Leeds
CITY COUNCIL

Report author: Alan Gay
Tel: 74226

Report of the Deputy Chief Executive
Report to Executive Board
Date: 17th December 2014

Subject: Initial Budget Proposals for 2015/16

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	☐ Yes	☒ No
Are there implications for equality and diversity and cohesion and integration?	☒ Yes	☐ No
Is the decision eligible for Call-In?	☐ Yes	☒ No
Does the report contain confidential or exempt information?	☐ Yes	☒ No

Summary of main issues

1. This report sets out the Initial Budget Proposals for 2015/16 within the context of the Medium Term Financial Strategy for the period 2015/16-2016/17. It has been developed within the ambition to be the best Council in the best City but recognises 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 £129m over the past 4 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 £74m over the two years 2015/16 and 2016/17. 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 around £250m have been achieved over the past 4 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 2016/17 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 may require many challenging decisions to be taken.

4. As such the proposals for next year need to be seen in this context and include significant reductions across a broad range of services totalling £76.1m and includes net reductions in staffing equating to 475 ftes by the end of 2015/16.

Recommendation

5. 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 25th February 2015. This report sets out the initial budget proposals for 2015/16 in the context of the Medium Term Financial Strategy which was approved by Executive Board in October 2014.

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 11th February 2015. 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 13.1 is not subject to call in, as the budget is a matter that will ultimately be determined by Council, and this report is in compliance with the Council's constitution as to the publication of initial budget proposals two months prior to adoption.

2.0 THE NATIONAL AND LOCAL CONTEXT

2.1 The Chancellor of the Exchequer announced the 2013 Spending Review on 26th June 2013. The Spending Review set out the Government's spending plans for central government departments, the NHS and local government for 2014/15 and 2015/16. This 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.

2.2 For Leeds, between the 2010/11 and 2014/15 budgets, funding from government reduced by £129m 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. This has meant that savings of around £250m have had to be found over the past 4 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 2016/17 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 may require many challenging decisions to be taken.

2.3 The Local Government finance settlement announced on the 18th December 2013 not only provided a provisional settlement for 2014/15, but also an indicative settlement for 2015/16. For Leeds the indicative settlement for 2015/16 was a cash reduction of 14.7% (£46.0m), compared to the national average reduction of 13.1%. Over the summer of 2014, the government conducted a technical consultation on aspects of the 2015/16 settlement but, in contrast to the previous year's technical consultation, the 2014 exercise has not revealed any further cuts in funding, but has confirmed the 14.7% reduction for the Council. In terms of the Government's preferred measure of Spending Power the figure quoted for Leeds is a 2.2% reduction. However, this includes £50.1m relating to the Better Care

Fund. This Fund does not provide any new money across the Health and Social care sector but it combines it into a pooled fund that will operate from 1st April 2015.

2.4 The 2015/16 indicative settlement was based on an assumption that RPI would increase by 2.76%. The actual figure (based on September 2014) is 2.3% which will result in less business rate income and for Leeds the impact is a reduction of £660k from the previously announced figure. The Chancellor's Autumn statement on 3rd December made no further changes to the overall level of funding in 2015/16 although the inflation-linked increase in business rates will again be capped at 2%. The shortfall in income will continue to be funded by a S31 grant, in addition to the funding received for the 2014/15 cap. The Local Government finance settlement for 2015/16 is expected to be announced later in December 2014.

2.5 Over the lifetime of this Parliament, local government core funding nationally will have fallen by about 40% in real terms. As yet, Departmental Expenditure Limits have not been set beyond 2015/16 which makes financial planning difficult although the direction of travel is clear. The Economic and Fiscal Outlook, published by the Office for Budget Responsibility alongside the recent Autumn Statement, includes projections for public sector expenditure as a whole, which if applied to local government would suggest a funding reduction of 10.4% for 2016/17. For Leeds, this would equate to a cash reduction of £27.7m for 2016/17, as shown in Table 1 below:

Table 1

	2014/15 £m	2015/16 £m	2016/17 £m
Settlement Funding Assessment	**313.421**	**266.736**	**239.036**
Reduction (£m)		-46.685	-27.700
Reduction (%)		-14.9%	-10.4%

3.0 Developing the Medium Term Financial Strategy

3.1 The council has already seen its levels of core funding from government (SFA and other grants) reduced by £129m over the last four years, and by the end of 2015/16 this will have increased to around £180m.

3.2 The Council is having to deal with the challenge of improving outcomes with a much smaller envelope of money. This means working differently, within the council as well as with our partners and with the public. We have been successful at doing this already by:-

- Staff reductions of over 2000 FTEs by the end of 2014/15, spending almost £50m less on employees
- Savings of circa £30m through better procurement and demand management

- Increased income of £21m
- Increased income from Council Tax growth of £17.8m
- Reduced building maintenance by £1m
- Reviewing grants to the third sector including 15% reduction in grants to major arts
- New Homes Bonus which will earn £13.6m in 2014/15
- Closure of 7 residential homes, 12 day centres, 14 libraries, 2 sports centres, 2 community centres, 1 one stop centre and 3 hostels
- Reduced office accommodation space by almost 250,000 square feet
- Maintaining a significant Capital programme without increasing debt costs

but we know that we need to do more.

3.3 We have taken a proactive response to the cuts to local government funding, through our work on the Commission for the Future of Local Government which has influenced our strategic and financial planning. This means the Council becoming more enterprising, partners and business more civic and the public more engaged. Throughout this period, we have had some important principles that have guided our approach such as

- Councils should stimulate good economic growth, jobs and homes, so that increased council tax and business rates could offset some of the cuts in central government support and make local government more self-sufficient.
- Councils should work to develop a new social contract between the citizen and the local state whereby public services are provided differently, and co-designed with people.
- Councils should enable the infrastructure and utilities of the smart cities and towns of the 21st Century, such as superfast broadband, low carbon and social networks.

3.4 The strategy for addressing the funding reductions will see all areas of the council continuing to reduce budgets, but where possible frontline services and those for vulnerable children, young people and adults will be protected. What is clear is that whilst we have been successful in responding to the challenging reductions so far, the further reductions required in 2015/16 are a significant milestone for the Council. The level of reductions we have to make will impact on front line services which the Council has worked, and continues to work, extremely hard to protect.

3.5 The policy of 'civic enterprise' will continue with the council becoming smaller in size but bigger in influence, encouraging economic growth and working with business, communities and the third-sector to develop new ideas and ways of working and to deliver services in the best way possible.

