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## SCRUTINY BOARD (STRATEGY AND RESOURCES)

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Meeting to be held in Civic Hall, Leeds, LS1 1UR on  
Monday, 21st December, 2015 at 10.00 am

*(A pre-meeting will take place for ALL Members of the Board at 9.30 a.m.)*

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### MEMBERSHIP

#### Councillors

S Bentley - Weetwood;  
D Cohen - Alwoodley;  
C Dobson - Killingbeck and Seacroft;  
K Groves (Chair) - Middleton Park;  
H Hayden - Temple Newsam;  
J Jarosz - Pudsey;  
J McKenna - Armley;  
D Nagle - Rothwell;  
A Sobel - Moortown;  
T Wilford - Farnley and Wortley;  
R Wood - Calverley and Farsley;

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

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**Agenda compiled by:**  
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**Scrutiny Support Unit**  
**Tel: 39 50878**

**Head of Scrutiny and Member**  
**Development:**  
**Peter Marrington**  
**Tel: 39 51151**

# A G E N D A

Item No	Ward/Equal Opportunities	Item Not Open		Page No
1			<p><b>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</b></p> <p>To consider any appeals in accordance with Procedure Rule 25* of the Access to Information Procedure Rules (in the event of an Appeal the press and public will be excluded).</p> <p>(* In accordance with Procedure Rule 25, notice of an appeal must be received in writing by the Head of Governance Services at least 24 hours before the meeting).</p>	
2			<p><b>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</b></p> <p>1 To highlight reports or appendices which officers have identified as containing exempt information, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.</p> <p>2 To consider whether or not to accept the officers recommendation in respect of the above information.</p> <p>3 If so, to formally pass the following resolution:-</p> <p><b>RESOLVED –</b> That the press and public be excluded from the meeting during consideration of the following parts of the agenda designated as containing exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information, as follows:</p> <p><b>No exempt items have been identified.</b></p>	

Item No	Ward/Equal Opportunities	Item Not Open		Page No
3			<p><b>LATE ITEMS</b></p> <p>To identify items which have been admitted to the agenda by the Chair for consideration.</p> <p>(The special circumstances shall be specified in the minutes.)</p>	
4			<p><b>DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS</b></p> <p>To disclose or draw attention to any disclosable pecuniary interests for the purposes of Section 31 of the Localism Act 2011 and paragraphs 13-16 of the Members' Code of Conduct.</p>	
5			<p><b>APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTES</b></p> <p>To receive any apologies for absence and notification of substitutes.</p>	
6			<p><b>MINUTES - 23 NOVEMBER 2015</b></p> <p>To confirm as a correct record, the minutes of the meeting held on 23 November 2015.</p>	1 - 4
7			<p><b>DRAFT SCRUTINY INQUIRY REPORT - FEES AND CHARGES</b></p> <p>To agree the Board's Inquiry Report into Fees and Charges.</p>	5 - 44
8			<p><b>INITIAL BUDGET PROPOSALS FOR 2016/17</b></p> <p>In accordance with the Council's Budget and Policy Framework Rules, to consider the Executive's initial budget proposals as set out in the report of the Deputy Chief Executive.</p>	45 - 100

Item No	Ward/Equal Opportunities	Item Not Open		Page No
9			<p><b>EMERGING 2016/17 BEST COUNCIL PLAN PRIORITIES, TACKLING POVERTY AND DEPRIVATION</b></p> <p>In line with the Council's Budget and Policy Framework Rules to receive a joint report of the Deputy Chief Executive and Assistant Chief Executive, Citizens and Communities in relation to the Best Council Plan 2016/17.</p>	101 - 108
10			<p><b>EFFECTIVE PROCUREMENT</b></p> <p>To consider a report from the Chief Officer PPPU, providing an update on the on-going work within Projects, Programmes and Procurement Unit.</p>	109 - 120
11			<p><b>INTERNAL AUDIT UPDATE REPORT ON CONTRACT EXTENSIONS AND SPENDING MONEY WISELY CHALLENGE</b></p> <p>To consider a report from the Acting Head of Internal Audit in relation to contract extensions.</p>	121 - 128
12			<p><b>WORK SCHEDULE</b></p> <p>To consider the Scrutiny Board's work schedule for 2015/16 municipal year.</p>	129 - 134
13			<p><b>DATE AND TIME OF NEXT MEETING</b></p> <p>Monday, 25 January 2016 at 10.00 am (pre-meeting for all Board Members at 9.30 am)</p>	

Item No	Ward/Equal Opportunities	Item Not Open		Page No
			<p><b>THIRD PARTY RECORDING</b></p> <p>Recording of this meeting is allowed to enable those not present to see or hear the proceedings either as they take place (or later) and to enable the reporting of those proceedings. A copy of the recording protocol is available from the contacts on the front of this agenda.</p> <p>Use of Recordings by Third Parties – code of practice</p> <ul style="list-style-type: none"> <li>a) Any published recording should be accompanied by a statement of when and where the recording was made, the context of the discussion that took place, and a clear identification of the main speakers and their role or title.</li> <li>b) Those making recordings must not edit the recording in a way that could lead to misinterpretation or misrepresentation of the proceedings or comments made by attendees. In particular there should be no internal editing of published extracts; recordings may start at any point and end at any point but the material between those points must be complete.</li> </ul>	

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## SCRUTINY BOARD (STRATEGY AND RESOURCES)

MONDAY, 23RD NOVEMBER, 2015

**PRESENT:** Councillor K Groves in the Chair

Councillors S Bentley, D Cohen, C Dobson,  
H Hayden, J Jarosz, J McKenna, D Nagle,  
A Sobel, T Wilford and R Wood

### 33 Late Items

There were no late items.

### 34 Declaration of Disclosable Pecuniary Interests

There were no disclosable pecuniary interests.

### 35 Apologies for Absence and Notification of Substitutes

There were no apologies for absence.

### 36 Minutes - 26 October 2015

**RESOLVED** – That the minutes of the meeting held on 26 October 2015 be approved as a correct record.

### 37 Fees and Charges

The Head of Scrutiny and Member Development submitted a report to introduce the third session of the Board's Inquiry into fees and charges. This session focused on discussions with officers from Adult Social care and Children's Services. In addition the Board received a revised version of the Council's Fees and Charges Policy and Best Practice Guidance reflecting recommendations made by the Board in July and September.

The following were in attendance to respond to Members' questions:

- Nigel Richardson, Director of Children's Services
- Tim Pouncey, Chief Officer, (Audit and Investment)
- Ann Hill, Head of Finance, Adult Social Care
- Steve Clough, Head of Revenues Saving Programme

In summary the main areas of discussion were:

- The Directorates responses to the questionnaire previously sent out to all Directorates.
- The range of fees levied to individuals by Children's Services

- The pricing structure for nursery places in Leeds
- The pricing structure for music centres in Leeds and the action being taken to reduce the current deficit
- Areas of traded services within Children's Services including School Improvement and the capacity for the service to increase trade in this area with schools, cluster and other local authorities
- The overall charges levied to schools for services provided by Children's Services
- The levels of subsidy given to Lineham Farm and Herd Farm and the actions taken to ensure the Council is capitalising on the enormous success of this unique and much supported asset
- Funding structures of Children's Centres
- The corporate support provided to Directorates in terms of marketing, communications and business acumen to fully maximise income potential.
- The current consultation taking place with regards non-residential Adult Social care services and options for removing the current cap on the amount anyone pays for their services per week

In addition to the above the Board discussed the revised Fees and Charges Policy and Best practice Guidance. The following recommendations were made:

- **Removal of all outdated references** to CPA scores/Audit Commission and old legislation.
- The requirement to produce and **publish a directory of all fees and charges made by the Council** should be strengthened. The main reasons for this are in the interests of transparency and openness although there may also be small efficiency savings in terms of having to deal with reduced numbers phone calls enquiring about fees and charges. As it currently stands the Council does not publish all fees and charges and those that are, are published in a multitude of different places, making it very difficult for customers to find pricing information. It is recommended that a full list of fees and charges is published prominently on the Council website and that it is updated as and when prices change. Other channels should also be used to promote the existence of the Council's fees and charges list, including, for example, One Stop Shops, social media and the YEP. Consistency of message is crucial.
- Where no charges are made or **where charges do not recover full costs, the council tax payer/business rates payer subsidises users**. The guidance regarding subsidy should be strengthened to ensure that decisions about subsidy are made in a more transparent way with reference to all key facts. The new policy should require a **business case** to be approved for all services where there is a subsidy and additionally that all these **subsidised services are**



**identified in the budget.** There is also a recommendation that consideration should be given to avoising subsidisation of **non-Leeds residents** . It is acknowledged that this may be difficult to achieve in some circumstances.

- The revised policy and guidance should provide clear advice on how to calculate the true costs of providing services. Up to now various different ways of calculating full costs (particularly overheads costs) have been used. These revisions are aimed at getting **greater consistency and a more realistic assessment of the true costs of providing services**. The guidance stipulates that **CIPFA's Service Reporting Code of Practice for Local Authorities (SeRCOP)** should be followed when calculating full costs and determining what level of overheads to apportion to charged for services. Overhead charges are a particularly difficult area and the new guidelines should seek to simplify the situation by annually setting a fixed percentage to be applied to direct costs to cover overheads. This percentage will be calculated using SeRCOP guidance. Different fixed percentages might be applied to reflect differences in the way services are provided. These changes should ensure greater transparency over price setting and the level of subsidy for each service.
- **A recommendation that concessions may be used to provide a discount from the standard charge for specific groups** for certain services. This is particularly useful when trying to achieve certain policy objectives. The guidance should be revised to **allow concessions to be provided to target groups or on a geographical basis** i.e. to allow differential charging across the city, where it would assist the council in achieving a specific policy outcome. **Regular reviews of take up should be undertaken.** It is recommended that consideration be given to not granting concessions to **non-Leeds residents**.
- The section on **waivers should be removed** because the council has other policies in place that cover this eventuality (debt recovery policies).

In terms of the next steps, the Board agreed that they would receive information on the following;

- Funding structures of Children's Centres, including a commentary on pricing policy in nursery
- A note on the work undertaken to reduce the deficit in Music Centres.
- Breakdown of take up of school improvement services by school type

- Breakdown of school surpluses (and school contribution to Children's Centres)
- A note on Lineham Farm and Herd Farm - including current costs and recovery rates including extent to which the council subsidises these facilities?

It was also agreed that the Chair in conjunction with the Head of Scrutiny and Member Development draft an Inquiry report with the view that this be agreed at the Board's December 2015 meeting

**RESOLVED –**

- I. That the Board receive the requested information
- II. That the Chair in conjunction with the Head of Scrutiny and Member Development draft an Inquiry report.

**38 Work Schedule**

The Head of Scrutiny and Member Development submitted a report which provided information regarding the Board's work schedule.

**RESOLVED –** That the Board's work schedule be noted.

**39 Date and Time of Next Meeting**

Monday 21 December 2015 at 10.00am.(Pre-meeting for all Board Members at 9.30 am.)

(The meeting concluded at 12 noon)

**Report of Head of Scrutiny and Member Development**

**Report to Scrutiny Board (Strategy and Resources)**

**Date: 21<sup>st</sup> December 2015**

**Subject: Draft Scrutiny Inquiry Report – Fees and Charges**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. At the Board's July meeting, Members agreed to undertake an Inquiry into fees and charges. The agreed terms of reference provided the rationale behind the Inquiry. These focused on the belief that a critical examination of fees and charges may be an effective way to help ease budget pressures and focus spend and subsidy on the highest priorities and therefore help deliver the Council's Best Council Plan.
2. Attached is the Board's draft report along with a proposed revised Fees and Charges Policy and Best Practice Guidance.

**Recommendations**

3. Members are asked to;
  - I. Agree the draft Fees and Charges Inquiry report along with the proposed revised Fees and Charges Policy and Best Practice Guidance.
  - II. Submit the agreed report and Fees and Charges Policy to Executive Board for its consideration.

**Background documents<sup>1</sup>**

<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include

None used

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published works.

**Draft Scrutiny Inquiry Final report  
Fees and Charges  
21<sup>st</sup> December 2015**



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# Desired Outcomes and Recommendations

**Desired Outcome** – To have in place a fees and charges policy that will help disadvantaged groups access services that they might otherwise be unable to use. To have a policy which encourages services to look at how their pricing structures and subsidies might be targeted at priority groups in order to help achieve specific council objectives

**Recommendation 1** – That Executive Board agree the proposed changes to The Fees and Charges Policy and Best Practice Guidance

**Desired Outcome** – To ensure fees to do not fall behind market expectations

**Recommendation 2** – That all fees are reviewed annually and the normal expectation is that they would increase by at least the rate of inflation and be implemented on 1<sup>st</sup> January.

**Desired Outcome** – To ensure that the Council does not behind market expectations

**Recommendation 3** – That Directorates review and look at refreshing policies or charging frameworks on an annual basis.

**Desired Outcome** – To ensure a consistent and robust accounting structure for calculating the true cost of services.

**Recommendation 4** – That Directorates ensure that all possible costs in line with CIPFA's Service Reporting Code of Practice for Local Authorities are accounted for in relation to those services where legislation states that fees can only recover costs.

**Desired Outcome** – To encourage a robust debate on the services provided, the subsidies they attract and the level of fees charged

**Recommendation 5** – That the Executive Board actively consider the list of potential new fee areas drawn up by this Scrutiny Board and where appropriate request that officers undertaken a full cost benefit analysis.

**Desired Outcome** – To maintain a sustainable Care Service

**Recommendation 6** – That in relation to Non-Residential Adult Social Care Services, the Executive Board considers either increasing of removing the current cap on the amount anyone pays for their services per week.

**Desired Outcome** – To provide a central support on marketing, communications and business acumen to fully maximise income potential

**Recommendation 7** – That Executive Board look at providing a budget to fund work/resources to generate income.



# Introduction and Scope

## Introduction

1 At the Board's July meeting, Members agreed to undertake an Inquiry into income generation. The agreed terms of reference provided the rationale behind the Inquiry. These focused on the belief that a critical examination of fees and charges may be an effective way to help ease budget pressures and focus spend and subsidy on the highest priorities and therefore help deliver the Council's Best Council Plan by

**Targeting subsidy at top priorities** -by recovering more of the cost of lower priority services, resources become available for higher priorities

**Targeting subsidy at those groups in greatest need** – well designed charges can help ensure that those least able to pay can still access services

**Improving services** – Additional income can be used for investment in improving facilities

**Delivering corporate priorities** - charges can help to deliver corporate priorities, for example, leisure charging can support strategies to improve health and well being

**Generating income** – additional income can be generated by varying fees and charges. The council can also review the extent to which discretionary services should continue to be provided free of charge

**Managing demand for services** – Well designed charges can improve access to services for key target groups

**Changing behaviours** – charges can be used to influence behaviour in order to meet council objectives e.g. varying charges for sport participation to support our public health priorities.

## Scope of the Inquiry

2 It was agreed by the Board that the purpose of the Inquiry was to make an assessment of and, where appropriate, make recommendations on the following areas:

- Current principles for charging and a review of the Fees and Charges Policy
- Current levels of charging and/or subsidy for discretionary services
- Options for increased levels or new sources of income

3 It was further agreed by Members that the focus of their work would be around income and fees rather than trading services. As a general principle a traded charge is one that is made to an organisation whereas a fee/charge is one made against an individual. However, having said that, we do make a number of comments and observations regarding trading services particularly within Children's Services.

## Best Council Plan

4 The application of a good fees and charging policy can help disadvantaged groups' access services that they might otherwise be unable to use. A revised fees strategy





# Introduction and Scope

encourages services to look at how any subsidy might be targeted at priority groups in order to achieve specific council policies within the Best Council Plan.

## Desired Outcomes, Added Value and Anticipated Service Impact

- 5 Our recommendations are designed to recognise that fees and charges are becoming an increasingly important source of income for the Council and that a serious debate needs to take place to encourage services to look at how fee structures and subsidies might be targeted at priority groups to help achieve specific council objects.

## Equality and Diversity

- 6 Equality and diversity issues have been considered throughout this Scrutiny Inquiry.
- 7 Where a Scrutiny Board has made recommendations and these are agreed, the individual, organisation or group responsible for implementation or delivery should give due regard to equality and diversity and where appropriate an equality impact assessment will be carried out.



# Conclusions and Recommendations

## Introduction

- 8 The Medium Term Financial Strategy 2016/17 – 2019/20 clearly sets out the impact of the anticipated reductions in government funding coupled with rising demand for many services, with a forecast that the Council will need to generate savings of £146m by 2019/20 (although this is dependent on the exact level of future core funding from government). This will require the Council to take difficult decisions in order to reduce the Council's net spend. These decisions are very likely to include reducing and ceasing services and also generating additional income through increasing fees and charges for services, potentially based on the ability to pay.
- 9 Members of this Scrutiny Board have recognised this and have discussed in great detail current charges made by Directorates. The Board has also explored with Directorates the principles around charging including; policies for non-Leeds residents, the use of subsidy and differential charges and new areas of fees, and overall review of policies that currently may provide barriers to generating income. This is discussed more fully later in our report.
- 10 We also believe it timely for Members to have a dialogue around those services we have traditionally undertaken but cannot be regarded as a core activity. An example for illustrative purposes would be music centres which were subsidised at a cost of £130K pa in 2014/15. If full costs cannot be recovered, should the authority be looking at different delivery models, for example, via the

Third Sector or indeed ceasing altogether? We recognise that these are unpalatable conversations but are needed in the current economic climate.

## Background Information and Context

- 11 By way of context, the table below shows the level of budgeted income from sales, fees and charges by directorate. These figures include assessed contributions to adult social care services.



# Conclusions and Recommendations

## Income by Directorate

Source of Income	Sales, fees and other income 15/16 (£)
Adult Social Care	28,165,200
Children's Services	20,428,760
Citizens and Communities	4,738,840
City Development	27,057,770
Civic Enterprise Leeds	2,888,620
Environment & Housing	23,374,540
Public Health	1,680
Strategy and Resources	851,040
Strategic and Central Accounts	666,000
<b>General Fund Sub Total</b>	<b>108,172,450</b>

average £210 php). This is an improvement on our previous position of 8<sup>th</sup> in 2012/13.

- Fees and charges income relating to early years and schools is significantly lower than average. £28 php

compared with average of £36 php.

12 We also received a comparative analysis of the Core Cities fees and charges using 2013/14 'Value for Money' profile data.

Some key facts include:

- Leeds is ranked 5<sup>th</sup> in terms of all income from fees and charges per head of population (php). (£207 php compared with highest £262 php and



# Conclusions and Recommendations

- Leeds is ranked 7<sup>th</sup> for income from SEN, learner support (including home to school transport), access (including music and outdoor education) and LEA functions.
  - Leeds ranks 6<sup>th</sup> out of 8 for Adult Social Care income from fees and charges (£36php) but does not vary significantly from the average (£37 php).
  - Leeds is ranked 1<sup>st</sup> for fees and charges income from children's social care (£17 php).
  - Parking services income is significantly lower than average. £16 php compared with £29 php.
  - Housing services income ranks 5<sup>th</sup> at £2 php compared with average £5 php.
  - Leeds has the highest fees and charges income from all cultural services out of all the core cities (£28 php). The only area below average is libraries.
  - Leeds ranks 8<sup>th</sup> for environmental and regulatory services fees and charges income and varies very significantly from the core city average - £13 php compared with an average of £21 php
- 13 As well as charging levels it is important to have a clear understanding of costs and subsidy.
- 14 Where full costs are not recovered we effectively subsidise the service or arguably local tax payers subsidise it. We only have limited money to provide subsidies and we should ensure that this is targeted at the highest priority areas.
- 14 Our analysis suggests that the level to which we subsidise individual services as well as cumulative subsidy is poorly understood and not very transparent. There is limited evidence of explicit decisions being made about the level of subsidy that is appropriate or to which services a subsidy should be applied.
- 15 Another potential reason for our lower comparative income from fees and charges is that we choose not to make charges for services that some other local authorities charge for i.e. we provide a 100% subsidy. Examples of such services are: bulky collections; replacement wheelie bins; garden refuse collection; residents parking permits; and parking at district centres and visitor attractions.
- 16 Overall, the Councils' income per head of population is £3 lower than the average, which equates to £2.25m per annum. Every 1% increase in fees and charges equates in theory to £1m additional income.
- 17 The Fees and Charges Policy and Best Practice Guidance were last updated in 2008 and clearly in

## Fees and Charges Policy



# Conclusions and Recommendations

need of revision. The Board is of the view that developing clear principles for charging would help decision makers to overcome the barriers and controversies that tend to dominate charging debates.

18 The Board has critically reviewed the policy and best practice guidance and has recommended a number of important revisions. These are detailed below.

- **Removal of all outdated references** to CPA scores/Audit Commission and old legislation.
- The requirement to produce and **publish a directory of all fees and charges made by the Council** should be strengthened. The main reasons for this are in the interests of transparency and openness although there may also be small efficiency savings in terms of having to deal with reduced numbers phone calls enquiring about fees and charges. As it currently stands the Council does not publish all fees and charges and those that are, are published in a multitude of different places, making it very difficult for customers to find pricing information. It is recommended that a full list of fees and charges is published prominently on the Council website and that it is updated as and when prices change. Other channels should also be used to promote the existence of the Council's fees and charges list, including, for example, One Stop Shops, social media and the YEP. Consistency of message is crucial.
- Where no charges are made or **where charges do not recover full costs, the council tax payer/business rates payer subsidises users.** The guidance regarding subsidy should be strengthened to ensure that decisions about subsidy are made in a more transparent way with reference to all key facts. The new policy should require a **business case** to be approved for all services where there is a subsidy and additionally that all these **subsidised services are identified in the budget.** There is also a recommendation that consideration should be given to avoiding subsidisation of **non-Leeds residents.** It is acknowledged that this may be difficult to achieve in some circumstances.
- The revised policy and guidance should provide clear advice on how to calculate the true costs of providing services. Up to now various different ways of calculating full costs (particularly overheads costs) have been used. These revisions are aimed at getting **greater consistency and a more realistic assessment of the true costs of providing services.** The guidance stipulates that **CIPFA's Service Reporting Code of Practice for Local Authorities (SeRCOP)** should be followed when calculating full costs and determining what level of overheads to apportion to charged for services. Overhead charges are a particularly difficult area and the new guidelines should seek to simplify the situation by annually setting a fixed percentage to be applied to direct costs to cover



# Conclusions and Recommendations

overheads. This percentage will be calculated using SeRCOP guidance. Different fixed percentages might be applied to reflect differences in the way services are provided. These changes should ensure greater transparency over price setting and the level of subsidy for each service.

- **A recommendation that concessions may be used to provide a discount from the standard charge for specific groups** for certain services. This is particularly useful when trying to achieve certain policy objectives. The guidance should be revised to **allow concessions to be provided to target groups or on a geographical basis** i.e. to allow differential charging across the city, where it would assist the council in achieving a specific policy outcome. **Regular reviews of take up should be undertaken.** It is recommended that consideration be given to not granting **concessions to non-Leeds residents.**
- The section on **waivers should be removed** because the council has other policies in place that cover this eventuality (debt recovery policies).

- 19 We are also of the view that the policy should be flexible enough to allow the Council to compete within a changing and competitive market.

**Recommendation 1 – That Executive Board agree the proposed changes to The Fees and Charges Policy and Best Practice Guidance**

## Current Fees and New Charges

- 20 It is the Board's view that two issues require debate; how much should existing fees be raised and what new ones should be introduced. In terms of existing fees we would recommend that all fees are reviewed annually and the normal expectation is that they would increase by at least the rate of inflation and be implemented on 1<sup>st</sup> January. The Board recognises that in some circumstances that may not be possible or desirable and accept that there needs to be flexibility to vary from this norm.

**Recommendation 2 – That all fees are reviewed annually and the normal expectation is that they would increase by at least the rate of inflation and be implemented on 1<sup>st</sup> January.**

- 21 Whilst we acknowledge that comparing levels of fees and charges income is notoriously difficult because of the varying treatment of income in council accounts and the wide variety of charges made, we are concerned that in comparison to other Core Cities we have fallen behind in fees charge levels. To address this we recommend that all Directorates review and look at refreshing policies





# Conclusions and Recommendations

or charging frameworks on an annual basis.

**Recommendation 3 – That Directorates review and look at refreshing policies or charging frameworks on an annual basis.**

- 22 We have already recommended changes in the Charging Policy which will provide clear advice on how to calculate the true costs of providing services. This is especially important in those service areas where legislation states that fees can only recover costs. (For example, Private Hire and Taxi licensing). We recommend therefore that in those service areas a full review is undertaken to ensure all possible costs are recovered using CIPFA's Service Reporting Code of Practice for Local Authorities.

**Recommendation 4 – That Directorates ensure that all possible costs in line with CIPFA's Service Reporting Code of Practice for Local Authorities are accounted for in relation to those services where legislation states that fees can only recover costs.**

- 23 Moving on to new fee areas, the Board is of the view that a number of new fees could be introduced without too much difficulty. These include;
- Charging landlords for referring tenants onto them

Charges for pest control, e.g. rats in homes

Charges of relevant costs to private landlords where enforcement action is successfully taken.

Introducing a fee for credit card payments

- 24 There are however a whole raft of other potential charges that could, in theory be introduced. A list of these was drawn up by the Board and officers were asked to give a calculation as to the potential income. These calculations, where made, should be seen as initial 'guesstimates' and more work would be required if a business case for adoption was to be drawn up. Similarly in drawing up a business case a view would need to be taken on any unintended consequences of introducing a charge and whether it would have a negative impact on other Council objectives. For example increased fly tipping if garden waste fees were introduced. Elasticity of demand is also a key factor. Consideration will need to be taken as to whether price increases or the introduction of new fees will ultimately result in reduced demand. The introduction of museum charges was cited as an example where footfall may decrease if fees were introduced.

- 25 Areas considered by the Board were;

- **Implementation of car parking charges at visitor attractions in the city e.g. Roundhay Park.**



# Conclusions and Recommendations

From the initial work undertaken it is suggested that in a full year around **£250k** could be realised if say a £2 flat charge per car was introduced at car parks at Roundhay Park, Temple Newsam, Golden Acre, Kirkstall Abbey and Otley Chevin.

- **Charging an entrance fee to see the bonfires and firework displays put on by the Council.**

On the basis that the annual cost of annual bonfires and firework displays is **100k** then any charging structure would have to be designed to recover this cost.

**Total sponsorship and voluntary donations was also considered**

- **Charging for replacement wheeled bins.**

Simplistically based on a £20 charge for the cost of the bin, and then assuming that there is a reduction in the demand to replace broken and stolen bins is maintained, which is currently £25k per annum then around **£100k** per annum might be realised.

- **Implement a charge for the kerbside Garden Waste collection.**

With the introduction of a charge combined with collection savings resulting from the same level of reduced participation that has been experienced by other Local Authorities that have introduced charges for kerbside garden

collection then a budget saving of between **£1m to £1.3m** could be realised.

- **Charging the public for depositing inert wastes (soil/rubble) and plasterboard at Household Waste Sites.**

No work has been done to estimate how much could be realised for charging members of the public for disposing of this waste type, although it is noted that North Yorkshire County Council have introduced this charge and saved over £400k. Leeds City Council disposal budget for this type of waste is much lower at around £140k, so savings need to be considered against this amount.

- **Implement fees for parking at District shopping centres.**

No detailed work has been undertaken in calculating how much income could be realised but initial thoughts would suggest **£100k** per annum.

- **Charging for Bulky Waste Collection**

Based on the current number of collections and factoring in a reduction due to customers not using a service that is now charged for then it is estimated that as a minimum it isn't unreasonable to assume that around **£100k** in income would be generated. As highlighted





# Conclusions and Recommendations

at Scrutiny this may have to be set against any additional costs associated with dealing with an increase in fly tipping, Most Council's now charge for this service

- **Review charges for pest control and implement a charge where no charges currently exists i.e. charge house owners for the dealing with a rat in their property.**

Currently only landlords are charged for removing rats from a property. If this charging arrangement was extended to all domestic properties then it is estimated that circa **£40k** per annum would be realised.

- **Where enforcement action is being undertaken against private landlords then relevant costs could be charged to the persons to whom action is being taken against.**

The level of income realised would depend on which costs are identified as chargeable to the landlord but working on the basis of legal costs and a proportion of staff time then **£70k - £100k** could be charged on each year,

- **Charge landlords for referring tenants onto them.**

No figure has been calculated as to how much could be realised by implementing a charge for this service.

- **Resident Parking Permits**

A charge of £25 per permit would cover costs and it is projected that this would result in approximately £300k of additional income per annum.

- **Work based parking charge**

Difficult to estimate income from introducing as there are so many uncertain variables. Some further work could be done to look at some possible options.

- **Charging at the City Museum and Leeds Art Gallery.**

It is more difficult to quantify the impact of charging at the City Museum and Leeds Art Gallery. The Directorate has identified a significant number of concerns, risks and barriers to introducing such charges. Potential income.

