



SCRUTINY BOARD (CITY DEVELOPMENT)

Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Tuesday, 8th February, 2011 at 10.00 am

A pre-meeting will take place for ALL Members of the Board
in a Committee Room at 9.30 am

MEMBERSHIP Councillors

J Akhtar	-	Hyde Park and Woodhouse;
B Atha	-	Kirkstall;
D Atkinson	-	Bramley and Stanningley;
J Elliott	-	Morley South;
G Harper	-	Hyde Park and Woodhouse;
J Jarosz	-	Pudsey;
M Lobley	-	Roundhay;
J Procter (Chair)	-	Wetherby;
R Pryke	-	Burmantofts and Richmond Hill;
M Rafique	-	Chapel Allerton;
M Robinson	-	Harewood;
S Smith	-	Rothwell;
B Woroncow	-	Co-optee (Non-voting)

Please note: Certain or all items on this agenda may be recorded

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A G E N D A

Item No	Ward/Equal Opportunities	Item Not Open		Page No
10			<p data-bbox="675 322 1401 394">BUDGET INFORMATION 2010/11 AND BUDGET PROPOSALS 2011/2012</p> <p data-bbox="675 434 1366 613">To consider a report of the Head of Scrutiny and Member Development on budget information 2010/11 and budget proposals 2011/2012 with specific reference to the Temple Newsam estate and house and the events budget.</p> <p data-bbox="675 654 1241 689">Appendix 3 and Appendix 4 attached</p>	1 - 54

LEEDS CITY COUNCIL 2011/12 BUDGET REPORT

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 2011/12 financial year.

2 Service Context

- 2.1 The City Development Directorate has a lead responsibility in the Council for the economic, physical and cultural development of Leeds. Over the next 3 to 4 years the Directorate's focus will be maintaining Leeds' ongoing development as a regional, economic and cultural capital and facilitating its economic recovery. These budget proposals aim to protect the Council's contribution to the economic recovery of Leeds and to limit the impact on frontline services wherever possible by reducing back office expenditure and the remodelling of services including closer partnership working with the private and voluntary sector.
- 2.2 This budget has been prepared in line with the budget strategy set out in the initial budget proposals report to Executive Board on 15th December 2010. The strategy set out plans to achieve savings across the Council from employees, premises, procurement and from increasing income.
- 2.3 Staffing comprises by far the largest element of the Directorate's net managed budget at 48% and proposals to reduce staffing form a major part of the budget strategy. In April 2008 staffing numbers in the Directorate were 2,768. Between April 2008 and December 2010 there has been a net reduction in staff of 199, a reduction of 7%. It is estimated that a further 121 staff, will leave the Directorate by the end of March 2011 through the corporate Early Leaver Initiative. By the end of March 2011 it is anticipated that staff numbers will be reduced to 2,438 with a further planned reduction of staff in 2011/12 of 87 to 2,351. This represents a further reduction in staffing of 8% from the December 2010 position.
- 2.4 Another significant cost in the Directorate is the number of facilities and buildings that are currently operated. The budget proposals for 2011/12 continue with initiatives which are included in the revenue budget 2010/11, this includes a review of the 10 year Vision for Council leisure centres. This approach also reflects the outcome of both the Spending Challenge and Citizen Panels consultation where more than 72% of respondents rated as important or very important the action 'review, perhaps close, services which are underused or invite someone else, such as a community group to take them over'.
- 2.5 Running costs and the level of subsidies across all services have been reviewed and the 2011/12 budget includes a number of savings proposals. In addition the Directorate will work closely with the Central Procurement Unit to realise savings in supplies and services expenditure from procurement initiatives.
- 2.6 The Directorate has a large income base which it will continue to look to maintain and increase where possible. The economic recession has resulted in £7m worth of downward trends of income over the last two years, and the budget for 2011/12 does not anticipate significant increases in external income, such as from planning and building fees. It is anticipated that on average fees and charges will be increased by 3% although the budget

does provide for above inflation increases in charges in some service areas. Services such as Highways and Transportation, Parks and Countryside and Architectural Design Services face reducing work loads mainly as a result of reductions to the capital programme and capital grants. Staffing levels in 2011/12 will need to be reduced as a result and the budget proposals include provision for further staffing reviews, including concluding the review proposing to cease the in house Architectural Design Service.

3 Explanation of variations between adjusted 2010/11 and 2011/12 - £14,356k (18.4%)

3.1 The variation can be summarised as follows:

	£000s
Net Managed Budget 2010/11	77,312
Adjustments	
• Transfers to Formula Grant	- 15
• Transfers of functions	740
Adjusted Net Managed Budget 2010/11	78,037
Changes in Prices	
• Pay (NI increase)	181
• Price	378
• Income	- 1,215
Service Budget Changes	
• Changes in Service Levels	- 6,462
• Other Factors not affecting level of service	649
• Efficiency Savings	- 7,887
Net Managed Budget 2011/12	63,681

3.2 Adjustments

3.2.1 Transfers to Formula Grants includes a reduction of £15k for Planning Inspectorate appeal costs.

3.2.2 Transfers of functions includes an increase of £650k for items previously included in the central contingency budget. This was to provide a provision against potential shortfalls in planning and building fee income, rental income and sport income against the level assumed in the 2010/11 budget. This has now been allocated directly to service budgets and will enable a reduction to be made in the income budgets in the services mentioned above. As part of an exercise to review and reduce the amount of cross directorate recharging a number of services previously recharged will no longer be charged. These include a number of services in City Development and as a result a net additional £237k has been allocated to this directorate to allow for the loss in income. Other minor changes amount to a net reduction of £147k.

3.3 Changes in prices

3.3.1 No provision has been made for a pay award in 2011/12, although the budget includes provision of £181k for the 1% increase in employers' National Insurance rates.

- 3.3.2 No allowance has been made for general price inflation and services will need to absorb any inflationary pressures from existing budgets or from procurement savings, with one exception, £378k has been provided for specific contract price increases within Highways and Transportation.
- 3.3.3 A general increase in charges of 3% where appropriate has been included in the budget and results in an increase in income of £947k. In some services price increases above 3% are anticipated and these are expected to result in additional income of £268k including a 5% increase in charges in Cemeteries and Crematoria and increases to some charges in Sport and Active Recreation.
- 3.4 Changes in Service Levels
- 3.4.1 With a view to supporting economic recovery in Leeds in the most efficient way a review of destination marketing activity and links with the private sector will be carried out and completed in 2011/12. The Local Enterprise Growth Incentive (LEGI) scheme is a Government funded programme through Area Based Grant and the majority of the programme will end in 2010/11 with the grant also ending in 2010/11. The 2010/11 budget included £3,806k in Economic Development for the programme, mainly for payments to external organisations for the delivery of approved projects. Provision of £300k has been included in the 2011/12 budget for a Legacy Programme which will provide continued funding for a small number of projects but overall there will be a reduction of £3,506k in the Economic Development budget to reflect the much reduced programme in 2011/12.
- 3.4.2 The 2011/12 budget for Sport and Active Recreation includes savings of £1m to be realised from a review of the implementation of the 10 year vision for Council leisure centres. Proposals include the closure of East Leeds Sports Centre on the 31st March 2011 but to make it available for community asset transfer in line with the proposals outlined in the 2010/11 budget report. In addition, following a review of the level of subsidy across sport centre and swimming facilities and the availability of alternative facilities the following proposals are also included in the 2011/12 budget; to progress a proposal for community asset transfer for Garforth Sport Centre as from summer 2011 with a reduction in opening hours to 31 hours a week from 1st April 2011. Facilities at Middleton Sport Centre will be enhanced by planned capital investment to playing pitch provision and changing room refurbishment and as part of the proposal to develop Middleton Sport Centre as a dry side centre the swimming pool will close from September 2011. A reduction in the opening hours at Bramley Baths to 29 hours per week will also be implemented from this date.
- 3.4.3 The 2011/12 Highways and Transportation budget has a target saving of £1.5m. This will be achieved by a thorough review of all revenue and capital spend across the service, with the aim of minimising the effect on highway maintenance as far as possible by re-prioritising resources from other non essential highway improvements. Also within the Highways and Transportation budget a saving of £456k has been included from the contribution the Council currently makes to Metro towards the cost of the 'Free' city centre bus. 2010/11 is the final year of a 5 year agreement that the Council has with Metro to make a contribution to the running of the bus. Following a review of the service it is proposed that from 2011/12 the Council will no longer contribute to this service. An additional £146k has been included in the Flood Risk Management budget for new Lead Local Authority Duties allocated to the Council for producing and maintaining flood risk plans. This is fully funded by a new specific grant.
- 3.4.4 The Council provides a significant amount of support to a wide variety of Arts and other organisations across the city. Following consultation, whilst it is proposed to reduce these grants the Council will continue to help as many small organisations as possible in the current economic climate and therefore the reductions are phased in line with the size of the

organisations. There will be a 15% reduction to grants £150k and over, a 12% reduction to grants £50k and over and a 7% reduction for grants £5k to £49k. There will be no reduction to the fund for annual small grants. To go some way to compensate for this reduction a new grant fund will be introduced. This will be open to all cultural organisations interested in delivering activity to the people of Leeds as part of major citywide activity including the Cultural Olympiad. A longer term funding strategy will also be developed in conjunction with the organisations. This also reflects the outcome of both the Spending Challenge and Citizen Panels consultation where more than 70% of respondents rated as important or very important the action 'reviewing, and perhaps reducing, money for external organisations'.

3.4.5 The Library service is currently consulting local people on its proposals to improve library provision and increase value for money across the city. The report of the outcome of the consultation will include recommendations for innovative service provision which takes into account assumptions in the 2010/11 budget and an additional saving of £250k as part of the 2011/12 budget strategy. Specific proposals will be outlined in a future report to Executive Board following the completion of the consultation process.

3.5 Other Factors not affecting the level of service

3.5.1 An additional £1,094k has been provided in the Highways and Transportation budget for the increase in the contract payments for the Street Lighting PFI contract in line with agreed contract payments. As part of the 2011/12 Government grant settlement there has been a change in the way the contributions to the West Yorkshire Road Safety Partnership are accounted for. In 2010/11 Leeds acted as the Accountable Body for the Partnership and received funding for the contributions to the Partnerships of all the West Yorkshire Partnerships. In the 2011/12 settlement the individual West Yorkshire Districts received the allocation direct. In addition the West Yorkshire Road Safety Partnership has reviewed its funding in 2011/12 and as a result there will be a saving to Leeds of £760k. Overall the reduction to the Highways and Transportation budget as a result of these changes will be £2,800k.

3.5.2 Other changes include an increase of £900k to reflect the abolition during 2010/11 of the Housing and Planning Delivery Grant. This grant has been replaced by the New Homes Bonus Grant and in 2011/12 is accounted for in the Central Accounts budget. An increase of £619k has also been included following the abolition of the Free Swimming grant.

3.5.3 There is a reduction of £2,040k in Highways and Transportation for contributions to the West Yorkshire Road Safety Partnership. In 2010/11 the budget for the contributions for all the West Yorkshire Districts to this Partnership were received and accounted for by Leeds. In the 2011/12 settlement the allocation for these contributions has been provided direct to each District.

3.5.4 An £800k reduction to the Libraries budget reflects the proposed capitalisation of spend on library books previously charged to revenue and a reduction of £226k has been made for projected saving in Legal costs.

3.5.5 Following a revaluation of the National Non Domestic Rating charges for a number of operational properties across the Leisure portfolio additional provision of £568k has been included.

