

**Report of the Deputy Chief Executive  
Report to Executive Board  
Date: 18<sup>th</sup> December 2013**

**Subject: Initial Budget Proposals for 2014/15**

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. This Report sets out the Initial Budget Proposals for 2014/15 within the context of the Medium Term Financial Strategy for the period 2014/15-2015/16 which is designed to deliver the Council's best council ambition, but recognising that there will be further significant reductions in the level of funding available to the authority.
2. The Council to date has been successful in responding to the challenging reductions to its funding since 2010 which has been in the region of £94m over the past 3 years. Based on the national spending totals announced in the 2013 Spending Review, and a subsequent technical consultation, the Council now anticipates that there will be a further reduction in funding from Government of around £81m for core services over the two years 2014/15 and 2015/16. This reduction in funding is in addition to the need to meet the cost of inflation and continuing spending demands across a range of services.
3. Savings of £200m have been achieved over the past 3 years and it is very likely that the next few years will bring further challenges and it is therefore important that there is a very clear direction to inform decision making. By the end of 2015/16 the Council will once again be a smaller organisation employing fewer staff. There will be a need to review many of the services we currently provide and consider how they will be provided in future. This will require many challenging decisions to be taken.
4. The proposals for next year include significant reductions across a broad range of services totalling £46m and includes net reductions in staffing equating to 273 ftes by the end of 2014/15.
5. It is proposed that the Council will increase its Council Tax in 2014/15 by 2% rather than accept the Council Tax freeze grant which is equivalent to a 1% increase.

**Recommendation**

6. The Executive Board is asked to agree this report as 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.

## **1.0 PURPOSE OF THIS REPORT**

- 1.1 In accordance with the Council's constitution, the Executive is required to publish initial budget proposals two months prior to adoption by full Council, which is scheduled for the 26th February 2014. This report sets out the initial budget proposals for 2014/15 in the context of the Medium Term Financial Strategy which was approved by Executive Board in October 2013.
- 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 14<sup>th</sup> February 2014. It will also be made available to other stakeholders as part of a wider and continuing process of consultation.
- 1.3 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 14.1 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.

## **2.0 THE NATIONAL AND LOCAL CONTEXT**

- 2.1 The Council's annual budget is set within the context of the 2013 Spending Review which outlined how the Government will continue to reduce the deficit in public finances over the two year period 2014/15 and 2015/16.
- 2.2 The 2013 Spending Review continues the Government's plans to eliminate the structural deficit which were initially set out in the Government's emergency Budget of June 2010 and in their October 2010 Comprehensive Spending Review. This set out to reduce public spending by £81bn between 2011/12 and 2014/15, with local government funding falling by 28% in real terms.
- 2.3 For Leeds, between the 2010/11 and 2013/14 budgets, funding from government reduced by £94m and the Council has also faced significant costs particularly within adult and children's social care as well as reductions in income due to the economic climate.
- 2.4 The Spending Review in 2013 confirmed that the Government's initial 4 year deficit reduction plan would continue for a further 3 years to 2017/18 and that the scale of reductions in overall Government spending would be similar to those seen from 2010. As yet Departmental Expenditure Limits have not been set beyond 2015/16.
- 2.5 The provisional 2014/15 start-up funding allocation (now referred to as Settlement Funding Assessment (SFA)) was announced in the Local Government Finance Settlement in January 2013. However, an additional 1% reduction for 2014/15, initially announced in the Government's Budget 2013, has now been confirmed in the latest Spending Review. The reduction in SFA for 2014/15 (compared to 2013/14) is 10.4% and this is shown in Table 1.

2.6 For 2015/16, the 2013 Spending Review announced that the funding reduction for Local Government would be 10% in real terms (8.2% cash). However, within those figures were a number of funding streams which have been top sliced and subject to a bidding process and therefore not allocated to all authorities. The government funding for core local government services will therefore reduce by 13.1% in cash terms or 15% in real terms. It is also clear that the reduction in SFA will not evenly impact upon authorities and for Leeds the cash reduction for 2015/16 is forecast at 14.7%, compared to the national average of 13.1%.

Table 1

	2013/14 £m	2014/15 £m	2015/16 £m
Settlement Funding Assessment	346.449	310.544	265.048
Reduction (£m)		-35.905	-45.496
Reduction (%)		-10.4%	-14.7%

2.7 Taking into account the reduction in government funding of £94m to 2013/14 and the figures in table 1, by April 2016 the Council's government funding will have reduced by £175m and when account is taken of other budget pressures facing the Council including demographic demand and inflation, the financial challenge is significantly greater.

### 3.0 Developing the Medium Term Financial Strategy

3.1 The Council has so far responded successfully to the funding challenges since 2010 by reducing a number of areas of expenditure, most significantly on employees and through better procurement and demand management, and by increasing income, as detailed in the Medium Term Financial Strategy which was approved at Executive Board on 9<sup>th</sup> October 2013.

3.2 The Financial Strategy was developed in the context of the Best Council Plan which set out the Council's ambition to become the best Council in the best city in the UK with the following objectives to help achieve this:

- ensuring high quality public services.
- dealing effectively with the city's waste.
- building a child friendly city.
- delivery of the Better Lives programme.
- promote sustainable and inclusive economic growth.
- becoming an efficient and enterprising council.

3.3 Before allowing for any increase in Council Tax, the expected budget gap for 2014/15 was £33.2m with a further £56.6m in 2015/16. It was anticipated that whilst early progress against the Best Council objectives would help address the financial challenge of 2014/15, given the scale of funding reductions in 2015/16, further

savings proposals would need to be identified to bridge the remaining gap in 2015/16, with an inevitable impact on front line services.

#### **4.0 Estimating the Funding Envelope for 2014/15**

- 4.1 As outlined at paragraph 2.5, the Spending Review confirmed a further 1% reduction to the indicative figures for 2014/15 which were contained in the 2013/14 Local Government Finance settlement. For Leeds, this represents a reduction of £35.9m for 2014/15, although this is subject to the Local Government Finance settlement which is expected in mid-December 2013.
- 4.2 In determining the funding envelope for 2014/15 there are a number of other factors and further assumptions to take into account. These include:
- New Homes Bonus – an additional 2,500 properties per annum has been assumed, either being new or brought back into use. The Council not only benefits from the additional Council Tax raised from these properties, estimated to be £2.9m in 2014/15, but also through the additional funding provided by the Government in the form of New Homes Bonus which is estimated at an additional £3.7m per annum.
  - The Government has provided funding for the on-going effect of previous Council Tax freezes up to 2015/16. This is funding that would have otherwise fallen out of the grant system. Additional funding has been provided for those authorities who choose to freeze their Council Taxes for 2014/15 and 2015/16, equivalent to annual increases of 1%. However, a referendum ceiling of 2.0% will apply in each year to those authorities that choose to increase their Council Taxes. It has been assumed that the Council will increase its Council Tax in 2014/15 by 2%, which will generate an additional £4.6m.
  - Although the business rates baseline will increase year on year, it is anticipated that growth in business rates will exceed this by £4.1m per annum, net of the levy which will support the city region. In addition, it is anticipated that the Government will provide funding for the continuation of the Small Business Rates Relief scheme in 2014/15, as was the case in 2013/14.
  - In the current year, the budgeted use of General Fund Reserves is £2.5m. In addition, the budget assumed the usage of £1.2m from earmarked reserves which will not be available in 2014/15. It is anticipated that at the end of 2013/14, general fund reserves will stand at £26.9m, as shown in Table 2 below.

Table 2

General Fund Reserves	2013/14 £m	2014/15 £m
Opening Balance 1 April	23.1	26.9
Small Business Rate Relief	3.3	
Budgeted Usage	-2.5	-9.3
Assumed in-year underspend	3.0	3.0
Estimated Reserves 31 March	26.9	20.6

- This includes £3.3m grant income in respect of the small business rate relief scheme for 2013/14, which was not provided for in the 2013/14 budget. However, this also assumes an annual in-year underspend of £3m which is in line with the 2012/13 outturn position.
- In summary this means that the 2014/15 budget will be supported by an additional £6.8m general fund reserves offset by £1.2m earmarked reserves no longer available.
- The level of general fund reserves at 31 March 2015 is considered to be prudent in the light of the risk based approach to assessing the adequacy of reserves, although it is dependent on achieving £3m in year underspends.

4.3 The impact of these changes are shown in Table 3 below:

Table 3

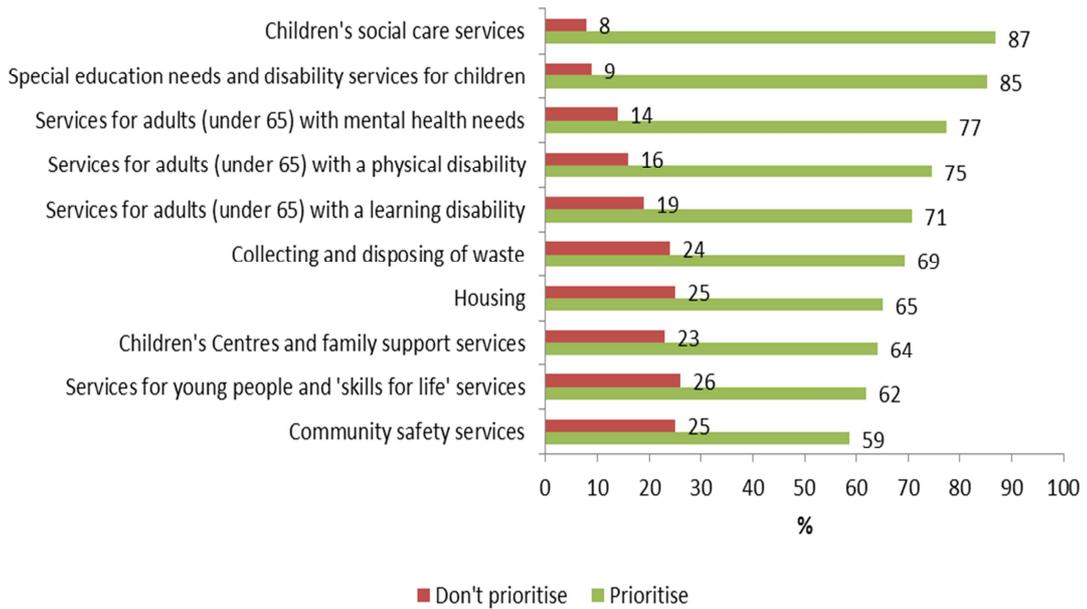
Funding Envelope	2014/15 £m
Government Funding	
Settlement Funding Assessment	35.9
New Homes Bonus	-3.7
Small Business Rate Relief	-3.3
Sub-total Government Funding	28.9
Locally Determined Funding	
Tax Base growth	-2.9
NNDR Growth	-4.1
Council Tax - 2% increase	-4.6
Change in use of reserves	-5.6
Sub-total Locally Determined Funding	-17.2
Total Funding Reduction	11.7

## **5.0 Developing the Council's Budget Plans**

- 5.1 Local government is operating in a very different environment to that which it is has operated previously, and it is clear that Councils will need to change, to become much more enterprising, entrepreneurial and responsive to their local communities, whilst retaining their role as major employers, service providers and democratically-mandated leaders. It will also require businesses to play a more active role as corporate citizens and the third sector to act as a catalyst for connecting with local people.
- 5.2 It is also crucial that the Council's spending plans need to respond to the priorities of the people of Leeds.
- 5.3 In 2012 a 'You Choose' campaign was launched to engage people in the budget challenges and set residents the challenge of balancing a significantly reduced council budget. A total of 2747 formal responses were received by the council and a number of discussions took place on independent social media sites. This was the highest level of participation in a budget consultation in Leeds.
- 5.4 The results from the survey provided a useful barometer of public opinion as to Council spending priorities and are important not only in informing the 2013/14 budget, but also in helping the Council shape its future budgets.
- 5.5 To help inform the initial budget proposals for 2014/15, a lighter touch approach was adopted. This involved:
- giving feedback to communities on YouChoose results from 2012
  - giving feedback to communities on actions/progress to date
  - asking communities if key 2012 priorities were still important
  - asking for ideas/solutions to key challenges

Participants were asked to consider whether the ten service areas most 'protected' from spending cuts in the YouChoose consultation were still top priorities for the 2014/15 budget and asked for alternatives if this was not the case.

- 5.6 The detailed results of this work will be reported in the final budget report in February 2014, but in summary the 946 survey responses received show that:
- services that could be seen to support 'vulnerable' people remain the highest priorities for budget protection, including children's social care, special educational needs and disability services for children and adult mental health.
  - People generally see the list of budget priorities as remaining relevant, with little difference in rank order from 2012 as shown in the graph below:



- For those people who felt that existing priorities should be changed, the most commonly mentioned service areas were general care and support for the elderly and children and roads.
- Suggestions for efficiency within the council were the same as a year ago; better waste management and less frequent bin collections, lower staff numbers and salaries and generally improve the way the Council works.

## 6.0 INITIAL BUDGET PROPOSALS 2014/15

6.1 This section provides a strategic overview of the initial budget proposals for 2014/15. Table 4 below provides a summary of key costs and savings areas:

Table 4

	£m
Reduction in Resources	11.7
Inflation	10.0
Full Year Effects	-0.7
Demand/Demography	5.5
Other Budget Pressures:	
Adults - business change, integration with health, etc	1.0
Children's - grant reductions	5.3
- fallout of school balances	4.0
- alternatives to care	4.0
- investment to key preventative services	2.0
City Devt - income shortfall trends	0.7
- residents parking	0.4
E&H - car park closures	1.1
- pay pressures within refuse collection service	0.6
Citizens & Communities	
- welfare & benefits grant reductions	0.4
<b>Total Pressures</b>	<b>45.9</b>
Best Council Objectives:	
Ensuring High Quality Public Services - Procurement	-5.0
Dealing effectively with the City's Waste	-1.6
Building a Child Friendly City	-5.8
Delivery of the Better Lives Programme	-2.1
Becoming an efficient and enterprising Council	
Assets	-0.1
Business Improvement	-2.0
Support Services	-3.6
Income, charging and trading	-5.6
Charges to Public Health	-2.0
Other Savings proposals:	
Adults - additional health funding	-1.5
Children's - reduction in funding for children's centres	-1.7
- transport review	-1.8
- review of youth offer	-0.4
- review of contracts and commissioned services	-0.7
- review of in-house residential provision	-0.9
- review of cultural and educational activity provision	-0.6
Citizens & Communities - welfare support and wellbeing efficiencies	-0.8
Other net general savings including significant staffing savings	-9.7
<b>Total Savings</b>	<b>-45.9</b>

6.2 Further detailed information is provided in Appendix 1 as to how the proposals relate to individual directorates. The key pressures are as follows:

6.2.1 General price inflation of £11.3m – provision has been made for a 1% pay award which is line with the Government's funding assumptions. In addition, although the outcome of the 2013 actuarial review of the West Yorkshire Pension Fund at the

time of writing is not yet available, a 0.5% increase in the employers' superannuation contribution rate has been assumed.

Despite cost inflation currently running at 2.6% (October 2013), no provision will be made for inflation on running cost budgets, other than where there are specific contractual commitments and in the cost of utilities, including increases in the cost of landfill tax and carbon allowances.

6.2.2 An inflationary allowance has been applied to the level of fees and charges and this is estimated to generate an additional £1.3m.