	Annual Visits	Assume reduction of 70% for paying visits	Estimated income Assume £2.50 average charge (allowing for various discounts) and less additional
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# Conclusions and Recommendations

			costs
Leeds Art Gallery	453,088	136,00	£3000,000
Leeds City Museum	268,352	80,500	£160,000

- 26 Other ideas discussed by the Board but not costed include introducing a private landlord registration scheme (beyond HMOs). (A similar model has been adopted in Liverpool.

**Recommendation 5 - That the Executive Board actively consider the list of potential new fee areas drawn up by this Scrutiny Board and where appropriate request that officers undertaken a full cost benefit analysis.**

- 27 In addition to the above potential new income sources, the Board considered the current review of the charging arrangements for non-residential Adult Social care services. Whilst the Board did not resolve to make any specific recommendations in this area, we again noted the Council's position in this area in comparison to Core Cities (6<sup>th</sup> out of 8 for Adult Social care income). Notwithstanding the current period of consultation taking place on this matter, the Board believes it is important that Executive Board considers either increasing or removing the current cap on the amount anyone pays for their services per week.

**Recommendation 6 - That in relation to Non-Residential Adult Social Care Services, the Executive Board considers either increasing or removing the current cap on the amount anyone pays for their services per week.**

- 28 Whilst this inquiry has focused on fees to individuals rather than 'trading services', we did briefly discuss this area with a number of Directorates. We feel there is considerable scope to do more 'business' in a number of areas. A particular area is school improvement services within Children's Services. We are of the view that we are not making the most of our trading offer in this area with schools, clusters and other local authorities. (This was alluded to in a report by Scrutiny Board (Children and Families) in April 2012. We are also of the view that it is now timely to re-evaluate our overall charges to schools to ensure we are not subsidising their services at a time when schools surpluses grow and our own resources diminish.

- 29 The marketing of hot meals is another example where we are not fully utilising the potential for income. Similarly we do not feel we are fully capitalising on the enormous success of Lineham Farm and Herd Farm, which receives considerable subsidy from the Council.

- 30 Finally we are of course mindful that income received from traded services needs at a minimum to cover the cost of resources used to generate that income. We also acknowledge that commercial activity is alien to some



# Conclusions and Recommendations

Directorates and that they do not necessarily have the right skills set to operate in a commercial environment or indeed have the necessary capacity. We would therefore look towards the expertise within Civic Enterprise Leeds and PPPU to provide a central support on marketing, communications and business acumen to fully maximise our income potential.

**Recommendation 7 - That Executive Board look at providing a budget to fund work/resources to generate income.**



## Monitoring arrangements

Standard arrangements for monitoring the outcome of the Board's recommendations will apply.

The decision-makers to whom the recommendations are addressed will be asked to submit a formal response to the recommendations, including an action plan and timetable, normally within two months.

Following this the Scrutiny Board will determine any further detailed monitoring, over and above the standard quarterly monitoring of all scrutiny recommendations.

## Reports and Publications Submitted

- Fees and Charges Policy and Best Practice Guidance
- Fees and Charges Summary of Current Charges – All Directorates
- Charging for Non-Residential Adult Social care Services
- Summary Costs for Community Centres
- Returned questionnaires from Directorates
- Fees and Charges 2014/15 – Analysis of Core Cities

## Witnesses Heard

Doug Meeson – Chief Officer (Financial Services)  
Steve Clough – Head of Revenues Saving Programme  
Martin Farrington – Director of City Development  
Richard Ellis – Head of Finance, Environment & Housing  
Simon Criddle - Head of Finance, City Development  
John Mulcahy - Citizens and Community  
Nigel Richardson - Director of Children's Services  
Tim Pouncey – Chief Office (Audit and Investment)  
Ann Hill – Head of Finance, Adult Social care

## Dates of Scrutiny

20<sup>th</sup> July 2015  
28<sup>th</sup> September 2015  
26<sup>th</sup> October 2015  
23<sup>rd</sup> November 2015  
21<sup>st</sup> December 2015

**Scrutiny Board (Strategy and Resources)  
Fees and Charges  
21<sup>st</sup> December 2015  
Peter Marrington  
[www.scrutiny.unit@leeds.gov.uk](http://www.scrutiny.unit@leeds.gov.uk)**



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## Introduction

This policy and supporting best practice guidance set out the approach to be taken to fees and charges where the council has discretion over the amounts charged for services provided.

## Aim of the Policy

The purpose of this policy is to provide a consistent approach in setting, monitoring and reviewing fees and charges across the authority. This will ensure that fees and charges support council objectives and are set at a level that maximises income generation. The policy is incorporated within the following charging principles:

## Charging Principles

### 1. Charge Setting

In setting charges, any relevant government guidance must be followed. Thereafter any decision to vary or introduce charges should take into account the council's priorities and financial objectives. Factors that should be considered when setting charges include:

- Trends in user demand and the forecast effect of price changes;
- Impact of competition;
- Comparator/benchmarking data;
- Customer survey results;
- Wider policy objectives;
- Council wide budget targets;
- Investment needs of the service; and
- Costs of income collection.

In the interests of openness and accessibility a directory of all charges shall be maintained and published on the Leeds City Council website.

### 2. Subsidy

In general, fees and charges will aim to recover the full cost of services except where this is prevented by legislation, or where alternative arrangements have been expressly approved by the relevant director or chief officer in consultation with the deputy chief executive.

Full costs should include an appropriate level of overheads including for example: HR, finance, senior management and other support service charges. A business case should be created for all services that require a subsidy from the council. Normally only services that are contributing to the achievement of a key council priority would be considered for a subsidy. Approval for the level of subsidy should be obtained from the relevant director or chief officer, in consultation with the deputy chief executive and relevant executive member. During annual budget setting all subsidies should be identified.

Where possible, non-Leeds residents should not be subsidised. This should only be done where: it is lawful; the cost of administering a second tier of charges would not outweigh the benefits; and this course of action would not be counter-productive i.e. reduce overall income.

All trading activities and services provided by the council will be charged for unless prevented by statute or under exceptional circumstances agreed exempt by the relevant director or chief officer, in consultation with the deputy chief executive and relevant executive member.

### **3. Concessions**

Concessions to priority and target groups will be considered where this is appropriate, in accordance with any relevant government guidance and will take account of the user's ability to pay. Wherever possible we will aim to provide concessions consistently across the authority. All concessions should be fully justified in terms of achieving the council's priorities and should be approved by the relevant director in consultation with the executive member. Wherever possible, concessions should not be granted to non-Leeds residents.

### **4. Review of Charges**

All charges and the scope for charging will be reviewed at least annually (at budget preparation time) within the service area. The review will include those services which could be charged for but which are currently provided free of charge. The annual review will be undertaken in accordance with the best practice guidance.



This guidance applies to fees and charges where the council has discretion over charges for services provided.

The guidance is supported by the fees and charges flowchart attached at appendix 1 the supplementary guidance on concessions attached at appendix 2, and the concessions flowchart attached at appendix 3.

## 1. PURPOSE OF THE GUIDANCE

- 1.1. The purpose of the guidance is to specify the processes and frequencies for reviewing existing charging levels and to provide guidance on the factors that need to be taken into consideration when charges are reviewed on an annual basis.
- 1.2. The guidance and policy provide a consistent approach in setting, monitoring and reviewing fees and charges across the authority. This will ensure that fees and charges support corporate objectives and improve the efficiency of the process across the authority.

## 2. BACKGROUND INFORMATION

2.1. The Local Government Act 2003 (LGA 2003) includes a general power for local authorities in England and Wales to charge for discretionary services. Charges made under this power are limited to cost recovery. The general power to charge for discretionary services has the following key features:

- Authorities are under a duty to ensure that, year on year, the income from charges cannot exceed the costs of provision;
- Authorities must already have the power to provide the service;
- The recipient of the service must have agreed to its provision and to pay for it;
- It does not apply to services which an authority is mandated, or has a duty, to provide.

2.2. The Local Authorities (Goods and Services) Act 1970 governs the way in which local authorities are allowed to 'trade' with other public bodies. It authorises local

authorities to enter into agreements with public bodies for the provision of goods, materials and administrative, professional and technical services, for the use of vehicles, plant and apparatus, and for the carrying out of maintenance.

2.3. LGA 2003 authorises councils to trade commercially through a company and to enter into commercial contracts. Using this provision, local authorities can trade with any person, including non-local authorities and non-public bodies for profit. The primary purpose of any company (or participation in any company) is to promote or improve well-being.

2.4. Part 1 of Chapter 1 of the Localism Act provides that 'A local authority has power to do anything that individuals generally may do'. This essentially replaces the wellbeing powers introduced by the LGA 2003. The situation is complex however, for discretionary services where there are no other legislative provisions for charging, a council can recover up to the full cost of providing the service. A council does also have the power to make a surplus but it must do so through a company.

### **3. LEVEL OF SUBSIDY**

3.1. Where charges are made for services, users pay directly for some or all of the services they use. Where no charges are made (100% subsidy) or where charges do not recover the full cost of providing a service, council tax and business rates payers subsidise users.

3.2. Fees and charges will be set at a level that maximises income generation and recovers costs, whilst encouraging potential users to take up the service offered and ensuring value for money is secured on behalf of the taxpayer.

3.3. A business case should be created for all services that require a subsidy from the council when charges are reviewed. The business case should outline how the subsidy will be applied to the service area and incorporate the following:

- Demonstrate that the subsidy is being targeted at top priorities;
- Provide justification for which users should benefit from the subsidy;
- all users - through the standard charge being set at a level lower than cost recovery;
- target groups – through the application of the concessions (Appendix 2).

- Consider whether the service could be provided more efficiently with a lower level of subsidy by other means.

The detail included in each business case should be proportionate to the scale of the activity. Advice on business cases can be sought from Internal Audit.

- 3.4. Approval for the subsidy should be obtained from the relevant director or chief officer, in consultation with the deputy chief executive and relevant executive member. In addition, during annual budget setting all subsidies should be explicitly identified.
- 3.5. Where possible, non-Leeds residents should not be subsidised. This should only be done where: it is lawful; the cost of administering a second tier of charges would not outweigh the benefits; and this course of action would not be counter-productive i.e. reduce overall income.

#### **4. ASSESSMENT OF CHARGING LEVELS – THE STANDARD CHARGE**

- 4.1. The full cost of providing the service must be calculated to determine the standard charge. The calculation must be made in full compliance with CIPFA's Service Reporting Code of Practice for Local Authorities (SeRCOP).
- 4.2. Gross total cost will include all expenditure attributable to the service/activity. Including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services (and other overheads) and depreciation.
- 4.3. Total costs should normally include an appropriate share of all overheads. SeRCOP provides advice on what costs should be included in this calculation as well as advice on how these should be charged, allocated or apportioned. For ease of administration and transparency a standard overhead charge will be calculated annually and where appropriate applied to charged for services. This percentage charge may be varied in exceptional circumstances where the actual overhead varies substantially from the standard calculation.
- 4.4. Any subsidy arising from standard charges being set at a level below full cost recovery should be fully justified in terms of achieving the council's priorities in the business case detailed in section 3 of this guidance.

4.5. Where it is not appropriate or cost effective to calculate the cost of service provision at an individual level, charges may be set so that overall costs are recovered for the range of services which are delivered within a service area.

4.6. In certain circumstances a statutory service (for which we cannot levy a charge) might be enhanced to include discretionary elements, in such cases the statutory element of costs should be excluded in total cost calculations for the purposes of setting a charge.

4.7. In order to ensure cost effectiveness and efficiency when setting and amending charging levels, the following are to be considered:

- Justification in the setting of charges to withstand any criticisms and legal challenges;
- Obstacles to maximising full cost recovery when providing the service;
- Access to and impact on users;
- Future investment required to improve or maintain the service;
- Relevant government guidance;
- Corporate objectives, values, priorities and strategies.

4.8. The following should be considered during the process, which may result in charges being set at a lower level than cost recovery:

- Any relevant council strategies or policies;
- The need for all charges to be reasonable;
- The level of choice open to customers as to whether they use the councils services;
- The desirability of increasing usage or rationing of a given service (i.e reducing charges during off-peak times).

4.9. Occasionally a service may do work for an external body on an ad hoc basis. In these circumstances there is no requirement for a full business case. The main objective should be to ensure that all direct costs are recovered plus a standard percentage fee for overheads. Internal Audit can advise on the overhead rate to be added.

## **5. CONCESSIONS**

5.1. Concessions may be used to provide a discount from the standard charge for specific groups for certain services. The subsidy detailed in Section 3 of this guidance may be used to provide the concessions where this has been explicitly approved.

5.2. Guidance on the application of concessions is attached at appendix 2. The concessions guidance has been developed to ensure that the fees and charges levied for discretionary services are fair and equitable and support social inclusion priorities. Concessions should be set in accordance with the principles detailed in the supplementary guidance on concessions which seeks greater consistency towards concessions granted to disadvantaged target groups for individual services. The concessions guidance supports the use of standard criteria for assessing the entitlement for concessions.

5.3. Concessionary charges may also be made available to organisations whose purpose is to assist the council in meeting specific objectives, or which contribute to the aims of key local partnerships in which the council has a leading role.

5.4. The Local Government Act 2003 and its accompanying guidance states that charges may be set differentially, so that different people are charged different amounts. However, it is not intended that this leads to some users cross-subsidising others. The costs of offering a service at a reduced charge should be borne by the authority rather than other recipients of the service. This should be borne in mind when setting concessions or promoting use of a service by specific target groups.

5.5. Wherever possible, concessions should not be granted to non-Leeds residents.

## **6. PROCESSES AND FREQUENCIES**

6.1. Reviews will be carried out at least annually for all services in time to inform the budget setting process. The reviews will be undertaken by all service areas that provide services where charges could be applied. The annual review of charges will consider the following factors:

- Council-wide and service budget targets;
- Inflationary pressures;
- Costs of administration;

- Supply and demand; (e.g. in some circumstances elasticity of demand may mean that reducing charges could result in increased demand and an increase in overall income)
- Scope for new charging areas.

6.2. In addition to the annual review detailed at 9.5, a formal review will be undertaken annually for all trading and material income areas and on a 3 yearly basis for all other service areas. These formal reviews of charges will consider the following factors, where appropriate:

- The actual or potential impact of any competition in terms of price or quality;
- Trends in user demand and the forecast effect of price changes;
- Customer survey results and user consultation;
- Alternative charging structures that could be more effective;
- Costs of service provision.

6.3. In the event that the formal review recommends a price increase in excess of inflation, consideration should be given to implementing a staged increase to the new charge.

6.4. The formal reviews will be approved by the relevant director or chief officer in consultation with the deputy chief executive and relevant executive member. Where necessary public consultation should be carried out before any price increases are implemented. The level of subsidy and the justification for setting the charge below the cost of service provision, where appropriate, should be made explicit during the approval process.

6.5. Customers should be given a reasonable period of notice before the introduction of new or increased charges. Where possible, the objectives of charging should be communicated to the public and users and taxpayers should be informed of how the charge levied relates to the cost of the service.

## **7. COLLECTION OF CHARGES AND OUTSTANDING DEBTS**

7.1. The most economic, efficient and effective method of income and debt collection should be used and should comply with the requirements of Financial Regulations.

- 7.2. All applicable income should be correctly coded to the fees and charges income vote code.
- 7.3. Wherever it is reasonable to do so, charges will be collected either in advance or at the point of service delivery. Electronic means of procurement and payment are preferable.
- 7.4. Where charges are to be collected after service delivery has commenced, invoices will be issued promptly on the corporate system.
- 7.5. Where a debtor fails to pay for goods or services the relevant director or chief officer should consider withholding the provision of further goods or services until the original debt is settled in full, where legislation permits.
- 7.6. Charges and concessions will be clearly identified and publicised so that users are aware of the cost of a service in advance of using it.

## **8. APPROVALS**

- 8.1. All decisions on charges for services and trading activities will be approved by the relevant director or chief officer, in consultation with the deputy chief executive and relevant executive member and recorded as delegated decisions, as appropriate.

## **9. MONITORING AND IMPROVEMENT**

- 9.1. Monitoring will be used to understand how charges affect the behaviour of users (especially target groups) and drive improvement. Price sensitivities of individuals and groups should be understood so that charges can be set appropriately to deliver the levels or changes in service use necessary to achieve objectives.
- 9.2. A directory of charges shall be maintained by the deputy chief executive for all charges where the council has discretion over the amounts charged for services provided and for trading activities. This directory will be published prominently on the council's website and updated as and when fees change.
- 9.3. Specific financial, service quality and other performance targets should be set, monitored and reported to the appropriate level to ensure that high levels of efficiency and service quality are achieved. Examples include:
- Cost of service provision against targets and benchmarking authorities;

- Usage by target groups i.e. number of visits / requests;
- Usage during peak time / off –peak time;
- Income targets;
- Percentage of costs recovered;
- Costs of methods of billing and payment;
- Excess capacity.

9.4. Service managers should, wherever possible, benchmark with the public, private and voluntary sectors not only on the level of charges made for services but the costs of service delivery, levels of cost recovery, priorities, impact achieved and local market variations.

9.5. The impact of the charges should be monitored and fed into the annual review process.

## **10. FINANCIAL PROCEDURES**

10.1. The fees and charges guidance should be read in conjunction with Financial Regulations.

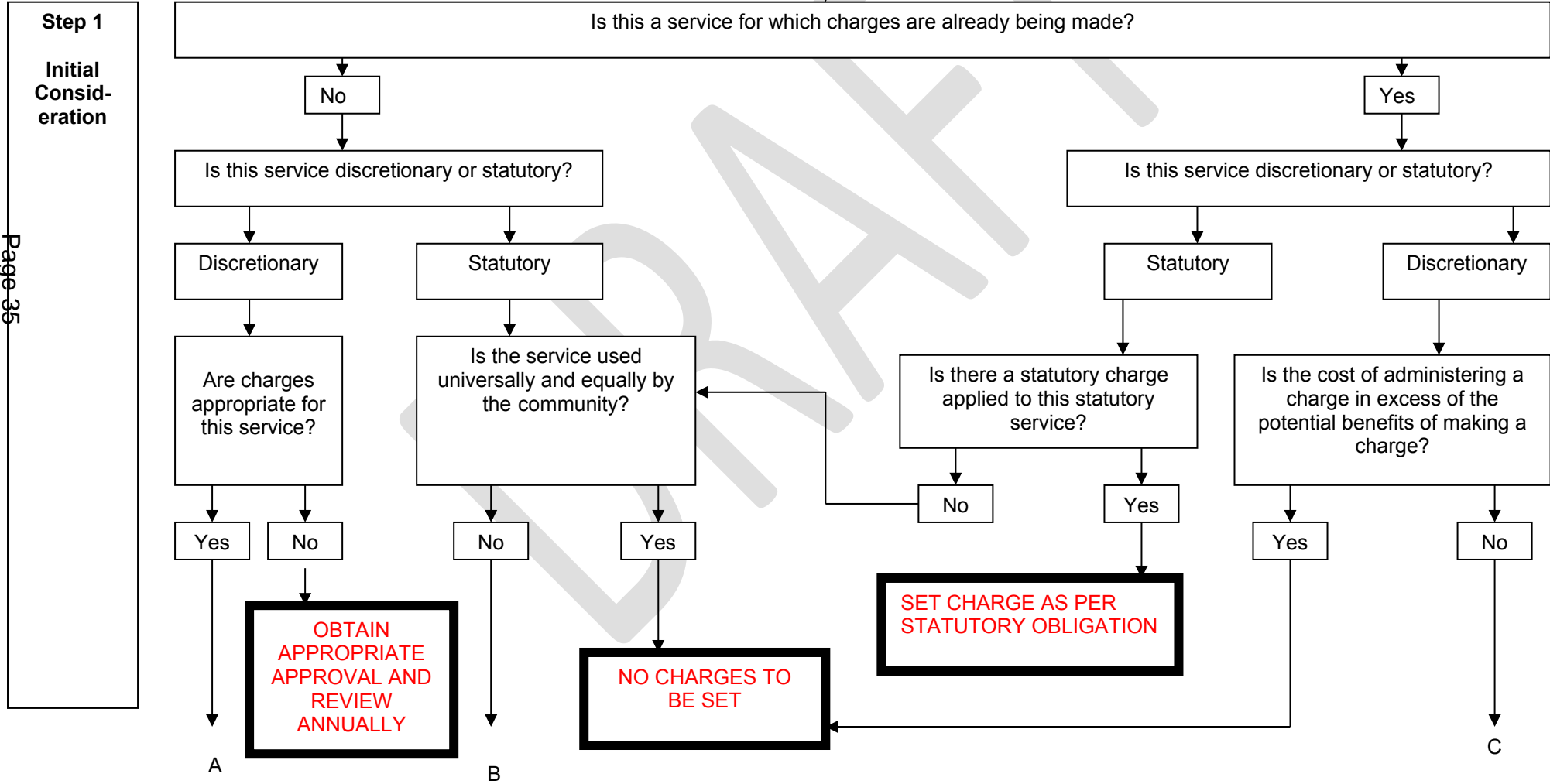
## **11. REVIEW AND AMENDMENT OF FEES AND CHARGES BEST PRACTICE GUIDANCE**

11.1. This guidance shall be reviewed and updated on an annual basis by the deputy chief executive.

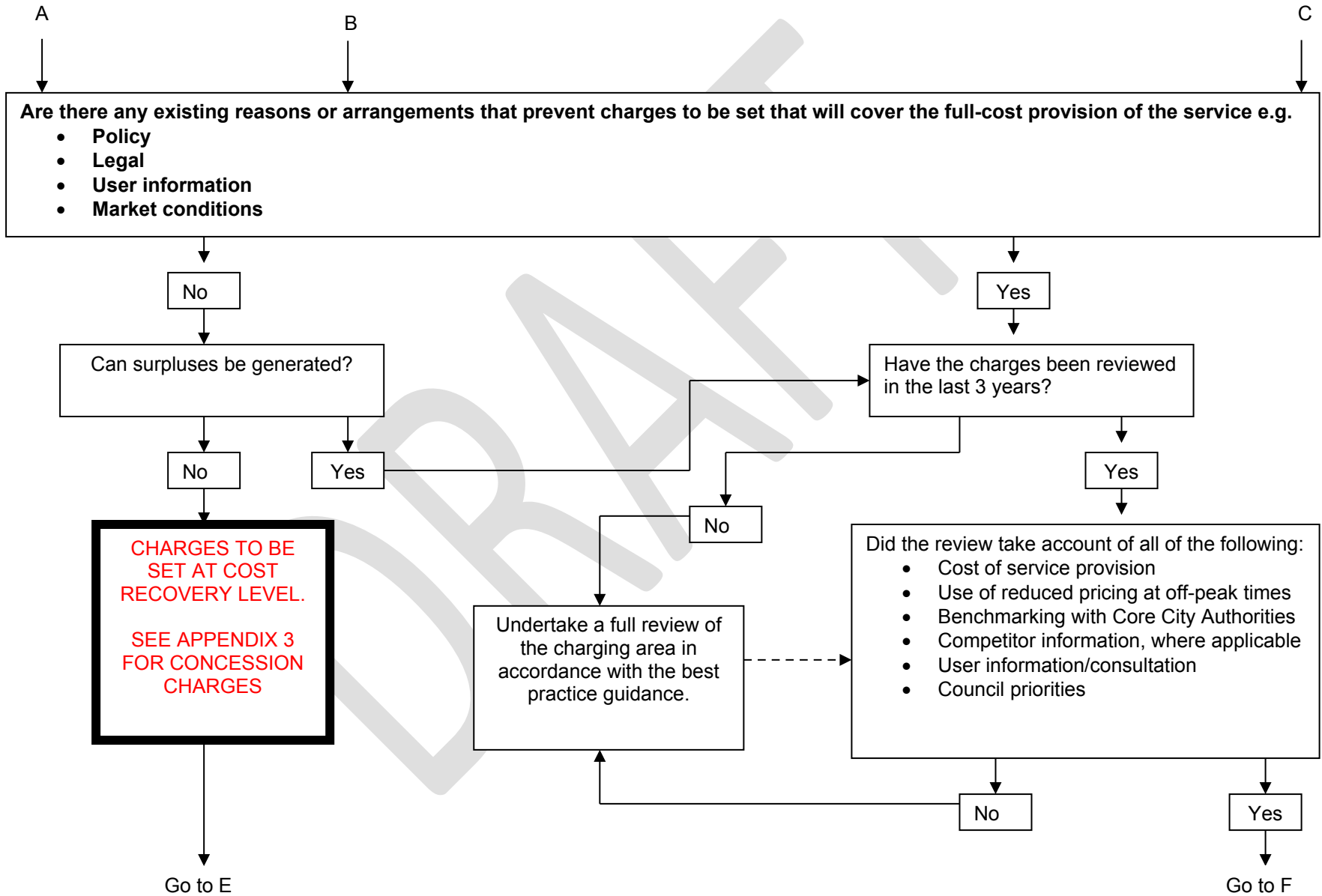


# FEEES AND CHARGES BEST PRACTICE GUIDANCE APPENDIX 1

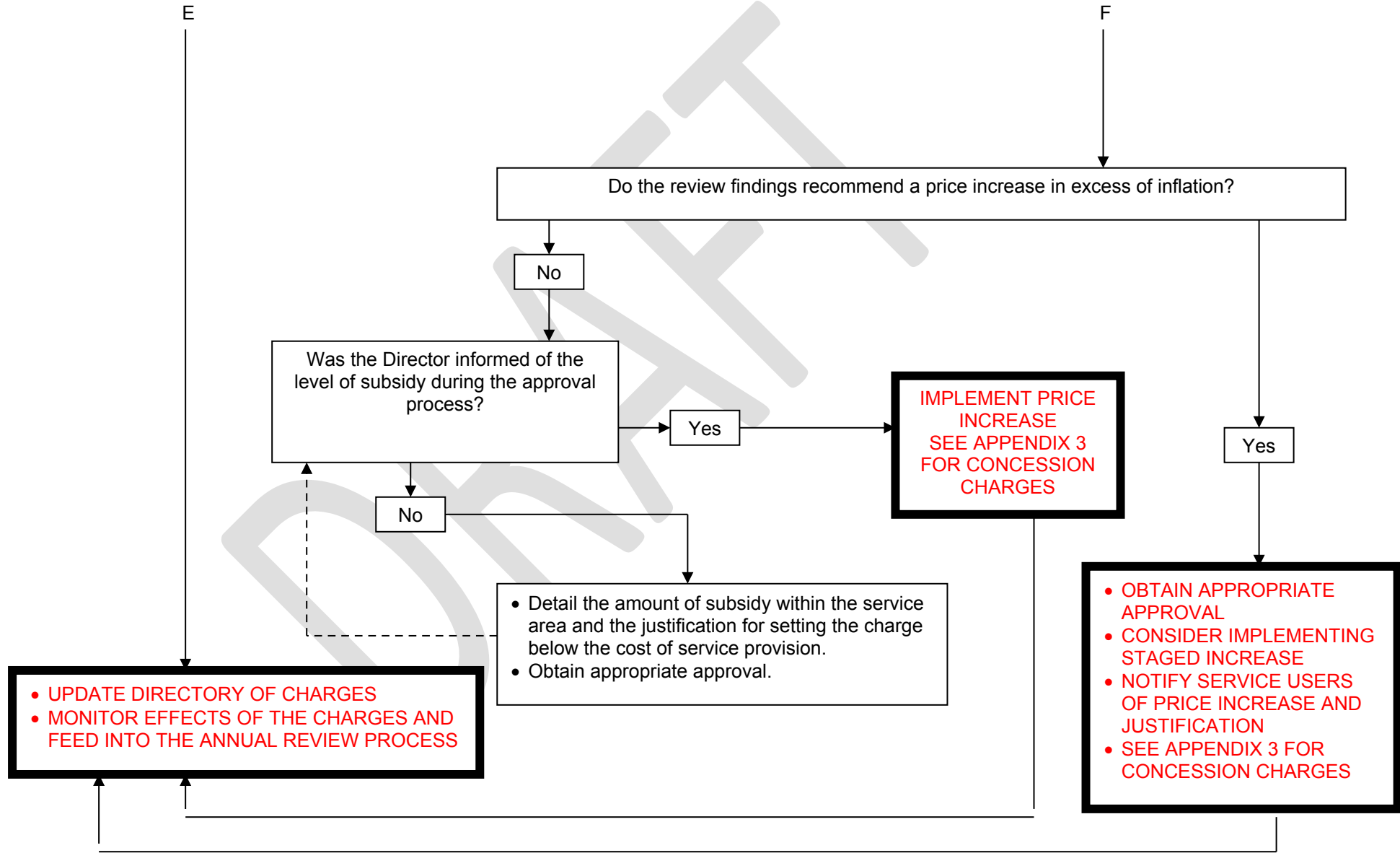
## SETTING OF STANDARD FEES AND CHARGES



Step 2  
Setting  
the  
charge



**Step 2  
Setting  
the  
charge  
continued**





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## Supplementary Guidance on Concessions

### Aim of the Guidance

The purpose of this guidance is to provide a consistent approach in setting, monitoring and reviewing concessions across the authority. This will ensure that greater consistency towards concessions granted to target groups for individual services is achieved and that the fees and charges levied for discretionary services are fair and equitable and support social inclusion priorities. The following principles apply:

### Principles

#### 1. Council Priorities

A directory of charges shall be maintained and published for all charges and concessions where the council has discretion over the amounts charged for services provided and for trading activities. Accurate user statistics will then enable levels of subsidy being positively provided on social inclusion grounds to be identified separately from other subsidies within net expenditure totals. All decisions on concessions for services and trading activities will be taken with reference to and in support of council priorities and recorded as delegated decisions, as appropriate.