3.5.6 The Parks and Countryside budget includes a saving of £100k from reductions in ancillary farming activities.

- 3.5.7 The review of the proposal to cease the in house Architectural Design Service will be concluded during 2011/12. This follows a significant reduction in work over the last few years and in the available work programmed in future years. The budget provides a net £450k for the anticipated shortfall in income for this service after allowing for the continuing exercise to reduce its costs.
- 3.6 Efficiency savings
- 3.6.1 For this directorate the following savings have been identified for 2011/12.
- 3.6.2 As highlighted in paragraph 2.3 the largest area of expenditure in the Directorate is staffing and a significant part of the Directorate's budget strategy is to continue to review and reduce staffing levels across all services but with a particular emphasis on protecting frontline services. Staffing levels will also need to be reduced to reflect lower workloads in some services such as Highways and Transportation where revenue and capital grant funding has been reduced. A target saving of £3.4m for the Directorate has been included in the 2011/12 budget. The majority of the saving will be achieved from staff leaving the organisation through the corporate Early Leaver Initiative with 121 staff expected to leave by 31st March 2011. The saving is net of the additional pension costs incurred by staff leaving through voluntary early retirement. Additional savings will be made from continuing to reduce the number of agency staff employed by in the Directorate although in some services there are cases where agency staff are the most effective business solution in the short term. Additional staff savings will be achieved through the strategy to review the number of building and facilities that the Directorate currently provides including the rationalisation of Council leisure centres. Several major staffing reviews have also taken place in the previous two years, mainly as a direct response to the economic recession and consequent loss of income and the 2011/12 budget proposals include provision for further staffing reviews, including Sport and Active Recreation, Highways and Transportation, a review of the Senior Management structure and concluding the review proposing to cease the in house Architectural Design Service.
- 3.6.3 The Directorate has significant running cost budgets across most services and a saving of £1.9m has been included in the 2011/12 budget for savings anticipated to be achieved from supplies and services budgets. Savings are expected to be achieved through a number of procurement initiatives.
- 3.6.4 As stated in paragraph 2.4, the Directorate operates a significant number of buildings. By closely working with the Energy and Fuel Savers units in the Council, it is anticipated that savings in energy through reducing consumption can be realised. A target of £483k has been included in the 2011/12 budget. A saving of £330k is included in the street lighting electricity budget and options for further savings are being developed and will be presented during 2011/12.
- 3.6.5 Whilst overall the continuing difficult economic conditions means that there is limited scope to generate additional external income there are a number of proposals included in the budget to raise extra income. Additional income of £500k has been included in the Events budget. Charges will be introduced for Opera in the Park and Classical Fantasia with full price tickets charged at £15 plus booking fees reduced by a range of Leeds Card discounts. There will be no charges for Party in the Park or the central Leeds Christmas Lights Switch on as the acts for both events are provided by our media partners. Additional income of £500k has also been included in the Asset Management budget to be generated from new advertising sites.

4 Net Revenue Charge

- 4.1 The following table provides a summary of the net revenue charge for the service which brings together the net managed budget and those budgets managed outside the service.

	£000s
Net Managed Budget	63,681
Managed Outside Service	51,512
Net Cost of Service	115,193
Transfers to/from earmarked reserves	- 2,345
Net Revenue Charge	112,848

5 Risk Assessment

- 5.1 In determining the 2011/12 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 to carry the highest risk and therefore requiring careful and regular monitoring has been prepared.
- 5.2 The key risks in the 2011/12 budget for this Directorate are as follows;
- 5.2.1 The budget includes proposals to reduce staffing levels across the Directorate. Whilst a large proportion of the reduction will be achieved through approved early leavers other reductions are dependent on the implementation of the various budget proposals outlined in this report. Staffing levels and the release of vacancies will continue to be closely monitored by City Development Directorate.
- 5.2.2 The Directorate has a significant income base to achieve which is heavily dependent on the prevailing economic conditions. The economic outlook for 2011/12 is uncertain and a worsening of conditions could have a major impact on the income earned by the Directorate. Income budgets are monitored regularly and appropriate action taken should reductions in income occur but short term actions are not always sufficient to offset income shortfalls. In addition, there is a risk that income initiatives such as charging for events and advertising income do not generate sufficient to meet the budget assumptions.
- 5.2.3 There is a risk that procurement initiatives will not realise the level of assumed savings on supplies and services expenditure. The Directorate will work closely with the Central Procurement Unit to deliver the savings but if these are not fully realised then services will need to manage spend within the reduced budgets.
- 5.2.4 The proposed saving on spend in Highways and Transportation will be managed to minimise the impact on highway maintenance but there is still a risk that reduced spend will result in higher insurance claims in the future.
- 5.2.5 Energy budgets have been reduced across operational facilities to allow for planned initiatives to reduce energy consumption. However, a delay in implementing such initiatives and increasing charges for energy could make it difficult to achieve the assumed savings.

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Report of the Director of Resources

Executive Board

Date: 11th February 2011

Subject: Revenue Budget and Council Tax 2011/12

Electoral wards affected:

Specific implications for:

Ethnic minorities

Women

Disabled people

Narrowing the gap

Eligible for call In

Not eligible for call in
(details contained in the report)

Executive Summary

1. This report seeks the approval of the Executive Board in recommending to Council a budget and Council Tax for 2011/12. The report sets out the framework for compiling the 2011/12 budget taking into account the Local Government Finance settlement, the initial budget proposals that were agreed by the Executive Board in December 2010, the results of budget consultation and other factors that have influenced the budget now being proposed. The report also provides an update to the equality Impact assessment that was developed as part of the initial budget proposals.
2. The 2011/12 budget presents a significant financial challenge to the Council, which is without precedent in recent times. In addition to a substantial reduction in Government funding, the Council also faces significant cost pressures which have been taken into account in the 2011/12 budget and will also have an impact on the next four years.
3. There are particularly acute cost pressures in both Adult Social Care and Children's Services, and in addition income continues to decline in both City Development and Environment and Neighbourhoods. This budget addresses these issues by providing for increased expenditure on services for vulnerable children and adults including safeguarding, whilst addressing cost and income pressures arising from the current economic conditions.

4. The proposed budget will mean that the Council by the end of 2011/12 will have lost over 1500 jobs compared to the position at the commencement of the current financial year, of which around 1100 will have gone by the 31st March 2011.
5. The report asks Executive Board to recommend to Council a budget totalling £582.2m, which would result in the Leeds element of the Council Tax for 2011/12 staying the same as for 2010/11. This excludes Police and Fire precepts which will be incorporated into the report to be submitted to Council on the 23rd February 2011.
6. The report also provides an early assessment of the position in respect to 2012/13. It is estimated that for 2012/13 the Council will need to find further savings in excess of £47m. Although not definitive this does give an indication of the scale of the continuing financial challenge that the Council will be facing.
7. In addition, this report also asks Executive Board to recommend to Council an increase in Council House rents, garage rents and service charges of 6.84%.

1 INTRODUCTION

- 1.1. This report sets out the Council's budget for 2011/12. It has been prepared in the context of the Council's initial budget proposals agreed by Executive Board in December 2010 and the Local Government Finance settlement.
- 1.2. This report seeks approval from the Executive Board to recommend to Council that the City Council's Revenue Budget for 2011/12 be approved at £582.228m. This results in a Band D Council Tax of £1,123.49 which is the same level as for 2010/11.
- 1.3. Detailed budget proposals for each service are set out in the directorate budget reports attached. This information will be consolidated into the Annual Financial Plan and the Budget Book;
 - The Annual Financial Plan - this document brings together the revenue budget, capital programme and performance indicators for 2011/12 providing a clear link between spending plans and performance, at directorate level.
 - The Budget Book – this contains detailed budgets for each directorate at both service level and by type of expenditure/income. Further copies of this document are available to members on request and via the intranet.
- 1.4. In accordance with the Council's Budget and Policy Frameworkⁱ, decisions as to the Council's budget and Council Tax are reserved to Council. As such, the recommendation at 12.1 which recommends the budget to Council, is not eligible for call in. Except to the extent to which a further decision making process is referred to, agreement of this budget by Council implies the agreement of actions necessary to deliver the budget as described throughout this report and in the accompanying appendices.
- 1.5. The budget proposals contained within this report have, where appropriate, been the subject of the Council's Equality Impact Assessment process and mitigating measures have been put in place where possible. This is further detailed in section 9 and in the attached Appendix 3.

2 INITIAL BUDGET PROPOSALS

- 2.1. In accordance with the Council's Budget and Policy Framework, initial budget proposals for 2011/12 were approved by the Executive Board on the 15th December 2010ⁱⁱ, and were submitted to Scrutiny for review and consideration. The proposals were developed within a funding envelope with assumed reductions in the level of government grant based on the announcements within the Government's October 2010 four year Spending Review, but prior to the Local Government Finance Settlement which was announced on 13th December. The proposals recognised the major challenge facing the Council in the light of anticipated grant reductions.
- 2.2. The Government's October Spending Review set out the Government's proposals to reduce public spending by £81bn over the four year period 2011/12 to 2014/15. The proposals included a real terms reduction in Government funding for local government of 27%, but it was clear that this reduction would be significantly front loaded, with a real terms reduction in excess of 10% in 2011/12. Based on these national figures, it is forecast that there will be a real terms reduction in government grants available to the Council of £179m by 2014/15, but because of the front loading of the Government's grant cuts, the reduction in funding for 2011/12 was

estimated at £51m. In addition to anticipating a substantial reduction in Government funding, the initial budget proposals also recognised that the Council faces significant financial pressures in a number of areas. These were detailed in the report to the Executive Board, but acknowledged that, as in the current financial year, both Adult Social Care and Children's Services were facing acute demand pressures, whilst income levels in both City Development and Environment and Neighbourhoods were under pressure. In addition, new year pressures around debt and the delivery of the Council's waste strategy were also recognised.

2.3 Based on a review of these pressures and the anticipated reduction in government grants, it was forecast that the Council would need to deliver nearly £90m of savings in 2011/12, which equated to almost 10% of net spending before grants. This was summarised in the table below:

Funding Envelope	£m
Net spend before grants 2010/11	900.274
Formula Grant/Specific Grant:	- 61.974
Council Tax compensation	6.683
Tax Base/New Homes Bonus	4.200
Reduction in Funding	- 51.091
2011/12 spending target	849.183

Spend	£000s
Inflation: NI & Income	- 1.955
Demography:	
Adults	16.300
Children's	11.200
Waste Strategy	1.200
Loss of car parking income	1.000
Street Lighting	0.990
Debt	10.000
Sub-Total Pressures	40.690
Shortfall in government funding	51.091
Funding Gap	89.826

2.4 The initial budget proposals were designed to achieve the level of cost reductions required whilst minimising the impact on services to customers, and reflected the following principles that were agreed by Executive Board at its meeting of 3rd November:

- a) The Council should aim to achieve maximum financial benefit from procurement and commissioning. Procurement activities should be organised on a Council wide basis wherever possible.
- b) The Council will develop locality based management arrangements where appropriate

- c) Common business activities across the Council should be centralised and/or should be managed from a central point in the organisation where this can demonstrate better value for money.
- d) Fees and charges should be set at a level to recover full cost, or set at a market rate. Where charges are not at full cost, the financial subsidy should be transparent and be justified in the achievement of outcomes for service users.
- e) Provision of services should be by the most appropriate provider taking into account value for money, quality of service, maturity of the market, in-house resilience, etc.
- f) Where specific grants are reduced, there should be no presumption that the service to which it relates will be reduced, however it will be necessary to demonstrate that it still represents a priority.
- g) Funding of external organisations should all be on the basis of service agreements and should take account of other public sector funders.
- h) Opportunities will be identified and pursued where appropriate, to provide services in collaboration with other local authorities, or other public organisations within the City and if appropriate beyond.
- i) Capital investment will be targeted at priorities. As a general principle, borrowing will only be used to fund projects which generate savings in excess of the cost of borrowing. Other capital investment should therefore be funded by external funding sources or receipts from the sale of assets.
- j) All proposed reductions will be subject to equality impact assessments, and we will ensure that there is a full understanding of the impact of any reductions upon the voluntary and community sector.

2.5 Delivering savings of 10% in one year clearly represents a significant challenge. Whilst a number of policy options have been identified, which will deliver savings over the period of the Spending Review, in light of the front loading of grant reductions, consideration needed to be given to accelerating these options where possible. In addition, it was recognised that it would be necessary to consider proposals to deliver short term savings which over the planning period may be replaced as other longer term options take effect.

2.6 An overview of the proposals within each directorate was presented as an appendix to the report, but in summary, they were:

- Employees – a saving of £30m was targeted from employee expenditure
- Premises - the initial budget proposals anticipated a reduction in premises costs of £5m.
- Other Supplies and Services - in addition to the cash limiting of these budgets savings of at least £10m to £15m from procurement activity was to be targeted. In addition all grant arrangements to be reviewed to ensure that they properly reflect the Council's priorities and represent value for money.
- Transport – a target to reduce the cost of transport in 2011/12 by £3m.
- Capital Charges - the budget proposals targeted a reduction in the assumed increase next year by £5m.
- Payments to other providers - costs to be reduced by £10m through better procurement activity and better partnership working with the Health Service.
- Income – generally income budgets will rise by 3%.
- Specific Grants - reductions implemented in 2010/11 will continue into 2011/12.