4.0 Estimating the Funding Envelope for 2015/16

4.1 As outlined in Table 1 above, the indicative finance settlement for Leeds is a reduction of £46.7m (14.9%) in the Settlement Funding Assessment, but clearly this is subject to the Local Government Finance settlement which is expected later in December 2014.

4.2 Taking account of other funding sources in the Medium Term Financial Strategy, the forecast funding envelope reduction was £34.6m. The latest assessment is a reduction of £36.9m due to the following assumptions:

4.2.1 Business Rates Retention

The government introduced a new Business Rates Retention Scheme on 1st April 2013. The scheme was designed to allow growth in business rates to be shared equally between central and local government, and is portrayed as providing an additional incentive for local authorities to grow their local economies so that their communities can share the financial rewards of that growth.

Sustainable growth in business rates is achieved through new-builds coming on stream which increase the total rateable value. However, there is also a downside. Demolitions and conversions of premises to domestic use reduce rateable values, and businesses can also appeal to the Valuation Office Agency against their rateable values. In Leeds, at any one time around a third of the entire business rates tax base is subject to appeal, and successful appeals can lead to reductions in rateable value that are often backdated to 2010.

In recent months two trends have become clear:

- The gradual economic recovery is not resulting in significant volumes of new-builds in Leeds. Most new or expanding businesses are moving into existing premises that are already subject to empty rate charges, so the overall growth in rateable value is minimal.

- The benefit of any growth that does occur is being largely offset by the effect of demolitions, conversions and successful appeals. In 2013/14 Leeds benefited from the opening of Trinity Shopping Centre and the Leeds Arena, but even after taking those large new assessments into account, over the 20 months since the scheme was introduced the total rateable value for Leeds has grown by less than 0.7%.

For 2014/15, the projection of business rates has been revised downwards resulting in a deficit which will be brought forward to 2015/16. Although the budget provides for the inflationary uplift, this is reduced by a net £1m reflecting the 2014/15 deficit brought forward. It was noted in the Autumn Statement that the national yield from business rates for 2015/16 onwards is lower than forecast at the time of the Budget.

Given the level of appeals currently outstanding and the fact that appeals are backdated, the current estimate of income from business rates is subject to considerable uncertainty. Further work will take place on business rates projections, the outcome of which will be reported to Council in January 2015 as part of the Calculation of the Council Tax and Business Rates Tax bases report, but it is possible that projections included in this report will need to be revised further.

The Government will continue to provide funding for the compensation grant for capping increases to 2% in 2014/15 and 2015/16, the Small Business Rates Relief

scheme and the occupied retail property relief for low rateable value properties which has been increased from £1,000 in 2014/15 to £1,500 in 2015/16.

4.2.2 New Homes Bonus

The government introduced an incentive scheme in 2011 to encourage housing growth across the country; Councils receive additional grant equivalent to the Council Tax for each net additional property each year and is received annually for six years. An additional 2,800 band D equivalent properties per annum has been assumed, including both new builds and properties brought back into use. The Council not only benefits from the additional Council Tax raised from these properties, estimated to be £3.2m in 2015/16, but also through the through New Homes Bonus which is estimated at an additional £4.1m per annum. However, taking account of the shortfall in the net increase in properties in 2014/15, the cash increase is reduced to £3m. It should be noted that whilst the New Homes Bonus is intended as an incentive for housing growth, the funding for this initiative comes from a top-slice of the Local Government funding settlement and the distribution of this funding benefits those parts of the country with the highest level of housing growth and is weighted in favour of properties in higher Council Tax bands. It has been estimated that whilst Leeds has received £44m through New Homes Bonus over the 5 years from 2010/11 to 2014/15 the loss to Leeds through top slicing the Local Government Finance Settlement is around £3.9m greater, equivalent to an additional 2,700 homes.

4.2.3 Council Tax

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. The Government has announced that funding will be provided for those authorities who choose to freeze their Council Taxes for 2015/16, equivalent to an annual increase of 1%, or £2.9m for Leeds. In previous years the government has set a limit for Council Tax increases above which a Local Authority must seek approval through a local referendum and this was set at 2%. The referendum ceiling for 2015/16 has yet to be announced; when this information is known the Council will need to make a decision whether to accept the freeze grant or whether to propose a Council Tax increase. The difference between accepting the freeze grant and a 2% Council Tax increase amounts to £1.9m.

The funding envelope reflects an inflationary increase and net growth in the tax base, offset by the fact that the 2014/15 budget indicated a surplus on the collection fund brought forward from 2013/14.

4.2.4 Reserves

In the current year, the budgeted use of General Fund Reserves is £3.5m. In addition, a further £2m has been transferred to the Early Leavers Initiative reserve. This leaves a balance of general reserves at the end of 2014/15 of £21.9m as shown in Table 2.

Table 2

General Fund Reserves	2014/15 £m	2015/16 £m
Opening Balance 1st April	26.0	21.9
Budgeted usage	-3.5	-5.5
Superannuation saving	1.4	
Transfer to ELI reserve	-2.0	
Closing Balance 31st March	21.9	16.4

In order to support the 2015/16 budget it is proposed to increase the use of reserves to £5.5m. This would leave the level of general fund reserves at 31 March 2016 at £16.4m and is considered to be at the minimum level as determined by the risk based reserves policy and in addition it is dependent on achieving a balanced position in 2014/15 which is being closely monitored.

It should be noted that the forecast General Fund Reserves position at the end of March 2016 is very low and this puts the Council at significant risk in the event of overspends arising from slippage on savings planned or unexpected costs. Proportionate to its spend, Leeds has one of the lowest levels of reserves of all local authorities in the country. Further work will be undertaken before the budget is finalised in February in an attempt to enhance the level of General Reserves held.

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

Table 3

Funding Envelope	2015/16 £m
Government Funding	
Settlement Funding Assessment	46.7
New Homes Bonus	-3.0
New Homes Bonus holdback refund	-0.7
Sub-total Government Funding	43.0
Locally Determined Funding	
Council Tax	-5.1
Business Rates reduction in growth	1.0
Change in use of reserves	-2.0
Sub-total Locally Determined Funding	-6.1
Total Funding Reduction	36.9

5.0 Developing the Council's Budget Plans - consultation

5.1 The council's approach to consultation on budget proposals has differed in 2014 compared to recent years, in large part due to; the wealth of consultation evidence gathered in recent years on residents' budget priorities; the low level of change in those priorities over time; and the significant involvement of residents and service users in ongoing service-led change projects, as the council commits further to working with communities.