#### 2. Target Groups

All relevant government guidance should be considered by each service area when concessionary groups and charging levels are set. Where possible concessions should not be granted to non-Leeds residents. A business case should be approved which details the rationale for directing subsidy towards a target group. All concessions should be fully justified in terms of achieving the council's priorities.

Concessionary charges may also be provided in an area of the city when the purpose is to assist the council in achieving a policy outcome.

Concessionary charges may also be made available to organisations whose purpose is to assist the council in meeting specific objectives in its priorities and policy framework, or which contribute to the aims of key local partnerships in which the council has a leading role.

#### 3. Level of Concessions

The level of concession should be set with regard to the service being provided and its use and appeal to the groups for whom concessions are offered.

#### **4. Approval**

The director or chief officer, in consultation with the deputy chief executive, will approve the level of concession and the groups for whom the concessions apply once all budgetary and other relevant information for the service has been considered. The level of concession and the target groups in receipt of the concession should be made explicit during the approval process and be fully justified in terms of achieving the council's priorities.

#### **5. Monitoring**

The take-up of concessions should be monitored by individual service areas to identify how well it is helping achieve policy aims.

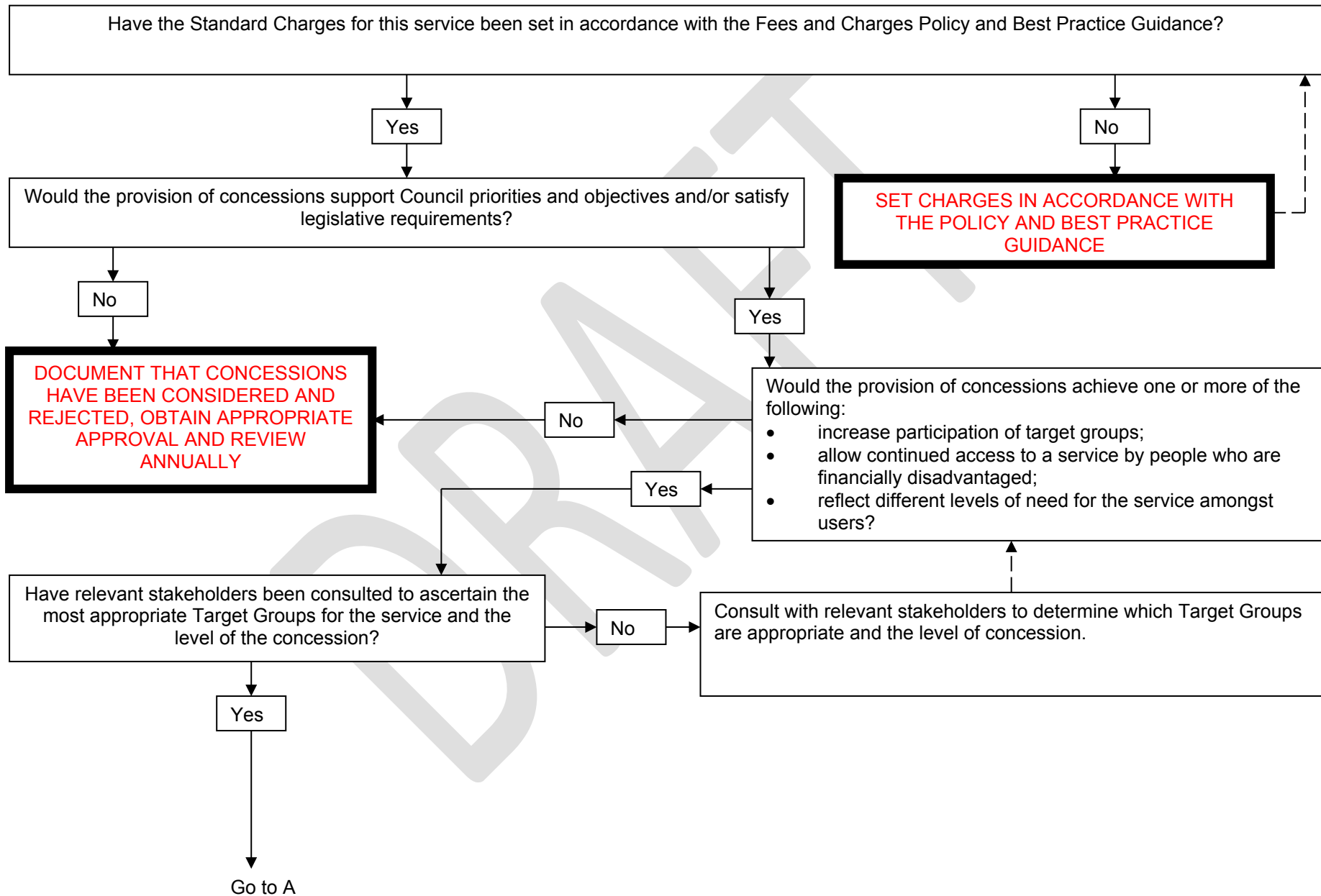
#### **6. Review of Concessions Guidance**

This guidance shall be reviewed and updated on an annual basis.

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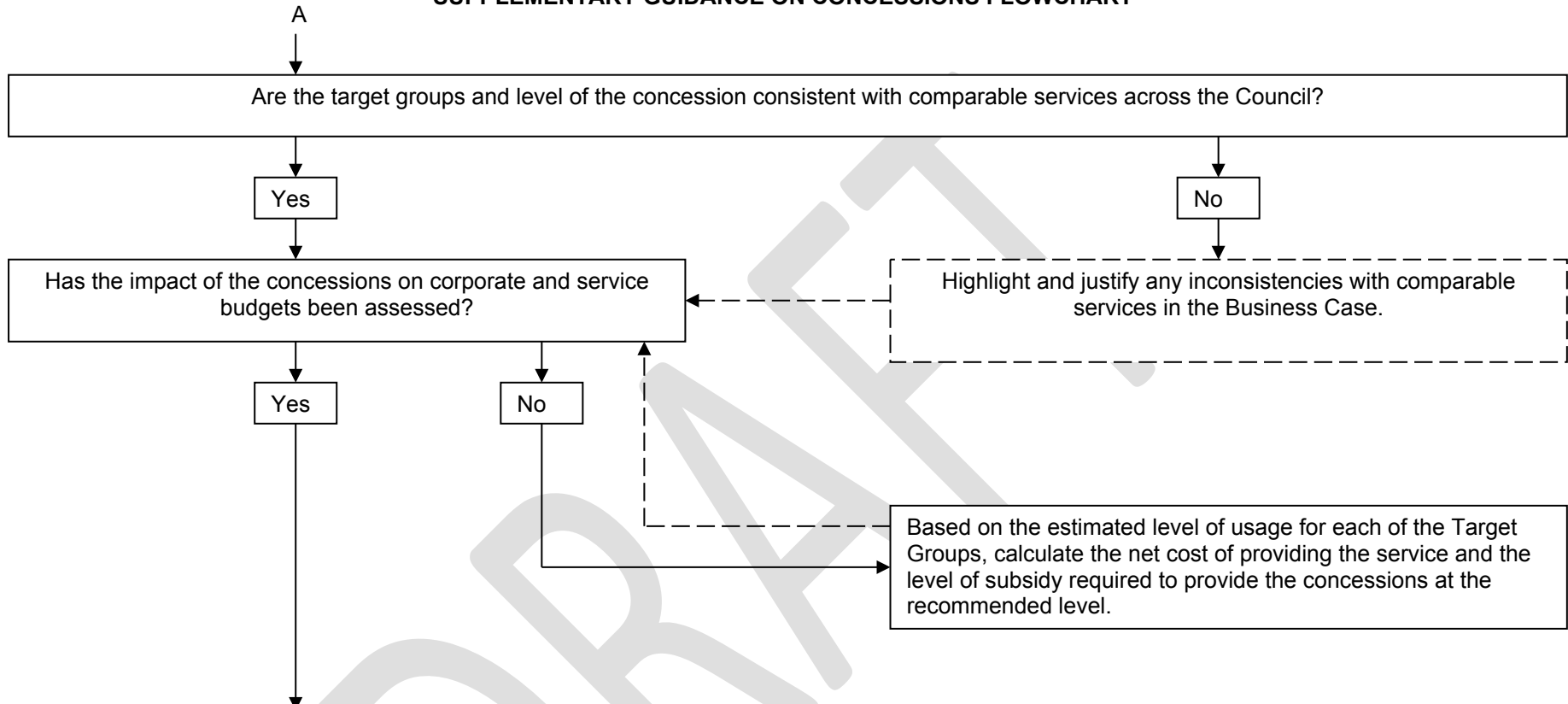


**FEES AND CHARGES BEST PRACTICE GUIDANCE APPENDIX 3**  
**SUPPLEMENTARY GUIDANCE ON CONCESSIONS FLOWCHART**



**FEES AND CHARGES BEST PRACTICE GUIDANCE APPENDIX 3**

**SUPPLEMENTARY GUIDANCE ON CONCESSIONS FLOWCHART**



- **UPDATE DIRECTORY OF CHARGES**
- **OBTAIN APPROVAL FOR THE BUSINESS CASE WHICH DETAILS THE RATIONALE FOR DIRECTING THE PROPOSED LEVEL OF SUBSIDY TOWARDS A TARGET GROUP. THE BUSINESS CASE MUST BE EXPLICIT IN TERMS OF THE TARGET GROUPS THAT ARE RECOMMENDED TO RECEIVE THE CONCESSIONS AND THE LEVEL OF SUBSIDY THE COUNCIL IS PROVIDING TO FUND THE CONCESSIONS.**
- **MONITOR THE TAKE-UP OF CONCESSIONS AND IDENTIFY HOW WELL CONCESSION SCHEMES ARE PROMOTING ACCESS TO FACILITIES**



Report author: Peter Marrington  
Tel: 39 51151

**Report of Head of Scrutiny and Member Development**

**Report to Scrutiny Board (Strategy and Resources)**

**Date: 21 December 2015**

**Subject: Initial Budget Proposals for 2016/17**

Are specific electoral Wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, name(s) of Ward(s):		
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number:		

**Summary of main issues**

1. In accordance with the Council's Budget and Policy Framework, the Deputy Chief Executive submitted to the Executive Board the attached report which sets out the Initial Budget Proposals for 2016/1/76. The proposals were subsequently submitted to Scrutiny for review and consideration.
2. Other Scrutiny Boards will consider elements of the budget proposals relevant to their portfolio.
3. Any comments or recommendations made by Scrutiny on the Executive's initial Budget proposals, will need to be submitted to the Deputy Chief Executive no later than 29th January 2016 in order that the Executive Board can consider these comments at its meeting on 10<sup>th</sup> February 2016 prior to submission of the proposed budget to full Council on 24<sup>th</sup> February 2016.
4. Councillor Blake and Councillor James Lewis along with the Director of Resources have been invited to today's meeting to discuss the Executive's initial budget proposals.

## **Recommendations**

5. Members are asked to consider the Executive's initial budget proposals as set out in the report of the Deputy Chief Executive and make any comments or recommendations.

## **Background documents<sup>1</sup>**

6. There are no background documents relating to this report

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

**Report of the Deputy Chief Executive  
 Report to Executive Board  
 Date: 16<sup>th</sup> December 2015**

**Subject: Initial Budget Proposals for 2016/17**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. The purpose of this report is to set out the Initial Budget Proposals for 2016/17. These budget proposals are set within the context of the 2016/17 – 2019/20 Medium Term Financial Strategy which was agreed by the Executive Board in October 2015, updated to recognise the implications following the Spending Review and Autumn Statement in November 2015. The proposals support the Council’s Best City/Best Council ambitions, policies and priorities aimed at tackling inequalities (please refer to the ‘Emerging 2016/17 Best Council Plan Priorities: Tackling Poverty and Deprivation’ report which is on today’s agenda).
2. Whilst the combined Spending Review and Autumn Statement provided more information about the likely scale and timing of future changes in government funding beyond 2015/16, the specific implications for Leeds will not be known until the provisional local government finance settlement is announced, which is likely to be mid-December 2015.
3. It is clear that the current and future financial climate for local government represents a significant risk to the Council’s priorities and ambitions. The Council continues to make every effort possible to protect the front line delivery of services, and whilst we have been able to successfully respond to the financial challenge so far, it is clear that the position is becoming more difficult to manage and it will be increasingly difficult over the coming years to maintain current levels of service provision without significant changes in the way the Council operates.
4. Pending the announcement of the provisional settlement, the headlines from the Initial Budget Proposals are as follows:
  - A forecast reduction of 56% in real-terms by 2019/20 to the Government funding for Local Government.

- The reduction in the government funding provided to the Council for 2016/17 is estimated at £24.1m, or 9%.
- The additional cost of the Council 'standing still' in 2016/17 is £87.2m, taking into account the estimated reduction in government funding together with changes in costs and income.
- The Initial Budget Proposals outlined in this report total some £73.1m and whilst they do cover a range of efficiencies across the Council, they also require the Council to make some difficult choices as to service provision and charging.

The budget proposals assume an increase in the Council's element of the council tax of 1.99%, plus the social care precept of 2%. The Council's net revenue budget is estimated to reduce by £22.6m from £523.8m down to £501.2m

- In terms of staffing, the proposals would mean forecast net reductions of 259 full-time equivalent posts by March 2017.
- The 2016/17 budget proposals assume an increase in the use of general reserves, some non-recurrent cost reductions and also a significant level of one-off funding income. This will inevitably increase the financial risk across the medium-term and put additional strain on the 2017/18 budget.

5. In respect of the Housing Revenue Account, whilst there are proposals to increase some service charges, the implementation of the rent cap which was announced in July 2015, will mean that housing rents will reduce by 1% from April 2016.

## **Recommendation**

6. Executive Board is asked to agree the Initial Budget Proposals and for them to be submitted to Scrutiny and also for the proposals to be used as a basis for wider consultation with stakeholders.

### **1. Purpose of report**

- 1.1 In line with the Council's constitution, the Executive Board is required to publish Initial Budget Proposals two months before approval of the budget by full Council, which is scheduled for the 24th February 2016. This report sets out the initial budget proposals for 2016/17 which are set within the context of the Medium Term Financial Strategy which was approved by Executive Board in October 2015 updated to recognise the implications following the combined Spending Review and Autumn Statement in November 2015.
- 1.2 Subject to the approval of the Executive Board, this report will be submitted to Scrutiny for their consideration and review, with the outcome of their deliberations to be reported to the planned meeting of this board on the 10<sup>th</sup> February 2016. The report will also be made available to other stakeholders as part of a wider and continuing process of engagement and consultation.
- 1.3 In accordance with the Council's Budget and Policy Framework, decisions as to the Council's budget are reserved to full Council. As such, the recommendation

at 13.1 is not subject to call in as the budget is a matter that will ultimately be determined by full Council, and this report is in compliance with the Council's constitution as to the publication of initial budget proposals two months prior to adoption.

## 2. Local Government Funding – the National Context

### 2.1 July 2015 Budget

2.1.1 As reported in the Council's Medium Term Financial Strategy that was considered by the Executive Board at their meeting in October 2015, the Chancellor on the 8<sup>th</sup> July 2015, presented a budget that set out Government's plans to tackle the deficit in the public finances and a broad range of policy changes around welfare, housing, tax, a new Living Wage and devolution. The key headlines of the summer budget were;

- The deficit to be cut at the same pace as in the last Parliament which is marginally slower than previously anticipated.
- Planned spending reductions amounting to £37 billion over the course of the Parliament with £12 billion of reductions in welfare, £5 billion from taxation and the remaining £20 billion which will be delivered through a Spending Review as summarised in table 1 below.
- Departmental Expenditure Limits (DELs) totals increased substantially compared to the March 2015 budget and in particular in 2016/17 with an increase of £4 billion seemingly signalling that the planned spending reductions would be managed over a longer time-period than previously anticipated.
- Public Sector pay rises to be capped at 1% a year for four years from 2016/17.

Table 1 – Summer Budget, spending reduction plans over this Parliament (£billion)

	2016-17	2017-18	2018-19	2019-20
<b>Discretionary consolidation</b>	<b>9</b>	<b>20</b>	<b>31</b>	<b>37</b>
Of which announced at Summer Budget 2015	6	9	13	17
Of which welfare reform	5	7	9	12
Of which tax avoidance and tax planning, evasion and compliance, and imbalances in the tax system	1	2	4	5
<b>Remaining consolidation</b>	<b>3</b>	<b>11</b>	<b>18</b>	<b>20</b>

Source: Office for Budget Responsibility. HM Treasury costing and HM Treasury calculations

2.1.2 The Treasury subsequently asked “unprotected” government departments to set out plans for reductions to their resource budgets based on two scenarios: 25% and 40% savings in real terms by 2019/20. With Schools, the NHS, Defence and International Development continuing to be protected, it was clear

that the public sector contribution to tackling the deficit would fall more heavily on 'unprotected' departments, including Communities & Local Government.

## 2.2 Spending Review and Autumn Statement 2015

2.2.1 On the 25<sup>th</sup> November 2015, the Chancellor announced the first combined Spending Review and Autumn Statement since 2007. Compared to the Summer Budget 2015, the Office for Budget Responsibility now forecasts higher tax receipts and lower debt interest, with a £27 billion improvement in the public finances over the Spending Review period. The Spending Review sets out firm plans for spending on public services and capital investment by all central government departments through to 2019/20.

Table 2 – Consolidation plans set out in this Spending Review and Autumn Statement

	£ billion			
	2016-17	2017-18	2018-19	2019-20
<b>Discretionary consolidation<sup>1</sup></b>	<b>-1</b>	<b>7</b>	<b>13</b>	<b>18</b>
Welfare	-3	-2	-1	0
RDEL Savings and Apprenticeship Levy <sup>2,3</sup>	1	7	11	15
Other tax and AME	1	2	2	3

<sup>1</sup> Totals may not sum due to rounding.  
<sup>2</sup> RDEL savings calculated compared to a counterfactual in which RDEL excluding depreciation grows in line with whole economy inflation from its 2015-16 level (excluding the OBR's Allowance for Shortfall).  
<sup>3</sup> Apprenticeships spending in England will be ringfenced within DEL budgets.

2.2.2 Key points to highlight from the Spending Review and Autumn Statement include;

- A target budget surplus of £10.1bn by 2019/20.
- Providing the NHS in England with £10 billion per year more by 2020/21 in real terms compared to 2014/15, with an additional £6bn in 2016/17.
- Spending 2% of GDP on defence for the rest of the decade.
- Spending 0.7% of Gross National Income on overseas aid.
- Protecting overall police spending in real terms.
- Maintaining funding for the arts, national museums and galleries in cash-terms over this Parliament.
- Reductions to working tax credits will no longer be introduced.
- The plans in SR2015 will deliver reductions to government spending as proportion of GDP from 45% in 2010 to 36.5% by the end of SR2015.
- £12bn of savings to government departments.



2.2.3 For local government, as per table 3 below, the forecast is a cash terms rise from the £40.3 billion baseline in 2015/16 to £40.5 billion in 2019/20. This represents an average reduction of 1.7% per year in real terms and a 6.7% fall by 2019/20. It should be noted that within these figures Government have assumed increases to locally financed expenditure, ie. increasing income from Council Tax (including the new Adult Social Care precept) and increasing income from the current Business Rates Retention scheme. Therefore, whilst overall Local Government Spending is forecast to reduce by 6.7% in real-terms by 2019/20, the DCLG Local Government spending is forecast to reduce by 56% in real-terms over the period compared to the Treasury request for reductions of between 25% and 40%.

Table 3 – Spending Review and Autumn Statement- forecast Local Government Spending

	£ billion				
	Baseline	Plans			
	2015-16	2016-17	2017-18	2018-19	2019-20
DCLG Local Government DEL <sup>1</sup>	11.5	9.6	7.4	6.1	5.4
Locally financed expenditure <sup>2</sup>	28.8	29.0	31.5	33.6	35.1
<b>Local government spending<sup>3</sup></b>	<b>40.3</b>	<b>38.6</b>	<b>38.9</b>	<b>39.7</b>	<b>40.5</b>

<sup>1</sup> In this table, Resource DEL excludes depreciation.  
<sup>2</sup> Treasury/DCLG analysis based on data underlying the OBR's Local Authority Current Expenditure (England) forecast.  
<sup>3</sup> Does not include the impact of business rate reforms, which the government will consult on shortly.

2.2.4 The main points specific for local government include;

- Significant reduction to the central government grant to local authorities.
- Savings in local authority public health spending with average annual real-terms savings of 3.9% over the next 5 years which will manifest in reductions to the public health grant to local authorities.
- Government will also consult on options to fully fund local authorities' public health spending from their retained business rates receipts, as part of the move towards 100% business rate retention. In the meantime, Government has confirmed that the ring-fence on public health spending will be maintained in 2016/17 and 2017/18.
- Introduction of a new power for local authorities with social care responsibilities to increase council tax by up to and including 2% per year. The money raised will have to be spent exclusively on adult social care. Nationally, if all local authorities use this to its maximum effect it could raise nearly £2 billion a year by 2019/20 which would be equivalent to over £20m per year for Leeds. Effectively, the introduction of this new precept represents a shift in the burden for funding the increasing costs of Adult Social Care from national to local taxpayers. The redistribution effect should also be noted in that the precept will be most beneficial to the more affluent local authorities with the largest council tax bases.

- The Spending Review continues Government's commitment to join up health and care. Government will continue the Better Care Fund, maintaining the NHS's mandated contribution in real terms over the Parliament. From 2017, Government will make funding available to local government, worth £1.5 billion by 2019/20, to be included in the Better Care Fund.
- The Spending Review 2015 indicated that Government will consult on reforms to the New Homes Bonus, including means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. This will include a preferred option for savings of at least £800 million. The potential impact for Leeds could be in the region of £6m and it is anticipated that further detail will be set out as part of the local government finance settlement consultation, which will include consideration of proposals to introduce a floor so that no authority loses out disproportionately.
- Nationally, 26 extended or new Enterprise Zones
- Confirmation of the previous announcement of the proposal to end national uniform business rates with the introduction of 100% retention of business rates for local government and the phasing out of the Revenue Support Grant as well as introduction of new responsibilities giving councils the power to cut business rates to boost growth, and empowering elected city-wide mayors.
- Allowing local authorities to use 100% of receipts from asset sales on the revenue costs of reform projects. Further detail will be set out by DCLG alongside the Local Government settlement in December.
- Capping the amount of rent that Housing Benefit will cover in the social sector to the relevant Local Housing Allowance.
- Extending the Small Business Rate Relief for another year.
- Reduce the Education Services Grant by £600m, or 73% signalling that "Local authorities running education to become a thing of the past". The remaining grant funding will presumably be used to cover local authority statutory duties which the Department for Education will also look to reduce. The 2015/16 allocation for Leeds is £9.2m and based on the national totals a proportionate grant cut would be in the region of £6.7m per year. More information is needed around the impact and timing of this significant reduction and consultation is expected to start in early 2016 with the potential changes effective from 2017/18.
- Introduce a new national funding formula for schools to begin to be introduced from April 2017.
- Plans to build an additional 400,000 affordable homes.

- Homelessness - devolving an increased level of funding to local authorities while ending the current management fee for temporary accommodation, giving them greater flexibility to invest in preventing homelessness.
- Redistribution - Government will also shortly consult on changes to the local government finance system to rebalance support including to those authorities with social care responsibilities by taking into account the main resources available to councils, including council tax and business rates.

2.2.5 In terms of the Settlement Funding Assessment for Leeds, the medium-term financial strategy reported to the Executive Board in October 2015 assumed a reduction of £13m by March 2017.

*Table 4 – Estimated 2016/17 Settlement Funding Assessment – MTF5 October 2015*

	<b>2015/16 £m</b>	<b>2016/17 £m</b>
Settlement Funding Assessment	268.1	255.1
Reduction (£m)		<b>(13.0)</b>
Reduction (%)		4.8%

2.2.6 Following the Spending Review and Autumn Statement announcement in November, the forecast reduction in the Settlement Funding Assessment in 2016/17 for Leeds has been increased to £24.1m, or 9.0%. This increase recognises that based on the information released in the Spending Review the phasing of the reductions in local government funding has been brought forward when compared to the national spending figures included in the summer budget. It should be stressed that there is still a level of uncertainty and the actual position for individual local authorities will not be known with any degree of certainty until the Local Government settlement is announced, which is anticipated in mid-December 2015.

*Table 5 – Forecast Settlement Funding Assessment – Spending Review 2015*

	<b>2015/16 £m</b>	<b>2016/17 £m</b>
Settlement Funding Assessment	268.1	244.0
Reduction (£m)		<b>(24.1)</b>
Reduction (%)		9.0%

2.2.7 Based on the revised estimated Settlement Funding Assessment and taking into account an inflationary factor of 0.8% in the Business Rates Baseline, the anticipated split between the Revenue Support Grant and the Business Rates Baseline is shown in table 6 below. This shows an estimated reduction of £25.3m or 20.35% in the Council's Revenue Support Grant from 2015/16 to 2016/17.

Table 6 – Forecast Revenue Support Grant and Business Rates Baseline (Spending Review 2015)

	2015/16	2016/17	Change	
	£m	£m	£m	%
Revenue Support Grant	124.3	99.0	(25.3)	20.35
Business Rates Baseline	143.8	145.0	1.2	0.8
<b>Settlement Funding Assessment</b>	<b>268.1</b>	<b>244.0</b>	<b>(24.1)</b>	<b>9.0</b>

2.2.8 On the 5<sup>th</sup> October 2015, the Chancellor set out major plans to devolve new powers from Whitehall to local areas to promote growth and prosperity. The Chancellor confirmed in the Spending Review and Autumn statement announcements that by the end of the current Parliament, local government will be able to retain 100% of local taxes – including all of the £26 billion of revenue from business rates. It is worth noting that whilst local government as a whole will retain 100% of the business rates, some degree of re-distribution across the country will still be necessary within the system to take account of the significant differences between rate yields and needs in some areas. The Chancellor also confirmed an intention to abolish the Uniform Business Rate and give local authorities the power to cut business rates to boost enterprise and economic activity in their areas. Local areas which successfully promote growth and attract businesses will therefore keep all of the benefit from increased business rate revenues. At the same time, the Revenue Support Grant will be phased out by 2020, and local government will take on new responsibilities. These proposals are not expected to have any impact upon the Council in 2016/17.

### 3. Developing the Medium Term Financial Strategy

- 3.1 Since 2010, local government has dealt with a 40% real terms reduction to its core government grant. In adult social care alone, funding reductions and demographic pressures have meant dealing with a £5 billion funding gap. Even in this challenging context, local government has continued to deliver. Public polling nationally has shown that roughly 80% of those surveyed are satisfied with local services and that more than 70% of respondents trust councils more than central government to make decisions about services provided in the local area – a trend that has been sustained during the last five years.
- 3.2 Between the 2010/11 and 2015/16 budgets, the Council’s core funding from Government has reduced by around £180m and in addition the Council has faced significant demand-led cost pressures. This means that the Council will have to deliver reductions in expenditure and increases in income totalling some £330m by March 2016. To date, the Council has responded successfully to the challenge and has marginally underspent in every year since 2010 through a combination of stimulating good economic growth and creatively managing demand for services alongside a significant programme of more traditional efficiencies. However, there is no doubt that it will become increasingly difficult over the coming years to identify further financial savings unless the Council works differently.
- 3.3 Much will depend on redefining the social contract in Leeds: the relationship between public services and citizens where there is a balance between rights

and responsibilities; a balance between reducing public sector costs and managing demand, and improving outcomes. This builds on the concept of civic enterprise, born out of the Leeds-led 'Commission on the Future of Local Government (2012)', whereby the future of the Council lies in moving away from a heavily paternalistic role in which we largely provide services, towards a greater civic leadership role underpinned by an approach of restorative practice: working with people, not doing things to or for them, so that communities become less reliant on the state and more resilient. If more people are able to do more themselves, the Council and its partners can more effectively concentrate and prioritise service provision towards those areas and communities most at need.

3.4 This approach will help to tackle the range of inequalities that persist across the city as highlighted by this year's Joint Strategic Needs Assessment (JSNA) work and the latest socio-economic analysis on poverty and deprivation provided in the 'Emerging 2016/17 Best Council Plan priorities, tackling poverty and deprivation' report on today's agenda. The report draws on the latest analysis on poverty and deprivation based on the 2015 Poverty Fact Book and recently updated Index of Multiple Deprivation.