3 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 3.1 The Council received details of the final local government finance settlement on the 31st January 2011. This confirmed only minor adjustments to the provisional settlement which was the subject of a detailed report to Executive Board on 5th January 2011ⁱⁱⁱ.
- 3.2 The grant settlement is complex in that it not only involves a significant reduction in the overall level of government grants to local authorities, but also involves the reduction in the number of specific grants, and the transfer of some of them into formula grant and into new, what are termed “Core Grants”, including the Dedicated Schools Grant. At the same time, the year on year comparison is then further complicated in that some of the new grants come with new responsibilities.
- 3.3 Excluding PFI grants and those which impact upon schools, the reduction in grants to the Council is £36.844m, but after taking account of new responsibilities, the net position is a reduction of £51.438m, as detailed in the table below.

**Change in Government Grants between 2010/11 and 2011/12
(Excluding those that impact upon the Schools Budget and PFI grants)**

	2010/11 £000	2011/12 £000
Formula Grant	303,444	315,061
Area Based Grant	73,958	
Other Specific Grants	35,635	
Early Intervention Grant		30,711
Learning Disability and Health Reform Grant		9,972
Housing benefit and council tax administration	6,349	6,714
Preventing Homelessness		1,040
Council Tax Freeze Grant		6,683
Lead Local Flood Authority		146
NHS Funding		9,315
New Homes Bonus		2,900
Total	419,386	382,542
Reduction from 2010/11		36,844
Plus new responsibilities		
Concessionary Fares/Rural Bus Subsidy		4,476
Learning Disability		9,972
Lead Local Flood Authority		146
Revised reduction from 2010/11		51,438

- 3.4 On a cash to cash basis, the Council's formula grant for 2011/12 is an increase of £11.617m compared to 2010/11. This will mean that the Council's net revenue charge for 2011/12 (which is the sum of Council Tax and Formula Grant) will show an increase from 2010/11. However, this masks the real position as the Council's specific grants will show a significant reduction, which brings about an increase in the Council's net revenue charge. After adjusting for the specific grants transferred, and for new responsibilities, the Council's 2011/12 formula grant represents a reduction of £43.926m or 12.2%. After taking account of the new core grants there is a net reduction of £7.5m to other specific grants.
- 3.5 Included within the grant settlement is the Council Tax freeze grant of £6.683m, which is only available to the Council if it freezes its Council Tax, and is equivalent to a 2.5% increase in Council Tax. For any authority which chooses to increase its Council tax, the Secretary of State has indicated that capping powers would be used to curb any "excessive" increases. It is proposed that the Leeds element of the Council Tax is frozen for 2011/12.
- 3.6 Account has also been taken of the New Homes Bonus which is designed by the Government to reward authorities for delivering new homes, and match funds the additional Council Tax for each new home and property brought back into use. The proposed model for implementation is still out at consultation, but based upon property numbers as at October 2010, it is forecast that the Council will receive £2.9m in 2011/12.
- 3.7 In determining a funding envelope for the 2011/12 budget, the reduction in government grants can be partly offset by the additional Council Tax Base. Council on the 19th January 2011 approved the Council Tax base for 2011/12^{iv}. After taking account of a forecast deficit of £500k on the collection fund, the impact of the new Council Tax base is a net increase is £1.3m. Taking account of this, the reduced funding envelope available to the Council in 2011/12 is

	£000
Reduction in Grants	51,438
Less	
- Additional Council Tax Base	1,300
Reduction Funding Envelope	50,138

- 3.8 The reduction of £50.138m compares to a forecast reduction of £51.091m as included in the initial budget proposals that were submitted to the Executive Board on the 15th December 2010. This forecast was determined prior to the settlement and was based upon national figures included in the Government's October Spending Review.

4. CONSULTATION

- 4.1 Widespread consultation has been undertaken in preparation of the 2011/12 budget which has included:
- All party budget meetings
 - Public consultation
 - Consultation with the third sector and business sector

- Regular meetings with trade unions
- In accordance with the Council's constitution, Scrutiny Boards have been given the opportunity to consider the initial budget proposals
- All staff were invited to make suggestions

4.2 The Council's public consultation on the spending challenge finished on the 17th December 2010. A summary of the consultation is attached at Appendix 1 and the detailed consultation results are also available^v. Directorate budget reports, which are attached identify the ways in which the budget proposals respond to the consultation.

4.3 The initial budget proposals were submitted to scrutiny following their approval by Board on the 15th December 2010. Comments were received from Central and Corporate Functions Scrutiny and from the other portfolio boards. A summary of their views are attached at Appendix 2.

4.4 The Chief Executive launched the staff suggestions scheme in a letter to all staff with a special email address set up so colleagues could submit their ideas directly. Over 100 suggestions were submitted in the first 24 hours. A total of approximately 3000 ideas were submitted from around 1000 members of staff. Many similar proposals were brought together in a list of 33 'quick wins' where it was thought immediate action could save money in the short term. These were published on the intranet. A number of 'big themes' began to emerge and these were promoted on a special discussion forum for staff to debate. Those 'big/common themes' included changing the working week, pay cuts, holidays, sick leave, charging for events and bin collections. Responses to each of the themes (7 in total) have been published on the intranet. The 'remaining' ideas - which were very directorate or service specific – are being responded to on an individual basis.

5. MAIN FEATURES OF THE PROPOSED BUDGET

5.1 Directorates have prepared their budgets in accordance with guidelines laid down by the Director of Resources, taking account of the following:-

- No Pay Awards have been provided for 2011/12, but 1% has been included in respect to the National Insurance increase to come into effect from 1st April 2011. This equates to £1.7m.
- All other general running costs have been reviewed and cash limited where possible taking account of specific contractual commitments. Specific provision has been made for the £8 per tonne increase in Landfill Tax, which represents an increase of £1.3m per annum.
- Discretionary fees and charges have been reviewed in line with the fees and charges policy, but with at least a 3% increase assumed.

5.2 The budget proposals for 2011/12 reflect the ending of the Education Leeds contract with effect from the 31st March 2011, and the re-integration of these services and the transfer of Education Leeds staff back to the Council under TUPE arrangements. Previously the services provided through the Education Leeds contract were included within the Council's budget as a single line within the Children's Services directorate. The cost of these services as from 2011/12 will now be fully reflected in detail within the Council's budget. Whilst most of the costs relating to Education

Leeds will continue to be shown in Children's Services, the support functions will transfer to the Resources directorate, in line with the delivery of all other support services.

- 5.3 As referred to in section 3 above, this budget has been prepared against a backdrop of unprecedented funding reductions for local government. The budget strategy was set out in the Initial Budget Proposals report approved by Executive Board on 15th December 2010, which is summarised in section 2 above. Throughout the preparation of the budget the aim as far as possible has been to protect the delivery of front line services, examples of this approach include:
- Reductions within central and corporate services equate to 16%
 - Budgets for consultancy have been reduced by 37%
 - Procurement savings and reductions in supplies and services budget of around £25m.
 - A 3% reduction in the special responsibility allowances of members receiving over £7k pa.
 - Budgets for subscriptions reduced by 8%
 - Marketing and advertising budgets reduced by almost 40%
 - Targets of 12.5% set for reductions in energy usage
 - Non essential building maintenance reduced by £1m.
 - Reduction to the Council's support for culture, including the introduction of charges for a number of cultural events which have traditionally been free.
 - Reducing the publication of the About Leeds newspaper from two to one edition pa.
 - Press and Communication budgets across the Council reduced by £0.6m
- 5.4 Within the budget, additional funding has been found to maintain and in some instances delivery improvements in key priorities, these include:
- Additional funding of £16.3m within in Adult Social Care and £11.2m in Children's Services to meet demand pressures
 - Additional resources of £1.6m for social care fieldwork in Children's Services
 - An extra £1.3m for safeguarding in Children's Services
 - Additional provision of £0.5m to launch a new jobs and skills initiative
 - £0.3m for the Council's financial inclusion strategy
 - £0.8m to support the Council's invest to save programme, which will be critical to deliver efficiencies in future years, thus protecting the delivery of front line service delivery for the future.
 - Additional support of £0.6m for homelessness
- 5.5 Whilst a great deal of effort has been made to ensure that front line services are not directly affected, there are a number of proposals which aim to deliver front line services more efficiently, often through their reconfiguration, or by reducing over capacity. Likewise as anticipated in the initial budget proposals and given the scale of reductions in many of the specific government grants, it is inevitable that some of the reductions have had to be passed on to external providers. The budget proposals also include reductions to some budgets which can only be supported in the short to medium term, including the suspension of vehicle replacement programmes, and the deferral of some highway maintenance and building maintenance expenditure.
- 5.6 The initial proposals set out a number of targeted budget areas in order to reduce the Council's spend sufficiently. Work has continued in respect of all these budget

proposals, and set out below is a summary of the actions which have been incorporated into the proposed budget:

a) Employees

The Council's workforce, excluding schools, at 31st March 2010 was 14,566. By the end of March 2011 this number is anticipated to have reduced by 1,093 to 13,473, with the majority of the reduction achieved through staff leaving in the final quarter of the financial year following a voluntary retirement and severance scheme. Staff numbers are expected to reduce by a further 404 during 2011/12, and therefore over the two financial years this amounts to a reduction of 1,497 or 10.3% of the workforce. It should be noted that in view of further grant reductions in 2012/13, the council will inevitably be seeking to reduce staff numbers further during 2011/12

Staff who have volunteered have been allowed to leave unless it would seriously impact on key frontline services, in particular in social care posts. The costs of letting staff go have been spread over a number of years where possible, including the use of a £5.7m capitalisation directive approved by the Secretary of State.

Further savings will be achieved through the strict application of a recruitment freeze throughout the year. Posts will only be filled externally by exception. The total reduction in the Council's pay bill in 2011/12 arising from these measures is estimated to be £45m but this takes account of grant related reductions in staffing and the transfer of an element of the homecare service to external providers.

Extensive redeployment will be required in 2011/12 to ensure that staff resources are redeployed to priority services. A team has been established in the Human Resources service, from within existing resources, to assist this process, and £0.1m of the Council's funding for training has been ring-fenced to support redeployment and re-skilling.

b) Premises

Savings of around £6.0m from premises budgets are proposed. In addition to £1m saving from building maintenance, the budget includes savings from the rationalisation of a number of Council facilities, and savings due to energy savings measures.

c) Procurement

A significant element of the Council's budget relates to the procurement of goods and services from external providers. Savings of £25m from procurement activity and reductions in supplies and services budgets are assumed in the budget. It is anticipated that this will be achieved through more rigorous management of the demand for goods and services, and by making better use of the Council's strong position in the market to negotiate lower prices.

d) Income

In general fees and charges have been increased to reflect the rate of inflation, however where the market will bear it larger increases have been assumed, for example some charges in Sport and Active recreation. New charges have been introduced in some cases, specifically for certain cultural events which are currently provided to the public free of charge. There will also be a review of the level of subsidy within the charges for non-residential Adult Social Care services.

e) Capital Charges

In accordance with the Initial Budget Proposals, provision is made for a £5m increase in capital financing charges, plus the borrowing costs associated with the capitalisation of retirement/severance costs of £0.3m. This will only be achieved by continuing to take advantage of low short term interest rates, and restricting the level of new capital commitments. A separate report on this agenda sets out the details of the capital programme. In the 2011/12 budget, capital receipts have been applied against the capital element of PFI rentals. The effect of this treatment is to reduce the revenue expenditure of the authority by approximately £9.5m in 2011/12 which contributes to the protection of front line services. This saving is net of additional debt costs which will be incurred as capital receipts are replaced by borrowing as a funding source. This is in accordance with proper accounting practice and is consistent with the newly applied international accounting standards for Local Government. This has been discussed and agreed with the Council's external auditors.

f) Use of Reserves

It is proposed to use £2m of reserves to support the 2011/12 budget. The position as to reserves is further discussed in section 7 below.

- 5.7 Attached to this report are detailed budget reports for each directorate which set out the changes within the budget of each directorate. Except to the extent to which a further decision making processes are referred to, agreement of this budget by Council implies the agreement of actions necessary to deliver the budget. In respect to these actions as detailed in the directorate reports, no further consultation is deemed necessary. However, it is recognised that some actions may impact on particular communities and where deemed appropriate consultation and the consideration of mitigating actions will continue. Where directorate reports make reference to further decision making process, then this will be in accordance with the Council's constitution.