5.2 This section of the report highlights the evidence from recent budget priority consultations, and key service-led consultations that have significant impact on priority setting and reducing costs/generating income.

5.3 Format of engagement for 2014 - a version of this summary will be widely promoted to the public to coincide with approval of the Initial Budget Proposals. Alongside this will sit a short, accessible summary of the council's budget proposals, with links to the detailed documents, and a range of online and offline feedback methods for residents and partners to have their say on the IBP. Promotion of this consultation will be through a wide range of council and partner-owned channels. The final date for comments will be Jan 18th 2015, and results will inform the final Budget.

5.4 What residents have told us so far - 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 2,747 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 Leeds budget consultation and the results have provided a useful barometer of public opinion as to council spending priorities for a number of years.

The essential accuracy of the 2012 consultation results was confirmed by residents in the 2013 budget consultation. Residents were asked to consider whether the ten service areas most 'protected' from spending cuts in the YouChoose consultation were still their top priorities for the 2014/15 budget and asked for alternatives if this was not the case. A total of 946 formal responses were received by the council and a number of parallel discussions took place through community groups.

In terms of rank order, there are some differences to the 2012 YouChoose consultation. The most significant changes in rank order are for services for adults with a learning difficulty (higher in 2013) and community safety services (lower in 2013):

Service Area	Rank 2013	Rank 2012
Children's social care services	1	1
Special education needs and disability services for children	2	2
Services for adults (under 65) with mental health needs	3	3
Services for adults (under 65) with a physical disability	4	6
Services for adults (under 65) with a learning disability	5	10
Collecting and disposing of waste	6	9
Housing	7	8
Children's Centres and family support services	8	5
Services for young people and 'skills for life' services	9	7
Community safety services	10	4

Respondents understand that to do this we can't fund all our services at the current levels and are generally in favour of us exploring new ways to bring in money from charges. We have also listened to thousands of young voices to find out what's important to children and young people in Leeds which has led to the top 12 'wishes' they feel will make Leeds a child friendly city.

How people's views shape specific budget priorities - when we make decisions about the future of council services, we take into account evidence from a wide range of sources. Financial information, the law, changes in demand all play a part, as does the views and ideas of people who use local services. We listen to residents and service users both through formal consultations and throughout the year in conversations between staff, councillors and local people.

Key recent consultations include:

- Shaping adult care for the future

  Residents have told us it's important we protect social services for adults, especially vulnerable adults, as much as we can. Adult social services make up a large part of our budget, so are under pressure as our funding is reduced, and as more people live longer in Leeds. We've listened carefully to hundreds of people who use residential, day care and other services, and their families and carers too.
  As a result we've changed some of the plans to close centres and are exploring new options. We've also worked with local people to design new, fair, charges for support services. Again, what nearly 4000 people told us changed our plans, significantly in some cases.

- Smarter use of our libraries

  We reviewed the library service in 2011, and some sites did close. We still need to save money but we know shutting more libraries will affect local communities. So over 7200 people helped us design new reduced opening times for local libraries. The result saves money and keeps the communities library service open when it's most needed.

- Finding new uses for underused facilities

  We want to help people live healthy active lives, but some of our facilities are being used by fewer people each year – that means more subsidies to keep them going. We invited residents to explore new ways to use two council-run golf courses, and most people who took part were in favour of setting up new parkland, including 73% of those who play golf. This keeps open space available for local people and saves money at the same time.

- Building school capacity for the future

  Even when there's limited budget, we have to plan ahead for things like having enough school places. We've consulted on 70 schemes to expand schools in the last four years over the 4 year course of the Basic Needs programme, delivering over 1200 reception places. We can also point to 6 schemes that did not progress due to feedback from consultations.

- Supporting vulnerable young people

  Some children and young people need extra support to take part in education, including specialist school transport. We're working with hundreds of families to understand what impact any changes to these services might have, being honest that we have to save money too. We know the best way to do this is to work together with families to find the best solutions.

6.0 INITIAL BUDGET PROPOSALS 2015/16

6.1 This section provides an overview of the initial budget proposals for 2015/16. Table 4 below provides a summary of key costs and savings areas:

Table 4

	£m
Reduction in Resources	36.9
Inflation	8.6
Full Year Effects	-1.5
Demand/Demography	15.0
Grant Fallout	7.4
Capital Charges	-1.0
Other Budget Pressures:	
Adult Social Care	
- Care Act responsibilities	4.2
- Deprivation of Liberty costs	2.0
- other	0.5
Children's Services	
- Fallout of Social Fund income re S17 payments	0.5
- slippage on 2014/15 budget action plans	0.8
- social worker increments/residential review	0.7
City Development	
- income shortfall due to development of Kirkgate Market	0.9
- HS2/South Bank team and related expenditure	0.3
Environment and Housing	
- additional disposal costs & other net pressures	0.1
Citizens & Communities	
- Entertainment licensing	0.1
- Transactional web phase 2 borrowing costs	0.3
WY Transport Fund	0.3
Total Pressures	76.1
Best Council Objectives:	
Dealing effectively with the City's Waste	-1.4
Building a Child Friendly City	-0.1
Delivery of the Better Lives Programme	-0.2
Becoming an efficient and enterprising Council	
Assets	-2.1
Business Improvement	-2.5
Support Services	-3.1
Efficiencies	-23.4
Income Generation	-21.7
Service Changes	-21.6
Total Savings	-76.1

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 £8.6m – provision has been made for the nationally agreed pay award. Despite cost inflation currently running at 2.3% (October 2014), 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 and landfill tax.

6.2.2 A general inflationary allowance has been applied to the level of fees and charges and this is estimated to generate an additional £2.2m.

6.2.3 Full Year Effects of previous decisions amounts to a saving of £1.5m. Of this £3m relates to savings through changes to employees' terms and conditions in respect of pay protection and travel arrangements. This saving is partly offset by costs in respect of Children's transport and lower than anticipated numbers following the introduction of charges for equipment services in Adults Social Care.

6.2.4 Demand/Demography

Within Adult Social Care the financial impact of demand and demographic pressures projected to be ongoing in 2015/16 is £14.5m. This takes account of the significant demand pressures experienced during both 2013/14 and 2014/15 over and above the budget provision available. In addition, £0.5m has been provided in Children's Services in 2015/16 to support and enhance those services that work with children and young people who are at risk of child sexual exploitation and those who go missing.