3.5 **Poverty Fact Book** - the Poverty Fact Book uses national and local data to help define and analyse different poverty themes and informs the council's and city's response to tackling poverty. It is based on definitions and analysis around the two national measures of poverty: Relative and Absolute Poverty. Relative Poverty measures the number of individuals who have household incomes below 60% of the median average in that year. Absolute Poverty measures individuals who have household incomes 60% below the median average in 2010/11, adjusted for inflation. Key findings are:

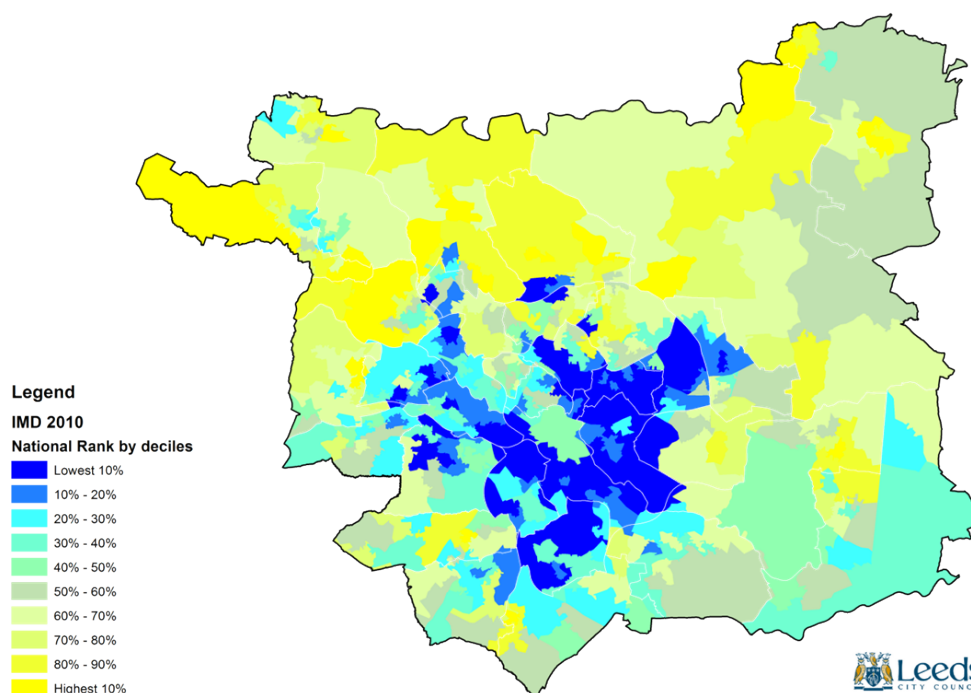
- Almost a quarter of the Leeds population – around 175,000 people across the city - is classified as being in 'absolute poverty'.
- Approximately 20,000 people in Leeds have needed assistance with food via a food bank between April 2014-2015.
- Over 28,000 (19.5%) Leeds children are in poverty, 64% of whom are estimated to be from working families (2013/14).
- As of October 2015, around 73,000 Leeds households were in receipt of Council Tax Support. Of this figure over 25,000 (35%) of these households in Leeds now have to pay 25% of their council tax due to changes to Council Tax Support.
- During 2014/15 in-work poverty was estimated to affect 15,000 households in Leeds. Just over 24,000 Leeds residents in full-time work earn less than the Living Wage and almost 8,000 Leeds workers are on Zero Hour contracts.
- Almost 38,000 Leeds households are in fuel poverty and over 8,000 of these households are paying their fuel bills via prepayment meters (2015).
- Access to credit and interest rates for those on low incomes or with poor credit histories also remains high. Around 121,000 payday loans were estimated to be accessed by Leeds residents in 2013.

### 3.6

**Index of Multiple Deprivation (IMD) 2015** - the recent update of the IMD published by DCLG in September 2015 measures relative levels of deprivation in 32,844 small areas called Lower-layer Super Output Areas (LSOAs) in England. The 2015 indices are based on broadly the same methodology as the previous 2010 Indices. Although it is not possible to use the IMD to measure changes in the level of deprivation in places over time, it is possible to explore changes in relative deprivation, or changes in the pattern of deprivation, between this and previous updates of the IMD. It is also important to note that these statistics are a measure of relative deprivation, not affluence, and to recognise that not every person in a highly deprived area will themselves be deprived. Likewise, there will be some deprived people living in the least deprived areas. Based on the latest IMD, early analysis has been carried out at local ward level and examining Leeds' relative position nationally. Key findings are:

- Leeds is ranked 31 out of 326 local authorities, with 105 neighbourhoods in the most deprived 10% nationally (22% of all Leeds neighbourhoods). Leeds fares relatively well in comparison to other Core City local authority areas.
- There are 164,000 people in Leeds who live in areas that are ranked amongst the most deprived 10% nationally. The corresponding figure in the 2010 Index was 150,000 people, but clearly not everyone living in these areas is deprived.
- The IMD shows the geographic concentration of deprivation in the communities of Inner East and Inner South, confirming the wider analysis of poverty and deprivation undertaken in the recent Joint Strategic Needs Assessment.
- Analysis of relative change in the city since the last Index suggests that there has been some intensification of the concentration of our most deprived and least deprived neighbourhoods.
- The age profile of our most deprived neighbourhoods confirms that our most deprived communities are also our youngest (and fastest growing).

Chart 1 - Index of Multiple Deprivation 2015 – Ward Analysis



- 3.7 Though much work has already been done and is underway<sup>1</sup>, the analysis confirms the need for more concentrated and integrated efforts to tackle the often multiple deprivation encountered by our vulnerable communities. The emphasis on tackling inequalities lies at the heart of the renewed ‘Best City’ ambition agreed by the Executive Board in September: to be the ‘Best City’ means Leeds must have a **Strong Economy** and be a **Compassionate City**, with the Council contributing to this by being a more **Efficient & Enterprising** organisation. We want Leeds to be a city that is fair and sustainable, ambitious, fun and creative for all. This ambition underpins the medium-term financial strategy and is informing the development of the Council’s 2016/17 Best Council Plan objectives and priorities and the supporting Initial Budget Proposals set out here. The 2016/17 Best Council Plan will be presented to the Board and then Full Council in February 2016 alongside the final budget proposals.

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<sup>1</sup> Please see the June 2015 Executive Board report, ‘Supporting communities and tackling poverty’ for progress made to date and the further actions to be taken under the ‘Citizens@Leeds’ banner; the September 2015 Executive Board report, ‘Best Council Plan – Strong Economy and Compassionate City’ summarising a range of successes so far and continued challenges against these two themes; and the October 2015 Executive Board report, ‘Strong economy, Compassionate city’ that detailed some of the key themes and practical steps the council and its partners can take to further the renewed ‘best city’ ambition by better integrating the approach to supporting growth and tackling poverty.

#### **4. Estimating the Net Revenue budget for 2016/17**

##### **4.1 Settlement Funding Assessment – Reduction of £24.1m**

As outlined in Table 5 above, based on the announcement of the Spending Review in November, the indicative Settlement Funding Assessment for Leeds represents a reduction of £24.1m (9%) for 2016/17 when compared to 2015/16. However, these are still estimates based on national figures and the actual Settlement Funding Assessment for individual local authorities will not be known until the provisional Local Government Finance settlement which is expected in December 2015.

##### **4.2 Business Rates Retention – Net pressure of £12.6m**

4.2.1 Leeds has the most diverse economy of all the UK's main employment centres and has seen the fastest rate of private sector jobs growth of any UK city in recent years. Yet this apparent growth in the economy is not being translated into business rates growth; in fact the Council's business rates income has declined month by month since the start of the 2015/16 financial year and other authorities are reporting similar problems.

4.2.2 Under the Business Rates Retention (BRR) scheme which was introduced in 2013/14, business rates income is shared equally between local and central government. Local authorities that experience growth in business rates are able to retain 50% of that growth locally. The downside is that local authorities also bear 50% of the risk if their business rates fall or fail to keep pace with inflation, although a safety-net mechanism is in place to limit losses from year to year to 7.5% of their business rates baseline. Although BRR allows local authorities to benefit from business rates growth, it also exposes them to risk from reductions in rateable values. The system allows ratepayers and their agents to appeal to the Valuation Office against their rateable values if they think they have been wrongly assessed or that local circumstances have changed. When agreement cannot be reached, appeals may be pursued through the Valuation Tribunal and then through the courts. One major issue with the system is that successful appeals are usually backdated to the start of the current Valuation List, i.e. 1<sup>st</sup> April 2010, and this greatly increases the losses in cash terms – by nearly six times in the current financial year. At end of September 2015 there were approximately 6,500 appeals outstanding in Leeds and the total rateable value of the assessments with at least one appeal outstanding totals some £485m, which equates to more than half of the total rateable value of the city. It is worth noting that the Council does not set rateable values and nor does it have any role in the appeals process, but has to deal with the financial impact of appeals.

4.2.3 The budget proposals include a net general fund cost of £12.6m in 2016/17 which recognises the worsening position on business rates and the contribution required from the general fund to the collection fund. This £12.6m net pressure includes a £22.2m estimated contribution from the General Fund to the Collection Fund which in the main recognises the on-going impact of the



backdating of appeals. It should be noted that this £22.2m contribution in 2016/17 is in addition to the £6.4m contribution to the Collection Fund in 2015/16. This contribution assumes £13.4m of business rates growth which recognises the continuing improvement of the economic climate across the city.

Table 7 – Business Rates Retention scheme

	2015/16 £m	2016/17 £m
<b>Business Rates Baseline</b>	<b>143.8</b>	<b>145.0</b>
Projected growth above the baseline to March 2016		5.1
Estimated growth in 2016/17		4.8
Additional income from ending of Retail Relief		2.1
Growth due to increase in multiplier		1.4
<b>Total estimated growth</b>	<b>10.2</b>	<b>13.4</b>
Estimated provision for appeals		(20.1)
Additional estimated cost of transitional arrangements and provision for bad debts		(2.1)
<b>Estimated year-end Collection Fund deficit (Leeds Share)</b>	<b>(6.4)</b>	<b>(22.2)</b>
<b>Estimated Business Rates Funding</b>	<b>147.6</b>	<b>136.2</b>
<b>Increase/(reduction) against the Business Rates baseline</b>	<b>3.8</b>	<b>(8.8)</b>
<b>Business Rates Retention - Net General Fund Pressure</b>		<b>(12.6)</b>

4.2.4 The Spending Review and Autumn Statement further supports small businesses by extending the doubling of small business rate relief (SBRR) in England for 12 months to April 2017. However, the Retail Relief Scheme, which was a two-year local discount awarded at the Council's discretion which was fully funded by section 31 grant, has not been extended and will end at the end of March 2016 as previously announced. The impact will be to increase the income from business rates by £2.1m which is directly offset by a £2.1m reduction in the section 31 grant.

4.2.5 The new Enterprise Bill was introduced to the House of Lords on 16<sup>th</sup> September 2015. It contains provisions dealing with two aspects in respect of the non-domestic rating system: a) disclosure of information by HMRC and b) regulations covering appeals against rateable value that could affect local authorities. Whilst these proposals will help a little, they are unlikely to resolve the central problems for local authorities with the system of Business Rates Retention and specifically the risks associated with the appeals process.

### 4.3 Council Tax

4.3.1 The 2015/16 budget was supported by a 1.99% increase in the level of Council Tax which remains the 2<sup>nd</sup> lowest of the Core Cities and mid-point of the West Yorkshire districts.

Table 8 – 2015/16 Council Tax levels (Figures exclude Police and Fire precepts)

Core Cities	Band D	West Yorkshire Districts	Band D
	£		£
Nottingham	1,459.67	Kirklees	1,267.15
Bristol	1,419.01	Calderdale	1,251.43
Liverpool	1,384.53	Leeds	<b>1,168.80</b>
Newcastle	1,380.82	Wakefield	1,161.43
Sheffield	1,308.28	Bradford	1,152.11
Manchester	1,172.27		
Leeds	<b>1,168.80</b>		
Birmingham	1,158.43		

- 4.3.2 Government previously provided funding for the on-going effect of previous Council Tax freezes up to 2015/16. The Council accepted the Council Tax freeze grant for the years 2011/12 to 2013/14, and government funding of £9.4m was built into the Council's 2015/16 settlement (the grant for freezing Council Tax in 2012/13 was for one year only).
- 4.3.3 The 2016/17 Initial Budget Proposals recognise an additional £4.7m of income from increases to the Council Tax base (4,015 band D equivalent properties) together with a reduction in the contribution from the Collection Fund of £0.8m (a budgeted £2.03m surplus on the Collection Fund in 2015/16 reducing to an estimated surplus on the Collection Fund of £1.2m in 2016/17).
- 4.3.4 In previous years the Government has set a limit of up to 2% for Council Tax increases above which a Local Authority must seek approval through a local referendum. The referendum ceiling for 2016/17 has yet to be announced; when this information is known the Council will need to make a decision about the proposed Council Tax increase. However, subject to an announcement as to a referendum ceiling it is proposed that the standard Council tax is increased by 1.99%. In addition it is proposed that the Leeds element of Council tax is also increased by the 2% Adult Social Care precept.
- 4.3.5 Table 9 below sets out the estimated total income from Council Tax in 2016/17. This recognises the estimated increase in the Council Tax base, a £1.2m surplus on the Collection Fund together with £10.2m of additional income generated from the Adult Social Care precept and the general increase in the Council Tax rate.

Table 9 – Estimated Council Tax income in 2016/17

	£m
<b>2015/16 Council Tax Funding</b>	<b>251.9</b>
Less: Change in Collection Fund - Increase /(reduction)	(0.8)
Add: Increase in tax base	4.7
Add: 1.99% increase in Council Tax level	5.1
Add: 2% Adult Social Care Precept	5.1
<b>2016/17 Council Tax Funding</b>	<b>266.0</b>

4.3.6 The settlement funding assessment includes an element to compensate parish and town councils for losses to their council tax bases from the Local Council Tax Support (LCTS). The amount is not separately identifiable and, as in previous years, it is proposed that the LCTS grant for parish and town councils should be reduced in-line with the assumptions for Leeds' overall reduction in the Settlement Funding Assessment which would be a reduction of 9% for 2016/17 from £92k to £84k.

#### 4.4 The Net Revenue Budget 2016/17

4.4.1 After taking into account the anticipated changes to the Settlement Funding Assessment, Business Rates and Council Tax, the overall Net Revenue Budget for the Council is anticipated to reduce by £22.6m from £523.8m down to £501.2m, as detailed in table 10 below;

Table 10 – Estimated Net Revenue Budget 2016/17 compared to 2015/16 Net Revenue Budget

	2015/16 £m	2016/17 £m	Change £m
Revenue Support Grant	124.3	99.0	(25.3)
Business Rates Baseline	143.8	145.0	1.2
<b>Settlement Funding Assessment</b>	<b>268.1</b>	<b>244.0</b>	<b>(24.1)</b>
Business Rates Growth	10.2	13.4	3.2
Business Rates Deficit	(6.4)	(22.2)	(15.8)
Council Tax	249.9	264.8	14.9
Council Tax surplus/(deficit)	2.0	1.2	(0.8)
<b>Net Revenue Budget</b>	<b>523.8</b>	<b>501.2</b>	<b>(22.6)</b>

4.4.2 Table 11 below analyses the £22.6m estimated reduction in the net revenue budget between the Settlement Funding Assessment and locally determined funding sources.

Table 11 – Reduction in the funding envelope

<b>Funding Envelope</b>	<b>2016/17 £m</b>
Government Funding Settlement Funding Assessment	(24.1)
Sub-total Government Funding	(24.1)
Locally Determined Funding Council Tax	14.1
Business Rates	(12.6)
Sub-total Locally Determined Funding	1.5
Reduction in Net Revenue Budget	(22.6)

## **5. Developing the Council's Budget Proposals - consultation**

- 5.1 The financial strategy and initial budget proposals have both been driven by the Council's ambitions and priorities which have been shaped through past consultations and stakeholder engagement. Public perception evidence that services and localities already hold about people's priorities has been brought together and a summary of the findings produced to support the preparation of the initial budget proposals for 2016/17.
- 5.2 As in previous years, residents and wider stakeholders will have the opportunity to comment on the initial budget proposals in a variety of ways, for example hard-copy feedback forms in public spaces, online and also through city-wide networks.

## **6. Initial Budget Proposals 2016/17**

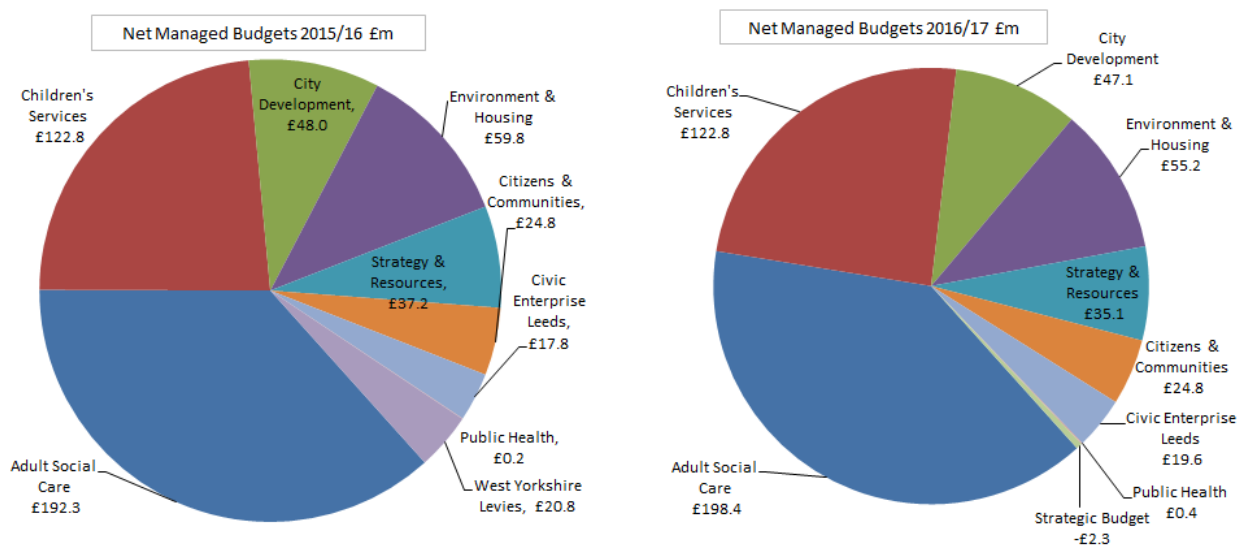
- 6.1 This section provides an overview of the spending pressures which the Council is facing in 2016/17 and the initial budget proposals to balance to the available resources. Table 12 below provides a summary of key cost pressures and savings areas:

Table 12 Initial Budget Proposals 2016/17

	£m
Reduction in Settlement Funding Assessment	24.1
Business Rates - potential growth offset by impact of backdated appeals	12.6
Inflation	8.4
National Insurance Changes	7.3
Real Living Wage	3.3
National Living Wage - Commissioned Services	5.2
Demand & Demography - Adult Social Care and Children's Services	6.5
Fall-out of Capitalised Pension costs	(2.3)
Debt and review of future capital funding	(1.3)
Tour de Yorkshire & World Triathlon	0.6
Council Tax Invest to Save - Customer Services Officers & review of Single Person Discounts	0.4
Income Generation & Inward Investment	0.3
Elections - reinstate budget	0.2
West Yorkshire Transport Fund	0.2
Business Rates - Retail rate relief - fall out of section 31 grant	2.1
Reduction in ring-fenced Public Health Grant	3.9
Other Corporate and Directorate Budget Pressures	15.8
<b>Cost &amp; Funding Changes</b>	<b>87.2</b>
Waste Strategy - full year effect of RERF	(4.0)
New Homes Bonus	(0.6)
Asset Management savings	(1.1)
Changes to Minimum Revenue Provision	(21.0)
Reserves/One-off income	(2.3)
Directorate Savings - see appendix 2	(44.1)
<b>Total Savings and Efficiencies</b>	<b>(73.1)</b>
Potential increase in Council Tax base, rate and Social Care precept	(14.1)
<b>Total - Savings, Efficiencies and Council Tax</b>	<b>(87.2)</b>

- 6.1.1 The pie charts below show the share of the Council's net managed expenditure between directorates for 2015/16 and the proposed allocations for 2016/17 based on the Initial Budget Proposals. It should be noted that these resource allocations may be subject to amendments as we move through the budget setting process. Net managed expenditure represents the budgets under the control of individual directorates and excludes items such as capital charges and pensions adjustments.
- 6.1.2 It can be seen that the proportion of the Council's spend on Children's Services and Adult Social Care has increased from 60.2% in 2015/16 to 64.1% in 2016/17 which reflects the Council's priorities around supporting the most vulnerable across the city and to prioritise spending in these areas.

Chart 2 – Net Managed budgets 2015/16 and 2016/17



## 6.2 Changes in Costs

- 6.2.1 **Inflation** - the budget proposals include allowance for £8.4m of net inflation in 2016/17. This includes provision of £4.1m for a 1% pay award over and above the cost of implementing the real living wage. The budget proposals allow for inflation where there is a contractual commitment, but anticipates that the majority of other spending budgets are cash-limited. An anticipated 3% general rise in fees and charges has also been built into the budget proposals.
- 6.2.2 **Employer's National Insurance** - employer's national insurance costs are due to increase in 2016/17 as announced in the Chancellor's Autumn Statement in 2013. The estimated cost of this in 2016/17 is £7.6m of which £7.3m relates to general fund services and £0.3m to the Housing Revenue Account. In addition, the impact on schools will be in the region of £4.9m in 2016/17.
- 6.2.3 **National Living Wage** – as part of the budget in July 2015, Government announced the introduction of a new National Living Wage of £7.20 per hour, rising to an estimated £9 per hour by 2020. Implemented from April 2016, this National Living Wage would be paid to all employees aged over 25. In addition to the additional cost of implementing the Real Living Wage for all directly-employed staff, the budget proposals also make allowance for implementing the cost of the National Living Wage for commissioned services, primarily those within Adult Social Care. The immediate impact in 2016/17 is estimated at an additional cost of £5.2m.
- 6.2.4 **Real Living Wage** – at its September 2015 meeting, the Executive Board agreed that Council would move towards becoming a real Living Wage employer.

In November 2015, the Campaign for Living Wage Foundation announced a living wage of £8.25 per hour (outside London). It is proposed to move to

becoming a real living wage employer during 2016/17 by implementing a minimum rate of £8.01 per hour from April 2016 and consider the impact of a further increase with a view to implementing during the year. A provision of £3.3m for 2016/17 has been included in the general fund with a further cost to the Housing Revenue Account of £0.1m and an impact for schools-based staff of £2.7m.

## 6.2.5 Demand and Demography

6.2.5.1 In Adult Social Care, the budget proposals recognise the increasing demographic pressures with provision of £5.8m in 2016/17. The population growth forecast assumes a steady increase from 2015 in the number of people aged 85 - 89 during 2016 and 2017 (2.9% and 2.8% respectively) followed by further increases but at a lower rate of 1.8% for the later years of the strategy, resulting in additional costs for domiciliary care and care home placements. In addition, the budget proposals reflect the anticipated increase in the number of customers opting for cash personal budgets. The Learning Disability demography is expected to grow by £3.7m per annum, which includes an anticipated growth in numbers of 3.5% (based on ONS data) through to 2020; but noting that the high cost increase is primarily a combination of increasingly complex (and costly) packages for those entering adult care, as well as meeting the costs of the increasing need for existing clients whose packages may last a lifetime.

6.2.5.2 In addition, there are increasing demographic and demand pressures in Children's Services. Across the city, the birth rate is increasing with a projected 3.3% increase in the number of children and young people rising from 183,000 in 2012 to 189,000 by 2017. This rising birth rate is further compounded by the impact of net migration into the city and typically, an increase of 6,000 children and young people would generate pressure of £2m across the Children's Services budget, particularly the budget supporting children in care.

This increasing demographic also brings with it an increasing number of children with special & very complex needs. In budgetary terms, this impacts in particular on the externally provided residential placement budget and also in the budgets that support children and young people with special educational needs, specifically the educational placement budget (funded through the dedicated schools grant), and the home to school/college transport budget which is funded through the general fund. In respect of the latter, the 2016/17 budget proposals include additional funding of £0.7m reflecting this increasing demand.

Additionally, it is worth noting that changes in government legislation have also increased the costs to local authorities, an example of this being the 'Staying Put' arrangements, which enables young people to remain with their carers up to the age of 21. These arrangements are resulting in additional costs of approximately £1m over and above the £0.2m grant allocation.

6.2.6 **Debt** – the proposed budget recognises a reduction in the cost of debt and capital financing costs of £1.3m in 2016/17 which reflects the on-going capital

programme commitments together with anticipated changes in interest rates. The gross total capital programme is £1.1bn and seeks to deliver investment in line with the Council's plans and objectives. The level of the capital programme will continue to be reviewed to ensure that it is deliverable and that it continues to be supportive of the Council's priorities. The forecast debt budget reflects the costs of financing both present and future borrowing in line with assumed borrowing costs. These assumed borrowing costs will be kept under review and adjusted for the latest market estimates.

6.2.7 **Council Tax Support Scheme & Single Person Discount** – the initial budget proposals recognise that the Council Tax Support Scheme will continue unchanged. An additional investment of £0.32m has been included in the budget proposals to fund additional customer services officers who will support implementation of the Personal Work Packages as part of the Council Tax Support Scheme which commenced in October 2015. This additional cost will be funded through additional income from estimated increases to the Council tax base. In addition, the proposed budget includes funding to extend the invest to save work on single person discount where again the commensurate savings are recognised in the council tax base

6.2.8 **Public Health** - on the 4<sup>th</sup> November, Government announced the outcome of the consultation on the implementation of a £200m national in-year cut to the 2015/16 ring-fenced Public Health grant allocation. This confirmed the Department of Health's preferred option of reducing each local authority's allocation by 6.2%, which resulted in a reduction of £2.82m for Leeds in 2015/16.

In the Spending Review and Autumn Statement, Government indicated it will make savings in local authority public health spending with average annual real-terms savings of 3.9% over the next 5 years which will manifest in reductions to the public health grant to local authorities. It has become apparent that these further reductions are in addition to the 6.2% 2015/16 reductions which will now recur in 2016/17 and beyond. This will mean an estimated reduction to the Council's public health grant of £3.9m in 2016/17 with a total estimated reduction to the Council's grant allocation of £7.3m by 2019/20. This will effectively mean that the Council will have £25m less to spend on public health priorities between 2015/16 and 2019/20. The Department of Health will announce the specific allocation for Leeds only in January 2016.

In addition, the fall-out of £1.4m of non-recurrent funding from 2015/16 will mean the total savings needed from the public health budget in 2016/17 is £5.3m



Table 13 – Public Health – estimated grant allocation and reduction.

	National £'000	Leeds £'000
<b>Original 2015/16 grant</b>	<b>2,801,471</b>	<b>40,540</b>
Add: 0-5 transfer from health	859,526	9,986
	<b>3,660,997</b>	<b>50,526</b>
Less: 2015/16 recurring grant reduction (6.2%)	(200,000)	(2,823)
Less: estimated 2016/17 grant reduction (2.2%)	(76,142)	(1,049)
<b>Estimated 2016/17 grant</b>	<b>3,384,855</b>	<b>46,654</b>
Total estimated grant reduction in 2016/17	(276,142)	(3,872)
Percentage reduction in cash-terms	7.54%	7.66%

- 6.2.9 **Tour de Yorkshire & World Triathlon** – in 2016 Leeds is scheduled to host the World Triathlon and again host a stage of the Tour de Yorkshire. The budget proposals include £0.6m of invest to save funding which recognises the significant economic boost that these events will bring to the City and wider region.
- 6.2.10 **Income Generation and Inward Investment** – in support of the continuing drive to become a more enterprising and efficient organisation, the budget proposals include proposals to invest in additional capacity to support the Council’s income generation strategy including how we capitalise on the opportunities from trading services. In addition, the proposals include additional investment to support inward investment including working with partners to market our city.
- 6.2.11 **West Yorkshire Transport Fund** – the budget proposals recognise a potential increase in the contribution to the West Yorkshire Transport Fund from £5.4m in 2014/15 to £11.4m over 10 years, an increase of £0.6m each year. The Leeds share based on population figures is around £0.2m and provision has been built into the proposed budget to reflect this which would be a decision by the West Yorkshire Combined Authority as part of their levy proposals.
- 6.2.12 Other Pressures - £15.8m**
- 6.2.12.1 **Waste Management and Disposal Costs** – a pressure of £0.96m is reflected in the 2016/17 budget proposals which reflects changes to the costs of waste disposal/recycling income, maintenance costs and household waste.
- 6.2.12.2 **Grant & other funding** – the 2016/17 budget proposals also take into account anticipated grant reductions across a number of services. These include;
- the fall-out of the Children’s Social Care Innovations funding of £1.6m.
  - non-recurrent funding of £1m for capacity building for free early education entitlement.
  - a £0.3m pressure from the fall-out of the SEND reform grant.
  - a reduction to the Housing Benefit Administration grant of £0.3m.