6. PROPOSED BUDGET 2011/12 - SUMMARY

- 6.1 It is recommended that the Leeds element of the Council Tax will not increase although changes to the taxbase and the collection fund will generate a cash increase of £1.3m. Together with the increase in Formula Grant of £11.6m, the overall cash increase in the net revenue budget is £12.9m, which represents a 2.26% increase. However, after adjusting for changes in funding, there is a decrease from the adjusted budget of 6.8% as detailed in the following table:

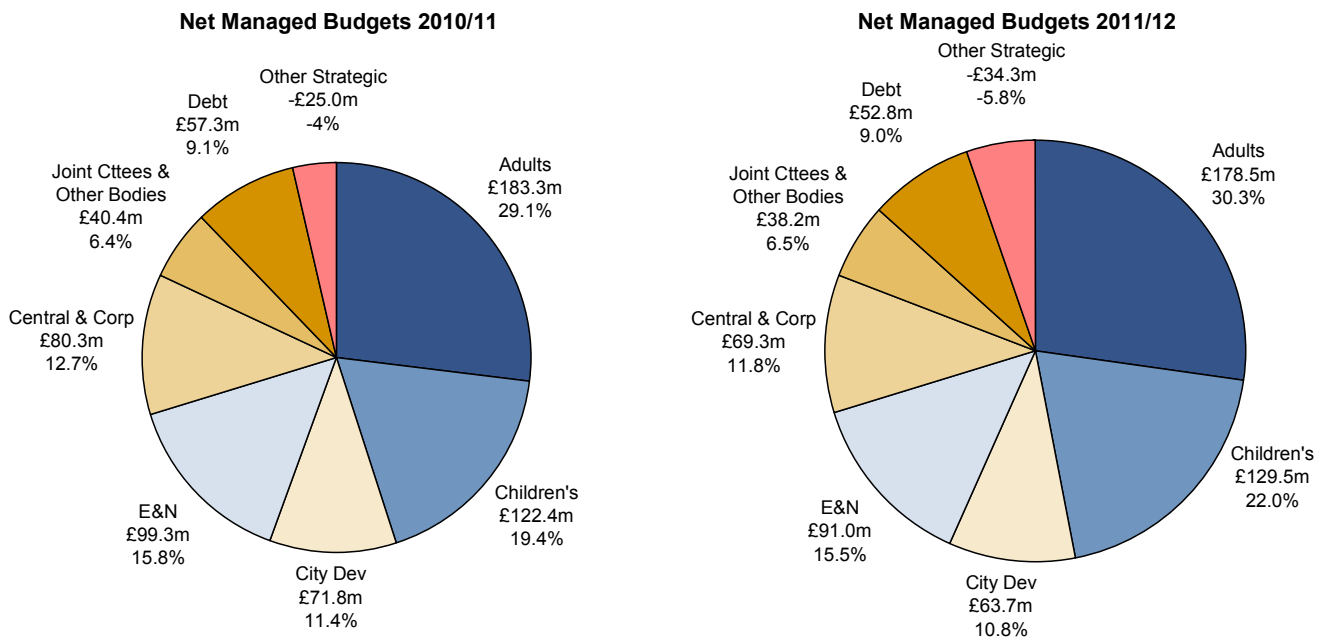
	Adjusted Budget 2010/11 £m	Change £m	Budget 2011/12 £m
Government Grant	359.0	-44.0	315.0
Council Tax	265.9	1.3	267.2
Net Revenue Budget	624.9	-42.7	582.2

	£m
Budget 2010/11	569.3
Adjustments for changes in funding of specific functions and transfers of specific grants to formula grant	55.6
Adjusted Budget 2010/11	624.9
Change in Prices	
Pay	1.7
Price	2.7
Income	-1.8
Service Budget Changes:	
Changes in service levels	4.0
Other factors not affecting level of service	3.8
Efficiency savings	-45.7
Change in contingency fund	-0.7
Change in contribution from earmarked reserves	-0.3
Change in contribution from general reserves	-2.0
Change in capital financing costs	-4.4
	<u>-42.7</u>
Base Budget 2011/12	582.2
Percentage decrease from adjusted budget	-6.80%

- 6.2 Table 1 appended to this report provides a detailed analysis at directorate level; Table 2 shows a subjective summary of the City Budget; and Table 3 shows the budgeted staffing levels for the end of 2011/12.
- 6.3 As explained earlier the 2011/12 grant settlement is exceptionally complex which makes year on year spending comparisons difficult. In order to address this the table below compares the 2011/12 budget with a restated 2010/11 budget, which takes account of grants spending adjustments by directorate.

Directorate	2010/11			2011/12		
	Restated Net Managed Budget £000s	Net budget managed outside service £000s	Net budget £000s	Net managed budget £000s	Net budget managed outside service £000s	Net budget £000s
Adult Social Care	183,305	25,067	208,372	178,474	22,953	201,427
Children's Services	122,440	47,004	169,444	129,471	58,132	187,603
City Development	71,849	49,260	121,109	63,681	51,511	115,192
Environment and Neighbourhoods	99,312	15,507	114,819	90,974	12,593	103,567
Central and Corporate	80,277	(58,650)	21,627	69,285	(59,113)	10,172
Debt	57,269		57,269	52,839		52,839
Joint Cttees & Other Bodies	40,356	(437)	39,919	38,185	(417)	37,768
Strategic Accounts	(24,991)	1,481	(23,510)	(34,256)	(23,445)	(57,701)
NET COST OF DEPARTMENTAL SPENDING	629,817	79,232	709,049	588,653	62,214	650,867
Transfers to / (from) reserves:						
FRS 17	0	(89,221)	(89,221)	0	(71,607)	(71,607)
Other	0	5,023	5,023	0	4,968	4,968
NET COST OF CITY COUNCIL SERVICES	629,817	(4,966)	624,851	588,653	(4,425)	584,228
Contribution to/(from) General Fund Reserves		0	0	(2,000)	0	(2,000)
NET REVENUE CHARGE	629,817	(4,966)	624,851	586,653	(4,425)	582,228

6.4 The following pie charts show the share of the Council's net managed expenditure between directorates over the two years both in cash and percentage terms. Net managed expenditure represents the budgets under the control of individual directorates, excluding items such as capital charges and FRS17 pensions adjustments. It can be seen that the proportion of the Council's spend on Children's Services and Adult Social Care has increased from 48.5% to 52.3% reflecting the Council's need to prioritise spending in these areas.



6.5 The dedicated schools grant (DSG) is a ring-fenced grant that funds both individual schools and the central schools budgets. The Gross DSG in 2010/11 was £413.6m. Based on estimated pupil numbers of 101,274 the Leeds DSG for 2011/12 is forecast to be £500.9m, an increase of £77.9m, but this does include the transfer of a number specific grants to the DSG. These include the schools standards grant, the school development grant, extended school grants and the ethnic minority achievement grant. These transferred grants total £70.8m. The DSG is subject to recoupment in respect to academies, and this for 2011/12 has increased by £22.7m to £32.1m, which means that the DSG available to the Council for 2011/12 is £468.8m, of which £457.5m will be allocated to support the Individual Schools Budget and the Central Schools Budget, The funding received by an individual school will be protected through a minimum funding guarantee. Under the guarantee, funding per pupil received by schools from most formula factors may not reduce by more than 1.5% from the funding per pupil received in 2010/11. In addition to the above changes, the Government is introducing a pupil premium that will be paid to Local Authorities to be passed directly to schools. In total Leeds should receive at least £8.6m of additional funding through this grant in 2011/12. Further details of the schools budget is provided within the directorate report for Children’s Services.

6.6 Details of the Housing Revenue Account budget proposals are contained in the attached Environment and Neighbourhoods budget report. In summary,

- The Government issued the final Housing Subsidy Determination for 2011/12 on 10th January 2011. In line with the Government’s assumptions it is proposed that the Council implements an average rent increase of 6.84% for 2011/12.
- In overall terms, the level of negative subsidy payable in 2011/12 will be £37.2m.
- Rentals from garages (currently £6.07 per week) fall outside the rent restructuring rules and normally rise in line with average rental increases. It is proposed to increase garage rents by 6.84% to £6.49 per week.
- Overall ALMO management fees are to remain at the 2010/11 prices, although incentive payments linked to performance in respect of void management and arrears remains in place and can increase the level of payment received by the ALMOs from the HRA.

6.7 Council Tax

The proposed budget of £582.228m for 2011/12 is consistent with the Leeds element of the Council Tax for 2011/12 being exactly the same as in 2010/11, which will give council tax figures for the Leeds City Council element only for each band as follows:

	2011/12
	£
Band A	748.99
Band B	873.82
Band C	998.66
Band D	1,123.49
Band E	1,373.15
Band F	1,622.82
Band G	1,872.48
Band H	2,246.98

To these sums will be added amounts for Police, Fire and, where appropriate, parishes. These additional amounts will be reported to Council on 23rd February 2011 following the formal decisions about their respective precepts.

7. RESERVES POLICY

- 7.1 Under the 2003 Local Government Act, the Council's Statutory Financial Officer is required to make a statement to Council on the adequacy of reserves. In addition, it is good practice for the authority to have a policy on the level and nature of its reserves and ensure these are monitored and maintained within the range determined by its agreed policy. The purpose of a reserves policy is:
- to maintain reserves at a level appropriate to help ensure longer term financial stability, and
 - to identify any future events or developments which may cause financial difficulty, allowing time to mitigate for these.
- 7.2 The established policy encompasses an assessment of financial risks included in the budget based on directorate budget risk registers^{vi}. The risk registers identify areas of the budget which may be uncertain and the at risk element of each budget area has been quantified. This represents the scale of any likely overspend/shortfall in income and does not necessarily represent the whole of a particular budget heading. Each risk area has been scored in terms of the probability and impact on the budget.
- 7.3 As set out in the 2010/11 financial health report elsewhere on this agenda, the Council's reserves at the end of March 2011 are estimated to be at around £21.4m. This budget assumes the use of £2m to support invest to save activities and other one-off expenditure. The budget therefore assumes that reserves at the end of March 2012 will stand at £19.4m. As recommended to members in the financial health report to Executive Board in July, this is a level which provides more cover against the increased risks of the under-achievement of savings budgeted for in 2011/12. It is recommended that the Council should agree this higher level of reserves which represents 3.3% of net expenditure. This does represent a significant increase from the £12m which was previously determined as the Council's minimum level of reserves but is considered necessary in the present circumstances.
- 7.4 The policy also requires directorates to prepare budget action plans to deal with spending variations on budgets controlled by directorates during the year up to a limit of 2% of net managed expenditure. Any budget variations above this amount would be dealt with corporately, using, where necessary, the General Fund reserve.
- 7.5 The table below provides a summary of General Fund and Housing Revenue Account reserves

	2010/11 £m	2011/12 £m
General Fund		
Balance brought forward	16.1	21.4
Budgeted use	0.0	-2.0
Variation at outturn	5.3	0.0
Balance carried forward	21.4	19.4
Housing Revenue Account		
Balance brought forward	4.6	2.5
Generated in year	0.0	0.0
Use in year	(2.1)	0.0
Balance carried forward	2.5	2.5

8.0 **ROBUSTNESS OF THE BUDGET AND THE ADEQUACY OF RESERVES**

8.1 The Local Government Act (Part II) 2003 placed a requirement upon the Council's statutory finance officer (The Director of Resources) to report to members on the robustness of the budget estimates and the adequacy of the proposed financial reserves.

8.2 In considering the robustness of any estimates, the following criteria need to be considered:-

- the reasonableness of the underlying budget assumptions such as:
 - the reasonableness of provisions for inflationary pressures;
 - the extent to which known trends and pressures have been provided for;
 - the achievability of changes built into the budget;
 - the realism of income targets;
 - the alignment of resources with the Council service and organisational priorities.
- a review of the major risks associated with the budget.
- the availability of any contingency or un-earmarked reserves to meet unforeseen cost pressures.
- the strength of the financial management and reporting arrangements.

8.3 In coming to a view as to the robustness of the 2011/12 budget, the Director of Resources has taken account of the following issues:-

- Detailed estimates are prepared by directorates in accordance with principles laid down by the Director of Resources based upon the current agreed level of service. Service changes are separately identified and plans are in place for them to be managed.
- Estimate submissions have been subject to rigorous review throughout the budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council.