6.2.5 Grant Fallout - £7.4m

Within Children's Services provision has been made for the fallout of a number of grants. There will be a continued fall in the Education Support Grant due in the main to a £200m national reduction in the grant which will have an estimated impact of around £2.4m for Leeds in 2015/16. In addition the initial budget proposals assume further reductions in specific grant funding, e.g. Adoption Reform Grant and the Special Educational Needs and Disabilities implementation grant as well as the impact of non-recurrent funding to support the expansion of early education/childcare for vulnerable 2-year old children, reductions in the ongoing grant for the Troubled Families programme and the fall-out of funding to support the multi-systemic therapy service.

Within Citizens and Communities it is assumed that funding for the Local Welfare Support scheme will not be available from April 2015 with a net impact of £0.85m, although a Government announcement is awaited on a possible replacement scheme. In addition, a significant reduction in funding for the Local Council Tax Support scheme and Housing Benefits Administration grant amount to £0.61m.

6.2.6 Capital Charges – the financial strategy assumes a £1m reduction 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 14/15 and the first 6 months of 2015/16, rising to 0.75% for the remainder of the year and takes account of contributions from directorates towards the cost of invest to save schemes.

6.2.7 Other Budget Pressures

Other budget pressures amounting to £10.7m have been included in the proposals, of which £6.5m mainly reflects the ongoing pressures experienced in 2014/15 as described in Table 4 above. In addition, £4.2m has been included for the projected spend in 2015/16 resulting from the new Care Act duties, although it is anticipated that Government funding will be received to offset these costs (see income below).

6.3 Savings Proposals

6.3.1 In order to address the identified £76.1m budget gap, a number of savings areas have been identified in accordance with the Best Council Objectives highlighted in the Medium Term Financial Plan:

- Dealing effectively with the city's waste £1.4m

  In November 2015 the Energy from Waste facility is expected to start to receive waste for commissioning. In accordance with the signed agreement, PFI grant is receivable from the Government once the facility is ready to accept waste. It is anticipated that we will receive £1.9m in 2015/16 with savings exceeding £6m from 2016/17.

  Fall out of temporary staffing arrangements within Waste Management following the introduction of the new management structure will also result in savings.

  These savings are partially offset by additional residual waste disposal costs being incurred due to a combination of an increasing number of households in the City and revised projections for savings derived from alternate week collections based on experience of operating the system. There are reductions in the market prices for some recyclable materials.

  Provision has been made for the funding of the redevelopment of the Kirkstall Road Household Waste Site so that the facility can offer the same of recycling to members of the public as other re-developed sites across the City.

  Income above budgeted levels is being received in 2014-15 for second collections, mainly from multi storey flats. It is assumed this continues in 2015-16.

- Building a child friendly city £0.1m

  Leeds aspires to be the Best City for children & young people, a Child-friendly city that safeguards and promotes the well-being of children and young people from across the city. The Council is committed to taking a long term strategic approach to managing increasing demand for services caused by a range of socio-economic factors and demographic changes. By maintaining investment in preventative services and working with families restoratively (under a new "social contract"), the aim is to help more families help themselves and reduce the need for statutory intervention.

Children's Services continues to face significant demand pressures including an increase of approximately 5,000 in the number of children and young people across the city since 2009 as well as a changing demographic mix. These changes have increased demand across all the services that we provide and commission and 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. However, despite this increase in demand and in contrast to the national picture, Leeds has successfully, and safely, stabilised and reduced the number of looked after children.

- Delivery of the Better Lives programme £0.2m

  The Better Lives service transformation programme 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.

  Going forward, the newly developed Assisted Living Leeds will facilitate earlier intervention and deployment of equipment, which will reduce the level and timing of home care requirement. Further savings are also included from Physical Impairment services reflecting the full-year effect of the closure of Mariners Resource Centre following the successful relocation of all service users to the Holt Park Active Service

- Becoming an efficient and enterprising council:

  Support Services - between 2010/11 and 2014/15 savings of £12.6m were realised from support service budgets. Services have undergone re-design and are now in the process of implementing new and revised ways of working in order to generate further savings of £3.1m in 2015/16.

  Better Business Management - the 2014/15 budget includes assumed savings of £3.2m in respect of Better Business Management. There are four areas under review:

  - Business administration
  - Mail and print
  - Intelligence
  - Programme and project management

  Each of these projects is now in progress and further savings of £2.5m are to be delivered in 2015/16.

  Asset Base – a programme of asset review and rationalisation is underway which will deliver significant running cost savings across the Council's asset portfolio. Phase 1 of this work has already seen city centre office accommodation reduced from 17 to 8 buildings, with this figure due to fall

further following the refurbishment and reoccupation of Merrion House in 2017. A saving of £2.1m is forecast for 2015/16.

6.3.2 In view of the severity of the funding reductions described above, the Medium Term Financial Plan indicated that a comprehensive review of the way services are delivered across the Council should be undertaken. These reviews have resulted in wide ranging and challenging proposals across all directorates, over and above the Best Council Objectives and these are detailed below:

6.3.3 Efficiencies

A range of efficiency measures totalling £23.4m have been identified. In addition to the savings from becoming an efficient and enterprising Council, directorates have identified savings through organisational redesign. This includes working more closely both within and across directorates and will result in a significant reduction in staffing including reducing the number of senior management posts.

Opportunities for joint working with the West Yorkshire Combined Authority and greater scope for greater efficiencies at City Region level have been identified.

Significant savings can be achieved through improved contract management arrangements which includes reviewing payments made under existing contracts, contract renegotiation and reducing areas of off contract spend.

A number of existing services have been identified which are undertaking public health related activities and are more appropriately charged to the public health function which transferred from the Primary Care Trust to the Council from 1st April 2013. This will result in income of £1.25m to the general fund.

In addition, a number of technical accounting measures will achieve savings of £4.7m in 2015/16.

6.3.4 Income Generation

Income generation proposals of £21.7m have been identified. Where appropriate, above inflation increases are proposed for fees and charges. Additional sources of income have also been targeted, for example advertising, temporary car parks, new commercial property income and maximising grant income.

The council has worked closely with health colleagues to develop plans for the Better Care Fund, which for 2015/16 will be a pooled budget of £54.9m (including £4.8m capital funding) to reconfigure the health and social care system across Leeds and maximise the value of the “Leeds £”. It is recognised across the sector that the scale of the council’s financial challenges will make it difficult for the council to fund the demand and demographic pressures outlined above. It is also recognised that without adequately resourced social care, timely hospital discharges will be adversely affected and people’s conditions could necessitate more emergency hospital admissions. Government funding for the new Care Act responsibilities, some of which will be received via the Better Care Fund, has not yet been confirmed, although a number of the requirements feature strongly in the

current Leeds offer. The initial budget proposals include £12.3m to reflect the anticipated level of additional health and government funding.