- an anticipated continuation of the in-year cut in the Youth Offending Service grant of £0.3m
- an estimated reduction of £0.3m to the Education Services Grant recognising schools becoming academies.
- Non-recurrent health income of £1m for Community Intermediate Care beds.
- Non-recurrent funding of £1.9m from health around Health & Social Care initiatives.
- One-off income in 2015/16 in City Development which was supporting economic regeneration activities.

6.2.12.3 **Demand** – the budget proposals also recognise continuation of the 2015/16 demand pressures in Adult Social Care with a provision of £1.9m included in the budget proposals. In addition, there is a pressure of £0.2m reflecting additional commissioning costs for South Leeds Independence Centre.

6.2.12.4 **Income trends** – a £0.4m pressure in City Development reflecting income trends in respect of advertising, venues income and fee recovery in asset management.

6.2.12.5 **Police and Community Support Officers (PCSOs)** – from April 2016 the Police and Crime Commissioner is seeking to change the funding formula PCSOs so that local authorities will be required to make a contribution of 50% to their cost. Currently Leeds City Council spends £1.06m per annum on PCSOs which represents a 20% contribution to the cost of providing 165 PCSOs city wide. Therefore unless the Council increases its contribution, implementation of this revised funding agreement will have implications for the total number of PCSOs that the Council can support.

### **6.3 The Budget Gap – Savings Options – £73.1m**

6.3.1 After taking into account the impact of the anticipated changes in funding and spend, it is forecast that the Council will need to generate savings, efficiencies and additional income to the order of £73.1m in 2016/17, in addition to an estimated £14.1m additional Council Tax income. The total budget savings options are shown at table 12 and detailed by directorate at appendix 2. This estimated budget gap and therefore the required savings are very much dependent on the range of assumptions highlighted previously in this report, particularly around the level of future core funding from Government, which for individual local authorities will not be confirmed until the provisional local government finance settlement is announced in mid-December 2015.

#### **6.3.2 New Homes Bonus – savings of £0.6m**

6.3.2.1 The government introduced an incentive scheme in 2011 to encourage housing growth across the country; Councils receive additional grant equivalent to the average national Council Tax for each net additional property each year and is received annually for six years. An additional 2,800 band D equivalent properties per annum has been assumed for 2016/17 which includes both new builds and properties brought back into use. The Council not only benefits from

the additional Council Tax raised from these properties, estimated to be £3.3m in 2016/17, but also through the through New Homes Bonus which is estimated at an additional £4.1m per annum. However, taking account of the shortfall in the net increase in properties in 2015/16 together with the fall-out of the £2.7m income from 2010/11 means that the cash increase is reduced to £0.6m.

6.3.2.2 It should be noted that whilst the New Homes Bonus is intended as an incentive for housing growth, the funding for this initiative comes from a top-slice of the Local Government funding settlement and the distribution of this funding benefits those parts of the country with the highest level of housing growth and is weighted in favour of properties in higher Council Tax bands.

### **6.3.3 Efficiencies – savings of £14m**

6.3.3.1 Appendix 2 provides the detail of a range of proposed efficiency savings across all directorates which total some £14m in 2016/17. These savings are across a number of initiatives around;

- Organisational design.
- Continuing demand management through investment in prevention and early intervention, particularly in Adult Social Care and Children's Services.
- Savings across the range support service functions.
- Ongoing recruitment and retention management.
- Reviewing leadership and management.
- Realising savings by cash-limiting and reducing non-essential budgets.
- Estimated savings on energy and fuel through price and volume.
- Ongoing procurement and purchasing savings.

### **6.3.4 Fees & Charges – additional income of £2.8m**

6.3.4.1 The initial budget proposals assume a general increase in fees and charges of 3%. In addition, appendix 2 sets out detailed proposals around a number of fees and charges where further increases are proposed which in total would generate an additional £2.8m of income by March 2017.

### **6.3.5 Traded Services, partner income & other income – additional income of £12.5m**

6.3.5.1 Appendix 2 provides detail across directorates of a range of proposals that together would generate additional income of £12.5m. This includes;

- Adult Social Care – further health funding, including the Better Care Fund and transformation funding.
- Improvement partner income in Children's Services.
- Continued funding from schools and health to support the Children's Services strategy recognising the range of mutual benefits of the investment in preventative and early intervention.
- A range of additional trading with schools, academies and other external organisations.

### **6.3.6 Service Changes – savings of £14.9m**

- 6.3.6.1 By necessity, managing a reduction of £24.1m in government funding in addition to a range of cost pressures means that the Council will have to make some difficult decisions around the level and quality of services that it provides and whether these services should be increasingly targeted toward need.
- 6.3.6.2 Appendix 2 sets out these detailed service change proposals which together total savings of £14.9m by March 2017.

### **6.3.7 Minimum Revenue Provision – savings of £21m**

- 6.3.7.1 When capital investment is funded from borrowing, there is a cost to the revenue budget both in terms of interest and minimum revenue provision. The annual minimum revenue provision is effectively the means by which capital expenditure which has been funded by borrowing is paid for by the council tax payer.
- 6.3.7.2 By statute, local authorities need to make a prudent level of provision for the repayment of debt, and the government has issued statutory guidance, which local authorities are required to ‘have regard to’ when setting a prudent level of MRP. The guidance sets out the broad aims of a prudent MRP policy, which should be to ensure that borrowing is repaid either over the life of the asset which the capital expenditure related to or, for supported borrowing, the period assumed in the original grant determination. The guidance identifies four options for calculating MRP which would result in a prudent provision, but states that other approaches are not ruled out. Local authorities therefore have a considerable level of freedom in determining their MRP policies, provided that they are in line with the broad aims set out in the statutory guidance.
- 6.3.7.3 The Capital Finance and Audit Regulations require councils to produce an annual statement of policy on making MRP which the Council last did as part of the 2015/16 Capital Programme report to full Council in February 2015.
- 6.3.7.4 The Council has undertaken a review of the application of its existing MRP policies and identified opportunities for additional savings which will reduce the pressure on its revenue budget but still ensure that a prudent level of provision is set aside.
- 6.3.7.5 The main features of the Council’s 2015/16 MRP policy include;
- If capital receipts have been used to repay borrowing for the year then the value of the MRP which would otherwise have been set aside to repay borrowing will be reduced by the amounts which have instead been repaid from capital receipts.
  - MRP for borrowing for 2014/15’s capital expenditure will be calculated on an annuity basis over the expected useful life of the assets. For expenditure capitalised under statute where there is no identifiable asset, the lifetimes used for calculating the MRP will be as recommended in the statutory guidance.

- MRP for borrowing on capital expenditure incurred between 2007/08 and 2013/14 for which an annuity asset life basis is already being used will continue on the same basis.
- For borrowing arising from earlier years, MRP will be charged on an asset life annuity basis. As data is not available to identify the individual assets which this borrowing relates to, an average asset life for categories of assets in the authority's current asset register will be used.
- For PFI and finance lease liabilities, a MRP charge will be made to match the value of any liabilities written down during the year which have not been otherwise funded by capital receipts.

The proposed MRP policy for 2016/17 will state that borrowing for 2015/16 capital expenditure will be calculated on an annuity basis over the expected life of the assets. It will also propose that the MRP liability on PFI schemes (to be met from capital receipts) is calculated over the life of the assets rather than the duration of the contract.

These changes have enabled the revenue budget strategy to include £21m of savings for 2016/17.

- 6.3.8 Fall-out of Capitalised Pension Costs** – savings of £2.3m are included in the budget proposals which result from the fall-out of the pension costs from 2011/12 which were capitalised and spread across the 5-year period.
- 6.3.9 Assets** – to date, the Council has successfully implemented a strategy which has seen a reduction in its asset portfolio and specifically a reduction in Council office accommodation by 250,000 square feet. The 2016/17 budget proposals include estimated revenue budget savings of £1.1m from the implementation of the asset management strategy and the reduction of the Council's asset portfolio.
- 6.3.10 Recovery and Energy from Waste Facility** – the management of the long-term contract with Veolia for the construction and operation of the residual waste treatment facility in Leeds is estimated to realise savings of £4m in 2016/17.

## **6.4 Impact of proposals on employees**

- 6.4.1 The Council has operated a voluntary retirement and severance scheme since 2010/11 which has contributed to a forecast reduction in the workforce of 2,500 ftes to March 2016, generating savings of £55m per year.
- 6.4.2 The initial budget proposals provide for an estimated net reduction in anticipated staff numbers of 259 ftes by 31<sup>st</sup> March 2017, as shown in table 14 below:

*Table 14 – Estimated staffing implications*

Full-time Equivalents	Increases	Decreases	Net Movement
Adult Social Care	5	(161)	(156)
Children's Services	21	(59)	(38)
City Development	0	(27)	(27)
Environment & Housing	1	(35)	(34)
Strategy & Resources	0	(62)	(62)
Civic Enterprise Leeds	0	(5)	(5)
Citizens & Communities	10	(14)	(4)
Public Health	0	(5)	(5)
<b>Total - General Fund</b>	<b>37</b>	<b>(368)</b>	<b>(331)</b>
Housing Revenue Account	83	(11)	72
<b>Total - General Fund &amp; HRA</b>	<b>120</b>	<b>(379)</b>	<b>(259)</b>

## 6.5 Staffing Impact

6.5.1 The proposals outlined above are reflected in table 15 below which gives a subjective breakdown of the Council's initial budget in 2016/17, compared to 2015/16.

Table 15 Subjective Analysis- General Fund

	Budget 2015/16 £m	Budget 2016/17 £m	Variation £m
Employees	437.1	438.9	1.9
Other running expenses	142.1	140.0	(2.1)
Capital Charges	47.1	24.8	(22.3)
Payments to external service providers	341.5	349.7	8.3
Fees & Charges/Other Income	(223.2)	(234.5)	(11.3)
Specific Grants	(219.2)	(215.3)	3.9
Use of General Fund reserves	(1.5)	(2.5)	(1.0)
<b>Net Revenue Budget</b>	<b>523.8</b>	<b>501.2</b>	<b>(22.6)</b>
Funded by:			
SFA/Business Rates	278.3	257.4	(20.9)
Collection Fund surplus/(deficit) - Business Rates	(6.4)	(22.2)	(15.8)
Council Tax	249.9	264.8	14.9
Collection fund surplus/(deficit) - Council Tax	2.0	1.2	(0.8)
<b>Total Funding</b>	<b>523.8</b>	<b>501.2</b>	<b>(22.6)</b>

## 7. General Reserve

- 7.1 General and useable reserves are a key measure of the financial resilience of the Council, allowing the authority to address unexpected financial pressures. Since 2010/11, the Council's general reserve level has reduced from £29.56m down to £22.3m at April 2015 with further budgeted use of £1.5m in 2015/16.
- 7.2 The assumed general reserve balance of £20.9m at March 2016 is predicated on the delivery of a balanced budget in 2015/16. Executive Board will be aware of the pressures in the 2015/16 financial year and the Financial Health report (month 7) indicates a potential pressure of £4m, primarily due to continuing demand pressures in Children's Social Care. The expectation is that measures will be put in place to bring the budget into balance by March 2016.
- 7.3 The 2016/17 budget proposals assume a £1m increase in the use of general reserves in 2016/17 up to £2.45m. This will reduce the estimated level of the general reserves to £18.4m by March 2017 as set out in the table below;

*Table 16 – General reserve level*

<b>General Reserves</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£m</b>	<b>£m</b>
Opening Balance 1st April	22.3	20.9
Budgeted usage	(1.5)	(2.5)
<b>Closing Balance 31st March</b>	<b>20.9</b>	<b>18.4</b>

- 7.4 Given the uncertainty about the future government funding, the financial challenges ahead and the inherent risks in future budgets, there is a strong argument that the level of general reserves should be increased over the next few years in order to increase the Council's resilience. To this end, and as envisaged in the medium-term financial strategy report, proposals will be brought to the February Executive Board around the potential to ring-fence specific capital receipts from asset sales to reduce the Council's minimum revenue provision requirement and to then use these savings to increase the level of General Reserves.

## 8. The Schools Budget

- 8.1 The Dedicated Schools Grant (DSG) for 2016/17 will continue to be funded as three separate blocks for early years, high needs and schools.
- 8.2 The early years block will fund free early education for 3 and 4 year olds and the early education of eligible vulnerable 2 year olds. The per pupil units of funding will be confirmed in December 2015 and will continue to be based on participation. From September 2017, Government will double the amount of free childcare to 30 hours/week for working families of 3 and 4 year old children.

- 8.3 The high needs block will support places and top-up funding in special schools, resourced provision in mainstream schools and alternative provision; top-up funding for early years, primary, secondary, post-16 and out of authority provision; central SEN support and hospital & home education. Published place numbers for the 2015/16 academic year will be rolled forward as the base for 2016/17 allocations and adjusted in accordance with the Education Funding Agency's (EFA) place change request process. The overall high needs block allocation will not be known until December 2015.
- 8.4 The schools block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11, and a number of prescribed services and costs in support of education in schools. The grant for 2016-17 will be based on pupil numbers in Leeds (including those in academies and free schools) as at October 2015, multiplied by the schools block unit of funding which for 2016/17 is £4,545.94. This rate incorporates the former non-recoupment academies. It is estimated that pupil numbers will increase by over 2,000 year on year, mainly in primary.
- 8.5 Following agreement with Leeds Schools Forum, the Council applied to continue to retain £5.2m of the schools block centrally in 2016/17 in order to support Clusters and this application has been approved by the Secretary of State. The EFA has stipulated that from April 2017, the local authority will have to put a plan in place so that schools may opt to purchase the service through individual agreement.
- 8.6 Funding for post-16 provision is allocated by the EFA through a national formula. No changes to the formula are expected for 2016/17. From 2017/18, sixth-form colleges will be able to become academies. The current national base rate per student for 16-19 year olds will be protected in cash terms over the parliament.
- 8.7 Pupil Premium grant is paid to schools and academies based on the number of eligible Reception – year 11 pupils on roll in January each year. The rates for 2015/16 are: primary £1,320, secondary £935, looked after/adopted £1,900, service £300. The early years pupil premium is payable to providers for eligible 3 and 4 year olds at the rate of £0.53 per child per hour. The pupil premium grant will continue and the rates will be protected.
- 8.8 The Primary PE grant will be paid in the 2015/16 academic year to all primary schools at a rate of £8,000 plus £5 per pupil. The Year 7 catch-up grant will be paid in the 2015-16 financial year at a rate of £500 for each pupil in year 7 who did not achieve at least level 4 in reading and/or mathematics (maximum £500 per pupil) at key stage 2. The rates for 2016-17 have yet to be announced.
- 8.9 A grant for the universal provision of free school meals for all pupils in Reception, Year 1 and Year 2 was introduced in September 2014. Funding is based on a rate of £2.30 per meal taken by eligible pupils. Data from the October and January censuses will be used to calculate the allocations for the



academic year. The government has given a commitment to maintain this funding.

- 8.10 From 2017/18, the government has announced that funding for schools, early years and high needs will be delivered through a national funding formula and there will be a transitional phase to smooth its introduction. Funding for the pupil premium and universal infant free school meals grants will continue. There will be a reduction in the education support grant (ESG) paid to local authorities as part of Government's commitment to reduce the local authority role in running schools as well as the removal of a number of statutory duties. Government will launch a detailed consultation on policy and funding proposals in 2016.

### 8.11 Schools funding summary

Estimated figures for the 2015/16 and 2016/17 financial years are shown below:

	2015/16 £m	2016/17 £m	Change £m
DSG - schools block	456.98	466.24	9.26
DSG - early years block	39.20	41.24	2.04
DSG - high needs block	58.35	58.35	-
EFA Post 16 funding	33.23	33.23	-
Pupil premium grant	41.36	42.26	0.90
Early years pupil premium grant	0.60	0.60	-
PE & sport grant	2.07	2.09	0.02
Summer schools grant	0.75	0.75	-
Yr 7 catch-up grant	0.84	0.87	0.03
Universal infant free school meals grant	9.23	9.43	0.20
<b>Total Schools Budget</b>	<b>642.61</b>	<b>655.06</b>	<b>12.45</b>

(Note: figures include estimated allocations for academies and free schools)

## 9. Housing Revenue Account

- 9.1 The Housing Revenue Account (HRA) includes all expenditure and income incurred in managing the Council's housing stock and, in accordance with Government legislation, operates as a ring fenced account.
- 9.2 In July 2015 the Chancellor announced that for the 4 years 2016/17 to 2019/20 housing rents would need to reduce by 1% each year. The Council's current HRA Financial Plan is based on the assumption that dwelling rents would increase in line with CPI +1% each year for 10 years which is in line with previous Government policy introduced in April 2015. Based on the Government's CPI target of 2% the Council anticipated rent increases of 3% each year for the next 10 years.

- 9.3 The change in Government Policy announced in July 2015 is effectively a 4% pa reduction from that assumed within the Council's HRA Financial Plan for each of the next 4 years. In cash terms this is a reduction of £20.5m in rental income over the four year period, of which £5.9m falls within the next two years (£1.9m in 2016/17, £4m in 2017/18). When compared to the level of resources assumed in the Financial Plan (and assuming that from 2020/21 rent increases will revert back to the previous policy of CPI+1%) this equates to a loss of £283m of rental income over the 10 year period (2016/17 to 2024/25).
- 9.4 The reduction in rental income will need to be managed in addition to other pay, price and service pressures. A combination of staffing efficiencies, improved targeting of resources which are used to improve environmental aspects of estates along with the use of reserves will all contribute towards offsetting these pressures. In addition, consideration will be given each year to increasing service charges to reflect more closely the costs associated with providing services. This will generate additional income which will contribute towards offsetting the reduction in rental income receivable as a result of the change in Government's rent policy.
- 9.5 Tenants in multi storey flats (MSFs) and in low/medium rise flats receive additional services such as cleaning of communal areas, staircase lighting and lifts and only pay a notional charge towards the cost of these services meaning other tenants are in effect subsidising the additional services received. It is proposed to increase service charges by £1 per week in 2016/17.
- 9.6 Currently tenants in sheltered accommodation receiving a warden service are charged £12 per week for this service. This charge is eligible for Housing Benefit. Consideration will be given to increasing the charge to £13 per week to reflect the costs associated with the service. For those tenants who benefit from the service but do not currently pay it is proposed from 2016/17 to introduce a nominal charge of £2 per week.
- 9.7 An analysis of the impact on individual tenants of reducing rents by 1% and implementing the proposed charges as above has been undertaken. This analysis shows that should the proposals be agreed 71.1% of tenants will pay 79p per week less in overall terms in 2016/17 than in 2015/16. Of those paying more, 22% will pay up to 34p more per week, 5% will pay £1.30 more with 2% paying an additional £2.30 per week. These increases will be funded through Housing Benefit for eligible tenants. It should be noted that had rents been increased by 3% in line with previous Government Policy and in line with assumptions in the Council's HRA Financial Plan - based on the average rent for 2015/16 tenants would have received an average rent increase of £2.23 per week in 2016/17.
- 9.8 The rollout of Universal Credit in Leeds commences in 2016 and once fully implemented it will require the Council to collect rent directly from around 24,000 tenants who are in receipt of full or partial Housing Benefit. This will have implications for the level of rental income receivable.

- 9.9 A reduction in the qualifying period after which tenants are able to submit an application to purchase a council house through the Government's Right to Buy legislation continues to sustain an increase in the number of sales and the subsequent reduction in the amount of rent receivable.
- 9.10 Since all housing priorities are funded through the HRA any variations in the rental income stream will impact upon the level of resources that are available for the delivery of housing priorities.
- 9.11 Resources will be directed towards key priority areas which include fulfilling the plan to improve the homes people live in, expanding and improving older person's housing and improving estates to ensure that they are safe and clean places to live.
- 9.12 The Council remains committed to delivering the investment strategy agreed by Executive Board in March 2015 and to replacing homes lost through Right to Buy by the planned £99.4m investment in new homes and the buying up of empty homes.

## **10. Capital Programme**

- 10.1 Over the period 2015/16 to 2018/19 the existing capital programme includes investment plans which total £1.1bn. The programme is funded by external sources in the form of grants and contributions and also by the Council through borrowing and reserves. Where borrowing is used to fund the programme, the revenue costs of the borrowing will be included within the revenue budget. Our asset portfolio is valued in the Council's published accounts at £3.96bn, and the Council's net debt, including PFI liabilities stands at £1.98bn.
- 10.2 The financial strategy assumes a £1.3m reduction in the cost of debt and capital financing. This assumes that all borrowing is taken short term at 0.5% interest for the remainder of 2015/16 and 0.75% for 2016/17.
- 10.3 The strategy allows for capital investment in key annual programmes, major schemes that contribute to the Councils best plan objectives and schemes that generate income or reduce costs. Capital investment will continue to be subject to robust business cases being reviewed and approved prior to schemes approval. Whilst the capital programme remains affordable, its continued affordability will be monitored as part of the treasury management and financial health reporting.
- 10.4 A separate Capital Programme update report will be presented to the Executive Board in February 2016.

## **11. Corporate Considerations**

### **11.1 Consultation and Engagement**

- 11.1.1 As explained at section 5 above the Initial Budget Proposals have been informed through the wealth of consultation evidence gathered in recent years on residents' budget priorities. Since 2012 there has been only minor changes to those priorities and, in addition, residents and service users have had

significant involvement in on-going service-led change projects. Subject to the approval of the board, this report will be submitted to Scrutiny for their consideration and review, with the outcome of their deliberations to be reported to the planned meeting of this Board on the 10<sup>th</sup> February 2016.

- 11.1.2 Consultation is an ongoing process and residents are consulted on many issues during the year. It is also proposed that this report is used for wider consultation with the public through the Leeds internet and with other stakeholders. Consultation is on-going with representatives from the Third Sector, and plans are in place to consult with the Business sector prior to finalisation of the budget.

## **11.2 Equality and Diversity / Cohesion and Integration**

- 11.2.1 The council continues to have a clear approach to embedding equality in all aspects of its work and recognises the lead role we have in the city to promote equality and diversity. This includes putting equality into practice taking into account legislative requirements, the changing landscape in which we work and the current and future financial challenges that the city faces.
- 11.2.2 As an example of the commitment to equality, scrutiny will again play a strong role in challenging and ensuring equality is considered appropriately within the decision making processes.
- 11.2.3 The proposals within this report have been screened for relevance to equality, diversity, cohesion and integration and a full strategic analysis and assessment will be undertaken on the Revenue Budget and Council Tax 2016/17 which will be considered by Executive Board in February 2016. Specific equality impact assessments will also be undertaken on the implementation of all budget decisions as they are considered during the decision-making processes in 2016/17.

## **11.3 Council Policies and Best Council Plan**

- 11.3.1 Work is underway to develop the 2016/17 Best Council Plan in line with the renewed 'Best City' ambition and draft outcomes agreed by the Executive Board in September and as detailed in the separate report on today's agenda, 'Emerging 2016/17 Best Council Plan priorities, tackling poverty and deprivation'. This ambition and draft set of outcomes underpin the Initial Budget Proposals and have been used to ensure that the Council's financial resources are directed towards its policies and priorities and, conversely, that these policies and priorities themselves are affordable.

## **11.4 Resources and Value for Money**

- 11.4.1 This is a revenue budget financial report and as such all financial implications are detailed in the main body of the report.

## **11.5 Legal Implications, Access to Information and Call In**

- 11.5.1 This report has been produced in compliance with the Council's Budget and Policy Framework. In accordance with this framework, the initial budget proposals, once approved by the board will be submitted to Scrutiny for their review and consideration. The outcome of their review will be reported to the February 2016 meeting of this Board at which proposals for the 2016/17 budget will be considered prior to submission to full Council on the 24<sup>th</sup> February 2016.
- 11.5.2 The initial budget proposals will, if implemented, have significant implications for Council policy and governance and these are explained within the report. The budget is a key element of the Council's Budget and Policy framework, but many of the proposals will also be subject to separate consultation and decision making processes, which will operate within their own defined timetables and managed by individual directorates.
- 11.5.3 In accordance with the Council's Budget and Policy Framework, decisions as to the Council's budget are reserved to Council. As such, the recommendation at 13.1 is not subject to call in, as the budget is a matter that will ultimately be determined by Council, and this report is in compliance with the Council's constitution as to the publication of initial budget proposals two months prior to adoption.

## **11.6 Risk Management**

- 11.6.1 The Council's current and future financial position is subject to a number of risk management processes. Failure to address medium-term financial pressures in a sustainable way is identified as one of the Council's corporate risks, as is the Council's financial position going into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the Council's risk-based reserves policy. Both these risks are subject to regular review. In addition, financial management and monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach has been reinforced with specific project management based support and reporting around the achievement of the key budget actions plans.
- 11.6.2 It is recognised that the proposed strategy carries a number of significant risks. Delivery of the annual budget savings and efficiencies proposed will be difficult, but failure to do so will inevitably require the Council to start to consider even more difficult decisions which will have far greater impact upon the provision of front line services to the people of Leeds.
- 11.6.3 A full risk assessment will be undertaken of the Council's financial plans as part of the normal budget process, but it is clear that there are a number of risks that could impact upon these plans put forward in this report; some of the more significant ones are set out below.

- The reductions in government grants are greater than anticipated. Specific grant figures for the Council for 2016/17 will not be known until later in the budget planning period.
- Demographic and demand pressures, particularly in Adult Social care and Children's services could be greater than anticipated.
- The implementation of the transformation agenda and delivery of the consequential savings could be delayed or the savings less than those assumed in the budget.
- Delivery of savings proposals could be delayed and reductions in staffing numbers could be less than anticipated.
- Inflation and pay awards could be greater than anticipated
- Other sources of income and funding could continue to decline
- The increase in the Council Tax base could be less than anticipated.
- The position on Business Rates Retention, and specifically the impact of back-dated appeals, could deteriorate further.
- Changes in the level of debt and interest rates could impact upon capital financing charges
- The estimated asset sales and capital receipts could be delayed which would impact on the assumed reduction in the minimum revenue budget and which would also require the Council to borrow more to fund investment
- Failure to understand and respond to the equality impact assessment.

11.6.4 A full analysis of all budget risks in accordance will continue to be maintained and will be subject to monthly review as part of the in-year monitoring and management of the budget. Any significant and new risks and budget variations are contained in the in-year financial health reports submitted to the Executive Board.

## **12. Conclusions**

12.1 This report has shown that the current financial position continues to be very challenging. The Council is committed to providing the best service possible for the citizens of Leeds and to achieving the ambition for the city of being the best in the UK with a firm focus on tackling inequalities. In order to achieve both the strategic aims and financial constraints, the Council will need to work differently, helping people to look after themselves, others and the places they live and work by considering the respective responsibilities of the 'state' and the 'citizen' (the social contract). This approach underpins the medium-term financial strategy and the emerging 2016/17 Best Council Plan.

12.2 Based on the information available through the November 2015 Spending Review there will be a further reduction in the Settlement Funding Assessment for 2016/17 of £24.1m which means that core funding from government (SFA and other grants) will have reduced by around £204m by March 2017. The initial budget proposals for 2016/17 set out in this report, subject to the finalisation of the detailed proposals in February 2016, will, if delivered, generate savings and additional income of £87.2m to produce a balanced budget.

12.3 Clearly savings of this magnitude will require many difficult decisions to be taken and these will not be without risk. The level of reductions required for 2016/17 will impact on front line services which the Council has worked, and continues to work, extremely hard to protect. In this context, it is important that risks are fully understood and the final budget is robust.

**13. Recommendations**

13.1 Executive Board is asked to agree the Initial Budget Proposals and for them to be submitted to Scrutiny and also for the proposals to be used as a basis for wider consultation with stakeholders.

