scheduled for early 2009.

- 6.1.3 There is expected to be a net shortfall of £13,000 in other income at Conyngham Hall, mainly relating to a decline in telephone income levels as business tenants take advantage of new web-enabled free calling over the internet.
- 6.1.4 A significant marketing campaign is currently underway for Conyngham Hall and the Innovation Centre to try and minimise the impact of the income deficit. The revised estimates also show a variance of £358,000 in the contribution to reserves, which is being made possible by the receipt of a government grant under the Local Authority Business Growth Incentive (LABGI) Scheme.

6.2 Original Estimates 2009/10 Budget

- 6.2.1 The Original Estimates for 2009/10 show a budget increase in net expenditure of £59,240 on the Original Estimates for the current year (2008/09). Full details appear in Appendix C to this report.
- 6.2.2 The reasons behind the net increase in expenditure from Original Estimate 2008/09 to 2009/10 are largely the same as those set out in 6.1.2 – 6.1.4 above, including a predicted net decrease in workshop rental income of £28,000 and net decrease in telephone rental income of £13,000. The impact of job evaluation results is also impacting on the budget with related increases of £16,000.

7.0 USE OF RESERVES

- 7.1 In line with CIPFA guidance, reserves are reviewed as part of both final accounts and the budget process.
- 7.2 The use of EDU reserves in the current and future years are subject to Business Unit Reserves rules regarding the level of authority.
- 7.3 There are two earmarked reserves which relate to the Economic Development budget.
- 1) LABGI Grant Reserve: The earmarked reserve stands at £200,000 all of which is committed to match funding Yorkshire Forward grant on the RMT Improving the Offer project in Knaresborough and Boroughbridge. This will be spent by 31 March 2010.
 - 2) Knaresborough Regeneration Partnership: The reserve stands at £3,000 and will be spent on RMT project delivery in 2008/09.
- 7.4 £392,000 is also scheduled to be drawn down in the next 9 months to fund workshop schemes at King Street, Pateley Bridge and Phoenix Business Centre, Ripon. This money is an accumulation of EDU Small Schemes Capital money that has been saved up over the last seven years.

8.0 DETAILS OF EFFICIENCY SAVINGS

- 8.1 The EDU has put forward a total of £12,000 efficiency savings. A significant element of these savings (£6,000) relates to a saving in the contract for the On Location page(s) in the monthly Business Pink newspaper following a contract re-negotiation with Ackrills. The remaining savings relate to small budgets around supplies/services i.e. printing/stationery.

9.0 FEES AND CHARGES

- 9.1 The EDU Conyngham Hall Room and Service charges were approved as part of a separate report to the Cabinet Member on 19 November 2008. The overall increases were in line with Council policy of a 4% increase.

10.0 FINANCIAL RISK MANAGEMENT

- 10.1 The budgets within the EDU are managed through the financial processing and monitoring systems in place in the Department of Development Services. Monitoring statements are prepared and considered in detail with budget holders and reported to the Departmental Resource Monitoring meeting on an exceptions basis.
- 10.2 A key aspect of the Councils approach to budgeting is a risk management assessment, which is carried out throughout the budget process.
- 10.3 The main risk to the Economic Development Service is that income does not materialise as forecast, which has happened to some extent in 2008/09. Whilst net expenditure is relatively modest, a key feature of the EDU budget is the recovery of significant amounts of gross expenditure via grants, rental and service income. A very real 'risk' at present is the impact of the economic downturn on areas of EDU income, particularly workshop rentals (if voids increase as businesses fail/reduce costs) and conference income at Conyngham Hall.

11.0 CMT CONSIDERATION

- 11.1 CMT will be considering the budget at its meeting on 11 December and the outcome of that discussion will be reported verbally to the Cabinet Member meeting on 17 December.

12.0 SCRUTINY

- 12.1 This report will be considered by the Organisation Improvement and Environment Scrutiny Commission on 14 January 2009

13.0 CONCLUSIONS

- 13.1 The draft Original Estimates for the EDU have been prepared having regard to the guidelines issued by the Director of Resources.

Background Papers - None

Appendices

- A Economic Development Revenue Budget 2009/10 – Summary**
- B Major Variances between 2008/09, Revised Estimate and 2008/09 Original Estimate**
- C Major Variances between 2008/09 Original Estimate and 2009/10 Original Estimate.**

OFFICER CONTACT: Please contact Kathryn Daly, Economic Development Manager if you require any further information on the contents of this report. The officer can be contacted at Department of Development Services, Knapping Mount, West Grove Road, Harrogate, HG1 2AE by telephone on 01423 556054 or by Email – kathryn.daly@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.