6.3.5 Service Changes

Service changes amounting to £21.6m have been identified in the proposals and include some of the more difficult decisions affecting levels of service.

The initial budget proposals reflect the continued downsizing of the Community Support Services within Adult Social Care.

Within Children's Services, the 2015/16 financial year will see a fundamental re-design of the services that support children, young people and their families. A key principle will be the development and implementation of multi-agency and multi-disciplinary teams based in localities, working in close partnership and co-located with schools and clusters of schools.

There are a number of proposals in respect of those services that support young people. These will include further savings on the Youth Offer as well as proposed reductions in respect of funding for Targeted Information Advice and Guidance which is currently commissioned under the banner 'Connexions Leeds' and which works with priority groups of young people around the NEET (not in employment, education or training) agenda. This level of budget reductions across the Young People and Skills services would necessitate a fundamental change across the Council and partners in the city as to how the Council responds to young people at risk of becoming NEET.

In response to the reduction in the Education Support Grant, the ambition is to retain a 'Leeds Learning Improvement function' through the development and implementation of a business model that would generate an additional £1.7m of income through trading with schools and academies in Leeds and also with other local authorities.

Reduced spend on grants and contracts with the third sector is included within the budget proposals including significant reductions in grants to the Arts and the localisation of locality based grants. This will be delivered through a review of each payment in relation to the Council's priorities and will be implemented in consultation with the organisations affected.

A reduction in opening hours of facilities, e.g. sports centres, household waste sites is proposed to ensure the most cost effective service delivery.

A saving of £109k is proposed by ceasing the grant to Parish Councils (made in 2013/14 and 2014/15) to compensate Parishes for the reduction in their tax base as a result of the introduction of the Council Tax Support scheme in 2013/14.

6.4 Impact of proposals on employees

The Council has operated a voluntary retirement and severance scheme since 2010/11 which has contributed to a reduction in the workforce of 1,900 ftes at the

31st March 2014. The Early Leavers scheme, covering the period up to and including March 2016 is continuing and in the current year all services have been requested to maximise the number of staff who can leave under the scheme by 31st December 2014.

Many of the costs and savings identified in these proposals have significant implications for staffing, some of the main areas are outlined below:

- Continued downsizing of the Community Support Service in Adults Social Care
- Within Children's Services, a fundamental re-design of services that support children, young people and their families
- Further reduction in Support Services across the Council and a fundamental review of Business Administration
- Further reduction in JNC management posts
- Transformation programmes including a number of services working closer together

The initial budget proposals provide for a forecast net reduction in anticipated staff numbers of 475 ftes by 31st March 2016, as shown in Table 5 below:

Table 5

FTEs	Increases	Decreases	Net Movement
Adult Social care	17	-78	-61
Children's Services	20	-197	-177
City Development	3	-62	-59
Environment & Housing	4	-59	-55
Strategy & Resources	1	-96	-95
Civic Enterprise Leeds	30	-25	4
Citizens & Communities		-30	-30
Public Health		-3	-3
Total	75	-550	-475

Excluding the inflationary impact, staffing reductions of around £17m are included in the 2015/16 initial budget proposals. This includes savings from changes to employees' terms and conditions which will help reduce the risk of compulsory redundancies as the Council continues to tackle budget cuts and meet increased demand for some services. These changes include the withdrawal of pay protections and changes to travel arrangements.

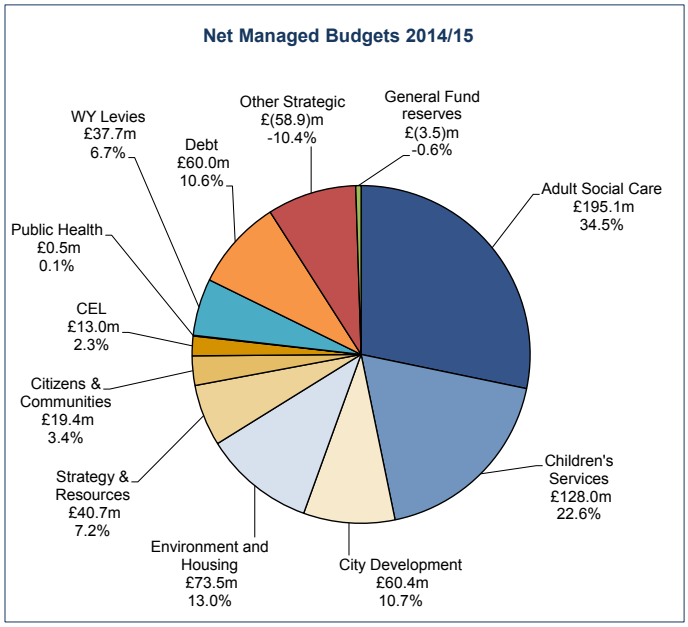
6.5 The proposals outlined above are reflected in table 6 below which gives a subjective breakdown of the Council's initial budget in 2015/16, compared to 2014/15.

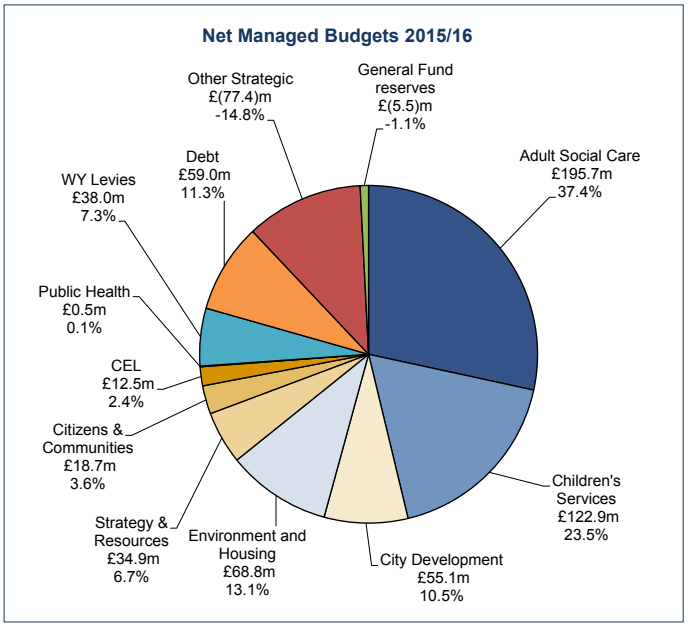
Table 6

	Budget 2014/15 £m	Budget 2015/16 £m	%age Variation £m
Employees	434.2	422.7	-2.6%
Other running expenses	113.5	97.8	-13.8%
Capital Charges	60.0	59.0	-1.7%
Payments to external service providers	321.5	339.5	5.6%
Fees & Charges/Other income	-176.9	-204.1	15.4%
Specific Grants	-183.0	-186.3	1.8%
Use of reserves	-3.5	-5.5	57.1%
Net Spend before grants	**565.8**	**523.1**	**-7.5%**
Funded by:			
SFA/Business Rates	320.6	272.4	-15.0%
Council Tax	245.2	250.7	2.3%
Total Funding	**565.8**	**523.1**	**-7.5%**

6.6 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, although these are subject to amendments due to a number of corporately determined savings which are still to be allocated. 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 60.9% reflecting the Council's need to continue to prioritise spending in these areas.