6.2.3 Full Year Effects of previous decisions amounts to a saving of £0.7m. These include the loss of income due to the sale of Sovereign Street car park and the reinstatement of the budget for local elections, offset by the full year effect of the charging review within Adult Social Care.

6.2.4 Demand/Demography

The national context for Adult Social Care continues to be one of demographic increases, increased life expectancy, increasing complexity of need and service user expectations, greater support for people to remain living independently in their own homes for as long as possible, a national drive to improve the quality of social care services and an increasing focus on the integration of health and social care services. These trends, which are leading to increased cost pressures, have been evident for many years and a net increase of £4.3m has been included for demand and demographic pressures in 2014/15. This increase is net of £2.5m savings through demand management within services for older people and services for people with physical impairments and mental health problems. Within the net £2.2m increase included for learning disability services there is a further demand management saving of £0.5m.

Within Children's Services provision of £1.2m has been made which reflects demand pressures in respect of home to school transport and direct payments. The service continues to face significant pressures with a 32% increase in the birth rate over the last decade and a changing demographic mix. This has increased demand across all the services that we provide and fund and will present significant challenges in respect of the supply of school places and demand across the system for services for children and families. In particular, the wider financial and economic climate, together with the renewed national focus on child protection, could have a significant impact and in 2013/14 we have already seen an increase of 8.2% in the requests for service/contacts and a rise of 14% in the referrals for children's social care services. The combination of rising demand and reducing resources will place significant pressures across the system.

6.2.5 Capital Charges – the financial strategy assumes a zero increase in the cost of the Council's external debt. This assumes that all borrowing is taken short term at 0.5% interest for the remainder of 13/14 and 14/15. It is considered that the target of zero increase can be achieved but this is not without risk.

## 6.2.6 Other Budget Pressures

£1.0m has been included within Adult Social Care to support business change activity within assessment and care management, the ongoing costs of the South Leeds Independence Centre and support for the further development of integrated services with health.

Within Children's Services, pressures include £5.3m of grant funding reductions and £4m in respect of the one off use of School balances to support the 2013/14 budget and almost £4m of additional investment into alternatives to care, for example adoptions, special guardianship orders, semi-independent living. In addition, almost £2m has been provided for investment to expand the key preventative services around multi-systemic therapy and restorative practice where there is clear invest to save evidence.

Budget pressures of £1.1m within City Development reflect the downward trend on income, mainly within Sport and Advertising income. The budget for residents parking charges has been deleted following the recent decision not to implement charges.

Continuing pay pressures within the refuse collection service and loss of car parking income due to the development of the Harewood Quarter are estimated at £1.7m within the Environment and Housing proposals.

Within Citizens and Communities, there is a £0.4m reduction in grant funding for the welfare and benefits service.

6.3 In order to address the £45.9m budget gap, a number of savings areas have been identified in accordance with the Best Council Objectives highlighted in the medium Term Financial Plan:

- Best Council Objective: ensuring high quality public services. The Council has adopted a refreshed procurement policy to deliver additional savings from better procurement to ensure that services are high quality and deliver value for money. In addition to limiting inflation on running cost budgets to essential items only, the initial budget includes proposals to save a further £5.0m from procurement activity in 2014/15.
- Best Council Objective: dealing effectively with the city's waste. Savings will be generated in 2014/15 from the further roll out of alternative weekly collections and increasing recycling to help reduce the level of landfill tax, and savings of £1.6m have been identified.
- Best Council Objective: building a child friendly city. Through the expansion of Family Group Conferencing and continued investment into other preventative services, it is envisaged that more children will be supported to safely remain within their family and community. It is anticipated that savings of £5.8m will be generated in 2014/15, reflecting an overall reduction in Looked After Children.

- Best Council Objective: delivery of the Better Lives programme. During 2013/14 Adult Social Care has continued its Better Lives service transformation programme, which aims to enhance the range, amount and quality of adult social care services available through delivering efficiencies within existing services. These efficiencies have included a reduction in the level of directly provided services where independent sector provision is more cost effective. This will need to continue given the very significant financial challenges facing the Council over the next few years. The budget proposals include savings of £2.1m for 2014/15.
- Best Council Objective: becoming an efficient and enterprising council. By ensuring the council has an agile and resilient workforce with the right skills and the ability to work flexibly significant savings will be generated.
  - A programme of business improvement and organisational design is underway to achieve this, and for 2014/15 savings of £5.6m have been identified.
  - In addition, work is ongoing to reduce city centre office space and a significant reduction in the running costs of the total asset base, although there is inevitably a longer leading time for this initiative.
  - Additional income of £5.6m will be generated through a combination of increases in fees and charges with the council becoming more entrepreneurial by developing services in new markets. This includes:
    - § Above inflation increase in Nursery Fees - £0.2m
    - § Extension of Bus Lane Enforcement - £0.8m
    - § Services provided to Council Tenants are to be charged to the Housing Revenue Account - £2m

6.4 Charges to Public Health – a number of services have been identified which are more appropriately charged to the public health function which transferred from the Primary Care Trust to the Council from 1<sup>st</sup> April 2013. This will result in income of £2m to the general fund (see Public Health appendix).

6.5 Other net general savings proposals amount to £18.1m and are detailed in the directorate appendices. Of particular note are:

- £1.5m additional health funding within Adult Social Care, which includes £2.8m likely share of the £200m national funding for integration with health and £0.6m Department of Health funding for adult social care service which benefit the health service. £1.5m of non-recurring health funding has been deleted.
- £1.7m reduction in funding for children’s centres - £0.5m from changing patterns of provision at 6 centres and the balance by continuing to reduce overheads across all the centres.
- £1.8m savings from the provision of transport of children; £0.4m from the review of the Youth Offer and £0.7m from reviewing the provision and governance of services within Children’s services
- £0.9m review of in-house residential provision for children
- £0.6m review of cultural and educational activity provision within children’s services
- Other general savings in staffing across the board

6.6 Employees – The Council’s expectation following the Spending Review was that there would be a reduction of around 2,500 – 3000 ftes over the 4 year period 2011/12 - 2014/15. The Council has operated a voluntary retirement and severance scheme since 2010/11 which has resulted in a reduction in the workforce of 1,795 ftes at the 31<sup>st</sup> March 2012. The current year’s budget assumed that the equivalent of around 406 ftes would leave the Council (excluding Schools and Public Health) and a new Early Leavers scheme was launched covering the period up to and including March 2016.

Many of the costs and savings identified have a staffing implication. Excluding the inflationary impact, staffing reductions of around £11m are included in the 2014/15 initial budget proposals.

The initial budget proposals provide for a net reduction in anticipated staff numbers of 273 ftes by 31<sup>st</sup> March 2015, as shown in Table 5 below:

Table 5

FTEs	Current Nos Oct-13	Increases	Decreases	Net Movement
Adult Social care	2,327.1	19.4	-104.6	-85.2
Children's Services	2,590.8	33.5	-187.6	-154.0
City Development	1,791.9	17.0	-52.0	-35.0
Environment & Housing	1,869.3	35.7	-43.2	-7.5
Strategy & Resources	1,107.9	3.0	-55.5	-52.5
Civic Enterprise Leeds	1,820.3	67.0	-18.0	49.0
Citizens & Communities	798.8	7.0	-8.0	-1.0
Legal & Democratic	189.5	0.0	-1.0	-1.0
Public Health	71.1	13.4	0.0	13.4
<b>Total</b>	<b>12,566.7</b>	<b>196.0</b>	<b>-469.9</b>	<b>-273.8</b>

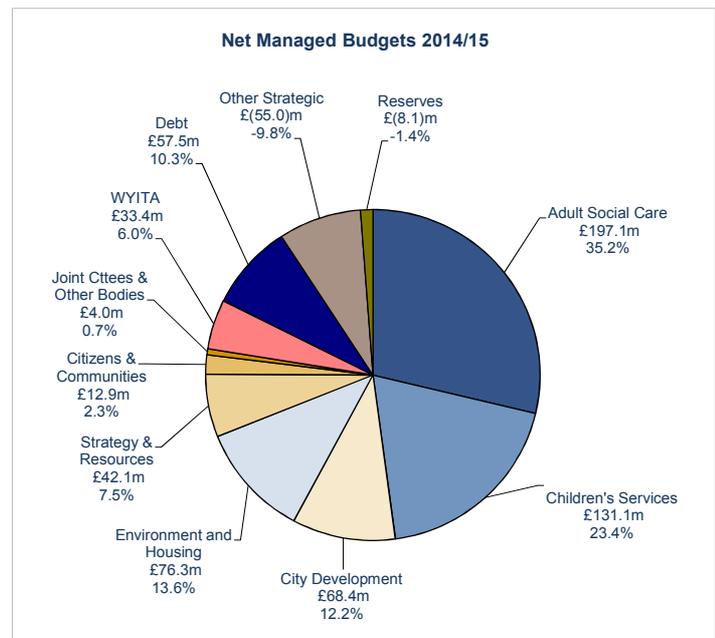
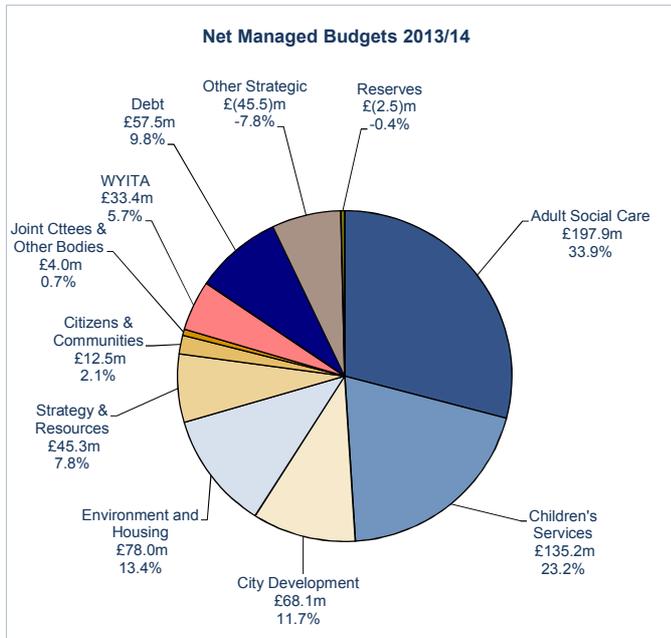
As in previous years, this will mean that staff will leave the authority from across the whole range of services and it will be necessary therefore to continue to manage this very carefully and make arrangements to retrain and redeploy staff where appropriate.

6.7 The proposals outlined above are reflected in table 6 below which gives a subjective breakdown of the Council’s initial budget in 2014/15, compared to 2013/14.

Table 6

	Budget 2013/14 £m	Budget 2014/15 £m	%age Variation £m
Employees	433.9	428.7	-1.2%
Other running expenses	135.7	132.7	-2.2%
Capital Charges	59.5	59.5	0.0%
Payments to external service providers	334.3	333.9	-0.1%
Fees & Charges/Other income	-204.0	-210.4	3.1%
Specific Grants	-171.8	-175.5	2.1%
Use of reserves	-3.7	-9.3	151.4%
<b>Net Spend before grants</b>	<b>583.9</b>	<b>559.6</b>	<b>-4.2%</b>
Funded by:			
SFA	350.7	318.9	-9.1%
Council Tax	233.2	240.7	3.2%
<b>Total Funding</b>	<b>583.9</b>	<b>559.6</b>	<b>-4.2%</b>

6.8 The following pie charts show the share of the Council’s net managed expenditure between directorates over the two years both in cash and percentage terms. Net managed expenditure represents the budgets under the control of individual directorates, excluding items such as capital charges and pensions adjustments. It can be seen that the proportion of the Council’s spend on Children’s Services and Adult Social Care has increased from 57.1% to 58.6% reflecting the Council’s need to prioritise spending in these areas.



## **7.0 Public Health**

- 7.1 On 1<sup>st</sup> April 2013 local authorities took the lead from the NHS for improving the health of their local communities. As responsibilities have transferred to the council so have the staff, existing funding commitments and contracts. The Department of Health has provided a protected ring-fenced grant in order to drive local efforts to improve health and wellbeing by tackling the wider determinants of poor health. The funding allocations support the Government's vision of helping people live longer, healthier and more fulfilling lives and tackling inequalities in health. For Leeds this funding is to be used to help implement the Leeds Health & Wellbeing strategy, including the four commitments plus the public health aspect of the Best Council plan.
- 7.2 The Council's Office of the Director of Public Health is responsible for a ring-fenced grant which is being provided to give local authorities the funding needed to discharge their new public health responsibilities.
- 7.3 The Government will provide a public health ring-fenced grant to Leeds City Council of £40.5m for 2014/15: this includes a £3.7 million uplift from 2013/14. The priority for 2014/15 is all around stability, focusing on working with providers on meeting targets and appropriately aligning responsibilities and finance that may still be unresolved. In addition, account is being taken of the mid-year decision by the Department of Health that a previously separate grant to tackle fuel poverty is now deemed to be part of the public health grant. Further details of the budget proposals can be found in appendix 1.

## **8.0 THE SCHOOLS BUDGET**

- 8.1 The Schools Budget is funded by the Dedicated Schools Grant (DSG). The DSG is a ring-fenced grant and may only be applied to meet costs that fall within the Local Authority Schools Budget. Any under or over spend of grant from one year must be carried forward and applied to the Schools Budget in future years. The Schools Budget comprises of Individual School Budgets delegated to schools, the 15hrs of free early years education for 2, 3 and 4 year olds attending private, voluntary and independent settings, the cost of supporting pupils with high needs and a number of prescribed services and costs in support of education in schools. Funding for post 16 provision remains as a separate post 16 Grant and a small number of targeted grants remain, with the Pupil Premium being the largest of these. There are therefore 5 broad funding blocks covering five areas of expenditure.
- 8.2 The DSG for 2014/15 is funded as three separate blocks, known as The Early Years Block, The High Needs Block, and the Schools Block.
- 8.3 The Early Years Block will be used to fund the free early education of 3 and 4 yr olds, and the early education of vulnerable 2 yr olds in Schools, Academies and Private, Voluntary and Independent settings. The grant will be based on the number of 3 and 4 yr olds on the January 2014 and January 2015 census, multiplied by a figure of £3,883 per full time equivalent pupil. The funding for the 2014/15 financial year will therefore not be finalised until after the end of the year,

but numbers are expected to increase due to the increase in the birthrate in Leeds. It is estimated that funding for 3 and 4 yr olds will increase by £750k yr on yr. Funding for 2yr old provision will be based on a DfE target for 2yr old places. In 2013/14 Leeds received £8.44m from a national total of £525m with a target of 2,190 2yr old places. The funding for 2014/15 has not yet been confirmed but national funding of £760m has previously been announced. Based on this national total the allocation for Leeds is estimated to increase by £3.78m.