**14. Background documents<sup>2</sup>**

None

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<sup>2</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

## 2016/17 Budget Strategy

	Adult Social Care £m	Children's Services £m	City Development £m	Environment & Housing £m	Strategy & Resources £m	Citizen's & Communities £m	Civic Enterprise Leeds £m	Public Health £m	Strategic Budget £m	Total £m
<b>Net Managed Budget 2015/16 (adjusted)</b>	<b>192.3</b>	<b>122.8</b>	<b>48.0</b>	<b>59.8</b>	<b>37.2</b>	<b>24.8</b>	<b>17.8</b>	<b>0.2</b>	<b>20.8</b>	<b>523.8</b>
Inflation	2.9	1.9	1.7	0.7	0.7	0.5	(0.1)	0.1		8.4
National Insurance Changes	1.1	1.7	1.0	1.1	0.9	0.5	0.8	0.1		7.3
National Living Wage	5.2									5.2
Campaign for a Real Living Wage	0.1	0.1	0.2	0.4	0.0	0.1	2.5			3.3
Demography	5.8	0.7								6.5
Debt & Capital Financing									(1.3)	(1.3)
Council Tax base & Support			0.6			0.4		3.9		0.4
Public Health grant reduction									0.3	0.6
Tour de Yorkshire & World Triathlon									0.2	0.3
Income Generation & Inward Investment									0.2	0.2
West Yorkshire Transport Fund										0.2
Elections - reinstate budget										0.2
Business Rates - Retail rate relief - fall out of s31 grant										0.2
Fall-out of Capitalised Pension costs	(0.6)	(0.6)	(0.3)	(0.3)	(0.2)	(0.1)	(0.2)			(2.3)
Sub-total - Strategy Increases - row to hide	14.5	3.8	3.2	1.9	1.4	1.4	3.0	4.1	1.3	34.7
Other Pressures	6.0	6.0	0.7	2.3	0.0	0.0	0.0	1.4	(0.5)	15.8
<b>Total - Cost Changes</b>	<b>20.5</b>	<b>9.8</b>	<b>3.8</b>	<b>4.2</b>	<b>1.4</b>	<b>1.4</b>	<b>3.0</b>	<b>5.5</b>	<b>0.8</b>	<b>50.5</b>
Budget Savings Options;										
Waste Strategy				(4.0)						(4.0)
New Homes Bonus										(0.6)
Asset Management	(0.3)	(0.1)	(0.1)	(0.03)	(0.5)					(1.1)
Review of Minimum Revenue Provision										(21.0)
Reserves/Other Income										(2.3)
Appendix 2:-										
Changes to Service	(6.0)	(1.6)	(1.7)					(5.3)		(14.9)
Efficiencies	(1.3)	(2.8)	(2.0)	(3.6)	(2.9)	(0.5)	(0.9)			(14.0)
Income - Fees & Charges	(1.0)	(0.7)	(0.7)	(1.1)						(2.8)
Income - Traded Services, Partner & Other Income	(5.7)	(5.3)	(0.2)	(0.1)	(0.2)	(0.6)	(0.4)			(12.5)
<b>Total - Appendix 2</b>	<b>(14.0)</b>	<b>(9.7)</b>	<b>(4.6)</b>	<b>(4.8)</b>	<b>(3.1)</b>	<b>(1.5)</b>	<b>(1.2)</b>	<b>(5.3)</b>	<b>0.0</b>	<b>(44.1)</b>
<b>Total - Budget Savings</b>	<b>(14.3)</b>	<b>(9.8)</b>	<b>(4.7)</b>	<b>(8.8)</b>	<b>(3.6)</b>	<b>(1.5)</b>	<b>(1.2)</b>	<b>(5.3)</b>	<b>(23.9)</b>	<b>(73.1)</b>
<b>Target 2016/17 Net Revenue Budget</b>	<b>198.4</b>	<b>122.8</b>	<b>47.1</b>	<b>55.2</b>	<b>35.1</b>	<b>24.8</b>	<b>19.6</b>	<b>0.4</b>	<b>(2.3)</b>	<b>501.2</b>

APPENDIX 1



## Appendix 2

### Adult Social Care - Savings Options 2016/17

Savings Proposal	Customer Impact	Ease of Deliverability	Comments	Saving		Is this relevant to Equality & Diversity?
				2016/17	2017/18	
	H/M/L	R/A/G		£m	£m	
<b>A) Efficiencies</b>						
Assessment & Care Management - Efficiency & Effectiveness	L	A	End to end review including revisiting skills mix, staff turnover rates and activities undertaken. Minimal customer impact	(0.5)	(1.5)	N
Vacancy Management	L	G	Holding vacant posts - almost all relates to back-office functions	(0.8)		N
<b>Sub-Total Efficiency</b>				<b>(1.3)</b>	<b>(1.5)</b>	
<b>B) Changes to Service</b>						
Adults - Assessment & Care Management - Practice	M	A	This will focus on new clients. Review of approval mechanisms, team performance, commissioning decisions, access to residential care and approach to Continuing Health Care, increased use of telecare and reablement. To include looking at community and universal alternatives and developing and supporting community action. Main impact likely to be on costs/processes, but there will be some impact on service provision, with more customers signposted to community based services and a reduction in the average spend per customer.	(1.0)	(3.0)	Y
Physical Impairment Services	M	A	This will focus on existing customers. Review high cost care packages and review customers against Care Act eligibility, meeting eligible needs in a cost-effective way. Promotion of 'Ordinary Lives', expand the personalised offer through Shared Lives and review the resource allocations system for personal budgets. 2017/18 may involve a review of day service provision. The impact likely to be mainly for older people with physical impairments. Any customers not meeting Care Act eligibility will be signposted to alternative services in the community and reduced average spend per care package.	(0.5)	(0.5)	Y
Mental Health Services	M	A	This will focus on existing customers. Review high cost care packages and review customers against Care Act eligibility, meeting eligible needs in a cost-effective way. Promotion of 'Ordinary Lives' and review of the resource allocation system for personal budgets'. 2017/18 may involve a review of day service provision. Impact will include reduced average spend per care package. Any customers not meeting Care Act eligibility will be signposted to alternative services in the community.	(1.0)	(1.0)	Y

Learning Disability Services	H	A	This will focus on existing customers. Service will manage with standstill budget rather than the £3m growth in previous years. Review high cost care packages and review supported living and home care services. Review customers against Care Act eligibility, meeting eligible needs in a cost-effective way. Promotion of 'Ordinary Lives' and review of the resource allocation system for personal budgets'. Review the transitions pathway and work closely with Children's Services to manage expectations and deliver cost-effective services for those aged 18+. Impact will include reduced average spend per care package. Any customers not meeting Care Act eligibility will be signposted to alternative services in the community. May need to review the service offer, including Aspire services.	(3.0)	(3.0)	Y
Closure of residential homes and day centres for older people	M	A	Includes the full-year effect of the closure of Primrose Hill home in 2015/16. Requires Executive Board approval for further residential and day care closures scheduled for Summer 2016 to deliver the 2017/18 closures and part of the 2016/17 savings.	(0.5)	(1.8)	Y
Older People's Services	M	A	Further phase of Better Lives programme in Provider Services. Closure of all remaining directly provided homes except those used for short stays/ intermediate care. Will require consultation and Executive Board approval.		(1.1)	Y
<b>Sub-Total Service Changes</b>				<b>(6.0)</b>	<b>(10.4)</b>	
<b>C) Additional Income - Fees and Charges</b>						
Charging review for Non-Residential Services	H	A	Consultation on proposals underway closing December 2015, with Executive Board approval required in early 2016. Around one third of customers likely to pay more (2,600 people) but financial assessment ensures affordability.	(1.0)	(2.0)	Y
<b>Sub-Total Additional Income (Fees &amp; Charges)</b>				<b>(1.0)</b>	<b>(2.0)</b>	
<b>D) Additional Income - Traded Services, Partner and Other Income</b>						
Better Care Fund	L	A	Requires agreement with health to convert capital funding provided by LCC for the BCF to be released back as revenue funding	(1.8)		N
Further health funding/use of the Health & Social Care earmarked reserve	L	R	Exploring whether further health funding can be secured and/or exploring the potential use of the Health & Social Care earmarked reserve. These will require further discussion/agreement with CCGs.	(3.9)		N
<b>Sub-Total Additional Income (Traded Services, Partner and Other Income)</b>				<b>(5.7)</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Savings Options - Adult Social Care</b>				<b>(14.0)</b>	<b>(13.9)</b>	

## Children's Services - Savings Options 2016/17

Savings Proposal	Customer Impact	Ease of Deliverability	Comments	Saving		Is this relevant to Equality & Diversity?
				2016/17	2017/18 fye	
	H/M/L	R/A/G		£m	£m	
<b>A) Efficiencies</b>						
Children in Care	L	R	The 2016/17 budget proposal is a real-terms stand-still for the budgets that support children in care. This proposal recognises the 2015/16 budget pressure on placements for Children looked After (CLA) of approximately £4m (as at November 2015). The challenge is to continue to safely and appropriately reduce the need for statutory intervention against a back-drop of increasing demographic/demand for services arising from inward migration to the city, increasing birth rates and greater awareness around child protection.	0.0	0.0	N
Children's Homes (Mainstream & Disability)	L	A	Further efficiencies in running costs (primarily staffing/Agency/Overtime) as a result of reconfiguration of Children's Homes and the closure of Bodmin & Pinfolds children's homes earlier in the financial year.	(0.4)	0.0	N
Youth Offending Service	M	A	Restructure Youth Offending Service (YOS) to deal with £0.3M reduction in government grant and contribute £0.1M to savings required in 16/17. 3 posts currently identified for Early Leavers Initiative and several posts being held vacant. Savings will also be required from services rendered by other organisations working for the YOS.	(0.4)	0.0	Y
Special Educational Needs & Disability (SEND) Reform	M	A	Reduce staffing spend to mitigate against a £0.4m fall-out of SEND Reform Grant. Reduction equivalent to approximately 5 FTE's.	(0.3)	0.0	Y
Family Placement	L	A	Transfer Family Placement Team to the Complex Needs service to reduce management costs	(0.1)	0.0	Y
Multi Systemic Therapy and Families First Programme	L	G	Reduction in supervision / management through cross team working	(0.1)	(0.0)	N
Children's Centres	L	A	Reduce the net cost of Learning for Life managed Children's Centres childcare by reducing supernumerary management posts e.g. assistant managers or Children's Centre managers, ensuring correct number of term time only and all year round staff, and catering cost savings.	(0.5)	(0.5)	N
Family Support Services - Recharge to the Housing Revenue Account	L	A	Optimise Housing Revenue Account (HRA) funding for services to Families to reflect the work that our Multi-systemic Therapy (MST) Teams do with families within Council Tenancies	(0.3)	0.0	N
Targeted Services Leaders	M	A	Reduction in Targeted Services Leaders posts and associated costs. Linked to cluster/locality working and re-focusing of resources in high need clusters	(0.2)	(0.2)	Y
Partnership Development & Business Support	L	A	Further rationalisation of staffing across IMT, Workforce Development, Voice & Influence & Commissioning	(0.5)	0.0	Y
Supplies and Services			Cash-limit budgets and limit spend to essential items	(0.2)	0.0	N
<b>Sub-Total Efficiency</b>				<b>(2.8)</b>	<b>(0.7)</b>	

**B) Changes to Service**

Services for Young People	H	R	Proposal to fundamentally change the way in which Children's Services respond to the needs of young people including further savings on the 'Youth Offer', Youth inclusion Project (YIP) and services to young people at risk of becoming NEET (not in education, employment or training)	(1.2)	0.00	
Externally Commissioned Family Intervention Service	L	A	Cessation of Domestic Violence contract (wef 1/10/2015) - £250k saving. Propose to reduce the Family Intervention Service contract in South Leeds by approximately 10% (£70k saving) and reduce the budget for the in house service by £80k by not recruiting to vacancies.	(0.4)	0.0	Y
Transport	H	R	Range of options for Post 16 Transport which would deliver savings of between £0.25m and £1m by 2017/18. Decision around consultation will be needed	0.0	(1.0)	Y
<b>Sub-Total Service Changes</b>				<b>(1.6)</b>	<b>(1.0)</b>	

**C) Additional Income - Traded Services, Partner and Other Income**

Income -Health Clinical Commissioning Groups	L	R	£1.6m of funding from Clinical Commissioning Groups (CCG's) agreed for 2015/16 - further work to be done to agree funding in 16/17 and beyond	(1.6)	0.00	N
Income (Schools Forum)	L	R	Schools Forum funding of £3.4m per academic year provisionally agreed subject to delivery of activity/outcomes. £1m of funding for SEMH already assumed within base budget	(2.4)	0.00	N
Income (Improvement Partner)	L	R	Aim to maximise potential income from work commissioned by DfE in relation to other local authorities. Initial work is being undertaken in 2 local authorities with interest shown by 2 other authorities	(0.5)	(0.3)	N
Income (Adel Beck)	L	A	Aim to maximise potential income from Welfare Beds following reduction in block beds purchased by Youth Justice Board. Contribution for Welfare beds daily rate higher than for YJB.	(0.4)	0.0	N
Early Years Improvement	L	A	Reduce the net cost of the non-statutory element of the service either by additional traded income or reducing service provision.	(0.2)	(0.2)	Y
School to Work Transition (14-19) Team	L	G	Trade with schools, academies and colleges	(0.1)	0.0	N
Educational Psychology Service	L	R	Increase traded income target - challenge will be increasing income and meeting statutory duty with rising demography/demand pressures	(0.1)	(0.1)	N
Income (trading with Schools)	L	A	Aim to achieve full cost recovery of primary and secondary school improvement service	0.0	(0.4)	N
<b>Sub-Total Additional Income (Traded Services, Partner and Other Income)</b>				<b>(5.3)</b>	<b>(1.0)</b>	
<b>Total Savings Options - Children's Services</b>				<b>(9.7)</b>	<b>(2.6)</b>	

## City Development - Savings Options 2016/17

Savings Proposal	Customer Impact	Ease of Deliverability	Comments	Saving		Is this relevant to Equality & Diversity?
				2016/17	2017/18 fye	
	H/M/L	R/A/G		£m	£m	
<b>A) Efficiencies</b>						
Cash limit on most expenditure with only essential inflation provided for	L	G	Only provide for essential inflation on contracts e.g. PFI and areas of spend facing inflationary pressures.	(0.8)		N
Elland Road Park & Ride Scheme	L	G	Removal of the budgeted subsidy. The park and ride scheme is successfully operating and no longer requires a budgeted subsidy.	(0.1)		N
Highways Insurance	L	G	Saving on the highways insurance charge reflecting the reduction in claims.	(0.3)		N
Building Control	L	G	Reduce net cost to zero subsidy over 2 years - review staff and income	(0.1)	(0.1)	N
Energy Savings	L	G	Additional savings on energy costs in Sport, Highways and Culture reflecting the reduction in prices.	(0.1)	0.0	N
Highways Maintenance budget	L	G	Additional capitalisation of Highways Maintenance Budget	(0.5)		Y
Cultural Services	L	G	Maintain current vacancies in Libraries and other savings that have been achieved this financial year.	(0.1)	0.0	N
<b>Sub-Total Efficiency</b>				<b>(2.0)</b>	<b>(0.1)</b>	
<b>B) Changes to Service</b>						
Arts Grants budget	M	G	Reduction to the Arts Grants budget in 2016/17 previously approved by Executive Board.	(0.1)		Completed
City Development - Staffing	L	A	Staffing savings across Asset Management and Regeneration/Economic Development/Resources and Strategy/Highways and Transportation. Reduced staffing levels and cost across the services to be achieved through staff leaving through the Early Leaver Initiative in March 2016, not filling vacant posts and restructures. Reduction in staffing levels will lead to a reduction in some service levels.	(0.6)		N
Street Lighting - Energy savings	H	R	Potential to increase cost savings if a more extensive switch off is considered. This would entail changing the selection criteria regarding road layout features and the incidence of crime in the locality of the lighting column. Discussions are presently taking place on this matter although additional savings would be more likely in 17/18 due to lead in times for implementation.	0.0	tbd	Y

Reduction to the net cost of Planning Services, Planning Policy, Urban Design and Conservation	L	A	Over half of the savings will be achieved through staffing reductions with a number of staff leaving through ELI at the end of March 2016 together with a planned management restructure. A redesign of the service will be undertaken including a review of current services.	(0.4)		Y
Economic Development	L	A	Reduced expenditure on some aspects of the service. This will include reductions in supplies and service budgets.	(0.1)		Y
Cultural Services.	H	R	To be achieved through a combination of staffing reductions and expenditure savings. Whilst the service is considering some invest to save options if these are not forthcoming in 16/17 then the £300k of savings will need to be achieved through service reductions. These include £100k saving from the book fund with reduced spend on talking books and foreign language books although the option to capitalise additional book fund expenditure should reduce the impact of this. The service is also proposing a reduction in the overall budget for events of £170k. Savings will be achieved by consolidating event budgets across Sport and Culture, through reducing the net cost of some events and also by considering ending support for some events.	(0.3)	0.0	Y
Sport	L	G	A review of running costs and the potential for increased income as a result of the anticipated Marketing Partnership.	(0.1)	0.0	Y
Sport Development Unit	M	A	Further savings anticipated from the changes to the Sport Development Unit which have moved the service to a more community basis.	(0.1)	0.0	Y
<b>Sub-Total Service Changes</b>				<b>(1.7)</b>	<b>0.0</b>	

### C) Additional Income - Fees and Charges

City Development - Fees & Charges	L	A	Consider opportunities to increase some prices above the assumptions in the budget strategy or proposals to increase income volumes across services e.g. Highways licences and permits, surveyor fees and other professional services.	(0.7)	0.0	Y
<b>Sub-Total Additional Income (Fees &amp; Charges)</b>				<b>(0.7)</b>	<b>0.0</b>	

### D) Additional Income - Traded Services, Partner and Other Income

Kirkgate Market	L	A	Once the re-development of Kirkgate Market is complete there will be an increase in income as more units are available to be let. This will be subject to a revision of the business plan and the success in letting the stalls.	0.0	(0.1)	N
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Culture	L	A	Opportunities to increase income from trading across Cultural Services. Includes increased income in venues and heritage services from bookings and shows.	(0.1)	0.0	N
Highways & Transportation Service - Alternative Delivery Model	L	A	Potential to increase the trading of services including to the West Yorkshire combined services and other potential trading opportunities with other authorities in the Leeds City Region. There is a potential for this to increase but there will be a need for additional staff in order to generate the additional net income. Discussions currently being held could deliver the £100k with potential for this to be increased.	(0.1)	tbd	N
<b>Sub-Total Additional Income (Traded Services, Partner and Other Income)</b>				<b>(0.2)</b>	<b>(0.1)</b>	
<b>Total Savings Options - City Development</b>				<b>(4.6)</b>	<b>(0.2)</b>	

## Environment & Housing - Savings Options 2016/17

Savings Proposal	Customer Impact	Ease of Deliverability	Comments	Saving		Is this relevant to Equality & Diversity?
	H/M/L	R/A/G		2016/17 £m	2017/18 fye £m	
<b>A) Efficiencies</b>						
Leeds Building Services	M	A	Realisation of reductions in running cost expenditure	(0.19)		N
Energy Costs - Directorate wide	L	G	Reduction in energy (gas, electricity & water) costs	(0.10)		
Waste Management / Env Action / Parks - Fuel savings	L	G	Assumption that the reduction in fuel prices continues into 2016/17	(0.49)		N
Waste Management - Refuse Collection	L	G	Refuse Collection Staffing - Savings delivered through a combination of the removal of support for Alternate Week Collection 4, a review of staffing across routes including back up and the full year effect of the 2015/16 restructure.	(0.24)		N
Waste Management - Recycling	M	A	Target a 2% improvement in recycling from greater participation in existing recycling services. This will require a step change in some residents habits with emphasis upon the "Social contract." In addition a review of total waste volumes, the mix of waste and the price of recycled materials will realise savings.	(0.56)		Y
Waste Management - PFI advisor savings	L	G	Reduce PFI advisor budget following the opening of the RERF plant	(0.05)		N
Waste Management - Refuse Collection	L	G	Reduce annual capital spend on replacement bins and no further roll out of kerbside collection of garden waste will realise savings in capital financing costs.	(0.06)	(0.01)	N
Waste Management - Procurement saving - Closed Landfill contract	L	G	Minor levels of income generated at Gamblethopre Closed landfill site from electricity generation	(0.02)		N
Staffing (Directorate wide) - including vacancy management	M	G	Realisation of staff savings through the management of vacant posts across the Directorate.	(0.85)		Y
Waste Management - Review Household Waste Sort Site provision	M	A	Implement the review of provision of HWSS across the city.	(0.13)		Y
Environment & Housing - line by line budget review	L	G	Review of Directorate line by line expenditure budgets to target reductions in non essential spend.	(0.61)		N
Housing Related Support - contract savings	M	G	Full Year Effect of 2015/16 contract negotiations and targeting further cost reductions in contracts	(0.32)		N
<b>Sub-Total Efficiency</b>				<b>(3.60)</b>	<b>(0.01)</b>	
<b>B) Changes to Service</b>						
<b>Sub-Total Service Changes</b>				<b>0.00</b>	<b>0.00</b>	



### C) Additional Income - Fees and Charges

Bereavement Services - price increases	M	A	Implement a 1% price rise above inflation for cremation in 2016/17.	(0.04)		Y
Lotherton Hall	M	A	Implement an above inflation rise for entry in 2016/17	(0.01)		Y
Car Parking	M	G	Additional income realised through both an increase of price tariffs for On and Off street parking. It is also assumed that activity levels that have resulted in additional parking income in 2015/16 continues.	(0.53)		Y
Environmental Action Service	L	G	Reduced 33% discount on early payment of fines - down to 20% this only relates to Environmental FPN and not car parking (covered by specific legislation) Discounted value £60	(0.03)		Y
Environmental Action - Pest Control	L	G	Review charges and give consideration to introducing charges for services that currently aren't charged for e.g charging for dealing with rats in domestic properties.	(0.04)		N
Parks & Countryside - Tropical World/ Café / Retail	L	G	Assumed continuation of the increased income trend from 2015/16	(0.40)	(0.09)	Y
<b>Sub-Total Additional Income (Fees &amp; Charges)</b>				<b>(1.05)</b>	<b>(0.09)</b>	

### D) Additional Income - Traded Services, Partner and Other Income

Community Safety - CCTV	L	G	Generation of additional income through providing the CCTV to other public bodies such as Local Authorities and Passenger Transport Authorities.	(0.10)		Y
<b>Sub-Total Additional Income (Traded Services, Partner and Other Income)</b>				<b>(0.10)</b>	<b>0.00</b>	
<b>Total Savings Options - Environment &amp; Housing</b>				<b>(4.8)</b>	<b>(0.1)</b>	

## Strategy & Resources - Savings Options 2016/17

Savings Proposal	Customer Impact	Ease of Deliverability	Comments	Saving		Is this relevant to Equality & Diversity?
				2016/17	2017/18 fye	
A) Efficiencies				£m	£m	
	H/M/L	R/A/G				
Financial Services	M	A	Further changes to the way financial services are provided focussing on key budgets, possible self service for low risk budgets, more centralised service/ hub approach where appropriate and a reduction in the Internal Audit service	(0.6)	(0.6)	Y
Human Resources	M	A	Further review of various elements of the service including a move to more on-line and telephone guidance service, a reduction in HR input into lower profile casework and restrictions on some face to face occupational health appointments. Savings to be realised through early leavers, and although the service do want to make some appointments, a normal level of staff turnover would mean that a saving of £200k is achievable	(0.3)	(0.2)	Y
ICT Further Print Smart savings	L	G	New contract now in place and printer estate has reduced and is expected to reduce further	(0.1)	(0.1)	N
ICT Telephony: procurement savings from switching from BT to Virgin	L	G	Transition to Virgin under PSN, contract now in place	(0.2)		N
ICT Telephony modernisation	L	A	Wide review of telephony within the council, including assessing options to make more use of VOIP, Skype and reduced use of landlines. 18 month project. Some of the potential options would mean change to the way we work, eg phones connected to laptops.	(0.1)	(0.1)	N
ICT Essential Services Programme	M	G	Reduce capital spend by £500k from £4.1m to £3.6m. Impact on revenue (corporate account) is -£110k per annum	(0.1)		
Projects Programmes & Procurement Unit	L	G	Challenge the need to support all projects - cease or downscale lower priority projects			Y
Projects Programmes & Procurement Unit	L	A	Identify efficiencies the service could deliver, eg a less resource intensive service (identifying associated risks), possibilities to reduce internal support costs	(0.5)	(0.5)	Y
Projects Programmes & Procurement Unit	L	A	Further opportunities for external income			N
Corporate Communications and Intelligence	L	G	Savings will be delivered in this area by continuing to reduce and refocus the Communications and Intelligence capacity. It will rely on requirements for these services being clearer and better prioritised by using insight from evaluation activity. Non staffing budgets will be reviewed again for further savings	(0.3)	(0.3)	Y

Democratic Services	L	R	Reconfiguration of Scrutiny and Governance support to deliver staffing savings plus other savings in running costs across the whole service	(0.1)		Y
Better Business Management	L	A	Business Admin - further savings following transfer of core staff and budget into the Business Support Centre. In addition, implementation of manager/employee self-service	(0.4)	(0.4)	Y
Further savings			Additional savings of £250k still to be identified	(0.3)		
<b>Sub-Total Efficiency</b>				<b>(2.9)</b>	<b>(2.2)</b>	

#### B) Additional Income - Traded Services, Partner and Other Income

Yorkshire Purchasing Organisation - Corporate Rebate	L	G	Actual rebate (based on Council wide spend) has been consistently higher than budget in recent years	(0.1)		N
ICT	L	G	Provide full managed service for West Yorkshire Joint Services, estimated 200 devices - 5 year contract at fixed price per device	(0.2)		N
<b>Sub-Total Additional Income (Traded Services, Partner and Other Income)</b>				<b>(0.2)</b>	<b>0.0</b>	
<b>Total Savings Options - Strategy &amp; Resources</b>				<b>(3.1)</b>	<b>(2.2)</b>	

## Citizens & Communities - Savings Options 2016/17

Savings Proposal	Customer Impact	Ease of Deliverability	Comments	Saving		Is this relevant to Equality & Diversity?
				2016/17	2017/18 fye	
	H/M/L	R/A/G		£m	£m	
<b>A) Efficiencies</b>						
Community Hubs	M	A	Further efficiencies from bringing services together into the Community Hubs	(0.1)	(0.1)	Y
Review of Communities pay and running costs	L	A		(0.2)		Y
Transactional web	L	A	Savings per business case approved by Executive Board	(0.2)	(0.2)	Y
Registrars Service	L	A	Review of costs and income	(0.1)	(0.1)	Y
<b>Sub-Total Efficiency</b>				<b>(0.5)</b>	<b>(0.4)</b>	
<b>B) Changes to Service</b>						
Third sector infrastructure grant	H	R	10% potential reduction	(0.1)		Y
Reduction in Well Being and Youth Activities	H	A	10% potential reduction	(0.2)		Y
Innovation Fund	M	A	Reduce by £50k in 2016/17, a further £50k in 2017/18 and cease in 2018/19	(0.1)	(0.1)	Y
<b>Sub-Total Service Changes</b>				<b>(0.3)</b>	<b>(0.1)</b>	
<b>C) Additional Income - Traded Services, Partner and Other Income</b>						
Housing Benefit Overpayments	L	G	Increase resource on identification of Housing Benefit overpayments - will cease in 2017/18 as Universal Credit is implemented	(0.4)		Y
Council Tax - Single Person Discount	L	A	Extend review - saving of £200k net of £80k fee to Capita. Additional income added to the Council Tax base in 2016/17			Y
Advice Consortium and Welfare Rights	L	A	Proposed HRA contribution to support Council housing tenants relating to under occupancy and rent arrears	(0.2)		N
Local Welfare Support Scheme	L	A	Proposed HRA contribution re Council housing tenants in financial difficulty paying their rent or through the impact of under occupancy changes	(0.1)		N
<b>Sub-Total Additional Income (Traded Services, Partner and Other Income)</b>				<b>(0.6)</b>	<b>0.0</b>	
<b>Total Savings Options - Citizens &amp; Communities</b>				<b>(1.5)</b>	<b>(0.4)</b>	

## Civic Enterprise Leeds - Savings Options 2016/17

Savings Proposal	Customer Impact	Ease of Deliverability	Comments	Saving		Is this relevant to Equality & Diversity?
				2016/17	2017/18 fye	
	H/M/L	R/A/G		£m	£m	
<b>A) Efficiencies</b>						
Maintenance of Council Buildings	M	A	Marginal reduction in spend on responsive maintenance of Council buildings. Current budget £4.9m	(0.6)	(0.2)	Y
Catering - savings on agency staff budget	L	A		(0.1)		
Vehicle Fleet	L	G	Extend vehicle lives - light commercials only	(0.2)	(0.2)	Y
Energy	L	A	Impact of energy efficiency measures	(0.1)	(0.1)	Y
<b>Sub-Total Efficiency</b>				<b>(0.9)</b>	<b>(0.5)</b>	
<b>B) Additional Income - Traded Services, Partner and Other Income</b>						
Civic Enterprise Trading	M	A	Recover the additional costs from the Living wage via income in respect of schools and HRA	(0.2)	(0.2)	Y
Civic Enterprise - Additional income	L	A	Develop further opportunities for additional external income	(0.2)	(0.1)	Y
<b>Sub-Total Additional Income (Traded Services, Partner and Other Income)</b>				<b>(0.4)</b>	<b>(0.3)</b>	
<b>Total Savings Options - Civic Enterprise Leeds</b>				<b>(1.2)</b>	<b>(0.7)</b>	

## Public Health - Savings Options 2016/17

Savings Proposal	Customer	Ease of	Comments	Saving		Is this relevant to Equality & Diversity?
	Impact	Deliverability		2016/17	2017/18 fye	
	H/M/L	R/A/G		£m	£m	
<b>A) Changes to Service</b>						
General Fund - Review of commissioning contracts	H	A	Drug Intervention Programme & Integrated Offender Management cessation of service if PCC funding falls out.	(0.6)		Y
Public Health - Review of commissioning contracts	H	G	Continuation of savings agreed in 2015/16	(0.5)		Y
Public Health - reduction in remaining eligible contracts	H	A	Reduction in most other commissioned services, including services carried out by other directorates	(2.5)		Y
Staffing budgets, overheads and general running costs	L	A	Reduction in general running costs and staffing pay budget.	(0.4)		Y
Savings still to be identified	H	R	Follows letter from Chief Executive of PH England 30/11/15 clarifying that the in-year grant reductions in 2015/16 will recur and are in addition to the reductions in 2016/17.	(1.3)		Y
<b>Sub-Total Service Changes</b>				<b>(5.3)</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Savings Options - Public Health</b>				<b>(5.3)</b>	<b>0.0</b>	<b>0.0</b>

## Equality, Diversity, Cohesion and Integration Screening

As a public authority we need to ensure that all our strategies, policies, service and functions, both current and proposed have given proper consideration to equality, diversity, cohesion and integration.