- Significant financial pressures experienced in 2010/11 have, where appropriate, been recognised in preparing the 2011/12 budget.
- Contingency provisions have been included in the General Fund and within the DSG funded services. These provisions are for items not foreseen and for items where there is a risk of variation during the year. In the case of the schools contingency, this would include adjustments required in the application of formula funding, significant increases in pupil numbers, and additional statements of Special Education Needs or exceptional in year cost increases.
- As part of the budget process, directorates have undertaken a risk assessment of their key budgets, documented this assessment in the form of a formal Risk Register, and provided a summary of major risks within the directorate budget documents, many of which are significant. All directorate budgets contain efficiencies, service reviews and savings which will require actions to deliver, and any delay in taking decisions may have significant financial implications. The overall level of risk within the 2011/12 budget is considered high and is really only manageable on the understanding that key decisions are taken or that alternative actions can deliver similar levels of savings without increasing the overall risk level within the budget. Some of the key risks within the budget are as follows:-
 - The level of demand and activity, within the children's social care and looked after children budgets. The reconfiguration and integration of services at a locality level, wrapped around universal services such as schools and children's centres, is a key part of the whole system strategy which is designed to manage the increase in demand and referrals.
 - Assumptions around additional income from the trading of certain functions with schools are not realised.
 - Volatility of demand led budgets within Adults Social Care and the magnitude of price reductions to be negotiated for residential and nursing placements
 - Inflation and pay awards greater than anticipated
 - Interest rate changes greater or sooner than anticipated
 - Failure to restrict capital spending results in additional debt costs
 - Uncertainty over the economic climate which may have a continuing impact on income budgets and the cost of borrowing
 - Challenging efficiency targets across the Council including reducing staffing numbers and generating significant procurement savings
 - Review of the use of legal services will require changes to working practices. May also expose the Council to certain risks in that legal opinion will not always be requested for certain decisions and actions.
 - Risk to Council buildings if essential maintenance work cannot be contained within the reduced budget.
 - The probability of a major ICT incident impacting on service delivery has increased.

8.4 The Council's financial controls are set out in the Council's Financial Procedure Rules^{vii}. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the Council. These governance arrangements have been enhanced through the ongoing development of procedures to support the Corporate Governance Statement, published annually. The Council has a well established framework for financial reporting at directorate

and corporate levels. Each month the Director of Resources receives a report from each directorate setting out spending to date and projected to the year-end. Action plans are utilised to manage and minimise any significant variations to approved budgets. Given the scale of the financial challenge facing the Council it is proposed that Financial Health reports are submitted to each meeting of the Executive Board in accordance with the following timetable.

Reporting Period	Exec Board Date
1 & 2	22/06/2011
3	27/07/2011
4	24/08/2011
5	12/10/2011
6	02/11/2011
7	07/12/2011
8	04/01/2011
9	10/02/2012
10	07/03/2012
11	11/04/2012
12	16/05/2012

- 8.5 The Council's Reserves policy, as set out in Section 7, requires directorates to have in place action plans to deal with variations in directorate spending up to 2% with the potential for variations up to this level being carried forward. This policy continues to provide a basis for the Council to manage unexpected budget pressures in the future.
- 8.6 The scale of the grant reductions which the Council has had to respond to within its 2011/12 budget are without precedent, These together with exceptional demand pressures impacting on both Adult Social Care and Children's Services have meant that the Council has had to identify a scale and pace of reduction which has meant that the budget does contain a higher level of risk than in previous years. The delivery of the 2011/12 budget will undoubtedly represent a most significant challenge to the Council. The initial budget report outlined the statutory duty of the Director of Resources under Section 114 of the Local Government Finance Act 1988, and it is crucial that this responsibility is fully understood. Section 114 sets out that where the Council's expenditure is likely to exceed its resources, the Responsible Financial Officer appointed under Section 151 of the Local Government Act 1972 (in Leeds, this is the Director of Resources) is obliged to issue a notice in the form of a report to all members of Council, copied to the Council's External Auditor, which requires members to agree appropriate actions within 21 days to bring the Council's financial position back into balance. As emphasised in the previous report, the issue of a Section 114 notice is a very significant step and has serious operational implications. From the date on which the notice is issued the Council is prevented from entering into any further financial commitments until the appropriate actions are agreed. Within this context, the Director of Resources can only consider the proposed budget for 2011/12 as robust and that the level of reserves are adequate with a clear understanding of the following:-

- the level of reserves is in line with the risk based reserves strategy, and is a significant increase from the previously determined minimum level of reserves.
- budget monitoring and scrutiny arrangements are in place which include arrangements for the identification of remedial action, and reporting arrangements to members will be enhanced
- the budget contains a number of challenging targets and other actions, these are clearly identified, and will be subject to specific monitoring by the Council's Corporate Leadership Team, and as such, are at this time considered reasonable and achievable.
- budget reporting to members will be enhanced as outlined at para 8.4
- risks are identified, recorded in the budget risk register and will be subject to control and management.
- as part of the Council's reserves policy directorates are required to have in place a budget action plan which sets out how they will deal with variations during the year up to 2%.
- early actions have been taken to reduce spending including an early leavers initiative
- there is a clear understanding of the duties of the Council's statutory Financial Officer and that the service implications of them being exercised are fully understood by members and senior management alike.

9 EQUALITY IMPACT ASSESSMENT OF THE BUDGET

- 9.1 The Equality Act 2010 requires the Council to have 'due regard' to the need to eliminate unlawful discrimination and promote equality of opportunity. The law requires that the duty to pay 'due regard' be demonstrated in the decision-making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show 'due regard'. Equality impact assessments also ensure that we make well informed decisions based on robust evidence.
- 9.2 The Council is fully committed to assessing and understanding the impact of its decisions on equality and diversity issues. We are currently assessed as "working towards excellent" under the national Equality Framework and are hoping to achieve the "Excellence" standard in April 2011. As part of this work, we have recently reviewed our equality impact assessment processes and have particularly promoted the importance of the process when taking forward key policy or budgetary changes.
- 9.3 A specific equality impact assessment of the budget at a strategic level has been carried out and this is attached as Appendix 3 along with a note outlining our overall approach to equality impact assessments. Separate equality impact assessments have been undertaken in respect to specific actions included in the budget where appropriate and a summary of the position^{viii} is available.

9.4 A view from colleagues in Legal Services has been sought on the process adopted for equality impact assessing the budget and associated decisions. Their considered view is that from the work undertaken to date, the process developed is robust and evidences that 'due regard' is being given to equality related issues.

10 **INITIAL PROJECTION FOR 2012/13**

10.1 The provisional 2010 Local Government Finance settlement covers 2012/13 as well as 2011/12. The details of the settlement for 2012/13 were detailed in the report considered by the board on the 5th January, 2011, but in summary 2012/13 sees a further reduction of £24.6m in grants from the government as detailed below:

Grant	2011/12	2012/13	Change	
	£000	£000	£000	%
Formula Grant	315,061	288,073	-26,988	-8.6
Early Intervention	30,711	30,792	81	0.3
Learning Disability and Health Reform	9,972	10,207	235	2.4
Housing Benefit and Council Tax Administration	6,714	6,683	-31	-0.5
Preventing Homelessness	1,040	831	-209	-20.1
Council Tax Freeze	6,683	6,683	0	0.0
Lead Local Flood Authority	146	271	125	85.6
NHS Funding	9,315	8,953	-362	-3.9
New Homes Bonus*	2,900	5,400	2500	86.2
Total	382,542	357,893	-24,649	-6.4
* Local estimate based upon methodology under consultation				

10.2 A high level exercise has been undertaken as to the indicative position for 2012/13. this only takes account of significant unavoidable pressures but by its nature is not exhaustive. This does however suggest that the Council will need to identify further savings of at least £47.4m in 2012/13 as summarised below:-

	£m
Inflation	4.0
Debt Financing	11.0
Reserves	2.0
Directorate Full year effects (FYE)	
Adults demography	3.5
Adults FYE of agreed closures/Home Care	-1.4
Childrens demography	5.78
Childrens savings FYEs	-0.9
Environment & Neighbourhoods	
Landfill Tax	1.6
Car Park Closures	1.4
Sub - Total Directorate FYEs	9.98
Funding Envelope	
Impact of 2012/13 Settlement	24.6
New Homes Bonus/Tax Base	-4.2
Total funding gap	47.4

11. IMPLICATIONS FOR COUNCIL POLICY AND GOVERNANCE

- 11.1 In accordance with the Budget and Policy Framework Rules, the Executive Board are required to make proposals to Council regarding virement limits and the degree of in-year changes which may be undertaken by the Executive. These are set out in Financial Procedure Rules.
- 11.2 These rules have been reviewed during the year and it is not proposed to change the limits which are set out in Appendix 4.

12. RECOMMENDATIONS

- 12.1 The Executive Board is asked to recommend to the Council the adoption of the resolutions below:
- (i) That the Revenue Budget for 2011/12 totalling £582.199m, as detailed and explained in this report and accompanying papers be approved, with no increase in the Leeds' element of the Council Tax for 2011/12.
 - (ii) In respect of the Housing Revenue Account: -
 - (a) that the budget be approved at the average rent increase figure of 6.84%;
 - (b) that the charges for garage rents be increased to £6.49 per week;
 - (c) that service charges are increased in line with rents (6.84%).

Background Documents

- ⁱ LCC constitution – Part 2 article 4
- ⁱⁱ Initial budget Proposals – Executive Board report 15th December 2010
- ⁱⁱⁱ Provisional Local Government Finance Settlement – Exec Board report 5.1.2011
- ^{iv} Council Tax base Council report 19.01.2011
- ^v Spending challenge Consultation – detailed results
- ^{vi} Risk based reserves strategy
- ^{vii} LCC constitution – Part 4 rules and procedures
- ^{viii} Budget decisions Equality Impact assessment