- 8.4 The High Needs Block will be used to fund Special Schools, Resourced SEN places in Mainstream Schools, Pupil Referral Units and Education other than at School. The 2014/15 baseline for the High needs Block is £54.47m. The baseline will be adjusted for population changes and will be adjusted based on funding available to the DfE. The national grant total for 2014/15 has not been announced and the High Needs Block allocation will be finalised in March 2014.
- 8.5 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 2014/15 will be based on pupil numbers in Leeds (including those in Academies) as at October 2013, multiplied by a unit rate of £4,538. It is estimated that pupil numbers will increase by 1,920 year on year and the Schools Block will increase by £8.7m.
- 8.6 The delegated Schools Budget will be allocated to Primary and Secondary Schools including academies through the use of a simplified funding formula. The funding allocated to academies through the funding formula will be top sliced from the Schools Block paid to the City Council.
- 8.7 Funding for post 16 provision is allocated by the Education Funding Agency through a national formula. Historically school sixth forms have been funded at higher rates than FE Colleges and Sixth Form Colleges and the funding of sixth forms is reducing as this additional funding is withdrawn.
- 8.8 The DfE continues to provide separate ring fenced grant allocations to support national priorities. All of the grant allocations are paid to the School attended and the expenditure is not managed by the Local Authority. The pupil premium is paid to Schools and Academies based on the number of pupils aged 5 to 15 on roll in January each year who have been eligible for Free School Meals at any point in the previous 6 years of education. The pupil premium is paid at a national rate of £900 per qualifying pupil in 2013/14. It has been announced that the Pupil Premium for Primary pupils will increase to £1,300 per qualifying pupil in 2014/15. The Pupil Premium for Secondary pupils will increase to £935 in 2014/15. The pupil premium for Children Looked after will increase to £1,900. The Children Looked After Pupil Premium will be paid from the day children enter care and will also be paid where children are adopted from care and on behalf of those who leave care under a special guardianship order or residence order. The number of pupils qualifying for the Looked After Pupil Premium is estimated to increase by 25% year on year. The Pupil Premium is also paid based on pupils that are looked after or are Service Children. The grant for Service Children is paid at a lower rate of £300.

It is estimated that the pupil premium paid to Primary Schools and academies in Leeds will increase by over £7.6m, but the pupil premium paid to Secondary Schools and Academies will increase by only £440k.

The Primary PE Grant will be paid in the 2013/14 and 2014/15 academic years to all Primary Schools at a rate of £8,000 plus £5 per pupil.

The Yr 7 catch up premium will be paid in the 2013/14 and 2014/15 financial years 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.

## 8.9 Free School Meals for Under 7s

The Government has announced that free school meals will be provided to all pupils in Reception, Year 1 and Year 2 from September 2014. The annual cost is estimated to be £600m. An announcement of the funding allocation method is expected in December. Based on the assumption that funding for the period September to March will be included in the 2014/15 budget it is estimated that this will produce funding in the order of £5.4m for Leeds Primary Schools

## 8.10 Schools Budget Summary (including Leeds Academies)

	2013/14 £m	2014/15 £m (estimated)	Yr on yr Change
Schools Block	431.95	440.66	8.71
Early Years Block (3 & 4yr olds)	30.06	30.81	0.75
Early years Block (2yr olds)	8.44	12.22	3.78
High Needs Block	54.47	54.47	0.00
EFA Post 16 Funding	19.16	18.11	-1.05
Pupil Premium – Deprivation	28.51	36.55	8.04
Pupil Premium – Looked after	0.58	1.22	0.64
Pupil premium – Service Children	0.04	0.04	0.00
PE & Sport Grant	1.81	1.81	0.00
Yr 7 Catch up Premium	0.54	0.54	0.00
Free School Meals under 7's	0.00	5.40	5.40
<b>Total Schools Budget</b>	<b>575.56</b>	<b>601.83</b>	<b>26.27</b>

## 9.0 HOUSING REVENUE ACCOUNT (HRA)

9.1 The HRA includes all the 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 The 2014/15 budget will be influenced by the Council's rent strategy agreed by Executive Board in February 2012 and which followed the Government's rent restructuring policy which aimed at ensuring that local authority and housing association tenants would eventually pay similar rents for similar properties in similar areas (rent convergence). The rental strategy agreed by the Council

smoothed the incidence of the rent increases that had been assumed by Government in their debt settlement with the Council following the implementation of HRA self-financing in April 2012.

- 9.3 As a part of the June 2013 Spending Review, and subsequently confirmed in a consultation document, the Government have announced a new rent setting formula, to be fixed for ten years, of Consumer Price Index (CPI) +1% per year from 2015/16. As a result, removing from 1<sup>st</sup> April 2015 the flexibility available to landlords to increase rents by an additional £2 per week, effectively ends the policy of rent convergence and reflects the Government's expectation that social rent properties will have converged by 2014/15. For Leeds it is estimated that 54% of properties will not have converged by the end of 2014/15 and therefore the change in the rent setting policy will mean a reduction in the income to the Council's Housing Revenue Account estimated to be £3.5m in 2015/16 rising to an average of £6.5m per annum from 2016/17.
- 9.4 The Council's rent strategy assumed a rent increase of 5.2% in 2014/15 but there is the opportunity to offset the impact of the Government's rent policy upon rental income streams by increasing the rent to the "limit rent" which is the rent at which the Government will pay the full subsidy for housing benefit. (If the average rent for the Authority is higher than the limit rent then housing benefit receivable is reduced proportionately). Whilst the limit rent for 2014/15 hasn't yet been announced a similar increase to that seen in 2013/14 would allow for a 7% increase in rent.
- 9.5 In accordance with the adopted rent strategy it is proposed that rather than increase the rents by this amount, that instead the increases are smoothed with the proposal to increase rents by 5.9% in 2014/15.
- 9.6 In April 2013 the government implemented a number of changes to the welfare system. Most notable was the Social Sector Size Criteria (SSSC) which reduces Housing Benefit (HB) entitlement for working age tenants deemed to have more bedrooms than they need. Subsequently this has increased the level of rent arrears with 59% of those tenants impacted upon by these reforms now in arrears. Whilst the implementation of Universal Credit has been delayed it is anticipated that this will also lead to an increase in the level of tenant arrears and the consequent requirement to provide for this.
- 9.7 In June 2013 Executive Board agreed to the transfer of Housing Management function from the ALMOs back to the Council. An important driver for the review was to deliver financial savings that could be reinvested in front-line services for council tenants and/or investment in the Council's housing stock. Financial savings can be made in three main areas; senior management, support costs and the removal of costs associated with maintaining a separate company arrangement as well as additional savings in not requiring a client side function. Work is currently being progressed to realise these savings.
- 9.8 On the 9<sup>th</sup> November 2013 Executive Board received a report which set out the housing investment priorities for 2014/15. In 2014/15 the headline investment proposals for the Council's Housing Stock are the new build programme; bringing empty properties back into use; Re-model Sheltered Housing; Fire safety works at

multi-storey blocks; Adapting properties for disabled residents; new kitchens and bathrooms; Decent Homes Standard maintenance; Void property work; and upgrading inefficient central heating boilers. In addition investment in Little London, Beeston and Holbeck commenced in 2013/14.

- 9.9 All of these investment priorities are funded through the HRA and any variation in the rental income stream will impact upon the level of resources that are available to deliver the essential investment strategy to maintain and improve the Council's housing stock.

## **10.0 CAPITAL PROGRAMME**

- 10.1 Over the period 2013/14 to 2015/16 the existing capital programme includes investment plans which total £592m. 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 £3.4bn excluding the value of community assets such as highways and parks, and the Council's net debt stands at £1.4bn.
- 10.2 When capital investment is funded from borrowing, there is a cost to the revenue budget both in terms of interest and minimum revenue provision. When capital expenditure is funded by borrowing, councils are required to make an annual minimum revenue provision (MRP) charge to the revenue accounts. This is the means by which capital expenditure which has been funded by borrowing is paid for by the council tax payer. In recent years the annual MRP charge has averaged around 4% of the amount borrowed to fund capital and for 2013/14 is around £39m.
- 10.3 The Council continues to work towards a funded capital programme which is less than or equivalent to the level of the minimum revenue provision so that the Council's debt is managed at its current level or in fact reduced. However, before this can be achieved there are a number of capital investment plans which are either contractually committed or are of strategic importance to the city which the Council will need to provide for, for example Flood Alleviation, Changing the Workplace, New Generation Transport and the Basic Needs programme in schools. Borrowing to fund these and other projects will mean that for 2014/15 the revenue cost of debt will need to increase by at least £2m. However the Initial Budget proposals assumes that all funding is taken short term at 0.5% interest for the remainder of 13/14 and 14/15 and by careful management it is considered that the target of a zero increase can be achieved but this is not without risk.
- 10.4 There are a number of key annual expenditure programmes which need to be provided for within the capital programme each year. These total £31.3m each year and are shown in the table below. For each additional £1m of capital investment funded by borrowing, a budget of £80,000 per year would be required in the revenue budget. If an additional £1m of revenue budget was available each year, an additional £12m of capital investment could be carried out.

<b>CAPITALISATION / ANNUAL PROGRAMMES</b>	
	<b>£000</b>
<b>Capitalisation</b>	
General Capitalisation	4400.0
PFI capitalisation	150.0
Library Books	700.0
Highway Maintenance	1,500.0
Capital Programme Management	600.0
<b>Annual Programmes</b>	
S278 grant used in revenue	4,000.0
Adaptation to Private Homes	400.0
Contingency	500.0
Maintenance of Council buildings	1,500.0
Disabled Facilities Grants	3,930.0
General Refurbishment of Schools	1200.0
Highways Maintenance	10,000.0
ICT Essential Services Programme	1,200.0
Traffic Management Programme	200.0
Demolition and asbestos removal	1,000.0
<b>Total Annual Programmes</b>	<b>31,280.0</b>

10.5 The strategy allows for capital investment above the MRP of £39m where the investment results in savings or avoids future costs. This capital investment will be subject to robust business cases being reviewed and approved prior to schemes progressing

### **11.0 Prospects for 2015/16**

11.1 The funding envelope for 2015/16 is currently assessed as a reduction of £33m taking account of the reduction in Government funding announced in the 2013 Spending review as shown below:

Funding Envelope	2015/16 £m
Government Funding	
Settlement Funding Assessment	45.5
New Homes Bonus	-3.7
Sub-total Government Funding	41.8
Locally Determined Funding	
Tax Base growth	-2.9
NNDR Growth	-2.1
Council Tax - 2% increase	-4.7
Change in use of reserves	1.2
Sub-total Locally Determined Funding	-8.5
Total Funding Reduction	33.3

11.2 When unavoidable pressures are added the total rises to £49m:

	£m
Reduction in Resources	33.3
Inflation	9.5
Full Year Effects	-1.7
Demand/Demography	2.4
Other Budget Pressures:	
Children's - grant reductions	4.0
- repayment of school balances	1.0
- alternatives to care	1.0
Total Pressures	49.4

11.3 In order to establish a balanced budget for 2015/16 it is essential that the Council continues to work closely with its partners to ensure the best use of resources available in the city, including:

- Working with health partners to maximise the city's share of the £3.8bn pooled budget for health and social care services, announced in the Spending Review.
- Securing a share of other funding streams.
- Working with the Local Enterprise Partnership to deliver the economic regeneration agenda.

11.4 Nevertheless, it is clear that further savings proposals will need to be identified to bridge the remaining gap in 2015/16 and it is inevitable that there will be some impact on front line services.

## **12.0 CORPORATE CONSIDERATIONS**

### **12.1 Consultation and Engagement**

- 12.1.1 As explained at section 5 above the initial budget proposals have been informed through a recent consultation regarding the Council's priorities. 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 14<sup>th</sup> February 2014.
- 12.1.2 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.

### **12.2. Equality and Diversity / Cohesion and Integration**

- 12.2.1 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.
- 12.2.2 In addition as a result of the changes to the Best Council Plan the related Equality Improvement Priorities 2011 – 15 were also reviewed and refreshed and a number of changes proposed and agreed.
- 12.2.3 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 2014 – 15 which will be considered by Executive Board in February 2014. Specific equality impact assessments will also be undertaken on the implementation of all budget decisions as they are considered during the decision making process in 2014/15.

### **12.3 Council Policies and City Priorities**

- 12.3.1 The initial budget proposals seek to ensure that the policies and priorities of the Council are supported by directing financial resources towards the Council's policies and priorities.

### **12.4 Resources and Value for Money**

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

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

- 12.5.1 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 2014 meeting of this board at which proposals for the 2014/15 budget will be considered prior to submission to full Council on the 26<sup>th</sup> February 2014.

12.5.2 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.

12.5.3 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 14.1 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.

## **12.6 Risk Management**

12.6.1 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.

- Demand pressures in Adult Social care and Children's services could be greater than anticipated.
- Reductions in government grants are greater than anticipated. Grant figures for the Council for 2014/15 will not be known until later in the planning period
- Inflation and pay awards could be greater than anticipated
- Other sources of income and funding could continue to decline
- Increase in the Council Tax base could be less than anticipated
- Growth in business rates could be less than anticipated, or base could decline
- Council Tax discounts could be greater than forecast
- The delivery of savings from the Council's transformation agenda and other saving options could be delayed or less than anticipated
- Changes in interest rates could impact upon capital financing charges
- Asset sales could be delayed requiring the Council to borrow more to fund investment
- Impact of Government welfare reforms could have a greater impact upon the delivery of the Council's services than currently anticipated
- Reductions in staffing numbers from early leaver initiatives and natural turnover could be less than anticipated
- Failure to understand and respond to the equality impact assessment

12.6.2 A full risk register of all budget risks in accordance with current practice will be maintained and will be subject to quarterly review. Any significant and new risks are contained in the budget monitoring reports submitted to each meeting of the Executive Board, together with any slippage on savings.

## **13.0 CONCLUSIONS**

- 13.1 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. In order to achieve both the strategic aims and financial constraints, the Council will be more enterprising, working with business and partners to be more civic, and working with the public to be more engaged.
- 13.2 Based on the 2013 Spending Review, it is anticipated that there will be a further reduction in funding from Government of around £81m for core services over the two years 2014/15 and 2015/16. The initial budget proposals for 2014/15 set out in this document, subject to the finalisation of the detailed proposals in February 2014, will, if delivered, generate savings of £45.9m and produce a balanced budget.
- 13.3 A significant increase in the use of general reserves is required to support the 2014/15 budget, although this is not sustainable in the medium term. It is clear that further savings proposals will need to be identified for the future and the Council will need to be focussed on changing the way services are provided and commissioned and direct spend to counter disadvantage and reduce inequality.
- 13.4 The challenge is significant, and the council has responded well so far, recognising the need to change. For the future the Council will continue to reduce in size, but will aim to become a bigger one in influence, becoming an enterprising council and transforming the way it works with partners and communities.

## **14.0 RECOMMENDATION**

- 14.1 The Executive Board is asked to agree this report as 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.

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

- 15.1 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.

**INITIAL BUDGET PROPOSALS 2014/15****ADULT SOCIAL CARE DIRECTORATE****Service Context**

The national context for Adult Social Care continues to be one of demographic increases, increased life expectancy, increasing complexity of need and service user expectations, greater support for people to remain living independently in their own homes for as long as possible, a national drive to improve the quality of social care services and an increasing focus on the integration of health and social care services. The government has made £200m nationally available to support this integration, of which £2.8m is estimated for Leeds. The conditions associated with how this money is to be spent are not yet published.

These national trends, which are leading to increased cost pressures, have been evident for many years, but the economic climate is putting increasing pressure on public finances and the reductions in public spending have added to the financial challenges faced by Adult Social Care.

The Care Bill that is currently going through the later stages of the parliamentary process will have major implications for Adult Social Care services, with some of the changes taking effect in April 2015 and the remainder in April 2016. In particular, the proposed cap on individuals' care costs will involve some form of care assessment for people currently funding their own care who have not previously come to the Council for support and there are enhanced requirements to provide assessments and support for carers. A considerable amount of work will need to take place during 2014/15 in preparation for these changes.