A **screening** process can help judge relevance and provides a record of both the **process** and **decision**. Screening should be a short, sharp exercise that determines relevance for all new and revised strategies, policies, services and functions.

Completed at the earliest opportunity it will help to determine:

- the relevance of proposals and decisions to equality, diversity, cohesion and integration.
- whether or not equality, diversity, cohesion and integration is being/has already been considered, and
- whether or not it is necessary to carry out an impact assessment.

<b>Directorate: Strategy and Resources</b>	<b>Service area: Corporate Financial Management</b>
<b>Lead person: Doug Meeson</b>	<b>Contact number: 74250</b>

### 1. Title: Initial Budget Proposals 2016/17

Is this a:

**Strategy / Policy**
                 
  **Service / Function**
                 
  **Other**

**If other, please specify**

### 2. Please provide a brief description of what you are screening

The Council is required to publish its initial budget proposals two months prior to approval of the budget by full council in February 2016. The Initial Budget Proposals report for 2016/17 sets out the Executive's plans to deliver a balanced budget within the overall funding envelope. It should be noted that the budget represents a financial plan for the forthcoming year and individual decisions to implement these plans will be subject to equality impact assessments where appropriate.

### 3. Relevance to equality, diversity, cohesion and integration

All of the council's strategies/policies, services/functions affect service users, employees or the wider community – city-wide or more local. These will also have a greater/lesser relevance to equality, diversity, cohesion and integration.

The following questions will help you to identify how relevant your proposals are.

When considering these questions think about age, carers, disability, gender reassignment, race, religion or belief, sex, sexual orientation. Also those areas that impact on or relate to equality: tackling poverty and improving health and well-being.

Questions	Yes	No
Is there an existing or likely differential impact for the different equality characteristics?	X	
Have there been or likely to be any public concerns about the policy or proposal?	X	
Could the proposal affect how our services, commissioning or procurement activities are organised, provided, located and by whom?	X	
Could the proposal affect our workforce or employment practices?	X	
Does the proposal involve or will it have an impact on <ul style="list-style-type: none"> <li>• Eliminating unlawful discrimination, victimisation and harassment</li> <li>• Advancing equality of opportunity</li> <li>• Fostering good relations</li> </ul>	X X X	

If you have answered **no** to the questions above please complete **sections 6 and 7**

If you have answered **yes** to any of the above and;

- Believe you have already considered the impact on equality, diversity, cohesion and integration within your proposal please go to **section 4**.
- Are not already considering the impact on equality, diversity, cohesion and integration within your proposal please go to **section 5**.



#### 4. Considering the impact on equality, diversity, cohesion and integration

If you can demonstrate you have considered how your proposals impact on equality, diversity, cohesion and integration you have carried out an impact assessment.

Please provide specific details for all three areas below (use the prompts for guidance).

• **How have you considered equality, diversity, cohesion and integration?**  
(think about the scope of the proposal, who is likely to be affected, equality related information, gaps in information and plans to address, consultation and engagement activities (taken place or planned) with those likely to be affected)

The Initial Budget Proposals identify a funding gap of £87m due to a reduction in Government funding and unavoidable pressures such as inflation and demand/demography. Savings proposals to bridge this gap will affect all citizens of Leeds to some extent. The Council has consulted on its priorities in recent years and has sought to protect the most vulnerable groups. However, the cumulative effect of successive annual government funding reductions, means that protecting vulnerable groups is becoming increasingly difficult. Further consultation regarding the specific proposals contained in this report will be carried out before the final budget for 2016/17 is agreed.

• **Key findings**

(think about any potential positive and negative impact on different equality characteristics, potential to promote strong and positive relationships between groups, potential to bring groups/communities into increased contact with each other, perception that the proposal could benefit one group at the expense of another)

The budget proposals will impact on all communities but those who have been identified as being at the greatest potential risk include:

- Disabled people
- BME communities
- Older and younger people and
- Low socio-economic groups

The Initial Budget Proposals have identified the need for significant staffing savings in all areas of the Council which may impact on the workforce profile in terms of the at-risk groups. There will be some impact on our partners through commissioning and/or grant support which may have a knock on effect for our most vulnerable groups.

• **Actions**

(think about how you will promote positive impact and remove/ reduce negative impact)

A strategic equality impact assessment of the budget will be undertaken prior to its approval in February 2016.

There will also be further equality impact assessments on all key decisions as they go through the decision making process in 2016/17.

**5. If you are not already considering the impact on equality, diversity, cohesion and integration you will need to carry out an impact assessment.**

Date to scope and plan your impact assessment:

Date to complete your impact assessment

Lead person for your impact assessment  
(Include name and job title)

**6. Governance, ownership and approval**

Please state here who has approved the actions and outcomes of the screening

Name	Job title	Date
Doug Meeson	Chief Officer Financial Services	26/11/15
<b>Date screening completed</b>		26/11/15

**7. Publishing**

Though **all** key decisions are required to give due regard to equality the council **only** publishes those related to **Executive Board, Full Council, Key Delegated Decisions or a Significant Operational Decision.**

A copy of this equality screening should be attached as an appendix to the decision making report:

- Governance Services will publish those relating to Executive Board and Full Council.
- The appropriate directorate will publish those relating to Delegated Decisions and Significant Operational Decisions.
- A copy of all other equality screenings that are not to be published should be sent to [equalityteam@leeds.gov.uk](mailto:equalityteam@leeds.gov.uk) for record.

Complete the appropriate section below with the date the report and attached screening was sent:

For Executive Board or Full Council – sent to <b>Governance Services</b>	Date sent: 7/12/15
For Delegated Decisions or Significant Operational Decisions – sent to appropriate <b>Directorate</b>	Date sent:
All other decisions – sent to <a href="mailto:equalityteam@leeds.gov.uk">equalityteam@leeds.gov.uk</a>	Date sent:

**Report of the Deputy Chief Executive and Assistant Chief Executive Citizens and Communities**

**Report to the Executive Board**

**Date: 16<sup>th</sup> December 2015**

**Subject: Emerging 2016/17 Best Council Plan priorities, tackling poverty and deprivation**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

At its September 2015 meeting, Executive Board agreed a renewed ‘Best City’ ambition aimed at tackling inequalities: for Leeds to have a **Strong Economy** and to be a **Compassionate City**, with the council contributing to this by being a more **Efficient & Enterprising** organisation. This ambition underpins the medium-term financial strategy approved by the Board in October, and is informing the development of the council’s 2016/17 Best Council Plan and supporting budget (please refer to the Initial Budget Proposals on today’s agenda).

To provide important context for those discussions, this paper presents the latest analysis on poverty and deprivation at both national and local levels. The findings confirm the need to concentrate and integrate efforts to tackle inequalities that exist across the city. Building on work already underway, the council’s approach to responding to these challenges – what we will do and how this will be resourced – will be set out in the draft 2016/17 Best Council Plan and accompanying final budget proposals and presented to the Board and Full Council in February. The emerging 2016/17 Best Council Plan priorities are included here for Executive Board’s early consideration, prior to Scrutiny helping to shape these.

**Recommendations**

1. Executive Board is requested to consider the emerging 2016/17 Best Council Plan priorities alongside the Initial Budget Proposals on today’s agenda and for them to be submitted to Scrutiny. The annual budget proposals form part of the medium-financial strategy, the financial expression of the council’s Best City / Best Council ambition, policies and priorities.
2. Executive Board is also requested to note and consider the latest analysis on poverty and deprivation and approve further work to develop a more targeted geographic approach to tackling inequalities. This will include engagement with the Community Committees to help inform this approach and the decisions they make about services and priorities for their local areas.

## 1 Purpose of this report

- 1.1 The report presents the emerging 2016/17 Best Council Plan priorities for the Board's early consideration that will provide the framework for the council's approach to responding to these inequality challenges. The priorities are thematic rather than spatial in nature; therefore it is important also to consider the social and economic challenges facing communities across the city when reviewing interventions and allocating resources. These emerging priorities should be reviewed alongside the Initial Budget Proposals on today's agenda.
- 1.2 Importantly, this report also presents a summary of the latest analysis on poverty and deprivation to inform the priorities, together with an outline of key initiatives aimed at tackling economic disadvantage. The findings confirm the need for more concentrated and integrated efforts to tackle the range of inequalities that exist across the city.

## 2 Background information

- 2.1 From both a city and council perspective, there have been many successes against the dual themes of a 'Strong economy' and 'Compassionate city', as described in September's **'Best Council Plan - Strong Economy and Compassionate City'** report to the Executive Board. However, a range of inequalities persist across Leeds, including health, educational attainment and housing, highlighted by this year's Joint Strategic Needs Assessment (JSNA<sup>1</sup>) work. The council is working closely with a range of partners to address these challenges and in June this year the Executive Board received a **'Supporting communities and tackling poverty'** report on progress made to date and the further actions to be taken under the 'Citizens@Leeds' banner.
- 2.2 Economic growth plays a key role in tackling poverty and inequality and in September the Board approved a renewed ambition for Leeds that brings these themes together: to be the 'best city in the UK', as set out in the *'Vision for Leeds 2011-30'*, Leeds aspires to be a compassionate, caring city that helps all its residents realise their potential to contribute to and benefit from economic success, thereby tackling poverty and reducing the inequalities. The renewed ambition set the context for the medium-term financial strategy approved by the Board in October.
- 2.3 Also at its October meeting, the Board considered a 'Strong economy, Compassionate city' report, brought in response to the White Paper motion passed at July's Council on sharing economic success in the city. The paper detailed some of the key themes and practical steps the council and its partners can take to support growth and tackle poverty. The paper highlighted the continued strength of the city's economy – specifically how Leeds is well-established as the primary driver of growth and job creation in the wider region – whilst identifying the need to create routes to more and better jobs for those at most disadvantage.
- 2.4 To provide additional and updated context, today's paper summarises the latest analysis on poverty and deprivation at both national and local levels based on the Poverty Fact Book and the recently published Index of Multiple Deprivation (IMD). The Poverty Fact Book uses national and local data to help define and analyse the different poverty themes, while the IMD provides revised local area data,

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<sup>1</sup> The Joint Strategic Needs Assessment (JSNA) is a rolling programme of needs assessments and analysis with a primary focus on Health and Wellbeing. Its purpose is to influence priorities and inform commissioning strategies and plans. The 2015 JSNA for Leeds focused on population, deprivation, housing, mental health, potential years life lost and learning disabilities.

enabling analysis of the distribution, scale and relative position of deprivation at neighbourhood, ward and local authority level. Together, these findings set out the nature, concentration and location of poverty and disadvantage in the city confirming the need to focus and integrate efforts to tackle the often multiple deprivation encountered by our vulnerable communities and to promote routes to employment and career progression for the people in these communities. The findings also confirm the JSNA key messages which are informing the refresh of the Health and Wellbeing Strategy.

### **3 Main issues**

#### **3.1 *Analysis of Poverty and Deprivation - Poverty Fact Book***

3.1.1 The 2015 Poverty Fact Book uses national and local data to help define and analyse different poverty themes and informs the council's and city's response to tackling poverty.

3.1.2 The Fact Book includes definitions and analysis around the two national measures of poverty: Relative and Absolute Poverty. Relative Poverty measures the number of individuals who have household incomes below 60% of the median average in that year. Absolute Poverty measures individuals who have household incomes 60% below the median average in 2010/11, adjusted for inflation.

3.1.3 Key findings are:

- Almost a quarter of the Leeds population – around 175,000 people across the city - is classified as being in 'absolute poverty'.
- Approximately 20,000 people in Leeds have needed assistance with food via a food bank between April 2014-2015.
- Over 28,000 (19.5%) Leeds children are in poverty, 64% of whom are estimated to be from working families (2013/14).
- As of October 2015, around 73,000 Leeds households were in receipt of Council Tax Support. Of this figure over 25,000 (35%) of these households in Leeds now have to pay 25% of their council tax due to changes to Council Tax Support.
- During 2014/15 in-work poverty was estimated to affect 15,000 households in Leeds. Just over 24,000 Leeds residents in full-time work earn less than the Living Wage and almost 8,000 Leeds workers are on Zero Hour contracts.
- Almost 38,000 Leeds households are in fuel poverty and over 8,000 of these households are paying their fuel bills via prepayment meters (2015).
- Access to credit and interest rates for those on low incomes or with poor credit histories also remains high. Around 121,000 payday loans were estimated to be accessed by Leeds residents in 2013.

#### **3.2 *Analysis of Poverty and Deprivation - Index of Multiple Deprivation (IMD) 2015***

3.2.1 The recent update of the IMD published by DCLG in September 2015 measures relative levels of deprivation in 32,844 small areas called Lower-layer Super Output Areas (LSOAs) in England. The IMD can be used to explore changes in relative deprivation, and changes in the pattern of deprivation, between 2010 and 2015. It is important to note that the IMD is a measure of relative deprivation, not affluence, and to recognise that not every person in a highly deprived area will themselves be deprived. Likewise, there will be deprived people living in the least deprived areas.

3.2.2 Based on the latest IMD, early analysis has been carried out at local ward level and examining Leeds' relative position nationally. Key findings are:

- Leeds is ranked 31 out of 326 local authorities, with 105 neighbourhoods in the most deprived 10% nationally (22% of all Leeds neighbourhoods). Leeds fares relatively well in comparison to other Core City local authority areas.
- There are 164,000 people in Leeds who live in areas that are ranked amongst the most deprived 10% nationally. The corresponding figure in the 2010 Index was 150,000 people, but clearly not everyone living in these areas is deprived.
- The IMD shows the geographic concentration of deprivation in the communities of Inner East and Inner South, confirming the wider analysis of poverty and deprivation undertaken in the recent Joint Strategic Needs Assessment.
- Analysis of relative change in the city since the last Index suggests that there has been some intensification of the concentration of our most deprived and least deprived neighbourhoods.
- The age profile of our most deprived neighbourhoods confirms that our most deprived communities are also our youngest (and fastest growing).

### 3.3 *Key Initiatives aimed at Tackling Economic Disadvantage*

3.3.1 The 'Supporting Communities and Tackling Poverty' Executive Board report in June 2015 highlighted actions and achievements built around four propositions:

1. *Helping people out of financial hardship*: with a focus on reducing dependency on local and national benefits, improving access to affordable credit as well as tackling high cost lending, reducing debt levels and increasing financial resilience of the poorest citizens and communities in the city;
2. *Providing integrated and accessible services and pathways*: with a focus on developing integrated pathways of support that are accessible to local communities and create local partnerships between council-led services and other relevant organisations;
3. *Helping people into work*: with a focus on working with those adults who are furthest away from employment and developing programmes of support that meet individual needs and promote citizen engagement; and
4. *Being responsive to the needs of local people*: with a focus on establishing a voice for local communities within the democratic process that leads to community-supported actions to address local issues.

3.3.2 The 'Strong Economy, Compassionate City' Executive Board report in October 2015 confirmed that the challenges of deprivation have come into sharper focus as a result of austerity and welfare changes. The report proposes a new integrated approach to the regeneration of deprived areas, with a rolling programme of targeted area-wide projects. This will involve bringing together elected members, communities, and partners to set out a clear vision of how areas can develop and change. The main principles will be:

- Tackling the causes of poverty and deprivation, as well as seeking to mitigate the consequences.
- Linking the promotion of economic and jobs growth with that to tackle poverty.
- Further integrating service delivery and programmes across relevant policy areas, including bringing together initiatives aimed at supporting people, economic growth, and physical change.
- Intervening early to support people and places, seeking to tackle problems at source.

### 3.4 *Emerging 2016/17 Best Council Plan Priorities*

3.4.1 Drawing on the range of information on needs and activity, together with the considerations of the Executive Board in September on the council's renewed

ambition, Annexe 1 shows the emerging Best City / Best Council priorities against each of the three draft 2016/17 strategic objectives: for Leeds to have a Strong Economy and to be a Compassionate City (two Best City objectives) and for Leeds City Council to be a more Efficient & Enterprising Organisation (one Best Council objective, rolled forward from the existing 2015/16 Best Council Plan).

- 3.4.2 The emerging priorities are an evolution of those set out in the current Best Council Plan 2015-20 (update 2015/16), approved by the Executive Board in March 2015. They are based on early discussions with senior managers and members and where possible link to key partnership and council supporting plans, such as the Safer Leeds Strategy, Children & Young People's Plan and Core Strategy, and others in development such as the Health & Wellbeing Strategy and West Yorkshire Low Emissions Strategy. Work will continue to refine the priorities with accompanying narrative and key performance indicators in the coming weeks, drawing out the different ways in which the council will help people to look after themselves, others and the places they live and work by considering the respective responsibilities of the 'state' and the 'citizen' (the social contract).
- 3.4.3 This ongoing work will result in the draft 2016/17 Best Council Plan to be presented to this Board in February with the final budget proposals for consideration prior to Full Council. A central theme underpinning the content and delivery of the Best Council Plan 2016/17 will be how the council and others will continue to work together to respond to the challenges of inequality: what we will do and how this will be resourced. The JSNA, together with the recent analysis of poverty and deprivation, provides further insights into the scale and spatial distribution of inequalities. The emerging Best Council Plan Priorities are thematic rather than spatial in nature; therefore it is important also to consider the variation in social and economic conditions facing communities across the city when prioritising interventions and allocating resources in support of our Best City/Best Council ambition.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The emerging priorities set out in Annexe 1 are an evolution of those set out in the current Best Council Plan and where possible link to key city partnership and council supporting plans. Work will continue to refine the priorities with accompanying narrative and key performance indicators through engagement with members, officers, partners and the public. The draft objectives and priorities will be presented to Scrutiny Board (Strategy & Resources) in December alongside the Initial Budget Proposals.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 This report provides an analysis of relative poverty and deprivation and as such is not a decision making report so due regard is not directly relevant, however the analysis in the report provides a valuable input into equality impact assessments.

### **4.3 Council policies and Best Council Plan**

- 4.3.1 The report presents the emerging 2016/17 Best Council Plan priorities for the Board's early consideration that will provide the framework for the council's approach to responding to the inequality challenges. As noted above, the draft objectives and priorities will be presented to Scrutiny Board (Strategy & Resources) in December alongside the Initial Budget Proposals, prior to the draft 2016/17 Best Council Plan and final budget proposals being presented to the

Executive Board and Full Council in February. This process is in accordance with the council's Budget and Policy Framework (Article 4 of the council's Constitution) and the Budget and Policy Framework Procedures Rules (Part 4 Rules of Procedure).

#### **4.4 Resources and value for money**

4.4.1 The analysis contained in the report is intended to provide an input into the targeting of resources and the examination of potential impact.

#### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 N/A - all information within this report is publicly available.

#### **4.6 Risk Management**

4.6.1 The council's corporate and directorate risk registers will continue to be reviewed in light of changes to the Best Council Plan to ensure that the key risks that could impact upon new and evolving strategic objectives and priorities are appropriately identified, assessed and managed.

4.6.2 A full risk assessment will also be undertaken of the Council's financial plans - which support the delivery of the Best Council Plan - as part of the normal budget process with some of the most significant potential risks to the 2016/17 and medium-term financial strategy outlined in today's 'Initial Budget Proposals' paper. These arrangements comply with the council's Risk Management Policy.

### **5 Conclusions**

5.1 Building on work already underway, the council's approach to responding to the challenges of inequality – what we will do and how this will be resourced - will be set out further in the draft 2016/17 Best Council Plan and accompanying final budget proposals to be presented to the Board in February. In the interim, the emerging 2016/17 Best Council Plan priorities are included here for Executive's Board early consideration. The priorities are thematic rather than spatial in nature; therefore it is important also to consider the variation in social and economic conditions facing communities across the city through the analysis provided by the JSNA, Poverty Fact Book, IMD and other data sources when prioritising interventions and allocating resources in support of our Best City/Best Council ambition.

### **6 Recommendations**

6.1 Executive Board is requested to consider the emerging 2016/17 Best Council Plan priorities alongside the Initial Budget Proposals on today's agenda and for them to be submitted to Scrutiny. The annual budget proposals form part of the medium-financial strategy, the financial expression of the council's Best City / Best Council ambition, policies and priorities.

6.2 Executive Board is also requested to note and consider the latest analysis on poverty and deprivation and approve further work to develop a more targeted geographic approach to tackling inequalities. This will include engagement with the Community Committees to help inform this approach and the decisions they make about services and priorities for their local areas.

### **7 Background documents**

7.1 None



# Emerging Best Council Plan Priorities 2016/17 – DRAFT

## ONE VISION

Our vision is for Leeds to be the best city in the UK: one that is compassionate with a strong economy that tackles poverty and reduces the inequalities that still exist. We want Leeds to be a city that is fair and sustainable, ambitious, fun and creative for all. Significant progress has been made towards these ambitions, using a civic enterprise approach, but even more needs to be done. The council will continue to work with others to achieve better outcomes for the city with our Values underpinning everything we do.

## BEST CITY OUTCOMES

*We want everyone in Leeds to...*

Be safe and feel safe

Enjoy happy, healthy, active lives

Live with dignity and stay independent for as long as possible

Do well at all levels of learning and have the skills they need for life

Earn enough to support themselves and their families

Live in decent, affordable homes within clean and well cared for places

Move around a well-planned city easily

Enjoy greater access to green spaces, leisure and the arts

## 3 STRATEGIC OBJECTIVES

**Leeds... A Strong Economy**

**Leeds... A Compassionate City**

**Leeds City Council... An Efficient and Enterprising Organisation**

## 5 COUNCIL VALUES

Working as a team  
for Leeds

Being open, honest  
and trusted

Working with  
communities

Treating people  
fairly

Spending money  
wisely

## 2016/17 PRIORITIES

Working in partnership, what we will focus on to help achieve our Best City outcomes, all aimed at tackling inequalities

### BEST CITY

#### *Leeds... A Strong Economy*

- Supporting economic growth and access to economic opportunities
- Providing enough homes of a high standard in all sectors
- Improving air quality
- Keeping the streets clean
- Improving road safety
- A well-connected transport system that facilitates a prosperous economy
- Providing an inclusive, accessible range of transport options
- Attracting world class events to Leeds
- Green spaces in urban areas
- Jobs and skills [*wording TBC*]

#### *Leeds... A Compassionate City*

- Keeping people safe from harm
- Preventing people dying early
- Promoting physical activity
- Supporting healthy ageing
- Enabling families and friends who support people with care needs to continue their caring role and careers
- Building capacity for individuals to withstand or recover from illness
- Supporting children to have the best start in life
- Improving educational achievement and closing achievement gaps
- Managing the impact of welfare changes
- Supporting communities, raising aspirations

### BEST COUNCIL

#### *Leeds City Council.... An Efficient & Enterprising Organisation*

- Helping our staff to feel like they count and to be their best
- Inclusive and diverse workforce planning
- Creating flexible, multi-disciplinary teams
- Simplifying and standardising internal processes through smarter systems and technologies
- Reducing the number of council buildings through better sharing of assets
- Securing more contracts with the third sector and local SMEs
- Delivering our financial strategy
- Improving engagement with the public, partners and staff
- Better joining up of information and intelligence and maximising open data
- Further developing and adopting Digital by Design principles
- Integrating Local Public Services Information and Technology services

#### *Breakthrough Projects*

##### *Cutting through traditional boundaries and engaging partners and communities differently*

- Cutting carbon and improving air quality
- World class events and a vibrant city centre that all can benefit from
- More jobs, better jobs
- Early intervention and reducing health inequalities
- Tackling domestic violence and abuse
- Housing growth and high standards in all sectors
- Making Leeds the best place to grow old in
- Strong communities benefiting from a strong city

### 2016/17 Key Performance Indicators

*Basket of indicators to be developed after priorities agreed*



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**Report of the Chief Officer PPPU**

**Report to Scrutiny Board (Strategy and Resources)**

**Date: 21 December 2015**

**Subject: Effective Procurement**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

This report seeks to provide an update to Scrutiny (Strategy and Resources) on the ongoing work within the Projects, Programmes and Procurement Unit (PPPU). The report covers:

1. An update on general procurement savings achieved to 31<sup>st</sup> October 2015
2. An update on PPPU's access to council feeder systems following the intervention of the Scrutiny Board
3. Improvements to the councils financial management system (FMS) to reduce off contract spend
4. An analysis of the use of Waivers of the Contracts Procedure Rules (CPRs) April to September 2015.
5. Ongoing work to reduce non-contract spend.

By working together with directorates, PPPU can assist them in achieving compliance with CPRs to ensure that the council's money is spent wisely.

**Recommendations**

Members of Scrutiny Board are asked to note the contents of this report and to comment on any areas where they would like further information with the possibility of a further update including the results of the improvements to FMS and the training detailed in paragraphs 3.3.2-3.2.4

## **1 Purpose of this report**

- 1.1 To provide a further report to the Board as requested.

## **2 Background information**

- 2.1 The council's Contracts Procedure Rules (CPRs) for procurement contracts confirm that each Directorate is accountable for the procurements that they need in order to deliver the services and secure the outcomes that they are responsible for. PPPU is accountable for providing a central source of expertise, advice and support, providing check and challenge as appropriate. By working together with directorates, PPPU can assist them in achieving compliance with CPRs to ensure council's money is spent wisely.
- 2.2 In PPPU's report to Scrutiny on 20 July 2015, there was a commitment to provide an analysis of waivers of CPRs. This report provides an update on the use of Waivers of CPRs in this financial year.
- 2.3 The Portfolio Management Office (PMO) within PPPU had identified that access to feeder systems was necessary in order to identify off and non-contract spend. The council's Financial Management System (FMS) is used to place orders, but in addition there are other bespoke systems within the council which can also be used to place orders. These are called feeder systems as they "feed" into FMS so that FMS captures the financial cost of the orders raised to create an invoice to pay the supplier. Although FMS captures the data from the feeder systems, it does not have the detail required to assign the expenditure to the appropriate contract. The PMO therefore asked for Scrutiny Board's assistance to gain direct access to the council's feeder systems in order to follow the audit trail of payments made via FMS and match these against the appropriate contract for the goods or services provided. Scrutiny Board were advised that access to the feeder systems would greatly assist in the identification of off and non- contract spend across the council. Greater visibility of spend within the feeder systems would allow PPPU to ensure council colleagues comply with CPRs and are spending money wisely. Scrutiny Board supported this request and emailed business partners who manage the feeder systems asking them to grant access to the PMO.
- 2.4 Forthcoming improvements to the council's financial management system (FMS) such as an improved search facility for finding contracts, and the identification of internal service providers (ISPs), were also promoted in the previous report to Scrutiny Board. The PMO and Category teams within PPPU have worked with directorates to update the list of internal suppliers. Increased use of ISPs will retain expenditure within the council and further protect jobs and services. The report advised that the improved search facility within FMS will assist order commissioners or "buyers" in being able to select the correct contract and therefore avoid off-contract spend.
- 2.5 The PMO within PPPU has also collaborated with colleagues in the wider council including the Business Support Centre, Corporate Finance, and the directorates in order to identify and influence as great a reduction in off or non-contract spend as possible.

### **3 Main issues**

#### **3.1 General procurement savings**

- 3.1.1 The procurements undertaken by the Category teams within PPPU have identified savings of £4.6m on contracts awarded from 01April to 31October 2015. This includes £528k of savings where contracts were put in place to remedy non- contract spend. There are likely to be further savings identified on contracts yet to be awarded up to the end of the financial year. It is recommended that Members invite another report back in six months to report on the full year procurement savings achieved.