Chart 1





7.0 THE SCHOOLS BUDGET

7.1 The Schools Budget as has been the case for a number of years is funded by the Dedicated Schools Grant (DSG).

7.2 The DSG for 2015-16 is funded as three separate blocks:

- The **early years block** will be used to fund free early education for 3 and 4 year olds and the early education of eligible vulnerable 2 year olds. For 3 and 4 year olds, the rate/pupil will be protected at the 2014-15 level. Funding for the 2 year old entitlement will be on a participation basis and initial funding will be allocated in June 2015 using January 2015 census data.

- The **high needs block** will be used to fund special schools (including academies and free schools), resourced SEN places in mainstream schools, pupil referral units and alternative provision. Published place numbers for the 2014-15 academic year will be rolled forward and used as the basis for 2015-16 allocations. Leeds has put forward an exceptional case to the Education Funding Agency (EFA) for additional high needs places but the outcome of this and the overall high needs block allocation will not be known until December 2014 at the earliest.

- 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 2015-16 will be based on pupil numbers in Leeds (including those in academies and free schools) as at October 2014, multiplied by the schools block unit of funding. The 2015-16 rate is expected to be confirmed in December. It is estimated that pupil numbers will increase by approximately 3,300 year on year (with approx. 1,000 of these due to the inclusion of non-recoupment academies and free schools).

7.3 Funding for post-16 provision is allocated by the EFA through a national formula No changes to the formula are expected for 2015-16 but transitional protection will cease from August 2015.

7.4 Pupil Premium is paid to schools and academies based on the number of eligible pupils aged 5 to 15 on roll in January each year. The only rate change for 2015-16 is for primary pupils, which increases to £1320 (from £1300). An Early Years Pupil Premium (EYPP) will be introduced from April 2015 at a rate of £0.53 per child per hour which must be paid to providers. The initial allocation for Leeds is £0.89m.

The Primary PE grant will be paid in the 2014-15 and 2015-16 academic years to all primary schools at a rate of £8,000 plus £5 per pupil. The Year 7 catch-up premium will be paid in the 2014-15 and 2015-16 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.

7.5 The Government introduced the universal provision of free school meals for all pupils in Reception, Year 1 and Year 2 from September 2014. It is expected that for the 2015-16 academic year, census data from October 2015 and January 2016 will

be used and that the grant allocation will be in the order of £8.27m dependent on the number of pupils.

7.6 **Schools funding summary**

Estimated figures for 2014-15 and 2015-16 are shown below:

Table 7

	2014-15 £m	**2015-16 £m** (estimated)	**Yr on yr Change**
Schools Block	440.39	455.62	15.23
Early Years Block (3 & 4yr olds)	31.38	32.43	1.05
Early Years Block (2yr olds)	11.94	10.62	-1.32
High Needs Block	53.95	53.95	0.00
EFA Post 16 Funding *	18.00	16.88	-1.12
Pupil Premium	39.90	42.23	2.33
PE & Sport Grant	1.98	2.06	0.08
Summer Schools Grant	0.53	0.53	0.00
Yr 7 Catch up Premium	0.85	0.86	0.01
Universal infant free school meals	4.89	8.27	3.38
Total Schools Budget	**603.81**	**623.45**	**19.64**

(* figures include academies/free schools except for Post-16 where funding data is not available)

8.0 Housing Revenue Account

8.1 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.

8.2 As part of the June 2013 Spending Review the Government announced a new rent setting formula, to be fixed for ten years, from 2015/16. The formula of Consumer Price Index (CPI) +1% per year is a change from (RPI) +0.5% that was previously used. The September CPI figure, which the Government uses for the calculation of rent and benefit increases for the forthcoming financial year has been announced as 1.2%. Therefore this figure has been used as the basis to determine the rent increase for 2015/16.

8.3 Councils are free to depart from the formula detailed in 9.2 but must have a balanced and sustainable HRA. Rent increases continue to be subject to Government control through Limit Rents 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). In keeping with previous financial years it is anticipated that Limit Rents for 2015/16 will not be announced until January 2015.

8.4 Whilst increasing rents by CPI +1% would generate additional income of £4.9m, there remains the option to mitigate the impact of the Government's rent policy by increasing rents to reflect the 2014/15 Limit Rent. This represents an increase of

2.88% and would generate additional income of £6.3m. This income is required to ensure the continued investment in the long term sustainability of the current housing stock, and deliver investment in other priority areas such as older person's housing and improving the environment of estates to ensure that they are safe and clean places to live.

8.5 It is therefore proposed that rents are increased by an average of 2.88% in 2015/16 which is less than half the level of increase from the previous two years.

8.6 Tenants in multi storey flats (MSFs) and in low/medium rise flats receive additional services such as cleaning of communal areas, staircase lighting and lifts. Since these tenants only pay a notional charge towards the cost of these services, other tenants are in effect subsidising the additional services received. Therefore to reduce this subsidisation and make charging arrangements more transparent, the intention is that consideration will be given to implementing and increasing service charges at a different rate to the proposed rent increase.

8.7 The increase in discount available to tenants to buy their own homes through the Government's Right to Buy legislation has resulted in a substantial increase in the number of sales and the subsequent reduction in the amount of rent receivable. Partially offsetting this is the planned £72.8m investment in new homes and the buying up of empty properties.

8.8 Savings realised from the transfer of the housing management function from the ALMOs back to the Council from the 1st October have been re-invested to resource the delivery of the Council's housing priorities.

8.9 The introduction of Universal Credit, as a part of the Government's welfare change agenda is yet to be fully implemented but when it is introduced, and based on the experience of authorities that are piloting it, it could have implications for the level of rent receivable.