During 2013/14 Adult Social Care has continued its Better Lives service transformation programme, which aims to enhance the range, amount and quality of adult social care services available through delivering efficiencies within existing services. These efficiencies have included a reduction in the level of directly provided services where independent sector provision is more cost effective. This will need to continue given the very significant financial challenges facing the Council over the next few years. Although the savings included within the 2014/15 initial budget proposals for these further changes is relatively small due to the lead-in time for this type of service transformation, work will need to be undertaken throughout 2014/15 if the directorate is to meet its financial challenges for 2015/16.

**Budget proposals**Increased budget provision

A net increase of £4.3m has been included for demand and demographic pressures projected to be ongoing in 2014/15. This increase is net of £2.5m savings through demand management within services for older people and services for people with physical impairments and mental health problems. Within the net £2.2m increase included for learning disability services there is a further demand management saving of £0.5m.

Other increased costs amount to £2.6m, of which £2.1m relates to inflation. The quality framework for residential and nursing care fees approved during 2013/14 has been implemented in the current financial year and £0.6m is included in the 2014/15 budget to

reflect more providers achieving the enhanced quality standard. Other costs include support for business change activity within assessment and care management services, the ongoing costs of the South Leeds Independence Centre and support for the further development of integrated services with health. These are partly offset by the full-year effect of the new and increased customer charges approved by Executive Board in April 2013.

#### Delivering the Better Lives programme

The budget proposals include savings of £1.1m for home care services. This includes the full-year effect of the ongoing staffing reductions within the directly provided services and a part-year effect in 2014/15 of accelerating the opportunities for staff within this service to be redeployed to alternative posts within the council. In addition, improved productivity within the reablement service and its impact on reducing long term care needs are included.

Savings of £0.5m are included for the provision of transport, which will be delivered alongside savings of £0.5m budgeted in 2013/14 that have not yet been achieved. Work will continue to reduce the costs and usage of private hire and make better use of council-owned vehicles. Provision of transport for new and existing customers will be reviewed to ensure full account is taken of people's ability to meet their transport needs without the need for council provision. Further review work will be undertaken, including considering a new business model for transport and any consequent changes required to the current transport policy.

Proposals are included to save £0.4m by reducing costs within the outreach, physical impairment and extra care services. A further £0.2m is included within the learning disability community support service through increased Housing Benefit funding.

As outlined above, some savings are included in the 2014/15 budget proposals for the continued reduction in the directly provided home care service. Given the scale of the future financial challenges for the council and the directorate, proposals will be developed and brought forward for approval during 2014/15 on the remaining older people's residential care, day care and accommodation services across all client groups. No savings arising from these proposals are included for 2014/15 due to the lead-in times for delivering such savings.

#### Becoming an efficient and enterprising council

Savings of £1m are included regarding procurement, of which £0.7m relates to a review of the costs of physical impairment and mental health care packages. £0.3m reflects further efforts undertaken within the directorate to reduce supplies and services spend.

It has been identified that some Adult Social Care services funded through Supporting People are provided to council tenants and so a charge of £1m to the Housing Revenue Account for these services is included. Funding of £0.9m from Public Health is also included, mainly for sexual health services, advice and information services and luncheon clubs.

The new corporate business management model will be implemented and local opportunities to make savings have been identified. Savings of £0.5m are included for the projected impact of these new arrangements. Reduced staffing spend of £0.6m is included through improved attendance management leading to lower agency and overtime spend

and improved productivity. Within assessment and care management services the grading of social workers was increased in 2013/14 in response to new registration requirements for staff. The configuration of this service, including the mix of qualified and unqualified workers, will be reviewed in 2014/15 to contain the regrading costs within the existing budget provision.

Through seeking more cost effective delivery of services a reduction of £0.2m in voluntary sector grant spend is included. This will be delivered in consultation with these organisations.

### Health Funding

In February 2013 the Chancellor announced an additional £3.8bn to transfer from the NHS to Adult Social Care in 2015/16. Further detailed guidance issued by the Department of Health in conjunction with the Department for Communities and Local Government, the Local Government Association and the Association of Directors of Adult Social Services has confirmed that this funding is not additional or new money. It has also outlined significant conditions for how these existing resources need to be realigned in supporting integrated services as part of an Integration Transformation Fund (ITF).

Included within the above proposals is an additional £200m funding in 2014/15 to support the integration of services, of which Leeds anticipates receiving £2.8m that is included in the budget proposals. The conditions attached to this funding remain unclear and further discussions are being held with Clinical Commissioning Group (CCG) colleagues to clarify this. However, these initial budget proposals assume that the substantial majority of this funding will be available to support the funding of current plans. The use of the £2.8m funding remains subject to the requirements of the ITF and agreement with the CCGs via the Health and Wellbeing Board.

Increased funding of £0.6m provided through the Department of Health for adult social care services that benefit the health service are also included in the budget proposals. These increases are partly offset by the fall-out of £1.5m non-recurrent health funding for service transformation and reablement funding from health being £0.4m lower than assumed in the 2013/14 budget.

### **Key Risks**

The most significant risk relates to the demand led nature of the services provided, together with our statutory responsibility to ensure that all assessed eligible needs are met, which means that the expenditure requirements to be met from the Adult Social Care budget cannot be predicted with absolute certainty. The nature of demand for these services can be somewhat volatile and subject to demand factors that Adult Social Care cannot directly control. In this context, delivering the £2.5m demand management saving included within the initial budget proposals carries a significant risk.

There is a risk arising out of expectations from our health partners of Adult Social Care providing greater help to deliver whole system improvement. There are also some risks associated with the significant ongoing service transformation included within the 2014/15 initial budget proposals. The increased level of service to be provided by the independent sector will necessitate staff within the directly provided services affected being redeployed or leaving the council's employment in a timely manner. There are also some risks in delivering other savings within the staffing budget relating to attendance management improvements and reconfiguring the assessment & care management service.

## Adult Social Care

Pressures/Savings	2014/15 £m	2014/15 FTEs	Is this relevant to Equality & Diversity Y/N
<b>Budget Pressures:</b>			
<b>Inflation</b>			
Pay	1.04		N
Price	1.18		N
Income	(0.12)		N
<b>Full Year Effects of previous decisions</b>			
Nursing and residential care fees	0.56		N
Charging review	(1.01)	5.00	Y
Older people's residential and day care (phase 2)	(0.46)	(0.50)	Y
<b>Demand/Demography</b>			
Provision for projected over 85s population growth & new adult cases	0.73		N
Increased personal budgets taken as direct payments	1.45		N
Reduction in residential and nursing care bedweeks	(0.70)		N
Increased number of new and enhanced learning disability care packages	2.20		N
Increases in other care packages, mainly home care	0.59		N
<b>Other</b>			
Support for integration with the health service	0.25		N
South Leeds Independence Centre (SLIC)	0.23		N
Support for business change within assessment & care management	0.58	12.00	N
Net effect of other variations	0.35	2.40	N
<b>Total Pressures</b>	<b>6.87</b>	<b>18.90</b>	
<b>Savings Proposals:</b>			
<b>Procurement</b>			
Reduction in cost of care packages	(0.70)		N
Reduction in supplies and services costs	(0.30)		N
<b>Efficiencies through Better Lives programme</b>			
Community Support Services - continued reduction in size and increased productivity	(0.40)	(64.90)	N
Reduced ongoing care needs following a period of reablement or through the provision of telecare & other equipment	(0.54)		N
Reduced cost and provision of transport	(0.50)		N
Reduced costs of outreach , physical impairment and extra care services	(0.46)	(19.20)	N
Increased Housing Benefit income for supported accommodation	(0.20)		N
<b>Becoming an efficient and enterprising Council:</b>			
Business improvement programme	(0.50)	(20.00)	N
<b>Income, charging and trading</b>			
HRA funding for services provided for council tenants	(1.00)		N
<b>Public Health</b>			
Public health funding	(0.84)		N
<b>Other efficiencies/savings proposals</b>			
Health funding	(1.47)		N
Improved staff attendance	(0.60)		N
Reduced voluntary sector grant funding	(0.20)		Y
<b>Total Savings</b>	<b>(7.71)</b>	<b>(104.10)</b>	
<b>Overall Net Saving</b>	<b>(0.84)</b>	<b>(85.20)</b>	

## INITIAL BUDGET PROPOSALS 2014/15

### CHILDREN'S SERVICES DIRECTORATE

#### Service Context

The Council has a statutory duty and responsibility to safeguard and promote the welfare of the 180,000 children and young people across Leeds. Working in partnership with families, communities, schools, businesses and Children's Trust Board partners, there is a clear and agreed vision to improve outcomes for children and families and for Leeds to be a truly child friendly city. Our ambition is for Leeds to be the best city in the country for children to be born, grow-up, learn and have fun.

Children's Services continues to face significant pressures with a 32% increase in the birth rate over the last decade and a changing demographic mix. This has increased demand across all the services that we provide and fund and will present significant challenges in respect of the supply of school places, the number of referrals and potentially increase the cost of high level services such as children in need, special educational needs and children in the care of the authority. Despite this increase in demand and in contrast to the national picture, Leeds has successfully, and safely, reduced the number of looked after children by 76, or 5.3% over the last year. Our budget strategy for 2014/15 is guided by our requirements to help ensure that children and young people are kept safe, receive good quality education and any additional support needs are identified and addressed. We are also guided by our priority to create better life chances for children and young people across the City. This increasing demand, in conjunction with the renewed national focus on child protection resulting from serious case reviews in other local authorities, together with the strengthening of the unannounced inspection framework, will all combine to create significant tensions across the system as the resources we at our disposal continues to reduce. The significance of our duty to safeguard and promote the welfare of children continues to be recognised in the results of the budget consultation with children's social care services and services for children with SEN/children with disabilities identified as the top two spending priorities.

The budget challenges facing the Council over the coming years necessitate a transformational re-design of services for children, young people and families. Over recent financial years, the prioritisation of resources to support vulnerable children and families has seen huge improvement in our 3 strategic obsessions. The medium-term budget strategy must be based on sustaining these improvements and continuing to support the strategy around protecting the service around child protection and safeguarding whilst at the same time continuing to invest in preventative and early intervention services. The budget proposals for 2014/15 are a stepping stone to a longer-term vision for children and family services which will be underpinned by the new Citizens@Leeds integrated approach across the whole Council. It will include;

- A new geographically targeted service for young people at a level which is affordable from the perspective of the 2015/16 budget. The scope of the new service design to include: the targeted youth work service, attendance service and the Youth Offending Service. Consideration will also be given to including the personal advisers for children in care, Signpost and ASB. The service would also be responsible for the commissioning of information advice and guidance, youth work and other more targeted services.

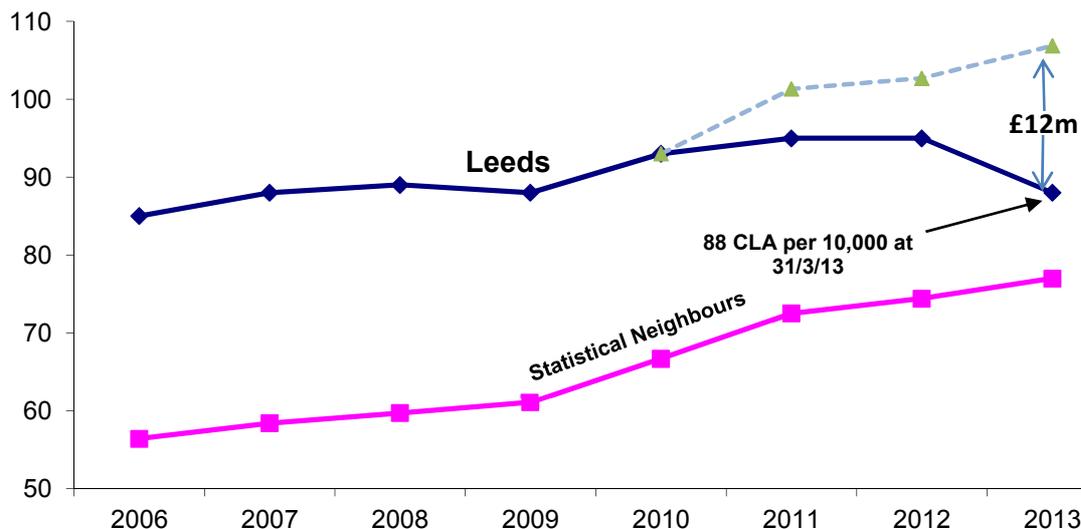
- An all age, locality based information, advice and guidance service to support the Citizen@Leeds Helping People into Work proposition. Children's Services have been developing the concept of destinations teams which include schools, colleges, IGEN and other learning providers to review and challenge the learning offer to young people. Complementing these teams with capacity from Employment and Skills, DWP, VCFS will enable us to plan and respond together at an individual and family level. The 3 community hub pilots offer an immediate opportunity to test out the approach.
- A new child and family service based around 'Family Zones building on the Best Start that focuses on improvement through the empowerment of families. The service re-design would include a fundamental re-design of our children's centres. The re-design would include the possibility of transferring assets where the sustainability of services for children and families could be secured.

This vision and associated partnership refresh would support a rise in children deemed 'ready for school (better speech, nutrition and social skills), reductions in 'toxic' adult behaviours harmful to the child's development (e.g., substance abuse and domestic violence), significant rises in take up of childcare, early years development and learning, improved parenting skills, significant support for child poverty and family debt issues, stronger social and community capital and also develop a new Learning Improvement Service which will secure our statutory responsibilities.

The 2014/15 budget proposals are set in the context of the vision outlined above. In 2014/15 Children's Services face pressures of £18m, including £2.4m of inflationary pressures, £5.3m of grant funding reductions and £4m in respect of the one off use of School balances to support the 2013/14 budget.

The budget strategy recognises £1.2m of demand pressures in respect of home to school transport and direct payments as well as almost £4m of additional investment into alternatives to care, for example adoptions, special guardianship orders, semi-independent living, etc. These are key parts of our strategy to safely reduce the number, and consequential cost, of the children in care. The budget also includes almost £2m of investment to expand the key preventative services such as multi-systemic therapy and restorative practice where there is clear invest to save evidence. In terms of our looked after children population, the graph below clearly demonstrates how we have stabilised what was a rising trend in the numbers of children in care in Leeds and have managed to 'turn the curve' which, in budgetary terms, is already avoiding costs of £12m per year.

### Number of Looked After Children (Rate per 10,000)



Recognising the significant financial challenges, the 2014/15 budget proposals include savings and efficiency proposals of some £22.3m. As mentioned above, the programme of activity around safely reducing the total number of children in care whilst also changing the mix of placement provision has already delivered significant savings across recent financial years with savings of over £6m forecast to be achieved in 2013/14 across the externally provided placement budgets. This is contrary to the national position and comparisons with our statistical neighbour authorities where there have been increases the children in care population since March 2009 (an increase of 12% nationally). As mentioned, if Leeds had followed a similar trend then we be spending an additional £12m in 2013/14 on our looked after children. The 2014/15 budget continues to reflect this strategic obsession and 'Budget Plus Strategy' with proposed savings of £5.8m included from reducing the number of externally provided fostering and residential placements.