Table 1

Statement of 2010/11 net budget and 2011/12 budgets

Service	2010/11			2011/12		
	Net managed budget £000s	Net budget managed outside service £000s	Net budget £000s	Net managed budget £000s	Net budget managed outside service £000s	Net budget £000s
Adult Social Care						
Partnership and Organisational Development	422	0	422	1,057	(773)	284
Access and Inclusion	93,886	16,246	110,132	85,753	11,304	97,057
Strategic Commissioning	13,701	(1,610)	12,091	16,654	902	17,556
Resources	8,512	(6,334)	2,178	7,649	(5,830)	1,819
Learning Disability Services	64,758	16,765	81,523	67,361	17,350	84,711
	181,279	25,067	206,346	178,474	22,953	201,427
Children's Services						
Individual School Budgets - expenditure	431,990	0	431,990	461,124	0	461,124
Individual School Budgets - income	(431,990)	0	(431,990)	(461,124)	0	(461,124)
Partnership Development and Business Support	37,863	1,085	38,948	11,968	14,461	26,429
Learning, Skills and Universal Services	18,332	7,429	25,761	12,274	3,498	15,772
Safeguarding, Targeted and Specialist	87,467	8,106	95,573	89,050	4,252	93,302
Strategy, Commissioning and Performance	5,271	30,385	35,656	16,179	35,921	52,100
	148,933	47,005	195,938	129,471	58,132	187,603
City Development						
Planning and Sustainable Development	3,323	3,223	6,546	4,801	2,953	7,754
Economic Development	4,388	1,537	5,925	425	1,424	1,849
Asset Management	(2,666)	3,629	963	(3,276)	3,135	(141)
Highways and Transportation	26,904	18,040	44,944	22,086	24,588	46,674
Libraries, Arts and Heritage	21,990	12,024	34,014	19,463	7,963	27,426
Recreation	19,363	14,906	34,269	16,877	14,670	31,547
Resources and Strategy	4,009	(4,099)	(90)	3,305	(3,222)	83
	77,311	49,260	126,571	63,681	51,511	115,192
Environment and Neighbourhoods						
Streetscene Environmental Services	28,401	4,141	32,542	27,944	3,225	31,169
Health and Environmental Action	7,656	2,030	9,686	6,813	(636)	6,177
Car Parking Services	(8,003)	1,650	(6,353)	(7,130)	1,599	(5,531)
Community Safety	4,415	1,033	5,448	3,348	1,029	4,377
Regeneration	7,935	451	8,386	7,226	1,322	8,548
Jobs and Skills	2,907	294	3,201	3,360	409	3,769
Community Centres	1,705	1,938	3,643	1,287	1,869	3,156
Housing Services	34,959	2,921	37,880	29,769	2,538	32,307
General Fund Support Services	(44)	44	0	(1,715)	548	(1,167)
Waste Management	20,017	801	20,818	20,200	527	20,727
Safer Leeds Drugs Team	(140)	204	64	(128)	163	35
	99,808	15,507	115,315	90,974	12,593	103,567
Resources						
Financial Management	8,922	(8,922)	0	9,590	(9,590)	0
Business Support Centre	3,844	(3,844)	0	3,347	(3,347)	0
Financial Development	901	(901)	0	992	(992)	0
Cost of Collection	(3,833)	8,345	4,512	(3,683)	7,779	4,096
Revenues, Benefits & Student Support	5,199	(4,714)	485	3,901	(3,721)	180
Housing Benefit	(388)	2,865	2,477	(868)	2,484	1,616
Information Technology	13,876	(9,498)	4,378	13,863	(9,876)	3,987
Human Resources	8,197	(8,197)	0	8,352	(8,352)	0
Audit and Risk	3,008	(2,460)	548	2,686	(2,253)	433
Support Services and Directorate	1,495	(1,495)	0	1,317	(1,317)	0
Public Private Partnership Unit	(982)	640	(342)	842	641	(201)
Corporate Property Management	19,736	(20,030)	(294)	18,132	(18,566)	(434)
Commercial Services General Fund	(176)	56	(120)	(394)	(21)	(415)
Commercial Services Trading	(6,149)	3,860	(2,289)	(7,772)	3,703	(4,069)
	53,650	(44,295)	9,355	48,621	(43,428)	5,193
Corporate Governance						
Professional Legal services	(1,439)	1,390	(49)	(1,709)	1,346	(363)
Democratic Services	6,194	(6,196)	(2)	5,843	(5,836)	7
Procurement	1,554	(1,554)	0	1,631	(1,631)	0
Licensing and Registration	1,544	958	2,502	1,324	919	2,243
	7,853	(5,402)	2,451	7,089	(5,202)	1,887
Planning, Policy and Improvement						
Customer Services	7,234	(4,318)	2,916	7,320	(5,746)	1,574
Leeds Initiative & Partnership	1,782	(1,297)	485	1,598	(740)	858
Business Transformation	912	(912)	0	2,110	(2,110)	0
PPI Management & Support	2,427	(2,427)	0	2,547	(1,887)	660
	12,355	(8,954)	3,401	13,575	(10,483)	3,092
Strategic and Central Accounts	(6,928)	1,044	(5,884)	56,768	(23,862)	32,906
NET COST OF DEPARTMENTAL SPENDING	574,261	79,232	653,493	588,653	62,214	650,867
Transfers to / (from) reserves:						
FRS 17	0	(89,221)	(89,221)	0	(71,607)	(71,607)
Other	0	5,023	5,023	0	4,968	4,968
NET COST OF CITY COUNCIL SERVICES	574,261	(4,966)	569,295	588,653	(4,425)	584,228
Contribution to/(from) General Fund Reserves	0	0	0	(2,000)	0	(2,000)
NET REVENUE CHARGE	574,261	(4,966)	569,295	586,653	(4,425)	582,228

Table 2

Summary of budget by type of spending or income

	Net Budget 2011/12 £000	% of total	Per Band D Property £
Expenditure			
Employees	883,006	44	3,706
Premises	111,249	6	467
Supplies and services	304,639	15	1,279
Transport	41,502	2	174
Capital costs	95,842	5	402
Transfer payments	277,614	14	1,165
Payments to external service providers	302,869	15	1,271
	2,016,723	100	8,465
Income			
Grants	(958,005)	70	(4,021)
Rents	(189,378)	14	(795)
Fees & charges	(216,809)	16	(910)
	(1,364,192)	100	(5,726)
Net budget	652,531	100	2,739
Contribution to/(from) FRS 17 reserves	(71,378)		(300)
Contribution to/(from) other earmarked reserves	2,575		11
Contribution to/(from) General Fund reserves	(1,500)		(6)
	(70,303)		(295)
Net revenue charge	582,228		2,444

Notes: The number of Band D equivalent properties is 238,247

The total Individual Schools Budget (ISB) has been analysed at a subjective level in the above table. This provisional spend is based on previous expenditure and income patterns but will be subject to final determination by individual schools.

The subjective analysis above includes the Housing Revenue Account (HRA). Therefore the contribution to / (from) other earmarked reserves includes HRA working balances.

Table 3**Staffing Requirements (full time equivalents)****Table 3**

Directorate	Total as at 31st March 2010	Total as at 31st March 2011	Total as at 31st March 2012
Adult Social Care	2,830	2,555	2,243
Children's Services	2,965	2,732	2,972
City Development	2,648	2,438	2,351
Environments and Neighbourhoods, including HRA	1,844	1,686	1,609
Central and Corporate	4,278	4,062	3,895
Sub Total	14,566	13,473	13,069
Schools based	11,217	10,994	10,581
Grand Total	25,783	24,467	23,650

Note:

The above figures have been adjusted to reflect the transfer of Education Leeds back to the Council

Report on findings from the 2010/11 Spending Challenge consultation

1 Background

The Spending Challenge consultation offered residents in Leeds the opportunity to give their views on Leeds City Council's approach to the current financial challenges. The evidence it provides will inform the budget setting process for 2011/12. It will also support ongoing engagement work on specific service changes.

1.1 Scope of the consultation

Residents were provided with information that set out the challenges we face and our proposed actions in the following themes:

- Protecting and supporting young people
- Supporting older and disabled people
- Clean and safe neighbourhoods
- Economy, jobs and culture.

Residents were invited to rate the importance of a range of priorities and proposed actions in each theme. They could also suggest their own priorities for the council, and what the council could do less of, more of, stop completely or charge (more) for. Equality monitoring questions followed.

1.2 Access to the consultation

The deadline for responses to the public survey was 17 December 2010. The consultation was available as follows:

- Sent to all households through About Leeds (the civic newspaper), with a Freepost address for response.
- At libraries and One Stop Centres as paper copies and on public access computers.
- Online, promoted on the main council home page, on the switchboard 'hold message' and in About Leeds, through Leeds Voice and at the Equality Assembly, and in local traditional and social media
- The same consultation was sent to the c1700 members of the Leeds Citizens' Panel
- An adapted version was sent to all town and parish councils in Leeds
- An adapted version of the main survey was placed on the Breeze website for children and young people and promoted through regular e-newsletters to BreezeCard holders
- Outreach face to face discussions took place with nine community groups, targeting those in Leeds likely to be least able to participate in other ways due to circumstance, impairment or language barriers

1.3 Response to the consultation

Method	Valid responses
The online, About Leeds and One Stop centre/Libraries survey	1588 (results in error margin better than +/-3%)
Leeds Citizens' Panel	499 (results in error margin better than +/-5%)
Breeze consultation	135
Town and Parish councils	4
Outreach discussions	9
Other submissions	1 (Third Sector Leeds)

1.4 Processing the data

Colleagues across the council have helped process and analyse the survey data using existing resources. In particular, colleagues within the Business Support Centre, Business Transformation and Communications teams worked flexibly and quickly to produce the results that inform this report.

2 Summary of findings

This section presents a highly condensed summary of the key findings and conclusions from all sources of data in the Spending Challenge consultation. Ideally readers should also read the detailed findings which are available on request to get a full understanding of the findings.

2.1 The four themes

- Few respondents felt that any of the themes were unimportant.
- Overall, 'making sure neighbourhoods are clean and safe' is the top priority. However, adults also place high importance on 'supporting older and disabled people', while children and young people see 'protecting and supporting' their peers as key.

2.2 Our principles

- 'Prioritising front-line services for vulnerable people above everything else' is most commonly seen as important
- Being involved in decision-making is next most important, more so than how services are actually to be delivered

The following aspects of our plans in each area are most commonly seen as important:

2.3 Limiting the impact on front-line services

- 'Making better use of buildings even if that meant services had to move' and 'investing now to save in the medium term' are most commonly seen as important

- There is some concern that ‘using our spending power...even if it means not buying locally’ will affect the local economy
 - Moving people to online services and transactions is not seen as important, relative to other issues.
- 2.4 Protecting and supporting children and young people
- Adults place importance on ‘bringing services together where it is practical and makes better use of buildings’ preferably locally, and focussing on those in most need
 - Children and young people are more concerned to be involved in future decisions and that Leeds becomes a ‘child-friendly’ city. These issues are the least likely to be important to adults.
 - Women are more likely than men to see issues relating to children and young people as important
- 2.5 Supporting older and disabled people
- ‘Helping people stay in their own homes for as long as possible’ and giving ‘people more choice in social care services’ are most important to people
 - There is lower importance placed on ‘raising charges for services for those that can afford to pay’ and some concern among respondents this will affect access to, or the fairness of service delivery.
- 2.6 Clean and safe neighbourhoods
- ‘Prioritise our resources to tackle the worst anti-social behaviour’ is of top importance to adults, less so to children and young people.
 - All groups also place importance on expecting ‘more people to take responsibility for their own actions’ and encouraging people to recycle more.
 - Affordable housing is of greater importance to part-time workers than other respondents
 - Those in east Leeds are more likely than others to place importance on the issues in this section
- 2.7 Economy, jobs and culture
- Job creation for local people was most commonly important to respondents. A minority were concerned that ‘outsiders’ were taking job opportunities from local people.
 - Transport infrastructure was also important, especially younger respondents and those with a disability.
- 2.8 Residents’ own suggestions – most common themes across all respondent groups:
- Council should do more -
 - Improve public transport (frequency/links/more routes/park and ride)
 - More help/assistance for elderly/disabled (home care/day care services)
 - More recycling/wider range of recyclable items/more recycling points/encourage more recycling
 - Reduce dog mess/litter/vandalism
 - Encourage people to take more responsibility for their community/place
 - Council should do less -

- Stop wasting money on things no one wants, or is under used/stop unnecessary waste (nothing specific)
- Employing people/too many managers/overstaffing
- Less events/entertainment/council functions (including Bonfire Night/Party in the Park)
- Fewer black bin collections
- Council should stop –
 - Putting on events/entertainment (Bonfire Night/Party in the Park)
 - Stop developments/projects that are not needed/changing for the sake of it
 - Allowing poor staff productivity/getting things wrong so wasting money doing it again, e.g. repairs
 - Prioritising/helping those that 'do not contribute' e.g. migrants, unemployed people.
- Overall, Council should prioritise...
 - Services/Care for the elderly/disabled/vulnerable
 - Improvement to public transport/transport infrastructure
 - Community safety/tackling ASB
- Willing to pay or pay more for –
 - Nothing
 - Leisure / sports facilities
 - Non recyclable refuse collection/bulky waste
- Other suggestions to help council deal with financial challenges
 - Reduce staffing levels
 - Always keep costs under review
 - Cap / cut pay levels

2.9 Conclusions

- Most of the priorities and actions set out in the Spending Challenge are seen as important by a clear majority of respondents.
- A number of issues need to be explained further to residents and groups as part of future engagement:
 - Generally, what we spend money on and why this is value for money
 - Generally, what steps we take to make the organisation more efficient
 - Possible additional/new charges for adult social care services
 - The role of the third sector in future service delivery
 - The role of the private sector in future service delivery
 - The benefits of moving to online services and transactions
 - The benefits of involving children and young people in future plans and decisions
 - The concept of a 'truly child friendly city'
- 'Quick wins' include deciding what events/entertainment the council will and will not continue to fund, and explaining this to residents.
- Generally, residents are less concerned with the means of delivering services in future (e.g. private, third sector, partnership-working) than being reassured the services will be accountable, value for money and of a high quality.

- Residents and communities taking more responsibility for their actions and neighbourhoods is important to respondents. However, the extent of this involvement needs to be tested, and may currently focus on the physical environment.
- There is a desire in the third sector to take on new and expanded roles in service delivery and community-capacity building. However, there are concerns in key groups e.g. disability groups that funding and facilities will be lost and this will stop this expansion happening.
- There is a need to involve residents of all backgrounds in future decision-making and design of service delivery (and widely demonstrate this is happening), building on the Spending Challenge (and What if Leeds...) consultation.
- Different views and priorities exist between men and women, age groups and geographies. These should be taken into account, as despite a degree of consensus being apparent, each issue in the consultation resulted in differences between respondents, particularly those that may be more vulnerable than others.