8.10 All housing priorities are funded though the HRA and any variation in the rental income stream will impact upon the level of resources that are available to support the delivery of these priorities.

9.0 Capital Programme

9.1 Over the period 2014/15 to 2017/18 the existing capital programme includes investment plans which total £813m. 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.

9.2 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 2014/15 is around £42m.

9.3 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.

9.4 The financial strategy assumes a £1m reduction 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 14/15 and the first 6 months of 2015/16, rising to 0.75% for the remainder of the year and takes account of contributions from directorates towards the cost of invest to save schemes.

9.5 The strategy allows for capital investment above the MRP of £42m 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.

10.0 Prospects for 2016/17

10.1 The Chancellor of the Exchequer, George Osborne, delivered his Autumn Statement to the House of Commons on the 3rd December 2014 The statement sets out "*the next stage of the government's long-term economic plan"*, and was accompanied by an update of the OBR's *"Economic and fiscal outlook"* which includes revised predictions for public sector borrowing and debt. The Chancellor stated that departmental budgets would not be reduced further in this parliament, but that in order to meet their target of bring the public finances back into surplus further reductions in public expenditure would be necessary to 2019/20, a further two years beyond the previous forecast. This is borne out by the Departmental Expenditure Limit (DEL) totals included in the statement. Whilst no analysis of spending impacts down to departmental level is provided in the statement, the summary information shows an increase in DEL in 2015/16 of £3.9 billion (presumably due mainly to the £3.5 billion announced additional health funding) then further reductions of 1%, 1.3% and 2% in each year afterwards. Comparing 2019/20 to 2015/16 DEL in the statement there is an overall 10% reduction (or a 3.9% annual reduction) in DEL. However, if as has happened previously some government departments financed from DEL are protected, the impact on local government is likely to be higher than this average cut, and some commentators are predicting that the reductions over the next five years for unprotected services will be at least as much as in the last five years.

10.2 Further reductions in government grant of the scale suggested by the Autumn Statement will fundamentally challenge the services provided by the Council. It is clear that if the Council is to meet this challenge, recognising that it will be

considerable smaller than it is now, the Council needs to quickly move forward in shaping what it will look like by 2019/20, developing the Council Plan, its workforce planning as well as its financial plans. This work is a crictial priority over the next 12 months. In order for balanced and robust budgets to be delivered it is essential that the Council continues its service review programme and works closely with its partners to ensure the best use of resources available in the city. It is clear that further savings proposals will need to be identified and it is inevitable that these will impact on front line services.

10.3 An indicative position for 2016/17, based on updating the assumptions as to funding included in the Medium Term Financial Plan would suggest a reduction in our funding envelope for 2016/17 of around £28.5m taking account of the forecast reduction in government funding for 2016/17 and an assessment of the other locally determined elements of the funding envelope.

Table 8

Funding Envelope	2016/17 £m
Government Funding	
Settlement Funding Assessment	27.7
New Homes Bonus	-1.5
Sub-total Government Funding	26.2
Locally Determined Funding	
Council Tax - growth in taxbase	-3.2
Business Rates growth	0.0
Change in use of reserves	5.5
Sub-total Locally Determined Funding	2.3
Total Funding Reduction	28.5

10.4 When unavoidable pressures and the full year effects of savings proposals identified in 2015/16 are included, the total funding gap increases to £29.6m:

Table 9

	£m
Reduction in Resources	28.5
Inflation	9.9
Demand/Demography/Grant Fallout	4.0
Full Year Effects	-15.2
Capital Charges	2.0
WY Transport Fund	0.3
Total Funding Gap	29.6

10.5 The above figures do need to be treated with a high degree of caution, and as such should only be considered as indicative at this stage. It is unlikely that government grant figures for 2016/17 will be firmed up this side of the general election.

11.0 CORPORATE CONSIDERATIONS

11.1 Consultation and Engagement

11.1.1 As explained at section 5 above the initial budget proposals have been informed through the wealth of consultation evidence gathered in recent years on residents' budget priorities. Since 2012 there has been only minor changes to those priorities and, in addition, residents and service users have had significant involvement in on-going service-led change projects. Subject to the approval of the board, this report will be submitted to Scrutiny for their consideration and review, with the outcome of their deliberations to be reported to the planned meeting of this Board on the 11th February 2015.

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

11.2 Equality and Diversity / Cohesion and Integration

11.2.1 The council continues to have a clear approach to embedding equality in all aspects of its work and recognises the lead role we have in the city to promote equality and diversity. This includes putting equality into practice taking into account legislative requirements, the changing landscape in which we work and the current and future financial challenges that the city faces.

11.2.2 As an example of the commitment to equality, scrutiny has confirmed a strong role in challenging and ensuring equality is considered appropriately within the decision making process.

11.2.3 The proposals within this report have been screened for relevance to equality, diversity, cohesion and integration and a full strategic analysis and assessment will be undertaken on the Revenue Budget and Council Tax 2015-16 which will be considered by Executive Board in February 2015. 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 2015-16.

11.3 Council Policies and City Priorities

11.3.1 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 wherever possible. However, given the severe financial constraints within which the Council is operating, it is clear that the Best Council Plan objectives will need to be reviewed and refreshed.

11.4 Resources and Value for Money

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

11.5 Legal Implications, Access to Information and Call In

11.5.1 This report has been produced in compliance with the Council's Budget and Policy Framework. In accordance with this framework, the initial budget proposals, once approved by the board will be submitted to Scrutiny for their review and consideration. The outcome of their review will be reported to the February 2015 meeting of this Board at which proposals for the 2015/16 budget will be considered prior to submission to full Council on the 25th February 2015.

11.5.2 The initial budget proposals will, if implemented, have significant implications for Council policy and governance and these are explained within the report. The budget is a key element of the Council's Budget and Policy framework, but many of the proposals will also be subject to separate consultation and decision making processes, which will operate within their own defined timetables and managed by individual directorates.

11.5.3 In accordance with the Council's Budget and Policy Framework, decisions as to the Council's budget are reserved to Council. As such, the recommendation at 13.1 is not subject to call in, as the budget is a matter that will ultimately be determined by Council, and this report is in compliance with the Council's constitution as to the publication of initial budget proposals two months prior to adoption.

11.6 Risk Management

11.6.1 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. Specific grant figures for the Council for 2015/16 will not be known until later in the planning period
- The delivery of savings from the Council's transformation agenda and other saving options could be delayed or less than anticipated
- Reductions in staffing numbers from early leaver initiatives and natural turnover could be less than anticipated
- 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
- The business rates base could decline further
- Changes in interest rates could impact upon capital financing charges
- Asset sales could be delayed requiring the Council to borrow more to fund investment

- Failure to understand and respond to the equality impact assessment

11.6.2 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.