In addition, the 2014/15 proposals include a £1.9m reduction in the funding for children's centres which includes an additional £0.2m of income (above inflation) from increasing nursery fees by £3/day (8.3%) to £39/day, together with a saving of £1.7m from reviewing the patterns of provision and by continuing to review overheads, staffing ratios and working patterns across all children's centres.

In 2014/15 there will be £4.6m of savings achieved following from the previous decision by Executive Board around the home to school transport policies and provision including £1.25m savings from the provision of transport for children in care. The budget proposals also recognise the full-year impact from the Youth Offer with further savings of £0.4m in addition to savings from transferring the provision for the South Leeds hub, £0.16m of savings by reviewing the Council's support for the Duke of Edinburgh Award, savings of £0.166 by reducing the subsidy for Herd Farm (£0.15m) and Lineham Farm (£0.07m) and savings of £0.09m (£1.8m full-year effect) from the proposal to review with stakeholders the governance of the Armley LAZER centre from September 2014. In addition, the proposals include potential savings of £0.7m from reviewing the provision and governance of services and also the range of contracts across the Directorate.

In terms of Education Support Services, the proposals recognise a £0.75m reduction in the Education Services grant in 2014/15. In addition, Government has already

announced a £200m national reduction in funding from April 2015 (a further cut of £2.5m for Leeds) on top of the impact of academy conversions. This will necessitate a fundamental restructure of our education support services in 2014/15 to take effect from April 2015.

### **Key Risks**

The number of children and young people in the city is increasing which places greater demand for services for children and families. In particular, the wider financial and economic climate can have a significant impact and requests for service/contacts have already increased by 8.2% in 2013 with a rise of 14% in the referrals for social care services. The combination of rising demand and reducing resources will place significant pressures across the system.

In addition to the risks around demand and resources it should be highlighted that the statutory duties to safeguard and promote the welfare of children and young people mean that Children's Services are the only element of the Council that is the subject of an unannounced inspection regime. As a result of national concerns around child protection and safeguarding, Government has recently strengthened the inspection framework and increased its duration from two to four weeks.

The implementation of the range of proposals within the Children and Families Bill will also present challenges in 2014/15 and beyond, specifically around Special Educational Needs (SEN) where the Bill will extend the SEN system from birth to 25 alongside the requirement by September 2014 that all new statutory assessments will result in an integrated Education, Health and Care Plan with extended rights and protections for young people in further education and training, in addition to offering families personal budgets.

The budget proposals for 2014/15 include £26m of savings/efficiencies by March 2014. The need to deliver this significant programme of in-year savings at the same time as developing the transformational re-design proposals for 2015/16 onwards will require significant leadership and programme management capacity, at a directorate and corporate level.

## Children's Services

Pressures/Savings	2014/15	2014/15	Is this relevant to Equality & Diversity
	£m	FTEs	Y/N
<b>Budget Pressures:</b>			
<b>Inflation</b>			
Pay	1.35	0.00	N
Price	1.09	0.00	N
Income	(0.37)	0.00	N
<b>Full Year Effects of previous decisions</b>			
Review of provision at the City Learning Centres	(0.45)	0.00	N
Expansion of the Multi-systemic Therapy Capacity	0.12	0.00	N
<b>Demand/Demography</b>			
Home to school transport	1.07	0.00	N
Direct Payments	0.12	0.00	N
<b>Other</b>			
Net changes in funding - including cessation of the adoption reform grant [£2.6m], Health Transformation [£1.5], School Balances [£4m], Education Services Grant [£0.75m], Youth Offending Service [£0.5m]	9.32	0.00	N
Investment into services for children in care and prevention and intervention - including Special Guardianship Orders, Adoptions, Family Group Conferencing, Semi-independent living and Leaving Care	3.92	15.10	Y
Multi-systemic therapy licencing, social work capacity, investment in Leeds Learning Network and Infobase, Workforce Development and Restorative Practice	2.03	18.43	N
<b>Total Pressures</b>	<b>18.20</b>	<b>33.53</b>	
<b>Savings Proposals:</b>			
<b>Procurement</b>	(0.68)	0.00	N
<b>Building a child friendly city - Looked After Children</b>			
Reduced reliance on externally provided residential and fostering placements	(5.77)	0.00	Y
<b>Becoming an efficient and enterprising Council:</b>			
Support Services - Organisational Development, Business Management Review and additional Vacancy Management savings	(1.76)	(49.71)	Y
<b>Income, charging and trading</b>			
Nursery Fees - £3/day increase (8.33%)	(0.22)	0.00	Y
Additional traded income/cost reductions	(0.85)	(4.17)	Y
<b>Public Health</b>			
Public Health Funding	(0.77)	0.00	N
<b>Other efficiencies/savings proposals</b>			
Review of Children's Centre activity and sustainability	(1.64)	(12.07)	Y
Youth Offer - implementation (net)	(0.44)	(24.50)	Y
Families First Programme - Payment by Results	(0.75)	0.00	N
Home to school transport - policy & provision savings	(1.83)	0.00	Y
Review of in-house residential provision	(0.90)	(18.57)	Y
Culture - review of music support services, music centre provision	(0.20)	(5.00)	Y
Youth Offending Service - mitigate grant reductions and reduction in LCC contribution	(0.67)	(16.10)	Y
Child & Adolescent Mental Health Services - funding review	(0.50)	0.00	N
Education Services Grant - review of Education Welfare Services	(0.50)	(12.60)	Y
Semi-independent living and Leaving Care - permanency planning	(0.25)	0.00	N
Social Care Legal Costs - Public Law Outline	(0.20)	0.00	N
Review of Contracts and Commissioned Services	(0.73)	0.00	Y
Education/Activity Centres - Armley LAZER centre, Herd Farm, Lineham Farm, South Leeds Hub	(0.39)	(4.85)	Y
Review of Intensive Family Support Services and Family Placement Budgets	(0.30)	0.00	Y
Duke of Edinburgh Awards - additional income/cost reductions	(0.16)	(3.00)	Y
Review of the Gypsy, Roma Traveller Achievement Service	(0.10)	(3.33)	Y
Voice & Influence and the Family Hub - review and reduce costs	(0.25)	(8.00)	Y
Range of other savings & efficiencies	(2.46)	(25.66)	Y
<b>Total Savings</b>	<b>(22.30)</b>	<b>(187.56)</b>	
<b>Overall net cost / (saving)</b>	<b>(4.10)</b>	<b>(154.03)</b>	

## INITIAL BUDGET PROPOSALS 2014/15

### CITY DEVELOPMENT DIRECTORATE

#### **Service Context**

The City Development Directorate is responsible for the Council's physical, economic and cultural services. The range of services and functions that it provides makes a significant contribution to the life, growth and vitality of the city.

Since 2010/11 the Directorate has managed significant reductions in spending and staffing, including over £11m of savings in the 2011/12 budget and further savings in 2012/13 and 2013/14. This has also been against the background of the difficult economic conditions which has impacted on the ability of the Directorate to meet some income targets. Staffing levels have reduced by over 25% over the last 4 years contributing savings of over £10m but in some services such as Planning and Sustainable Development, an increase in workloads is putting additional pressure on current staffing levels.

The Directorate is making a significant contribution to the Council's ambition to be the best city in the UK and in particular achieving the best council objectives for promoting sustainable and inclusive economic growth and becoming an efficient and enterprising council. Whilst further service budget cuts and efficiencies will inevitably form part of the budget strategy the Directorate will also seek to strengthen the connection between the budgets of services and their ability to attract new opportunities for funding. Developing and strengthening the Directorate's income base, as the economy recovers, will be a key part of this year's budget proposals. Overall, the forecast income budget for the Directorate will be approximately £83m. During 2013/14 services in the Directorate have secured significant external funding to support a wide range of projects and initiatives including the apprenticeships and skills agenda. In November 2012 the Apprenticeship Training Agency was launched in partnership with the City College with the aim of increasing the number of apprenticeship opportunities in the City. The Directorate will also continue to work with other services to increase the number of young people in employment, education and training.

The Directorate has a key role to play to create the conditions for good economic growth in the city and to secure additional revenue income for the Council. This will include enabling further improvement to the retail offer in the city such as with the opening this year of the new Trinity retail centre; the Victoria Gate scheme including John Lewis and the redevelopment of Kirkgate Market. Support to further develop the city's investment arm - Leeds and Partners will be provided with the aim of bringing new jobs and investment to the city. The Directorate will also work with the Local Enterprise Partnership to maximise the impact of the city's growth potential including the establishment of the biggest Enterprise Zone in Europe in the Aire Valley. Services in the Directorate will continue to work closely together to deliver on other key development opportunities such as the East Leeds Extension, Leeds City Centre South, the South Bank and Holbeck Urban Village, the Leeds-Bradford Corridor and Leeds Bradford Airport. Support will also be provided to key sectors of the Leeds economy such as manufacturing, financial and professional services, health and innovation, digital and information, visitor economy and housing, construction and infrastructure. These development opportunities will also help support the Council's revenue budget by increasing the income from business rates.

Services across the Directorate are also working closely with colleagues in Environment and Housing to increase the supply of new housing and to deliver affordable housing in a wide variety of ways. Growth in housing will also increase funding to the Council through the New Homes Bonus.

Supporting a modern day infrastructure in the city is also a key priority for the Directorate. This will include building the New Generation Transport system, upgrade to the Leeds city rail station, working with Leeds Bradford Airport to increase global accessibility, a new flood relief scheme for the city and improving the technological infrastructure through the Superfast broadband scheme.

The Directorate will continue to make a significant contribution to the cultural offer in the city. The First Direct Arena successfully opened during 2013/14 and it is expected to be in the top five venues in the World and income due to the Council is expected to make a positive contribution to the revenue budget in 2014/15. The Directorate will also support the hosting of global events such as the Rugby Union World Cup in 2015 and the Tour de France in July 2014.

Staff within Asset Management will continue to support the Council's asset rationalisation programme with the aim of generating significant savings for the Council. The majority of the savings will occur in other Directorate's and some savings will support the Changing the Workplace programme and other budget plus work streams such as the Better Lives Programme in Adult Social Care. A substantial amount of work has already been completed including discussions around asset needs at a Ward level.

During 2013/14 the Directorate has delivered most of the budget actions but has experienced some budget pressures in a few areas which has meant that it will be difficult to avoid an overspend position at the end of the year. The 2014/15 budget initial budget proposals include changes to specific budgets to address these issues.

The major current budget issues are in Sport and Active Recreation and in Planning and Sustainable Development. In Sport the downward trend in income experienced in the final quarter of 2012/13 has continued in 2013/14 and the shortfall is expected to be around £0.5m. Whilst bodyline income has held fairly constant there have been falls in income from venue hire, 5 a-side football and swimming, this also reflects national trends. Based on current trends there is only limited scope for price increases in 2014/15 due to the price sensitivity of demand in a number of activities and the increase in competition in some areas, in particular with the opening of budget gyms. The Leeds Let's Get Active and the Looked after Children Carers offer have been successfully launched in 2013/14 and both involve Sport working closely with key partners such as Public Health, Children's Services and Sport England to increase participation in sporting activities and reduce health inequalities. The financial impact of these is being closely monitored, the LLGA scheme does provide funding for the anticipated impact on income. Holt Park Active also opened in October 2013 and as well as providing excellent new recreational facilities will also provide better support to people to help them live active independent lives. Staffing is forecast to overspend by approximately £0.3m as original plans to reduce some opening hours was not progressed following the securing of the additional funding for the Leeds Let's Get Active scheme.

In Planning and Sustainable Development there has been an increase in the number of planning applications compared to recent years and whilst income from external planning and building fees is currently £0.4m over the phased budget this has also had an impact on required staffing levels and the staff saving assumed in the 2013/14

budget has not been achieved with an overspend of £0.5m on staffing projected. Income from other sources is also expected to be below budget by approximately £0.3m. The service is also supporting other key work streams such as the Core Strategy and preparing for the implementation of the Community Infrastructure Levy as well as a number of major developments in the city.

To deliver the Council's budget strategy will, however, necessitate a further review of current service provision in the Directorate and further reductions in staffing . Proposals for the 2014/15 budget are detailed below.

### **Budget proposals**

A key element of the Directorate's budget strategy will be to continue to review staffing levels with a target saving of £1.7m in 2014/15 or £1m net after allowing for funding current staffing pressures. This represents a reduction of approximately 3%. There are also additional specific staff saving proposals around Business Improvement and the Leeds Visitor Centre. In the Leisure Services the saving will need to be linked to specific proposals around reducing operating hours at some facilities such as in Libraries and reviewing rotas and staffing levels in other facilities. In all services the saving will be looked at to be generated through staff turnover and staff leaving through the Early Leaver Initiative. There may also be the need for some service restructures which will aim to reduce areas of duplication and ensure efficient service support and focused service delivery. It is estimated that there will be a net reduction of approximately 35 FTEs. As mentioned above, in Sport and Active Recreation and in Planning and Sustainable Development there has been an overspend on staffing this year and the 2014/15 budget proposals will correct this although some savings are also assumed. An external review of processes in Planning and Sustainable Development is planned to be commissioned to inform areas for review and to help identify where savings could be made in terms of future staffing requirements.

The Directorate will continue to provide strong leadership on the economy and will take a lead role in maximising income for the Council. Some of the increase in external income such as through growth in business rates and the New Homes Bonus is accounted for corporately and is a key part of the budget strategy for 2014/15. The 2014/15 budget proposals allows for growth in income within City Development, including a forecast £0.1m of new income from the LEP for work supporting economic growth. Increases in fees and charges will be kept to around 3% and will generate approximately £0.2m although there are some exceptions to this. Planning fees are set by the Government and whilst prices were last increased in 2012/13 no increase is planned for 2014/15. As mentioned above, only a limited increase in charges is anticipated for Sport and Active Recreation. The budget proposals also include a contribution of £0.4m from Public Health towards the costs of the Active Lifestyle Service in Sport and Active Recreation.

The proposals do include an increase to the budget for external planning and building fee income of £0.2m reflecting the increase in planning applications and external planning fee income experienced this year. In Asset Management additional income is anticipated from the Arena as the lower borrowing costs mean that there will be a contribution to the revenue budget in 2014/15 of approximately £0.2m. There are some income pressures that will need to be funded in the 2014/15 budget and these include: £0.5m on Sport income based on current trends; £0.4m in Highways and Transportation for income budgeted for residents parking permit charges which Executive Board

recently agreed not to implement; £0.4m for reduced income in Economic Development and Planning for work streams that have now ended.

Other proposed reductions include a review of the sustainability of the current event programme looking at current charging arrangements and the potential to reduce costs, a review of the operation of the Leeds Visitor Centre with the aim of saving £0.05m and a further expansion of proposals for late night switch off of street lighting with a target saving of £0.1m. A target saving of £0.1m from grants to Arts Organisations has been included, 2014/15 is the final year of the 3 year agreement on grants to Arts Organisations.

Other budget pressures that require funding in 2014/15 include £0.1m to support the Elland Road Park and Ride scheme, £0.1m as support to the Yorkshire Sculpture Triangle and £0.05m towards the library book fund which is a shortfall in the amount provided in the capital programme for capitalisation of the expenditure.

A target of £0.8m has been set for reductions to supplies and services expenditure across the Directorate. These savings will be delivered through a combination of working close working with the Corporate Procurement Team to deliver efficiencies in procurement but will also involve reviewing service spending plans.