#### **3.2 Feeder systems**

- 3.2.1 Where invoices/payments are processed via the council's financial management system (FMS Leeds), contract and other procurement information is captured at the point when the order is raised and contract/<sup>1</sup>off-contract spend can be monitored via FMS Leeds reporting.
- 3.2.2 Where invoice/payments originate from other departmental finance systems and are passed to FMS Leeds for payment via feeder files, contract and other procurement information may not necessarily be recorded on these departmental feeder systems and there is currently no mechanism for transferring and recording this contract and other procurement information into FMS Leeds. As such, it is not possible to report contract/off-contract spend from these feeder systems from FMS Leeds, but there may be opportunities for reporting off-contract spend separately directly from these feeder systems, where the contract information is currently captured and recorded on these systems.
- 3.2.3 Where invoices are raised without an associated order and input into FMS for payment by Central Payments there is no way of matching the spend through FMS Leeds to establish whether it is against a contract without manual intervention.
- 3.2.4 The PMO are currently in discussion with owners of these departmental feeder systems following the assistance of Scrutiny Board in order to gain access to and understand how contract information is captured and recorded in these systems and how contract/off-contract spend can be reported directly from these systems. As an example, colleagues in Environment and Housing are providing access and training for both the Orchard and PS Team feeder systems for colleagues in PPPU. The functionality to add Yortender contract references will also be included for the Statement of Requirements for procurement of the replacement for the Orchard system.

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<sup>1</sup> Off contract is where a contract for the goods or service being ordered exists but has not been used.

- 3.2.5 Although FMS Leeds could be developed to extend the recording of contract and procurement information from invoice/payments originating from other departmental finance systems, this would involve significant development and major changes to business process around the input and processing of invoices. This would require a cross-council project to assess the implications for all stakeholders involved in processing invoices/payments across the council and to identify the statement of requirements. The feasibility of this development would also have to be considered in the context of the current review that is being undertaken of the council's core business systems, which will include a review of FMS Leeds and departmental feeder systems, plus other possible alternative financial systems.

### 3.3 **Improvements to FMS**

- 3.3.1 The PMO have been working with the Principal Systems Manager, Alan Simmons to implement improvements within FMS to assist in reducing off contract spend.
- 3.3.2 Development work has now been completed on the improvements to the FMS Leeds ordering process, including revised categories of spend, improved contract search functionality and improved contract descriptions. These enhancements will make it easier for orders on FMS Leeds to be raised against contracts, will therefore reduce off-contract spend and help deliver procurement efficiencies.
- 3.3.3 A significant factor in the success of this project is the accuracy and completeness of the refreshed and enhanced procurement information. Colleagues in Information Management and technology have been working with colleagues in PMO collaboratively to ensure that this critical aspect of the project is delivered.
- 3.3.4 This work has now been completed successfully and the data has been loaded into the FMS Leeds test system. Extensive testing is ongoing during November/December with training materials currently being developed ready for the changes to be rolled out to users in January 2016.

### 3.4 **Waivers**

- 3.4.1 Contracts Procedure Rules allow certain rules to be waived in circumstances where Chief Officers consider that course of action to be justified, provided that a decision to waive Contracts Procedure Rules (CPRs) is always at least a Significant Operational Decision for the purposes of the Constitution (therefore requiring publication). The Chief Procurement Officer should be informed when waivers are approved by Chief Officers.
- 3.4.2 PPPU developed new InSite toolkit guidance to support council officers in recording waivers. The new process and toolkit is designed to support and monitor compliance with the requirement to record waivers and notify

PPPU in accordance with the rules. The communication sent to best council leadership team on 11 March 2015 provided detail of the new process.

- 3.4.3 PPPU maintain a log of waivers of CPRs. The attached appendix shows the analysis of 52 waivers of **CPRs 8.1 and 8.2 and 9.1 and 9.2** in the period April to September 2015.
- 3.4.4 **CPR 8.1** states “Where no appropriate internal service provider, exclusive supplier, existing provider, LCC Approved Framework Agreement or Approved Framework Agreement exists competition is required for procurements valued at over £10k but at or below £100k”.
- 3.4.5 **CPR 8.2** states “At least three written tenders will be invited. These tenders may be invited by publishing either an open or a restricted tendering opportunity (restricted meaning that only selected suppliers are invited to tender) on the YORtender portal or inviting tenders from suppliers using Construction line (if applicable, please see the construction and housing category team for advice)”.
- 3.4.6 **CPR 9.1** states “Where no appropriate internal provider, exclusive supplier, existing provider, LCC Approved Framework Agreement or Approved Framework Agreement exists, competition is required for procurements valued over £100k.
- 3.4.7 **CPR 9.2** states “Where there are sufficient numbers of providers at least **four** written tenders will be invited. Tenders must be invited by publishing and open opportunity on the YORtender portal or inviting tenders from suppliers using Constructionline (if applicable, please see the construction and housing category team for advice). Authorised Officers should consider CPR 1.1.3 when deciding which approach to take.
- 3.4.8 **CPR 1.1.3** states “Every procurement undertaken by or on behalf of the council and every contract entered into by the council will comply with the council’s strategic objectives and policies including the Procurement Strategy and the council’s Employee and Member Codes of Conduct”.
- 3.4.9 **CPRs 8.1 and 8.2** were waived 39 times by directorates and of these, 16 (41%) were for Children’s Services.
- 3.4.10 **CPRs 9.1 and 9.2** were waived 11 times by directorates and 5 (45%) were for Children’s Services.
- 3.4.11 Of the total 52 waivers, 33 (63%) were to remain with an existing contractor. Reasons given as to why it is necessary to remain with an existing contractor include:
- Grant funded schemes usually have conditions in connection with who will carry out the work.
  - If a provider is providing specialist software and another piece of software is required, it may not be possible to procure from someone other than the existing provider.

- Sometimes, due to service reviews, existing providers are given the work until the review has taken place to ensure continuity of service until such a time as the review has taken place and it is clear what is to be delivered.
- Organisations can have a historic arrangement with the council and there is a need to formalise it initially then tender at a later date.
- Some services have used organisations which have worked collaboratively with the council and built effective working relationships and gained knowledge with a service, for example schools, to tender would outweigh the potential benefits of changing provider in a competitive tender process for a low value initial contract scenario.
- Best value has been obtained due to the fact that the existing provider has been subjected to a competitive tendering process under an existing framework contract
- Benchmarking exercises have taken place and have proved that existing providers could not be beaten on price
- Using an existing contractor as they carried out the main works and the scheme is currently in the defects period and any other contractor coming in could invalidate the work
- If the council does not award the contract to an existing training provider there could be a significant cost in monetary terms and this could also create a resource pressure. If the existing provider is retained there would not be a requirement for additional training and there would not be migration charges relating to time and costs.

3.4.12 A waiver of CPRs 8.1 and 8.2 and 9.1 and 9.2 should be accompanied by a contract entry on YORtender. Of the 52 waivers of these rules, only 38 (73%) could be identified on YORtender. All contracts should be logged on YORtender.

3.4.13 Six waivers (11.5%) did not have a value stated. Two waivers (3.8%) did not have a contractor stated. It is important to have a value stated to ensure that there if the contract exceeds the current EU threshold of £172,514 that Public Contracts Regulations are adhered to. (From 01 January 2016 the EU threshold will change to £164,176).

3.4.14 The PMO team will continue to monitor the use of waivers and will provide Scrutiny Board with an analysis for the whole of financial year 2015/2016. There will then be the opportunity to advise Scrutiny Board if there are persistent breaches of CPRs with respect to the use of waivers.

### 3.5 **Non and off-contract Spend**

3.5.1 The PMO is actively collaborating with colleagues in the wider council including the Business Support Centre, Corporate Finance and



directorates (via their feeder systems) in order to have visibility of <sup>2</sup>non and off-contract spend.

- 3.5.2 The PMO produce monthly and quarterly reports detailing non and off-contract spend. These reports are used to inform monthly meetings with PPPU category managers so that they can give appropriate advice and support to directorate colleagues.

### **3.6 Parks and Countryside Collaborative Working**

- 3.6.1 PPPU continues to work with Parks and Countryside to minimise off and non- contract spend and an update is provide below.
- 3.6.2 Progress in reducing off and non-contract spend has been made and is continuing as non contract spend is moved to on contract spend, however this will not always result in savings being made . Existing contracts have also been identified and used where suitable for delivering specific requirements e.g. food for retail sale, fruits, vegetables and meat. These contracts have also been considered when procuring animal feed. Waivers or quotations are sought when appropriate to cover periods to allow contract review and/or formal procurement to take place e.g. for litter bins, plants or seeds for the nursery.
- 3.6.3 The procurements of horticultural supplies and equipment hire have been directed to fencing (timber and metal) and plant hire framework contracts. Some of the fencing contracts were found to be unsuitable for use as they were intended for building environments whereas Parks and Countryside require more ornamental products. New contracts are being or will be set up to ensure that the requirements for Parks and Countryside can be met.
- 3.6.4 Tenders have been received for playground equipment and are under evaluation. The contract will be in place for January 2016 for new playground schemes.
- 3.6.5 There has been joint commissioning and tendering with the Events team for concerts and events in parks covering provision of stewarding, fencing, electrical and medical services.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

The previous reports to this Scrutiny Board detailed the extensive consultation and engagement undertaken under the Transforming Procurement Programme.

### **4.2 Equality and Diversity/Cohesion and Integration**

The Transforming Procurement Programme included equality issues as one of its workstreams and has undertaken a formal screening, which was published

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<sup>2</sup> Non-contract spend is where there is not a contract in place for the type of goods or service being ordered. If the spend is over £10k, CPRs state there should be a contract.

alongside the 24 April 2013 Executive Board report. The screening highlighted the importance of screening categories and procurements for their equality impacts and responding accordingly in line with the council's equality and diversity policies. There have been no major changes at a policy level. Contracts Procedure Rules require consideration of equality matters when undertaking procurement and the key template documents that Contracts Procedure Rules refer to provide specific prompts in this respect.

#### **4.3 Council policies and City Priorities**

Contracts Procedure Rules and the Effective Procurement documentation support the council value of 'spending money wisely', and seek to ensure that the council's other values are embedded in all of the council's procurement activities.

#### **4.4 Resources and value for money**

This report outlines ongoing work within PPPU to ensure the council is spending money wisely. The procurements undertaken by the Category teams within PPPU have identified savings of £4.6m on contracts awarded from 01April to 31October 2015. This includes £528k of savings where contracts were put in place to remedy non- contract spend. There are likely to be further savings identified on contracts yet to be awarded up to the end of the financial year.

#### **4.5 Legal Implications, Access to Information and Call In**

None.

#### **4.6 Risk Management**

Monthly on/off contract spend is shared with category teams, directorates and internal audit. Tools are in place which are intended to support the activities covered in this report.

### **5 Conclusions**

5.1 Directorates are accountable for their own procurement activity with support provided by PPPU.

5.2 The first analysis of the use of waivers for CPRS 8.1 and 8.2 and 9.1 and 9.2 shows that for the first half of the year 2015/2016 there was not excessive use of waivers with only 52 being identified. Ongoing analysis will provide trend data which will be used to measure compliance with CPRs.

5.3 By working together with directorates, PPPU can assist them in achieving compliance with CPRs to ensure that the council's money is spent wisely.

5.4 Members of Scrutiny Board (Strategy and Resources) are asked to note the contents of this report, and to comment on any areas where they would wish the PMO to focus on with the possibility of a further update including the results of the improvements to FMS and the training detailed in paragraphs 3.3.2-3.3.4

## **6 Background documents<sup>3</sup>**

- 6.1 Previous reports to the then Resources and Council Services Scrutiny Board in July 2013, September 2014, November 2014, January 2015 and July 2015.

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<sup>3</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

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**Log of the use of Waivers April - September 2015**

**Table 1 - Waiver of CPRs (8.1 and 8.2, 9.1 and 9.2)**

CPR rule being waived	Directorate								Total	Percentage of total no. of waivers:
	Adult Social Care	Children's Services	Citizens and Communities	City Development	Civic Enterprise Leads	Environment and Housing	Strategy and Resources	Public Health		
CPR 8.1 and 8.2	4	16	2	8	1	4	3	1	39	75%
CPR 9.1 and 9.2	0	5	0	2	1	3	0	0	11	21%
CPR 9.1/9.2 and 8.1/8.2	0	1	1	0	0	0	0	0	2	4%
<b>Total</b>	<b>4</b>	<b>22</b>	<b>3</b>	<b>10</b>	<b>2</b>	<b>7</b>	<b>3</b>	<b>1</b>	<b>52</b>	<b>100%</b>

**Table 2 - Waivers of CPRs (8.1 and 8.2, 9.1 and 9.2) with a contract added on to YORtender**

CPR rule being waived	Directorate								Total
	Adult Social Care	Children's Services	Citizens and Communities	City Development	Civic Enterprise Leads	Environment and Housing	Strategy and Resources	Public Health	
CPR 8.1 and 8.2	3	15	2	3	1	2	3	0	29
CPR 9.1 and 9.2	0	4	0	1	1	3	0	0	9
CPR 9.1/9.2 and 8.1/8.2	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>19</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>5</b>	<b>3</b>	<b>0</b>	<b>38</b>
<b>% of waivers with a contract</b>	<b>75%</b>	<b>86%</b>	<b>67%</b>	<b>40%</b>	<b>100%</b>	<b>71%</b>	<b>100%</b>	<b>0%</b>	<b>73%</b>

**Table 3 - Waivers of CPRs (8.1 and 8.2, 9.1 and 9.2) without a value stated**

CPR rule being waived	Directorate								Total
	Adult Social Care	Children's Services	Citizens and Communities	City Development	Civic Enterprise Leads	Environment and Housing	Strategy and Resources	Public Health	
CPR 8.1 and 8.2	0	0	0	1	0	1	1	0	3
CPR 9.1 and 9.2	0	0	0	0	0	2	0	0	2
CPR 9.1/9.2 and 8.1/8.2	0	0	1	0	0	0	0	0	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>6</b>
<b>% of waivers without a value stated</b>	<b>0%</b>	<b>0%</b>	<b>33%</b>	<b>10%</b>	<b>0%</b>	<b>43%</b>	<b>33%</b>	<b>0%</b>	<b>12%</b>

**Table 4 - Waivers of CPRs (8.1 and 8.2, 9.1 and 9.2) without a contractor stated**

CPR rule being waived	Directorate								Total
	Adult Social Care	Children's Services	Citizens and Communities	City Development	Civic Enterprise Leads	Environment and Housing	Strategy and Resources	Public Health	
CPR 8.1 and 8.2	0	0	0	2	0	0	0	0	2
CPR 9.1 and 9.2	0	0	0	0	0	0	0	0	0
CPR 9.1/9.2 and 8.1/8.2	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>

% of waivers without a contractor stated	0%	0%	0%	20%	0%	0%	0%	0%
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**Table 5 - Waivers of CPRs (8.1 and 8.2, 9.1 and 9.2) without contract dates**

CPR rule being waived	Directorate								Total
	Adult Social Care	Children's Services	Citizens and Communities	City Development	Civic Enterprise Leads	Environment and Housing	Strategy and Resources	Public Health	
CPR 8.1 and 8.2	0	0	0	1	0	1	1	0	3
CPR 9.1 and 9.2	0	0	0	0	0	0	0	0	0
CPR 9.1/9.2 and 8.1/8.2	0	0	1	0	0	0	0	0	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>4</b>

**Table 6 - Waivers of CPRs (8.1 and 8.2, 9.1 and 9.2) to remain with existing contractor**

CPR rule being waived	Directorate								Total
	Adult Social Care	Children's Services	Citizens and Communities	City Development	Civic Enterprise Leads	Environment and Housing	Strategy and Resources	Public Health	
CPR 8.1 and 8.2	4	11	1	3	1	4	1	0	25
CPR 9.1 and 9.2	0	1	0	1	1	3	0	0	6
CPR 9.1/9.2 and 8.1/8.2	0	1	0	0	0	0	0	0	1
<b>Total</b>	<b>4</b>	<b>13</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>7</b>	<b>1</b>	<b>0</b>	<b>32</b>
<b>% of waivers stating existing contractor</b>	<b>100%</b>	<b>59%</b>	<b>33%</b>	<b>40%</b>	<b>100%</b>	<b>100%</b>	<b>33%</b>	<b>0%</b>	



Report author: Louise Hornsey  
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Tel: 74153

## Report of Acting Head of Internal Audit

### Report to Scrutiny Board (Strategy and Resources)

**Date: 21 December 2015**

**Subject: Internal Audit update report on Contract Extensions and Spending Money Wisely Challenge.**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

### Summary of main issues

1. A report of the Chief Officer of PPPU was presented to Scrutiny Board (Strategy and Resources) on 'Effective Procurement and Contract Management' in July 2015. As part of this report it proposed that the findings of the follow-up review that Internal Audit was due to undertake on contract extensions would be reported to the board upon its completion. This audit has now been carried out and the findings present an improved picture from the previous audit in terms of directorates considering whether to extend a contract sufficiently in advance. However a best value analysis of the options available is still not always being completed.
  
2. The Spending Money Wisely Challenge reviews have also been undertaken as part of internal audit's coverage. These are reviews of a sample of off-contract and non-contract spend to identify whether these transactions are providing the authority with value for money and whether Contract Procedure Rules (CPRs) have been complied with in their procurement. The review has identified a low level of compliance with CPRs and we are currently working with directorates in order to establish the causes of these issues and make recommendations for improvements.
  
3. This report provides a summary of the findings from these two reviews.

## **Recommendations**

4. Scrutiny Board (Strategy and Resources) is asked to:

- Consider the contents of this report;
- Note the findings of the contract extensions audit and the progress made in this area, as well as the ongoing work to improve the use of the best value analysis; and
- Note the findings of the Spending Money Wisely Challenge reviews and the ongoing work to improve how the authority demonstrates that value for money is achieved for non-contract and off-contract spend.



## **1 Purpose of this report**

- 1.1 The purpose of this report is to provide an update on the findings of internal audit's recent reviews of contract extensions and off-contract and non-contract spend.

## **2 Background information**

### Contract Extensions – previous audit findings

- 2.1 A review of contract extensions was previously undertaken by internal audit in 2013/14. This involved selecting a sample of contracts to ensure that contract extensions were being invoked correctly and were being conducted in accordance with CPRs. A medium level opinion on compliance was given, with the key findings arising from the review being that:
- The option to extend the contract or re-procure was not reviewed sufficiently in advance of the end of the contract; and
  - There was insufficient evidence that a best value analysis had been undertaken of the options available.
- 2.2 Recommendations were made which were intended to improve compliance with CPRs in these areas. CPRs set out the key responsibilities and actions which officers must follow when undertaking procurements and are designed to help achieve the Procurement Strategy objective to “improve outcomes and value for money from the goods, works and services that the authority buys”. CPRs are also in place to provide transparency in the procurement process and protect officers from the risk of challenge. Implementing these recommendations to improve CPRs compliance would therefore contribute to the achieving these objectives.
- 2.3 The results of the audit were included in a report to Scrutiny Board (Strategy and Resources) by the Chief Officer of PPPU as part of his report into ‘Effective Procurement and Contract Management’. The report highlighted the actions being taken by PPPU in order to implement these recommendations.
- 2.4 A further audit has subsequently been undertaken to review a sample of recent contract extension decisions, to identify whether there have been improvements in the extension process.
- 2.5 This found that progress has been made in some areas, however further improvements could still be made and recommendations to assist in ensuring best value is achieved through contract extensions are detailed below in section 3.

### Spending Money Wisely Challenge – previous audit findings

- 2.6 A sample of payments per month was selected from the published payments lists covering the period April to December 2014. The sample of payments selected was based on expenditure not linked to a contract within the Financial

Management System and did not include payments which are exempt from Contracts Procedure Rules e.g. transfer payments such as direct payments. The sample was therefore chosen from a population which had 76% of published payments by value excluded.

2.7 Overall 46% of the transactions reviewed were found to be unsatisfactory in that there was 51 out of 110 instances where compliance with procurement could be improved or where there was insufficient evidence to demonstrate that value for money had been obtained. A low level of assurance was therefore provided.

The review found that:

- The most common reason for the non-compliances in the sample was that the supplier chosen was of a specialist nature or the sole provider of the goods or service purchased. A direct appointment was made without the relevant written record or waiver to support the action. A number of other direct appointments were fully funded by third parties who nominated the supplier.
- In a quarter of the non-compliant cases, evidence had not been retained to confirm that the correct number of quotes had been sought. In each of these cases, the procuring officers had advised internal audit that quotes had been obtained prior to the procurement and were confident that value for money had been achieved but were unable to provide the evidence of this during the audit.
- Other reasons for non-compliance included goods and services which required urgent procurement; lack of awareness of the procurement rules that should be followed and the identification of additional work after the terms of the initial engagement had been set.

2.8 The issues highlighted above have been raised with the relevant Chief Officers. Internal audit has recommended that officers who have not complied with CPRs should be required to undertake procurement training and that appropriate action is taken for consistent breaches of CPRs.

2.9 CPRs are in place for the purpose of meeting the council's ambition for procurement, with the achievement of Value for Money being one of the key elements of the Procurement Strategy. Although our findings identified that compliance with CPRs could be improved, there was no evidence that this would directly lead to significant budget savings. Specifically, as we found that there was a lack of quotes in some instances, directorates could not evidence whether there was a supplier who could have offered better value.

2.10 As a result of the findings detailed above, we have continued to review a sample of transactions to test compliance with CPRs and assess whether the expenditure meets the council's value of spending money wisely. The findings from this work are detailed below in section 3.

### 3 Main issues

#### Contract Extensions Audit 2015/16

- 3.1 The previous audit found that the option to extend the contract or re-procure was not being reviewed sufficiently in advance of the end of the contract. Good progress has been made in this area as in general contract managers are given sufficient notice of upcoming contracts expiring in order to make an extension decision. The sample of contract extensions tested as part of the audit had all been reviewed suitably in advance of the contract expiry date. However a review of data for all contracts with an extension option identified some areas where improvements could be made, in order to ensure contract extensions can be reviewed in a timely manner. The following recommendations have therefore been made:-
- A central check of review dates being set to ensure these are reasonable
  - Checks to ensure that contact information for the contract manager is kept up to date.
- 3.2 The audit found that there is still a lack of documentation being retained to evidence that options have been considered and that best value is being achieved. The delegated decision process ensured that all extensions tested had been signed off at the right level and this therefore provides assurance that there has been some level of check and challenge. However there were inconsistencies with the level of detail being documented to evidence the decisions made, and in approximately half of the sample there was insufficient information to be able to independently verify whether the extension decision did offer best value.
- 3.3 Recommendations have therefore been made to support officers to better complete the best value analysis, which will help with the achievement of value for money in the contract extensions process. These recommendations include:-
- Providing guidance material for contract managers on how to complete and document their best value analysis, such as a brief options appraisal template.
  - Carrying out central risk-based monitoring of contract extensions to ensure that a best value analysis of the options available has been carried out and to ensure consistency across directorates.
- 3.4 The audit also identified a further issue where spend had continued with a supplier from an expired contract and this was therefore off-contract spend as a new contract was in place. The following recommendation has therefore been made:-

- To carry out monitoring of off-contract spend including purchasing cards to identify where spend has continued on expired contracts.

3.5 We are currently working with PPPU and directorates to agree implementation of the above recommendations.

#### Spending Money Wisely Challenge 2015/16

3.6 As with the previous year's Spending Money Wisely Challenge reviews, the 2015/16 audits specifically targeted a restricted population of payments made where there is no contract (non-contract spend), or where a contract exists but it has not been used (off-contract spend). This year a sample of transactions in four directorates have been reviewed for compliance against CPRs and whether they provide value for money.

3.7 In 2014/15 we found a low level of compliance with CPRs and this has again been the case in 2015/16. The main issues found during the reviews were that Chief Officer approval or a signed waiver had not been obtained where there were no quotes, or evidence of quotes had not been kept. Where quotes have not been obtained and this has not been approved, there is a risk that value for money has not been achieved.

3.8 As the findings have not improved since the previous year's audits we are currently working with directorates to understand the root causes of these issues in order to make targeted recommendations in these areas. Following this work, we will report back as part of our regular updates to Corporate Governance and Audit Committee.

3.9 Reducing the amount of such non-contract spend is recognised as a potential area for budget savings, and the council has a target to make £1.2m savings in 2015/16 from a review of non-contract spend. For the sample tested there was no evidence that compliance with CPRs would directly lead to significant budget savings. Specifically, as we found that there was a lack of quotes in some instances the directorate could not evidence whether there is a supplier who could have offered better value.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 This report did not highlight any consultation and engagement considerations.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.2 This report does not highlight any issues regarding equality, diversity, cohesion and integration.

### **4.3 Council policies and Best Council Plan**

4.3.1 The Best Council Plan 2015-20 includes an objective of "becoming a more efficient and enterprising Council". Both audits undertaken link to this objective,

and the recommendations made will help to uphold the council's value of spending money wisely.

#### **4.4 Resources and value for money**

4.4.1 CPRs are in place for the purpose of meeting the council's ambition for procurement, with the achievement of Value for Money being one of the key elements of the Procurement Strategy. Implementation of the recommendations made should improve compliance with CPRs and therefore improve the value for money that the authority is receiving when undertaking expenditure.

#### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 None.

#### **4.6 Risk Management**

4.6.1 The internal audit plan has been developed on a risk basis and will continue to be subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process incorporates a review of information from a number of sources, one of these being the corporate risk register.

### **5 Conclusions**

5.1 The contract extensions audit found that in general contract managers are given sufficient notice of upcoming contracts expiring in order to make an extension decision. The delegated decision process had been complied with for all extensions tested and approval had been granted in accordance with the scheme of delegation. This therefore provides assurance that there has been some level of check and challenge. However there is a lack of documentation being retained to evidence that all options have been considered as part of the contract extension decision. Recommendations have been made to address these issues and ensure that value for money is being considered as part of the process.

5.2 The Spending Money Wisely Challenge reviews have identified that there remains significant non-compliance with CPRs. The main issues found during the reviews were that Chief Officer approval or a signed waiver had not been obtained where there were no quotes, or evidence of quotes had not been kept. Where quotes have not been obtained and this has not been approved, there is a risk that value for money has not been achieved. As the findings have not improved since the previous year's audits we are currently working with directorates to understand the root causes of these issues, in order to make targeted recommendations for improvement in these areas.

### **6 Recommendations**

6.1 Scrutiny Board (Strategy and Resources) is asked to:

- Consider the contents of this report;

- Note the findings of the contract extensions audit and the progress made in this area, as well as the ongoing work to improve the use of the best value analysis; and
- Note the findings of the Spending Money Wisely Challenge reviews and the ongoing work to improve how the authority demonstrates that value for money is achieved for non-contract and off-contract spend.

## **7 Background documents<sup>1</sup>**

7.1 None.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

**Report of Head of Scrutiny and Member Development**

**Report to Scrutiny Board (Strategy and Resources)**

**Date: 21<sup>st</sup> December 2015**

**Subject: Work Schedule**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. The Board's work schedule is attached as appendix 1. The work schedule reflects discussions at the Board's meeting in November. It will be subject to change throughout the municipal year.

**Recommendations**

3. Members are asked to note the work schedule and make amendments as

**Background documents<sup>1</sup>**

None used

<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

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**Scrutiny Board (Strategy and Resources) Work Schedule for 2015/2016 Municipal Year**

Area of review	Schedule of meetings/visits during 2015/16		
	June	July	August
Non contract spend		Initial evidence gathering	
Budget/Service Categorisation and income generation		Agree terms of reference	
Commissioning			
ICT			
Devolution			
<b>Briefings</b>	Terms of Reference/work programming discussion		
<b>Recommendation Tracking</b>			
<b>Performance Monitoring</b>			

## Scrutiny Board (Strategy and Resources) Work Schedule for 2015/2016 Municipal Year

Area of review	Schedule of meetings/visits during 2015/16		
	September	October	November
Non contract spend			
Budget/Service Categorisation and income generation	Session 1 – evidence gathering	Session 2 –evidence gathering	Session 3 –evidence gathering
Commissioning			
ICT		To agree terms of reference	
Devolution			
<b>Briefings</b>			
<b>Recommendation Tracking</b>			
<b>Performance Monitoring</b>			

## Scrutiny Board (Strategy and Resources) Work Schedule for 2015/2016 Municipal Year

Area of review	Schedule of meetings/visits during 2015/16		
	December	January	February
<b>Non contract spend</b>	Update		
<b>Budget/Service Categorisation and income generation</b>	To agree final report		
<b>Commissioning</b>		Initial discussion with Director of Adult Social Care	Commissioning
<b>ICT</b>		Session 1 evidence gathering	Session 2
<b>Devolution</b>			
<b>Briefings</b>		Career families	Devolution
<b>Budget</b>	To receive Executive Board's initial budget proposals	Formal response to Executive Budget proposals link with recommendations arising from work on Budget/Service Categorisation and income generation	
<b>Recommendation Tracking</b>			
<b>Performance Monitoring</b>			
<b>Performance Monitoring</b>			

**Scrutiny Board (Strategy and Resources) Work Schedule for 2015/2016 Municipal Year**

Area of review	Schedule of meetings/visits during 2015/16		
	March	April	May
Non contract spend			
Budget/Service Categorisation and income generation			
Commissioning			
ICT	Session 3	Session 4 – drafting recommendations	
Devolution			
Briefings			
<b>Recommendation Tracking</b>			
<b>Performance Monitoring</b>			
<b>Performance Monitoring</b>			