Scrutiny Board Comments on the Initial Budget proposals

Members of the Central and Corporate board at their meeting on 10th January 2011 expressed a number of views, but specifically that the process of internal recharges should be reviewed as to whether this is the most efficient accounting mechanism for the council to use. Members of the board also reiterated the importance of scrutiny using VFM methodology when conducting reviews and in fact has commissioned some training for members in this area.

Scrutiny Board (Adult Social Care) at their meeting on the 12 January 2011 concentrated on the budget implications vis a vis residential care and reablement and the thoughts of the Board have already been relayed to the Executive Board.

The Children's Services Scrutiny Board has not undertaken any scrutiny of the budget directly. However, the Board is due to agree its report on outdoor education centres and are of the view that having had the opportunity to see both Herd Farm and Lineham Farm at first hand, and to learn about the services they provide in more detail, the board support in principle the continued operation of the two facilities. However, the board agreed with officers that, in order for this to be a sustainable approach in the longer term, significant savings need to be achieved, and the most effective way to do this would appear to be through greater co-operation between the two facilities on both a formal and informal basis. This includes the streamlining of costs where possible.

City Development Scrutiny Board also looked at the budget on the 11th January 2011.

Equality considerations of the 2011/12 budget

1. Approach to equality impact assessments (EIA)

Considerable work has been undertaken to make sure that equality impact assessments are undertaken as part of the budget setting process for 2011-2012.

This report sets out an overview of the approach being taken and progress made in particular with regard to:

- progress to date in equality impact assessing the overall budget strategy;
- the equality-related commitments already made through decisions and proposals; and
- considerations of cumulative impacts.

Public sector bodies are required under equality legislation to consider the impact of changes to policy and spending on equality characteristics. These equality considerations do not preclude cuts or changes in services being made, but do require that these be fully understood, both individually and holistically. Based on national research and guidance, it is clear that the current and future financial challenges facing local authorities mean that it is likely that there will be a disproportionate impact on some of the country's most disadvantaged people and communities.

In Leeds, our approach to equality and diversity, as expressed within our Equality and Diversity Scheme, is to carry out equality impact assessments where there are proposed changes to services so that the implications of decisions are fully understood as they affect specific groups and communities. In addition, it is vital to understand the cumulative impacts of any budget reductions. While picture cannot at this stage be absolutely clear, the processes that have been established will allow such clarity to be achieved over time.

2. General commitments

While this overview position is still emerging within the budget proposals set out, the following commitments have been made to make sure that, wherever possible, an equitable and fair approach is being applied. These include commitments to:

- protecting as far as possible funding that is providing services to vulnerable children and adults;
- re-configuring personal care services to better meet people's individual needs;
- continuing to provide additional funding to support those with learning difficulties and mental health problems;
- understanding the implications of increased fees and charges and the impact of these on vulnerable groups (e.g. low income families) and taking steps to mitigate such impact;

- making sure that where possible any changes to the way citizens access services do not disproportionately affect vulnerable groups and communities even if that means that services are provided in a different way;
- understanding and mitigating the implications of rationalisation of council facilities and the reduction or removal of subsidies in certain areas. Careful consideration will be given to the accessibility of facilities both in a geographic sense and a personal finance sense;
- understanding, monitoring and mitigating staffing implications where possible by using voluntary means. Where relocation is required, providing for disabled access and for reasonable adjustments;
- sharing the burden of cuts across all funding streams;
- applying in-house savings wherever possible;
- reducing the council's support services budgets by proportionately more to protect front line services;
- working in partnership with other local authorities and Leeds-based partners such as the NHS to deliver shared services;
- continuing to consult with residents, the business and voluntary sectors and equality groups both on the generalities of the cuts we face as well as on specific issues; and
- for those who can afford to, some people will have to pay more for services.

3. Other commitments

The budget has been developed with the aim of, as far as possible, protecting the delivery of front-line services. Such services include those delivered through awarding grants to third sector organisations. Overall the budget will mean some reductions to the third sector. Grants are awarded to a very wide and diverse range of groups and organisations. It is clear that there will be implications for equality characteristics and equality impact assessments will be carried out as part of the overall grant review currently taking place.

Similar considerations are being made of the implications of the budget reductions as they impact on geographical communities across the city. An initial assessment would suggest that there are approximately five wards across the local authority district that may be affected by the cumulative impact of reductions. It is also important that this dimension is fully understood and where possible mitigation considered. To this end, further work is proposed to design and deliver a mechanism to capture and track the equality impacts of the budget reductions as they pertain to the city as a whole, localities, wards and communities of interest.

4. Progress against equality impact assessments

To make sure that the commitments set out in this section of the report are met, the council has adopted a comprehensive and consistent approach to the application of equality impact assessments. This will allow us to achieve an individual case-by-case as well as an overall picture. Notwithstanding the challenges of achieving the savings set out within the budget, it is hoped that this approach will make sure that wherever possible,

decisions are as fair, open and transparent as possible and that they consider the individual needs and the rights of different people and groups.

A budget decision timetable has been produced. It includes a progress update and commentary relative to the equality impact considerations of the decisions listed. In total, out of 49 decisions listed:

- there are 7 for which an equality impact assessment is not required;
- a total of 19 equality impact assessments have been completed and
- 23 equality impact assessments have yet to be completed or are in progress.

Equality Impact Assessments have been completed or alternatively are not required in respect to all decisions which are assumed to be taken as part of Council agreeing the budget.

5. Conclusions

The approach in Leeds is comparable to that being taken by the other West Yorkshire local authorities. It has also been proposed that the five West Yorkshire local authorities undertake peer reviews on a sample of equality impact assessments of each so as to test for wider compatibility; provide additional reassurances; and to identify and tackle common priority areas or areas of concern.

We know that given the scale and scope of the budget reductions, it is inevitable that there will be implications for just about everyone. However, it is hoped that the progress outlined in this report will provide some reassurance to elected members and their constituent residents that a robust approach to assessing the equality impacts of policy decisions is being undertaken. Difficult decisions are an inevitable part of such challenging times but the approach being taken will mean that those decisions are fully informed and that their individual and cumulative impacts are understood and mitigated against where at all possible.

6. Next steps

Equality impact assessments will continue to be progressed as indicated in the budgeted decision timetable. In finalising these and moving forward the following steps will also be taken:

- monitoring the completion of equality impact assessments included within the budget options;
- quality assurance testing;
- reviews of individual equality impact assessments and actions;
- an evaluation of the outcomes, any amendments to decisions and the consideration of any unintended consequences; and
- designing and delivering a mechanism to capture and track the equality impacts of the budget with a particular emphasis on the city as a whole, locality, wards and communities of interest.

These overarching actions will be delivered by the corporate Equality Team working with directorates to make sure that appropriate processes are in place to capture them.

Equality impact assessment - budget 2011-2012

1. Introduction

This paper outlines the equality impact assessment of the proposed 2011/12 budget. The lead person for this equality impact assessment was Alan Gay, Director of Resources. Members of the assessment team were :

Doug Meeson	Chief Officer (Financial Management)
Helen Mylan	Head of Finance – Resources
Lelir Yeung	Head of Equality
Anne McMaster	Strategic Equality Manager

2. Overview

Leeds City Council like many other public sector organisations is facing a significant financial challenge as a result of the government's spending review and a reduction in grants, which is without precedent in recent times. In addition to the substantial reduction in government funding, the council also faces significant cost pressures which will also need to be taken into account in setting budgets for the next four years.

In view of this, a recommended budget is put forward which outlines the actions that will need to be put in place to meet this budget shortfall.

Public sector bodies are required to consider the impact of changes to policy and spending on equality characteristics. These equality considerations do not preclude cuts or changes in services being made, but do require that these be fully understood, both at an individual decision level, as well as corporately.

Based on national research and guidance, it is clear that the current and future financial challenges facing local authorities mean that it is likely that there will be a disproportionate impact on some of the country's most disadvantaged people and communities. There is a legal requirement to consider the impact of decisions on different equality groups.

There are particularly acute cost pressures in both Adult Social Care and Children's Services, and in addition income continues to decline in both City Development and Environment and Neighbourhoods. This budget addresses these issues by providing for increased expenditure on services for vulnerable children and adults including safeguarding, whilst addressing cost and income pressures arising from the current economic conditions.

3. Scope

This equality impact assessment seeks to analyse the impact of the budget on equality characteristics.

The budget identifies key overarching areas where savings can be made. These form the scope of the equality impact assessment and are:

- employees;
- premises;
- supplies and services;
- transport;
- capital charges;
- payments to other providers;
- income; and
- specific grants.

The council will adopt a comprehensive and consistent approach to the application of equality impact assessments to specific proposals. This will allow us to achieve an individual case-by-case as well as an overall picture.

4. Fact finding – what do we already know

4.1 Demographics

Leeds is the second largest metropolitan district in England with an estimated population in excess of 750,000 people. Whilst the Leeds economy as a whole, has been a success story, Leeds has a significant amount of deprivation. Five wards in the city have more than half their super output areas (subdivisions of wards) in the 10 per cent most deprived in England. These five wards tend to have the highest levels of deprivation, proportion of people on unemployment benefits and proportion of households in receipt of council benefits.

Like many other cities in the UK, Leeds is now facing unprecedented change and uncertainty. The University of Leeds predicts that by 2026 the total number of people living in the Leeds local authority area will be 830,000. This will include larger numbers of people from ethnic minorities and higher numbers of younger people as well as an increase in people aged 75 and over. In general people are living longer and there are as many people over 60 as under 16. Although the rate of increase in the proportion of older citizens in Leeds is not likely to be as great as in some neighbouring authorities, it is predicted that the number of people in Leeds aged 65 and over will rise by almost 40 per cent to 153,600 in 2031, around 20 per cent of the population.

In particular:

- Leeds has a significantly higher proportion of 15 to 29 year olds (26 per cent compared to the national average approaching 20 per cent);
- there is a significant student population of over 60,000 studying in the two universities in the city;
- Stonewall estimates that a large city such as Leeds with an established gay scene may be made up of at least 10% lesbian, gay and bisexual people;

- Leeds population broken down by religion or belief is 69.9% Christians, 3% Muslims, 1.1% Sikh, 1.2% Jewish, 0.6% Hindu, 0.2% Buddhist and 24.9% no religion or not stated;
- Leeds is now home to over 130 different nationalities;
- in 2006 the Office for National Statistics (ONS) estimated that 15.1% of the total resident population comprised people from black and minority ethnic communities (including Irish and other white populations), a rise of 5 per cent from the 2001 census; and
- by 2030 the black and minority ethnic population in Leeds is estimated to increase by 55 per cent.

4.2 Consultation

Widespread consultation has been undertaken in preparation of the 2011/12 budget which has included:

- all party budget meetings;
- public consultation;
- consultation with the third sector and business sector;
- regular meetings with trade unions;
- in accordance with the Council's constitution, Scrutiny Boards have been given the opportunity to consider the initial budget proposals; and
- all staff were invited to make suggestions.

The spending challenge consultation in particular offered residents in Leeds the opportunity to give their views on Leeds City Council's approach to the current financial challenges. The evidence it provided informed the budget setting process for 2011/12.

The spending challenge consultation highlighted the following:

- most of the priorities and actions set out in the Spending Challenge are seen as important by a clear majority of respondent;
- there is a desire in the third sector to take on new and expanded roles in service delivery and community-capacity building However, there are concerns in key groups e.g. disability groups that funding and facilities will be lost and this will stop this expansion happening;

- there is a need to involve residents of all backgrounds in future decision-making and design of service delivery (and widely demonstrate this is happening), building on the spending challenge (and What if Leeds...) consultation; and
- different views and priorities exist between men and women, age groups and geographies. These should be taken into account, as despite a degree of consensus being apparent, each issue in the consultation resulted in differences between respondents, particularly those that may be more vulnerable than others.