The Directorate will also contribute to the Council Plan priorities for an efficient and enterprising council. As part of this a target saving of £0.3m on staffing has been included in the budget proposals for savings under the business improvement programme. This will include working with Environment and Housing when they relocate to Leonardo/Thoresby in 2014 to share and reduce administration/ directorate support and other back office costs.

### **Key Risks**

The budget proposals assume further reductions in staffing. Some of the reduction is dependent on the implementation of other proposals around service reductions. There will need to be a period of consultation around service proposals and there is a risk that plans are changed or will take longer to implement.

The budget proposals look to address some income pressures as previously outlined but also allow for some growth. There is an ongoing risk that assumptions are not met.

## City Development

Pressures/Savings	2014/15 £m	FTEs	Is this relevant to Equality & Diversity Y/N
<b>Budget Pressures:</b>			
<b>Inflation</b>			
Pay	0.8		
Price	1.1		
Income	-0.2		
<b>Full Year Effects of previous decisions</b>			
Loss of income Sovereign Street Car park following sale of site	0.4		
<b>Demand/Demography</b>			
<b>Other</b>			
Advertising income	0.2		
Sport income - current trends (net of planned price increases of £0.1m)	0.4		
Non implementation of charging for resident parking permits	0.4		
Venue income	0.1		
Support to Elland Road Park and Ride scheme	0.1		
Contribution to Yorkshire Sculpture Triangle	0.1		
Libraries bookfund capitalisation (shortfall in capital programme)	0.1		
Planning staffing (net of further saving target)	0.2	3.0	
Sport staffing (net of further saving in 14/15)	0.1	3.0	
<b>Total Pressures</b>	<b>3.8</b>	<b>6.0</b>	
<b>Savings Proposals:</b>			
<b>Procurement</b>	-0.8		Y
<b>Health Funding - contribution to the Active Lifestyle Service in Sport</b>	-0.4		N
<b>Becoming an efficient and enterprising Council:</b>			
Business Improvement Programme	-0.3	-8.0	N
<b>Income, charging and trading</b>			
Additional income from the Arena	-0.2		N
Additional rental income - Asset Management	-0.1		N
Savings on events - reduce the subsidy by increasing income or reduce costs (may include reducing no. of events)	-0.1		Y
<b>Other efficiencies/savings proposals</b>			
<b>Staffing:</b>			
Highways and Transportation - target staff savings	-0.3	-10.0	N
Libraries Arts and Heritage - target savings from staffing including a review of operating hours in Libraries	-0.4	-15.0	Y
Asset Mangement/Regeneration/Economic - target staff savings	-0.3	-9.0	N
Employment and Skills - Target staff savings	-0.1	-3.0	N
Leeds Visitor Centre review - staff savings	-0.1	-3.0	Y
Other staff savings	-0.1	-4.0	N
<b>Other Saving Proposals:</b>			
Other Culture savings - cleaning/newspapers in libraries	-0.1		Y
Savings on Arts Grants	-0.1		Y
Roll out of further Street Lighting switch offs	-0.1		Y
<b>Externally funded Growth:</b>			
New posts in Employment and Skills and Regeneration funded by grant to support community learning/apprenticeships etc.		11.0	N
<b>Total Savings</b>	<b>-3.5</b>	<b>-41.0</b>	
<b>Overall net Saving</b>	<b>0.3</b>	<b>-35.0</b>	

## INITIAL BUDGET PROPOSALS 2014/15

### ENVIRONMENT AND HOUSING DIRECTORATE

#### **Service Context**

The Department manages a diverse set of functions which, nevertheless, combine to form some of the key foundations of strong communities. Clean streets, well maintained green spaces which people can use, sound housing which meets people's needs, safe neighbourhoods - these are marks of desirable places to live. At a time of significantly diminishing resources, priority has been given to ensure that these bedrock services are maintained.

The Department, beyond its universal duties, also serves some of the most vulnerable in the city. As well as providing advice to the many thousands in housing need, the Department supports many others to sustain their tenancies. The department intervenes in the private sector to tackle some of the worst housing conditions in the city. Through close working with the police and health service, services are commissioned to help people leave a life of drug dependency.

There is also a longer term agenda. Work to improve and add to the city's housing stock has importance for many years to come, as do the environmental choices we make today.

#### The Key Outcomes

Based on the above, the Department has a number of key priorities which the budget is designed to support. They are as follows:

- preventing homelessness;
- improving the quality of private sector housing
- reducing crime and anti-social behaviour
- reducing fuel poverty and providing sustainable energy
- providing a reliable refuse and recycling service
- minimising the amount of waste that ends up in landfill by promoting reuse and recycling;
- clean neighbourhoods, reflecting local needs;
- green spaces which people can enjoy

To achieve these outcomes, the budget brings forward proposals clustered around the Best Council objectives.

#### **Budget proposals**

##### **Best Council Objective: ensuring high quality public services**

The contract payment for the provision of support for homeless people living in private sector temporary accommodation has reduced significantly. This reduction reflects the success of the Department in finding early long term solutions for people's housing problems. This is as a result of the on-going work by Leeds Housing Options to prevent homelessness, the remodelling of the accommodation

units, such as hostels, and the introduction of shorter move on targets. Joint work between providers and Leeds Housing Options means that individuals are assisted to move on into more permanent housing as soon as possible.

A line by line review of all budgets across the Directorate will be undertaken to deliver further savings.

### **Best Council Objective: dealing effectively with the City's waste**

It is proposed to further roll out the alternate week collection of recyclable and residual waste citywide. By the end of 2013/14 this enhanced service will have been rolled out to 166,000 or 48% of properties in Leeds. In 2014/15 alternate week collection will be rolled out further so that in total an estimated 80% of the city will be in receipt of this service, with detailed consideration of alternative approaches for the remaining 20% of the city. As well as reducing costs of collection and disposal in 2014/15 these service developments will contribute towards an estimated 47% recycling target for the City and the longer term target of 55% for 2016.

Savings will arise from the full effect of the closure of Stanley Road Household Waste Site (HWSS) in August 2013 and subject to approving a business case, the planned closure of Kirkstall Road HWSS for redevelopment in late summer 2014.

### **Best Council Objective: becoming an efficient and enterprising council**

Staff savings will be realised through a combination of service redesign for business support processes and structures, ELIs, the deletion of vacant posts and a further review of review of JNC posts in the Directorate.

Within the Parks and Countryside staff savings will derive from a redesign of the Forestry service and the implementation of seasonal working patterns for maintenance staff. Through working longer hours in the summer and shorter ones in the winter months, there will be a reduced requirement to employ seasonal staff during the period May to September.

It is proposed that resources that deal with improving the environment, that are currently based in both Housing Leeds and Environmental Action, are combined so that responsibility for the delivery of the function resides within Environmental Action. Not only will this deliver an enhanced service at a reduced cost but it will clarify responsibilities and accountability for service delivery.

The CCTV and security related functions will seek to expand their business base by engaging with both private sector and public sector organisations. More specifically the planned capital investment in multi storey flats provides the opportunity to extend the benefits of CCTV to more tenancies across the City.

### **Other**

It is proposed to change the contract with West Yorkshire Police for the provision of Police and Community Safety Officers (PCSOs). Currently the Council pays 30% of

the cost of 165 PCSOs on the basis of 5 in each ward. By deploying staff differently and reaching agreement on the range of duties that are undertaken, savings can be achieved. An impact assessment is being undertaken to inform how this resource will be deployed in future.

Bus lane cameras have been very successful in reducing the numbers of cars which contravene restrictions, ensuring that the lanes are used as they are intended at peak times by buses and cyclists. Additional income is assumed from the extension of the bus lane enforcement camera scheme to a possible further 18 sites across the City.

Charges to the Housing Revenue Account will increase to reflect more accurately Environmental works undertaken on estates, the cost of maintenance and landscaping work on estates, activity levels in respect of the nuisance service and the level of support required to ensure that vulnerable adults can continue to live in their own homes.

The proposals include targets to utilise income opportunities for the Parks and Countryside service. Sales of forestry products, income from projects and services provided by the Parks and Countryside team as well as income from concessions, retail and cafes are expected to generate additional income in 2014/15.

### **Key Risks**

That assumption in respect of waste growth and the level of recycling across the City is not delivered and there is a consequential increase, over and above the budgeted assumptions, in the amount of waste that is landfilled.

Assumptions in respect of income receivable from Bus Lane enforcement are impacted upon by a reduction in the numbers of offences assumed in the budget assumptions.

That activity levels from income generating activities within Parks and Countryside are less than anticipated.

That both the number of staff leaving on ELI and the number of posts becoming vacant is less than assumed in the budget.

That levels of homelessness increase across the City with the subsequently requirement for the City Council to support these individuals in temporary accommodation

## Environment and Housing

Pressures/Savings	2014/15 £m	FTEs	Is this relevant to Equality & Diversity Y/N
<b>Budget Pressures:</b>			
<b>Inflation</b>			
Pay	1.1		
Price inc Landfill tax	2.0		
Income	(0.2)		
<b>Full Year Effects of previous decisions</b>			
Loss of income from the closure of Quarry Hill Car Park	0.1		
<b>Demand/Demography</b>			
<b>Other</b>			
Pay Pressures within the Refuse Collection Services	0.6	22.0	
Reduction in the costs of financing costs of Refuse Collection vehicles and replacement bins	(0.4)		
Financing costs of the implementation of a new Integrated Waste management IT system	0.1		
Loss of income from car parking fees and Penalty Charge Notices due to the disposal of the Union Street Car park as part of the development of the Harewood Quarter.	1.1		
<b>Total Pressures</b>	<b>4.3</b>	<b>22.0</b>	
<b>Savings Proposals:</b>			
<b>Procurement</b>			
Savings in the Temporary Accommodation and Emergency Services contract which provides support for homeless people living in private sector temporary accommodation.	(0.5)		Y
Review of all items of expenditure to deliver line by line savings.	(0.2)		N
<b>Dealing effectively with Waste</b>			
Continued roll out of the alternate weekly collection of recyclable and residual waste (AWC). By the end of 2014/15 approximately 80% of Households will receive this enhanced service for the collection of recyclables	(1.9)		Y
Waste Recycling Advisors - to support the implementation of AWC	0.1	8.0	Y
Additional tonnage volumes (non AWC areas)	0.3		N
Delay rolling out any more garden waste collections	(0.1)	(1.7)	N
Savings associated with the full year effect of the closure of Stanley Road waste site and a review of opening and closing times at other sites	(0.3)	(6.5)	N
Reduction in PFI procurement costs during construction phase of the Energy from Waste plant	(0.2)		N
Reduction of electricity income from gas emitted at Gamblethorpe closed landfill site	0.2		N
Review of the management and supervisory structure to provide support to deliver major changes to the Waste service	0.2	5.7	Y
<b>Income, charging and trading</b>			
Additional income generated from the full year effects of Bus Lane Enforcement (BLE) and from a further roll out to non City Centre sites	(0.8)		Y
Additional income receivable from services and contracts delivered by Parks and Countryside	(0.4)		N
Reduction in the subsidy on Allotments	(0.1)	(1.0)	Y
Charges to the Housing Revenue Account (HRA) will be reviewed to reflect more appropriately the work undertaken on estates	(1.0)		N
Other minor income variations mainly a review of 24 hour opening at Woodhouse Lane car park and additional sales in parks	(0.1)	(1.0)	N
<b>Other efficiencies/savings proposals</b>			
Staffing savings to be achieved via service restructures, not filling existing vacant posts and staff leaving on the Council's ELI	(1.1)	(33.0)	Y
Review level of payments/funding support for PCSOs	(0.2)		Y
<b>Total Savings</b>	<b>(6.0)</b>	<b>(29.5)</b>	
	<b>41</b>		
<b>Overall net Saving</b>	<b>(1.7)</b>	<b>(7.5)</b>	

## INITIAL BUDGET PROPOSALS 2014/15

### STRATEGY AND RESOURCES DIRECTORATE

#### **Service Context**

Strategy and Resources comprises the Council's key professional support services: Finance, HR, Technology, Procurement and Strategy and Improvement. These services support the strategic direction for the Council and provide practical support to managers to improve outcomes. The net managed budget for 2013/14 is £40m comprising 1,104 fte's.

Following the implementation of the 'enabling corporate centre' organisational changes, the key theme is 'smaller in size, bigger in influence'. This follows through to the medium term financial plan assumption of a 30% cash reduction over 4 years up to 2016/17, which equates to approximately £8m. This saving is on top of a £6.9m budget reduction already achieved since 2010/11, and the fact that the number of fte's employed in these services has already reduced by 114 (10%) already over this period.

The practical implication is that all services are undergoing re-design and change. For some areas, a 'hub and spoke' model has been introduced in order to achieve some economies of a centralised service, whilst maintaining key local services for managers. Services are also having to stop doing certain work and changing the way other services are delivered. Linked to this change are projects currently in progress under 'business improvement'. These reviews, for example mail and print and business admin, will impact on every directorate in the Council.

Maintaining strong and reliable ICT for the Council remains a key priority and the Directorate will continue to suitably resource this area.

#### **Budget proposals**

The savings proposals focus on achieving the best council objective of 'becoming an efficient and enterprising Council'.

#### *Support Services*

As staffing costs comprise around 75% of total expenditure, this is the key focus for savings and efficiencies. The current proposal reflects staff savings of £1.7m, representing a net reduction of 41 fte's. The general approach has been to only budget for staff in post less know leavers less a turnover factor - on assumption that any staff that leave will not be replaced. A significant challenge therefore is to develop flexibility in the remaining workforce to be able to realign jobs and skills to cope with the change ahead.

#### *Business Improvement Programme*

A saving of £170k is reflected in the budget in relation to the 4 projects in progress. A significant change in respect of the management and deployment of project resource is planned whereby a single corporate team will be established bringing together the

existing staff carrying out this type of work. This will allow better targeting of project resource to key priorities.

#### *Income, charging and trading*

The directorate continues to work proactively to support key priorities and programmes. A number of services are therefore budgeting to receive income for staff working on a variety of projects such as the Tour de France and regional projects. Additional income of £310k has been included in the initial budget proposal.

#### *Procurement*

ICT are migrating away from the Novell environment towards working on a Microsoft Platform, this has reduced the requirement for support and maintenance from Novell. LCC has perpetual MS licenses and has taken the option of removing 'software assurance' on certain software products (e.g. MS Office Platform i.e. Word, Excel, Power-point) and make a saving over the next 3 years. In ICT Services' professional judgement, this does not impose a significant risk since we have only just deployed Office 2012 across the organisation. It must be stressed that exercising this option where it is prudent to do so will only result in a 3 year payment holiday, after this period costs may increase.

Further savings are also anticipated from further rationalisation of telephony now that ICT are responsible for managing the whole estate.

From 1.4.14 the handling of insurance claims will be brought in-house. The current annual cost is £440k however it is estimated that this could be done within the Council for a net increase of cost of £200k, almost all staffing. Due to the phasing of the implementation, the full staffing structure will not be required until 2015/16; therefore the initial saving in 2014/15 is estimated at £310k, reducing to approximately £250k the following year. Other proposed changes to the Council's insurance cover amount to a saving of £0.5m.

#### **Key Risks**

- Further reduction in support services could impact on the ability of the Directorate to adequately support managers within the Council. Workforce planning and consultation with services on changes required will be key to bringing about this change.
- Failure to provide up to date and resilient ICT. The ICT service has not been subject to the level of savings from some other support services areas. Priority has been given to adequately resourcing the service and also key ICT projects to take the Council into the future.

## Strategy and Resources

Pressures/Savings	2014/15 £m	FTEs	Is this relevant to Equality & Diversity Y/N
<b>Budget Pressures:</b>			
<b>Inflation</b>			
Pay	0.62		
Price			
Income			
<b>Pressures</b>			
Leeds Learning Network: significantly less schools have signed up in 2014/15. Net impact of loss of income and realisable cost reductions.	0.50		
Revenues Service telephony costs (use of Contact Centre system - additional lines)	0.04		
<b>Total Pressures</b>	<b>1.16</b>	<b>0.0</b>	
<b>Savings Proposals:</b>			
<b>Becoming an efficient and enterprising Council:</b>			
<b>Support Services:</b>			
Reductions in staffing mainly in Finance, HR and Strategy and Improvement. Whilst services will concentrate on key functions, certain activities will be reduced and others provided in different forms as part of the medium term strategy to reduce the cost by 30% by 2016/17	-2.12	-50.5	Y
<b>Business Improvement Programme:</b>			
Review of Admin, Mail and Print, Intelligence and Project Management	-0.22	-5.0	Y
<b>Income, charging and trading</b>			
Procurement Unit - additional income from regional projects and fee earning work from Trust and Academy schools	-0.10		N
Support for projects and other external income	-0.21		N
<b>Procurement</b>			
ICT contracts: Microsoft, Novell and Telephony	-0.66		N
Review of running costs: 5% reduction on relevant budgets	-0.06		N
Changes to Insurance cover and claims handling	-0.81	3.0	N
<b>Total Savings</b>	<b>-4.18</b>	<b>-52.5</b>	
<b>Overall net Saving</b>	<b>-3.02</b>	<b>-52.5</b>	

## INITIAL BUDGET PROPOSALS 2014/15

### CIVIC ENTERPRISE LEEDS

#### **Service Context**

CEL Group is responsible for developing an enterprising and trading strategy across the council. It also incorporates the councils trading company, Civic Enterprise Leeds Ltd. There are 5 service areas within CEL group: Business Support Service (BSC), Catering and School Cleaning, Facilities Management, Passenger Transport and Property and Fleet services.

CEL turnover in 2013/14 is £89m. The proposals outlined below take turnover for CEL group up to £94m; an increase of over 5%. Net managed budget for 2013/14 is £1.4m; £9.1m credit from Property, Catering, Cleaning and Fleet trading units, offset by cost of service for BSC of £2.8m and Facilities Management £7.7m. The group comprises over 1,800 fte's.

During 2013-14 financial year Corporate Property Management (36 staff) will transfer from Development Directorate to CEL group. Revenue budget of £6.8m will transfer across from April 2014 and included in the above figures.

#### **Budget proposals**

The savings proposals focus on achieving the best council objective of 'becoming an efficient and enterprising Council'.

##### *Efficiencies and other cost savings*

CEL group are reflecting £200k of savings from new ways of working; £50k lower cleaning specifications leading to less staffing hours being required; £100k back office savings from the introduction of the new IT mobile working software within Property Maintenance, Total Mobile. It is anticipated that the new system is operational from April 2014. It is also estimated that there will be £50k savings from the transfer of former ALMO ABCL staff into BSC.

Fleet Services have reflected £100k of sub-contractor savings arising from the £13m vehicle replacement programme in 13-14 and the disposal of the majority of vehicles within the authority that are over 6 years old.

Within Facilities Management, the closure of Micklefield House will save the authority £54k in 14-15.

##### *Business Improvement Programme*

A saving of £170k is reflected in the budget in relation to the 4 projects in progress. A significant change in respect to business administration processes will be required to deliver this target.

### *Income, charging and trading*

CEL Group is budgeting for additional profit of £520k, principally from £2m additional turnover within Property Maintenance for Aids & Adaptations work from Environment and Housing generating £200k profit; £1.8m additional income from the Government roll-out of free school meals to KS1 children (year groups reception, / 1 & 2) generating £150k profit; £50k contribution from Civic Flavour and £50k additional profit in Facilities Management Print & Signs Unit from a mix of in-house and external growth; BSC £50k additional income from Barclays re purchasing card rebate; £20k income in BSC for the Halfords Bike to Work scheme.

### *Procurement*

CEL Group is budgeting for procurement savings of £350k. Corporate Property Management procurement target is £250k. This will come from the £5.3m repairs & maintenance budget for the authority. The Catering service is targeting £100k savings on provisions across the dry / frozen and fresh produce contracts.

### *Pressures*

Offsetting these savings and additional profit actions are unavoidable pressures of just under £1m. £0.565m is due to roll-through of 13-14 financial pressures, such as the increased cost of provisions in catering, which have been reported all year. A further £0.296m pressure within BSC is reflected for centralising Training Administration into BSC and the introduction of new equipment for e-recruitment system. There is also an increase in insurance costs of £0.12m, mainly from employee claims and in particular 2 large former employee cases.

### **Key Risks**

- Additional profit of £520k from Income, charging and trading will not materialise. We are still awaiting the Central Government announcement on the price they will pay for a free school meal for KS1. The budget currently assumes a price of £2.37 and serving an additional million meals in KS1. Should this be lower there would be an impact on the 14-15 budget.
- Procurement savings of £350k are not delivered. £100k risk that provision costs for catering increase when tendered. Around the £250k CPM procurement target savings risk that the back-log of outstanding repairs increases.
- Risk around £354k other efficiencies & savings target. Risk that actions slip or not realised.
- Business improvement target of £170k is not realised. This piece of work is linked to centralising Admin Hubs.

## Civic Enterprise Leeds

Pressures/Savings	2014/15 £m	2014/15 FTEs	Is this relevant to Equality & Diversity Y/N
<b>Budget Pressures:</b>			
<b>Inflation</b>			
Pay	0.52		
Price	0.11		
Income	-0.40		
<b>Base budget pressures</b>			
Commercial services base pressure as reported from month 3 onwards in 2013/14. Main elements are delays in implementing revised cleaning specifications across Council buildings and the increase cost of provisions in the catering service, offset by further specific actions in 14-15.	0.41	-3.5	
Net shortfall in savings from the business case for the review of HR admin council wide	0.25	2.0	
<b>Other</b>			
Increase in insurance and IT costs	0.17		
<b>Total Pressures</b>	<b>1.06</b>	<b>-1.5</b>	
<b>Savings Proposals:</b>			
<b>Procurement</b>			
Corporate Property Management - buildings maintenance spend	-0.15		N
<b>Becoming an efficient and enterprising Council:</b>			
<b>Support Services:</b>			
Higher rebate from Barclaycard re procurement cards, integration of former ALMO 'ABCL' staff in to BSC and Halfords 'bike to work' rebate	-0.12	-2.0	N
<b>Business Improvement Programme:</b>			
Assets - savings from vacation of Micklefield House	-0.05		N
Business improvement	-0.17	-6.5	Y
<b>Income, charging and trading</b>			
Property Maintenance - additional £2.0m turnover Aids & Adaptations. Part of £6m administered by E&H - 10% return	-0.20		N
Free School meals for first 3 years at Primary School, initial estimate:	-0.15	65.0	Y
CEL additional trading profit, Civic Flavour and FM Signs Unit	-0.10		N
<b>Other efficiencies/savings proposals</b>			
Impact new fleet have on external spend on sub-contractor / parts	-0.10		N
Integration of Corporate Property Management function into CEL - targeted efficiencies	-0.10	-3.0	Y
Total Mobile / Back office review	-0.10	-3.0	Y
<b>Total Savings</b>	<b>-1.24</b>	<b>50.5</b>	
<b>Overall net Saving</b>	<b>-0.18</b>	<b>49.0</b>	

## INITIAL BUDGET PROPOSALS 2014/15

### CITIZENS AND COMMUNITIES DIRECTORATE

#### **Service Context**

The Citizens and Communities directorate provides a range of front-line services for local people and local communities. The directorate also has lead responsibility on actions to reduce poverty across the city. The Council is taking forward changes aimed at providing more integrated and accessible services for people, particularly those suffering hardship, under the Citizens@Leeds initiative.

The directorate incorporates the following services, the overwhelming majority of which are front-line services.

**Contact centre** - The council's contact centre deals with 1.5 million calls and 100,000 emails each year. The enquiries are wide ranging and often complex, covering most of the council's key services, including environment services, adult and children's social services, housing (including housing Leeds), council tax and housing benefits and concessionary parking and travel permits. The Centre has also very recently incorporated the NHS's SPUR (Single Point of Urgent Referral) team into its operations. The centre uses state-of-the-art technologies to manage customer contact and provide quality service. Many services are available 24 hours a day, 7 days a week, using appropriate IVR technology.

**Face-to-face contact** - There are 16 one stop centres across the city, which handle 0.5 million face-to-face customer contacts each year. The enquiries include a range of subjects including housing, council tax, benefits, social services and environment issues such as refuse and pest control. The centres are fundamental to the development of the Community Hub approach as part of the Citizens@Leeds agenda and we are looking to extensively expand the range of services delivered at the first point of contact. This service also includes the interpreting and translation team who provide a translation and interpreting service for the council, customers and external organisations.

**Digital access** - The Digital access team manages the council's website which receives 6 million external visits (i.e. figure excludes visits from council computers) each year, and is developing new ways for customers to find what they are after on-line. The team also manage customer enquiries that come via the Council's social-media presence on Facebook and Twitter.

**Electoral services** – the team compiles the register of electors for Leeds comprising an electorate of 556000 people in 335000 properties and is responsible for the arrangement and conduct of elections and referendums for 8 parliamentary constituencies, 33 city council wards and 31 town and parish councils.

**Registrars of births, deaths and marriages** – provision of a front line public service that deal with the registration of 9800 births and 6500 deaths, issuing 57000 certificates, attesting 6900 notices and performing 1800 marriage and civil partnership ceremonies, and issuing 2600 British Citizenship certificates.

Licensing - administrate and enforce licenses for the sale of alcohol (approximately 2700 premises and 6400 personal licences), provision of entertainment, gambling (136 premises licenced for gambling and 736 gambling permits, notices and registrations) and other various miscellaneous licences.

Taxi and private hire licensing administer and enforce licences for taxis (hackney carriages) and private hire vehicles. There are 537 taxis, just under 1000 taxi drivers, approximately 3700 private hire vehicles, around 4800 private hire drivers and 90 private hire operators.

Local land charges are responsible for the compilation and maintenance of the up-to-date local land charges register and provide the information for approximately 9400 local land search requests each year.

Communities - The communities' team includes delivery of the council's locality working arrangements (area committees and area working), equalities, the third sector partnership and community centres. The team also contributes to the local assets review and supports the new communities' board and the associated work of the migration partnership and the poverty truth challenge.

Area Committees - Our work on locality working provides targeted solutions to tackle a wide range of local issues (e.g. environmental issues and community safety, health well-being, adult social care, children's services and skills and welfare reform). Area Committees and Area Lead Members provide local leadership and a local voice on these issues from a grass-roots perspective.

Development of Community committees - are intended to replace existing area committees in 2014 to further enhance the role of local elected members in decision-making and wider community engagement. Local elected members will allocate £1.8m of well-being funds in 2013/14 and £200k Youth Service funds to support local projects to address locally-determined priorities, totalling £2m. Work is being progressed to consider what other budgets could be delegated to local areas. In addition, service level agreements are in place between Environmental Services and Area Committees to tailor services to meet the needs of localities in this area.

Welfare and Benefits - The provision of welfare and benefits services including welfare rights team, benefits and council tax processing and customer contact for benefits and council tax services. Developing services that tackle the worst effects of financial and digital exclusion and delivering the new local welfare agenda by improving access to benefit and welfare services

Council Tax - This team is responsible for the billing and the collection of Council Tax, which is the local tax on domestic properties set each year by the council. In 2013-14 this will total more than £275 million from 341,000 properties. Administration of the Council Tax Support scheme is a new, locally agreed scheme, introduced in 2013-14, and it replaces the previous national scheme of Council Tax Benefit. It is estimated that in 2013-14 that £50 million will be paid in respect of 78,000 claims

Housing benefit - Our housing benefit team is responsible for the accurate assessment and correct payment of housing benefit and ensures that the 'HB gateway' is secure and free from fraud and error. There are currently 70,417 claims and it is estimated that £285 million will be paid in 2013-14. It is intended that Housing Benefit will eventually become part of Universal Credit

Education benefits - The administration of the free school meals scheme.

### **Budget proposals**

Services within citizens and communities, particularly the contact centre and welfare and benefits are experiencing an increase in demand for services which is creating a budget pressure in 2013/14 which is expected to continue into 2014/15. For example, in recent months calls to the Council Tax and Benefits lines in the contact centre have seen a 30% increase in volume. Overall the pressure for 2014/15 equates to approximately £360k.

The Welfare and Benefits service will see a £430k reduction in its administration grant in 2014/15 without a consequential reduction in workload thus causing further budgetary pressure on a service experiencing increasing demand and a pressure of approx. £200k, mainly staffing, is projected.

The directorate overall needs to accommodate inflation pressures amounting to £380k. As there were no local elections in 2013/14, there is a corporate pressure of £450k for local and European elections in 2014/15.

In terms of savings, efficiencies are expected from corporate reviews relating to procurement and business improvement and total £190k.

Implementation of the e-services agenda is expected to deliver £150k worth of savings to help offset the additional demand costs being experienced in the contact centre.

Welfare and Benefits are also budgeting to realign resources of around £50k.

Use of funding from the Welfare Support Scheme on priority welfare services and actions is expected to deliver efficiencies of £325k.

Overall revenue funding delegated to Area Committees in 2013/14 was £2.0m. In 2014/15 we will see an increase of funding in the Youth Services delegation from £200k to £500k and work is ongoing to identify other budgets that could be delegated to Area Committees. With more budgets/services being devolved to Area Committees it is proposed to reduce the general well-being budget by £200k, which would still see a net increase overall in delegated funding at £2.1m.

Other savings on running costs and staffing are proposed equating to approximately £120k.

Overall the key pressures identified above are more than offset by savings proposals.

**Key Risks**

Demand for services, particularly council tax, benefits and welfare advice is increasing and it is difficult to gauge the full extent of any further demand increases during 2014/15. Whilst saving efficiencies are expected through the e-service agenda, there is a risk that such efficiencies do not deliver cashable savings as customer service officers are diverted to other priority services experiencing high and increasing demand.

The proposal to reduce the well-being budget is proposed on the basis of other service budgets being delegated to area committees to deliver a net overall increase in locality based funding. Work still needs to be undertaken to determine the specific budgets and amounts to be delegated.