4.3 Workforce profile

At December 2010, there were 18946 staff employed in the council (excluding schools). The make up of staff is:

Gender	Number	%age
Male	6872	36.3%
Female	12074	63.7%
Total	18946	100.0%

Disability	Number	%age
Not disabled	15497	81.8%
Disabled	1159	6.1%
Not specified	2290	12.0%
Total	18946	100.0%

Ethnic Origin	Number	%age
White British	15793	83.4%
BME	2296	12.1%
Not specified	857	4.5%
Total	18946	100.0%

Sexual Orientation	Number	%age
Heterosexual	5104	27.0%
Lesbian, gay or bisexual	139	0.7%
Not specified	13703	72.3%
Total	18946	100.0%

Religion or belief	Number	%age
Christian	4147	21.9%
Other religion	426	2.2%
No religion	1482	7.8%
Not specified	12891	68.1%
Total	18946	100.0%

Age	Number	%age
16 – 30	3207	16.9%
31 - 50	9822	51.9%
51 +	5917	31.2%
Total	18946	100.0%

5. Overview of fact finding

For the purpose of this equality impact assessment there are no gaps in the equality and diversity information used to carry out this assessment. However, this may be different for individual equality impact assessments that will be undertaken to implement the budget recommendations.

Further consultation and involvement will be also be required on individual proposals and the spending challenge consultation did identify that being 'involved in the decisions we have to make' is more likely to be important to respondents than how the council actually delivers services, either jointly or through other organisations.

6. Equality considerations

The tables below highlights the range of impacts on equality characteristics, stakeholders and other potential barriers.

Equality characteristics		
<input checked="" type="checkbox"/> Age	<input checked="" type="checkbox"/> Carers	<input checked="" type="checkbox"/> Disability
<input checked="" type="checkbox"/> Gender reassignment	<input checked="" type="checkbox"/> Race	<input checked="" type="checkbox"/> Religion or Belief
<input checked="" type="checkbox"/> Sex (male or female)	<input checked="" type="checkbox"/> Sexual orientation	
<input checked="" type="checkbox"/> Other		
Stakeholders		
<input checked="" type="checkbox"/> Services users	<input checked="" type="checkbox"/> Employees	<input checked="" type="checkbox"/> Trade Unions
<input checked="" type="checkbox"/> Partners	<input checked="" type="checkbox"/> Members	<input checked="" type="checkbox"/> Suppliers
<input checked="" type="checkbox"/> Other please specify		
Potential barriers		
<input checked="" type="checkbox"/> Built environment	<input checked="" type="checkbox"/> Location of premises and services	
<input checked="" type="checkbox"/> Information and communication	<input checked="" type="checkbox"/> Customer care	
<input checked="" type="checkbox"/> Timing	<input checked="" type="checkbox"/> Stereotypes and assumptions	
<input checked="" type="checkbox"/> Cost	<input checked="" type="checkbox"/> Consultation and involvement	

7. Equality Impacts Identified

Considerable work has been undertaken to understand the impact of the budget on equality. Equality considerations have been an integral part of the budget setting and decision making process and the budget proposals have, where appropriate, been the subject of the council's equality impact assessment process.

The process has started to highlight which equality characteristics may be affected by any proposals developed from and start to consider as we develop these further how to minimise or eliminate any adverse equality impacts. However, the full picture is still emerging as all equality impact assessments have not yet been completed. These will be undertaken when appropriate on all the specific decisions set out in the budget decision timetable.

However, the equality considerations of the key overarching themes in the budget have started to identify a range of impacts on equality characteristics. At this stage it is indicative only, but there are clearly implications for all equality characteristics.

In particular, there is likely to be negative impact on the following 4 equality characteristics:

- disabled people;
- BME communities;
- older people; and
- low socio-economic groups (there is over representation within this group by disabled people and BME communities)

We should also wherever possible seek to avoid any unintended consequences of any proposals developed. This could be disproportionate impacts on different geographic locations, equality communities and the voluntary and community sector and the cumulative effect of any decisions made.

The following provide equality impacts for the overarching areas outlined in the Budget and some specific examples where mitigation has been considered.

8. Staffing

Over the next four years, it has been estimated that the Council needs to reduce its workforce by between 2500 and 3000 posts (excluding schools). Activity that has been approved included:

- requesting expressions of interest for voluntary leavers;
- where there are changes to services/reductions in grants/funding which impact on staff the managing workforce change procedure is being used. This procedure has had an equality impact assessment;
- all restructures are subject to an equality impact assessment; and

- analysis of those volunteering to leave (Early Leavers Initiative) and those going through the managing workforce change procedure has taken place

Initial analysis of the Early Leavers Initiative indicates that there is no significant disproportionality by gender or ethnicity under this initiative. However 8.5% of the volunteers who are/will be leaving are disabled, which is considerably more than the proportion of disabled staff employed. Work will be undertaken as part of the equality impact assessment to understand this and consider any specific issues that this raises.

Further analysis of updated data will take place as and when it is available.

9. Premises

The council currently spends £79m on premises which needs to be reduced by around £5m. Savings have been identified through restricting building maintenance to essential/health and safety work, and further savings could be achieved through targeting energy consumption. Further savings need to be achieved through closure/rationalisation of buildings.

There are a variety of options which are being considered within the budget which include:

- the Fullfilling Lives programme (learning disability day centres);
- future options for long term residential and day care for older people;
- closure of hostels;
- closure/relocation of one stop centres; and
- sport centre closures

These options form part of a wider programme of decisions that are being delivered by directorates and will be subject to equality impact assessments.

10. Procurement and commissioning

Where there is reduction in funding or decommissioning the service manager will give due consideration to equality and, if appropriate, undertake the equality impact assessment.

The Corporate Commissioning and Procurement Group has discussed embedding equality considerations in future changes. The one council approach to commissioning includes undertaking an equality impact assessment and ensuring equality considerations are taken into account.

There is a commitment to ensure that where different directorates are making cuts to an organisation's funding that they work together to ensure that the future of the organisation is not jeopardised. Where possible, similar discussions are taking place with partners.

11. Residential care and daytime support

Adult Social Care have been working on the council's vision for the future of residential care and daytime support. Consideration of equality and the impact on older and disabled

people has been a key factor in the development of the vision and consequent proposals and will continue to be so as detailed formal consultation takes place on the options for change for individual units and facilities. Involvement in the proposed consultation will be offered to people currently resident or using facilities, their families and carers, staff, the general public, and all relevant partner organisations.

Consultation will also take into account individual's care needs and advocacy will be provided when required and as requested. It is proposed that this detailed formal consultation will also be used to define the potential impact of the options which are recommended for each unit and facility on individuals and to identify how any adverse impacts will be mitigated as the strategy is implemented. It is essential to ensure that this formal consultation embraces not only what is being proposed, but also the rationale behind the proposals; to that end people will be provided with as much information as possible.

The options will be subject to a formal equality impact assessment. In addition an advisory board consisting of representatives from representative stakeholder groups will be established. The purpose of the advisory board would be to provide strategic advice, to inform the development of different delivery models and provide a quality assurance role during both the consultation and, subject to the necessary approvals, implementation phase.

12. Leisure centres

The 2011/12 budget proposals for City Development continue with initiatives which were included in the revenue budget 2010/11. This includes a review of the 10 year vision for council leisure centres. The vision for council leisure centres was subject to a full equality impact assessment and was designed to look at how the infrastructure of leisure could be adapted to meet the needs of current and future residents of Leeds.

The equality impact assessment identified some adverse impacts which included people in 20% most deprived super output areas without access to a car or affordable transport which would impede their ability to get to leisure facilities. The need to consider widening access and inclusion issues for service users and awareness of alternative suitable facilities and impact of reduction/increase in opening hours. Mitigation to counter these included and this will be taken forward as part of any package of cuts:

- development of appropriate design requirements which are accessible;
- consideration of community asset transfer;
- ensure transport assessments are considered;
- outreach and sports development to support priority communities; and
- increase the scope and the extent of discount available for Leeds Card extra

13. Charging policies

Parks and Countryside as part of the review of running costs and the level of subsidies across their services made a decision to remove free entry for LeedsCard and Breezecard holders for Tropical World and Temple Newsam Home Farm , replacing it with the standard discount offered for Leeds Card at other Council attractions. An equality impact

assessment was conducted on the decision that identified potential negative impacts for users with income related benefits, and recommended that further measures are put in place to mitigate this impact.

As a direct result of the equality impact assessment it was decided that LeedsCard Extra holders will receive an increased discount.

14. Equality impact assessment action plan

Action	Responsibility
Completion of all equality impact assessments in the Budget	Directors
Develop and implement process to quality assurance and review equality impact assessment and actions	Equality Team
Evaluation of outcomes of equality impact assessments	Equality Team
Design and deliver a mechanism to capture and track the equality impacts of the budget with a particular emphasis on the city as a whole, locality, wards and communities of interest	Equality Team/IKM

FINANCIAL PROCEDURE RULE 3.6

SUPPLEMENTARY VOTES

Supplementary Votes will only be considered in exceptional circumstances. The following approvals are required:

Up to £100,000	Director of Resources
Up to £1m	Executive Board
No specific limit	Council

DELEGATED VIREMENTS

- 1 Virement between budget book service heads, within the appropriate budget document approved annually by council, will only be permitted in accordance with the following rules and value limits, summarised in Table 1. The virement limits and rules are set annually by Council as part of the budget approval process.

The value limits apply to individual virements and are not cumulative.

- 2 Proposals to vary budgets arising as a result of the need to address a potential overspend (including shortfalls in income), recycling of efficiency gains and changed spending plans will all be required to satisfy the following criteria prior to approval by the decision taker as outlined within the attached table.

In considering proposals to vary budgets, the decision taker will take account of:

- The reason for the request for virement
- The impact on the council as a whole, including employment, legal and financial implications
- The impact on the efficiency of the service as a whole
- The sustainability of the proposals i.e. long term effects
- Whether the proposals are consistent with the council's priorities outlined within the Corporate Plan
- Whether the proposals are consistent with the Budget & Policy Framework
- The cumulative impact of previous virements

In addition, where a virement request exceeds £125k in value the decision taker must seek the advice of the Director of Resources as to the council's overall financial position prior to approval of the request.

- 3 Where *fortuitous savings* have arisen in any budget head, these should be notified to the Director of Resources immediately they are known. Fortuitous savings are defined as those savings where their achievement has not been actively managed

and may include, for example, savings in NNDR or lower than anticipated pay awards. Any fortuitous saving in excess of £100k will not be available for use as a source of virement without the prior approval of the Director of Resources.

- 4 The decision to vire between budget book headings is a Significant Operational Decision, and all virements must comply with the constitutional requirements for this type of decision.

The delegated limits outlined in the attached table do not operate independently from the requirements within the council's Constitution in respect of 'Key & Major' Decisions (as from time to time updated). All 'Key & Major' Decisions which result in the need to operate these delegated limits must first comply with the constitutional requirements, in respect of such decisions, prior to being put forward for virement.

- 5 Where wholly self-financing virements are sought to inject both income and expenditure in respect of approved external funding bids, there is no specific limit to the amount which can be approved by Directors where it is clear that this would not represent a change to existing council Policy, or form a new policy where one does not already exist. In all other cases, approval must be sought from council in accordance with the requirements of the council's Constitution
- 6 All virements requiring approval shall be submitted in a standard format. Sufficient details shall be given to allow the decision to be made and recorded within the Council's Financial records.
- 7 All virement and other budget adjustment schedules should be submitted to the Director of Resources for information.
- 8 The Director of Resources reserves the right to defer any virement to members where there may be policy issues.

OTHER BUDGET ADJUSTMENTS

- 1 There is a de minimus level for virements of £10k, below which any variations to net managed budgets will be deemed other budget adjustments. Budget movements that are not between budget headings within the net managed budget will also be other budget adjustments.
- 2 The Director of Resources may also approve budget adjustments of unlimited value where these are purely technical in nature. Technical adjustments to budgets are defined as those which have no impact upon the service provided or on income generated.

Table 1**MAXIMUM DELEGATED LIMITS FOR REVENUE VIREMENT**

Approval Type	Full Council	Executive Board	Director of Resources*	Directors**
	£	£	£	£
A) Supplementary Votes (i.e. Release of General Fund Reserves)	No specific limit	1,000,000	100,000	None
B) Virements of the net managed budget into or out of budget book service headings:				
1. Within a Directorate	No specific limit	£1,250,000	£750,000	£125,000
2. Between Directorates	No specific limit	£1,250,000	£750,000	None
C) Self - Financing virements of the net managed budget (from External Funding)				
- policy change	No specific limit	None	None	None
- within current policy	No specific limit	No specific limit	No specific limit	No specific limit

* With the support of Directors

** Any reference to a Director within the constitution shall be deemed to include reference to all officers listed, except where the context requires otherwise: the assistant chief executives and the chief officers for early years & youth service, children & families, environmental services, housing services, regeneration, highways, libraries arts and heritage, recreation, planning and customer services.