## Citizens and Communities

Pressures/Savings	2014/15 £m	FTEs	Is this relevant to Equality & Diversity Y/N
<b>Budget Pressures:</b>			
<b>Inflation</b>			
Pay	0.34		
Price	0.04		
Income	-0.07		
<b>Other</b>			
Customer Access – increased demand re Council Tax and Benefits enquiries and changes to internet publishing process. Further potential pressure of £300k for Customer Access and Welfare and Benefits to be provided for within contingency	0.21	7.0	
Estimated additional cost of elections in 2014/15 (no election in 2013/14)	0.45		
Grant reductions: Housing Benefit Admin, Social Fund admin and Local Council Tax new burdens	0.43		
<b>Total Pressures</b>	<b>1.40</b>	<b>7.0</b>	
<b>Savings Proposals:</b>			
<b>Procurement</b>			
Review of running costs	-0.05		N
<b>Becoming an efficient and enterprising Council:</b>			
Business Improvement Programme	-0.14	-3.0	Y
<b>Other efficiencies/savings proposals</b>			
Re-channel efficiencies from implementation of e-services agenda	-0.15	-5.0	Y
Staffing and running cost efficiencies as a result of fallout of New Burdens Funding	-0.12		Y
Welfare support funding: support costs of delivering the poverty agenda within Citizens and Communities	-0.33		N
Efficiencies in locality/well-being budgets (see note 1)	-0.20		Y
<b>Total Savings</b>	<b>-0.99</b>	<b>-8.0</b>	
<b>Overall net Saving</b>	<b>0.41</b>	<b>-1.0</b>	

Note 1:

Links to proposals to devolve more funding with a net overall increase in locality based funding.

## INITIAL BUDGET PROPOSALS 2014/15

### LEGAL AND DEMOCRATIC DIRECTORATE

#### **Service Context**

##### ***Legal Services***

The core business of the Service is to provide legal advice and related support to the Council in delivering its priorities as set out in the City Priority Plans and the Council's Business Plan. The objective of the Service is to be the best local authority in-house legal service in the UK. In 2013/14 the following savings will be delivered:

- £157k from co-locating of whole service to St George House
- £50k by reducing the admin function and creating a centralised admin hub to allow ELI applications.
- £20k from managed print charges.
- £123k in reduction of legal locums - currently no agency staff employed in Legal Services.
- £1.07m from the Costs Draftsman model used though WYLAW – this saving is manifest in the external legal budgets held by individual directorates.

##### ***Democratic Services***

Democratic Services supports elected members in their responsibilities, particularly in respect of;

- The Leader of Council
- The Lord Mayor
- Support to Councillors via Group Offices
- The full Council Meeting
- Committees appointed by the Council
- Scrutiny of the Executive

Democratic Services also supports the governance of the Council in respect of:

- The requirements of Members' code of conduct;
- Provision of information in respect of decision making;
- Compliance with access to information requirements;
- Upkeep of the Constitution;
- Publication of the Annual Governance Statement;

Democratic Services also provides services to schools/parents in respect of School Exclusion and Admission Appeals, seeks to promote democratic engagement, particularly with young people and provides support to the Council's engagement with Town and Parish Councils.

In 2013/14, **£197,030** worth of savings have been delivered as follows;

- £62,880 arising from efficiencies in the clerking of scrutiny boards and administration of delegated decisions.
- £32,000 arising from efficiencies in the delivery of member development activities.
- £75,000 arising from the deletion of vacant posts in group offices.
- £7,000 arising from more efficient scheduling of members van delivery arrangements.
- £ 2,500 arising from a removal of the members support agency budget.
- £ 4,140 arising from a reduction in the building maintenance budget.
- £13,510 arising from the removal of the legal fees budget.

### **Budget proposals 2014/15**

Democratic Services have identified deliverable savings of £129k; these savings variously arise from reduction in staffing budgets, efficiencies in operational costs and income anticipated from administering school appeals on behalf of own admitting authority schools. A further proposal to charge all LEA schools for appeals is also being progressed, but requires the approval of the schools forum and the secretary of state before it can be implemented – anticipated income from this would be approx. £75k.

A saving of £40k is also reflected in the budget in respect of the whole directorate for 'Business Management' and the 4 corporately led projects currently in progress.

Work is now underway on a 'paperless office' ICT solution for Legal Services and it is intended to implement the system during 2013/14. It is unlikely that any savings will be realised in 2014/15 however significant savings are forecast from 2015/16 onwards.

### **Key Risks**

#### *Legal*

Further significant reductions to the Legal Service would be likely to result in increased successful legal challenges to the Council. In other areas (e.g. enforcement) a lack of resources properly to enforce, would, once publicly known, carry a risk of increased incidences (e.g. of anti-social behaviours, such as fly-tipping and dog fouling). In addition, there is a risk of reputational harm and ultimately financial costs to the council – both in terms of damages having to be paid to successful claimants and the increased costs associated with outsourcing matters to the private sector.

#### *Democratic Services*

The budget for Democratic Services is largely a construct of the support arrangements required by elected members and of the committee and decision making arrangements approved by full council.

Assumed income from Own Admitting Authority Schools for admission appeals administered on their behalf is not guaranteed as those schools may opt to make arrangements other than those offered by the authority.

## Legal and Democratic

Pressures/Savings	2014/15 £m	FTEs	Is this relevant to Equality & Diversity Y/N
<b>Budget Pressures:</b>			
<b>Inflation</b>			
Pay	0.10		
Price			
Income			
<b>Total Pressures</b>	<b>0.10</b>	<b>0.0</b>	
<b>Savings Proposals:</b>			
<b>Becoming an efficient and enterprising Council:</b>			
<b>Support Services:</b>			
Proposals for Democratic Services; savings in Scrutiny, Members Support, Lord Mayors and Governance	-0.13		N
<b>Business Improvement Programme:</b>			
Business Management Programme (Admin, Mail and Print, Intelligence and Project Management)	-0.04	-1.0	Y
<b>Total Savings</b>	<b>-0.17</b>	<b>-1.0</b>	
<b>Overall net Saving</b>	<b>-0.07</b>	<b>-1.0</b>	

## INITIAL BUDGET PROPOSALS 2014/15

### PUBLIC HEALTH DIRECTORATE

#### Service Context

On 1<sup>st</sup> April 2013 local authorities took the lead from the NHS for improving the health of their local communities. As responsibilities have transferred to the council so have the staff, existing funding commitments and contracts. The Department of Health has provided a protected ring-fenced grant in order to drive local efforts to improve health and wellbeing by tackling the wider determinants of poor health. The funding allocations support the Government's vision of helping people live longer, healthier and more fulfilling lives and tackling inequalities in health. For Leeds this funding is to be used to help implement the Leeds Health & Wellbeing strategy, including the four commitments plus the public health aspect of the Best Council plan.

The council's Office of the Director of Public Health is responsible for a ring-fenced grant of £40.5M for 2014/15. The public health grant is being provided to give Local Authorities the funding needed to discharge their new public health responsibilities; the Department of Health expects that these funds are used to:

- improve significantly the health and wellbeing of local populations
- carry out health protection functions delegated from the secretary of state
- reduce health inequalities across the life course, including with hard to reach groups
- ensure the provision of population healthcare advice

**(Department of Health, ring-fenced public health grant, 2013)**

The Department of Health has set out the council's public health commissioning responsibilities, and made a number of services mandatory:

- tobacco control and smoking cessation services
- public health services for children and young people aged 5-19 (including Healthy Child Programme 5-19) (and in the longer term all public health services for children and young people)
- the National Child Measurement Programme
- interventions to tackle obesity such as community lifestyle and weight management services
- locally-led nutrition initiatives
- increasing levels of physical activity in the local population
- NHS Health Check assessments
- public mental health services
- dental public health services
- accidental injury prevention
- population level interventions to reduce and prevent birth defects

- behavioural and lifestyle campaigns to prevent cancer and long-term conditions
- local initiatives on workplace health
- supporting, reviewing and challenging delivery of key public health and NHS delivered services such as immunisation and screening programmes
- comprehensive sexual health services (including testing and treatment for sexually transmitted infections, contraception outside of GP contract and sexual health promotion and disease prevention)
- local initiatives to reduce excess deaths as a result of seasonal mortality
- the local authority role in dealing with health protection incidents, outbreaks and emergencies
- public health aspects of promotion of community safety, violence prevention and response
- public health aspects of local initiatives to tackle social exclusion
- local initiatives that reduce public health impacts of environmental risks

#### Public Health Mandatory Services:

- appropriate access to sexual health
- steps are to be taken to protect the health of the population, in particular, giving the local authority a duty to ensure there are plans in place to protect the health of the population
- ensuring NHS commissioners receive the public health advice they need
- the National Child Measurement Programme
- NHS Health Check assessment

(Department of Health, 2013)

Public health consultants are responsible for specific areas of public health which include responsibility for budgets and contracts. The budgets have been split across 8 areas:

- Health Protection
- Healthy Living and Public Health Intelligence
- Older People and Long Term conditions, ENE area and North CCF
- Health Improvement and Commissioning
- Child and Maternal Health
- Mental Wellbeing, Public Health workforce, SE area and South & East CCG
- Population Healthcare, WNW area and West CCG
- Office of Director of Public Health

#### Contracts

There were around 70 public health contracts, valued at approximately £30m, which were transferred to the council in April 2013. Public Health commissions a wide range of providers to deliver public health services, these include; GPs, Pharmacies, Leeds Teaching Hospital Trust, Leeds Community Healthcare Trust, Leeds and York Partnership Foundation Trust, as well as other NHS organisations, such as St

Martin's Healthcare and a range of 3<sup>rd</sup> sector providers. Due to the complexity of the NHS re-organisation, there is a need to ensure there is a safe continuation of services, and that the new financial responsibilities and consequences now faced by the council are understood and controlled.

A key decision to waiver contract procurement rules to award contracts to the same providers for 2014-15 has been supported, this will also allow time and a phased approach to re-commission all public health services within the next 3 years to better improve outcomes and be more cost effective. By using this process we are creating the opportunity to package bundles of services for procurement on the open market and work within the council's 'transforming procurement programme' through the category plan approach. This will lead to reduced costs of procurement and provide opportunities for alternative delivery mechanisms for providers such as consortia which enable back office/overhead savings for the services. The cost of contracts in 2014-15 will remain at approximately £30m.

There are two major programmes of work currently underway to re-commission and re procure:

- Drugs and alcohol treatment services - we are looking at new integrated services to be in place from April 2015. A report will be going to the Executive Board in January 2014 where there will be more details on the potential savings to be made from the re-commissioning process
- Sexual Health services – in September, the executive board endorsed a proposal to tender for an integrated sexual health service. The current budget is £6.6m; sexual health is a mandatory function for the Council. We intend to re-invest savings into enhancing sexual health services

### **Staff**

The Public Health Leadership Team have reviewed the current structure against the Council's new organisational design principles and has now identified a number of critical posts, it has been agreed that posts will be agreed at PO6 level and below. As a result there will be a 23% reduction of JNC posts from what would have occurred had the originally planned directorate structure gone ahead; this is reflected in the budget.

### **Budget proposals**

The Government will provide a public health ring-fenced grant to Leeds City Council of £40.5m for 2014/15: this includes £3.7 million uplift from 2013/14. The priority for 2014-15 is all around stability, focusing on working with providers on meeting targets and appropriately aligning responsibilities and finance that may still be unresolved (TB, Psycho-sexual counselling, mental health dual diagnosis, Sexual Health contraceptive devices, prescribing and dispensing costs). In addition, account is being taken of the mid-year decision by the Department of Health that a previously separate grant to tackle fuel poverty is now deemed to be part of the public health grant. At present specific priorities for this uplift include:

- £2m to support the Council, work has been done to identify current expenditure that can be aligned to the public health ring-fenced grant rules:-

	£000s
- Active Lifestyles services	369
- Family outreach workers (Children's centres)	777
- Luncheon clubs	185
- Leeds Directory	138
- Care and Repair	194
- Leeds Irish Health and Homes	33
- Black Health Agency – skyline sexual health project	289

- To consolidate and fund public health cost pressures that have been identified in 2013-14, these include Fuel Poverty, additional costs for prescribing and dispensing as part of drug treatment services, additional costs for sexual health contraception devices, Weight management service demands due to national policy changes, PPPU costs for re-commissioning sexual health and drugs and out of area genito-urinary services.
- To fund the Council's agreed 2013/14 priority programmes for public health including Infant mental health, changing lifestyles, food and nutrition, ante/post natal health.
- Legacy for Leeds – Tour de France - £70k for Beat the Street programme.
- As previously noted, there has been a reduction in the number of JNC posts compared to the original structure. This means that although there is a pressure on pay of £53k to cover an anticipated pay award, there is a full year saving of £-206k on the staffing budget. This revision to the staffing structure has meant a net overall increase of posts of 6.6 fte's at lower levels.
- During 2013/14 there has been a transfer of 6.8 fte's into Public Health from Adult Social Care. These 'area enabler' posts were previously included in the service level agreement, therefore this does not represent a cost increase to Public Health.
- There are a number of 2013/14 costs which fall out for 2014/15 including Back to Front, vaccination and immunisation and information and intelligence.
- There are potential savings around TB nursing, mental health diagnosis and psycho-sexual counselling where responsibilities and costs could be transferred to other organisations. However these have not yet been fully agreed.

### **Key Risks**

- lack of clear national guidance regarding the financial responsibility for drugs and sexual health devices costs for services commissioned by the council
- lack of robust data for diagnostic tests requested by community services (sexual health and drugs) and carried out by Leeds Teaching Hospitals NHS Trust

- risk of financial control due to the lack of national clarity about the council's financial responsibility for shared care prescribing and dispensing in relation to drugs
- the Office for the Director of Public Health is responsible for 24 contracts which are activity based, there is a risk based on the possibility of fluctuation in these contracts according to activity levels the funding of which is determined by NHS tariff costs.
- risk of unanticipated emergency situation, such as a flu pandemic, in terms of costs that would have to be met by the council.

## Public Health

	2014/15 £m	FTEs	Is this relevant to Equality & Diversity Y/N
<b>Grant Increase</b>	-3.69		
<b>Budget Pressures:</b>			
<b>Inflation</b>			
Pay	0.05		
<b>Fall Out Of Income</b>			
PCT funding not recurring	0.61		
<b>Charges for services already provided by other directorates</b>			
Active Lifestyle Services	0.37		
Family Outreach Workers	0.78		
Luncheon Clubs	0.19		
Leeds Directory	0.14		
Care and Repair	0.19		
Skyline Sexual Health Project	0.29		
Other services	0.04		
<b>2013/14 Pressures carrying forward</b>			
Services commissioned from Leeds City Council	0.20		
Older people contracts	0.03		
Drugs and Alcohol contracts	0.07		
Stop Smoking Services contracts	0.14		
Sexual Health prescribing costs and services	0.54		
Fuel Poverty	0.20		
<b>New Responsibilities and Pressures</b>			
Further services commissioned from Leeds City Council	0.04		Y
Priority Investment Programmes	0.50		Y
Drug prescribing	0.20		Y
Weight Management	0.10		Y
Beat The Street (Tour De France)	0.07		Y
<b>Other Pressures</b>	0.04		
<b>Total Pressures</b>	<b>4.79</b>	<b>0.0</b>	
<b>Savings Proposals:</b>			
<b>Full Year Effect of revised Staffing Structure and Transfers</b>	-0.21	13.4	Y
<b>Fall Out Of 2013/14 Costs</b>			
Various contracts expiring	-0.17		Y
<b>Responsibilities To Be Transferred To Other Organisations (note - not yet fully agreed)</b>			
TB Nursing Service	-0.23		Y
Mental Health Dual Diagnosis	-0.34		Y
Psycho-sexual counselling (not confirmed)	-0.15		Y
<b>Total Savings</b>	<b>-1.10</b>	<b>13.4</b>	
<b>Overall net Saving</b>	<b>0.00</b>	<b>13.4</b>	