12.0 CONCLUSIONS

12.1 This report has shown that the current financial position continues to be very challenging. The Council is committed to providing the best service possible for the citizens of Leeds and to achieving the ambition for the city of being the best in the UK. In order to achieve both the strategic aims and financial constraints, the Council will need to be more enterprising, working with business and partners to be more civic, and working with the public to be more engaged.

12.2 Based on the indicative settlement for 2015/16 there will be a further reduction in the Settlement Funding Assessment of £46.7m which means that core funding from government (SFA and other grants) will have reduced by around £180m by 2015/16. The initial budget proposals for 2015/16 set out in this document, subject to the finalisation of the detailed proposals in February 2015, will, if delivered, generate savings of £76.1m to produce a balanced budget.

12.3 Clearly savings of this magnitude will require many difficult decisions to be taken and these will not be without risk. The level of reductions required for 2015/16 will impact on front line services which the Council has worked, and continues to work, extremely hard to protect. In this context, it is important that risks are fully understood and the final budget is robust. As these proposals rely on the use of £5.5m of general fund reserves, which will leave reserves at the minimum prudent level, it is imperative that budget action plans are fully developed and implemented prior to the start of the financial year.

12.4 Given the significant risks outlined in this report proposals will be brought forward as part of the budget report in February 2015 to strengthen the Council's reporting regime in 2015/16 to ensure that any slippage in these plans is identified at an early stage and remedial action taken.

13.0 RECOMMENDATION

13.1 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.

14.0 Background documents[1]

None

[1] 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.

Appendix 1

INITIAL BUDGET PROPOSALS 2015/16

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. 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 Act 2014 is a radical redesign of adult social care services, with "wellbeing" being the central focus. The changes take effect in two stages in April 2015 and April 2016. From April 2015 some discretionary powers will become statutory duties, in particular support to carers, preventative services and advice and information. There are also new duties to undertake adult social care services with the aim of integrating them with local NHS and other health services and to oversee and shape the care market. People have a legal entitlement to personal budgets and a statutory basis is introduced for adult safeguarding. In April 2016 a cap will be introduced on individuals' care costs, which 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 changes to the capital thresholds that apply to financial assessments. A considerable amount of work has been undertaken during 2014/15 in preparation for these changes. However, it has been very difficult nationally to accurately predict the number of new customers that will arise in 2015/16 and greater certainty will only become available as the new financial year progresses. Following publication of the final regulations and guidance for the April 2015 changes in late October 2014 preparation for the new arrangements can be finalised.

During 2014/15 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 2015/16 initial budget proposals include the projected financial impact next year of the further changes proposed in the report to Executive Board in November 2014.

Budget proposals

<u>Increased budget provision</u>

The financial impact of demand and demographic pressures projected to be ongoing in 2015/16 is £14.5m. This takes account of the significant demand pressures experienced during both 2013/14 and 2014/15 over and above the budget provision available. In

recognition of the financial challenges facing the council the directorate intends to put measures in place to manage this demand and savings of £3.7m are included under the service changes heading for the estimated financial impact. This includes £2m net for more innovative approaches by care managers to creating care packages together with additional reviewing capacity to ensure that packages of care remain appropriate, £1.2m for services for people with learning disabilities and £0.5m relating to placements for people with mental health needs.

£4.2m has been included for the projected spend in 2015/16 resulting from the new Care Act duties. Other increased costs included amount to £4.95m, of which £2.15m relates to inflation. £2m relates to the ongoing costs arising from the March 2014 Supreme Court judgement that clarified the meaning of 'deprivation of liberty' in the context of the Mental Capacity Act.

Health and Government Funding

The council has worked closely with health colleagues to develop plans for the Better Care Fund, which for 2015/16 will be a pooled budget of £54.9m to reconfigure the health and social care system across Leeds and maximise the value of the "Leeds £". It is recognised across the sector that the scale of the council's financial challenges will make it difficult for the council to fund the demand and demographic pressures outlined above. It is also recognised that without adequately resourced social care, timely hospital discharges will be adversely affected and people's conditions could necessitate more emergency hospital admissions. Discussions are ongoing about the level of health funding that can be provided to support Adult Social Care's demand pressures. Government funding for the new Care Act responsibilities, some of which will be received via the Better Care Fund, has not yet been confirmed, although a number of the requirements feature strongly in the current Leeds offer. The initial budget proposals include £12.3m to reflect the anticipated level of additional health and government funding.

Delivering the Better Lives programme

Proposals are included to save £0.2m through the impact of telecare equipment on the level of home care required and the full-year effect of the closure of Mariners Resource Centre following the successful relocation of all service users to the Holt Park Active Service.

Becoming an efficient and enterprising council

The requirements for business change activity within Adult Social Care will reduce in 2015/16 and savings of £0.6m are included. Savings of £0.1m are included to reflect plans to develop greater joint occupation of properties with health partners. The savings may be buildings related, but may also relate to other service efficiencies arising from co-location.

Efficiencies

Savings of £1.2m are included relating to contract renegotiations. This includes £0.5m in respect of Supporting People contracts and £0.7m for a review of the costs of physical

impairment and mental health care packages. Savings of £0.7m relate to the impact of Telecare equipment and improved productivity within the reablement service and £0.2m reflects ongoing cost efficiencies and increased turnover within the Community Meals service. A further £0.1m of efficiency savings from the introduction of prepaid cards for direct payment customers are included through more streamlined auditing and more timely recovery of unused funds. Streamlining the management structure within older people's residential and day care services will lead to savings of £0.1m. Reduced spend of £0.1m is included for the impact of improved joint working with through the integrated health and social care teams.

Income

In addition to the funding from Health and for the Care Act outlined above, £0.3m is included for the continuation of health funding for some intermediate care beds. Additional income of £0.75m is included for some proposed changes to customer contributions that are subject to customer consultation that has not yet taken place. Removing the maximum weekly charge currently set at £215 per week is proposed, which will affect a small number of customers, along with adopting a more rigorous approach to assessed disability-related costs in the financial assessment. A further proposal is introducing a nominal charge for low level preventative services, the majority of which are provided by the third sector. The Care Act has led to some changes to the financial assessment regulations and these are estimated to lead to additional income of £0.3m. A further £0.25m reflects continued improvements in income collection and the potential to secure sponsorship for some activities and/or events.

Service Changes

In addition to the measures outlined above to manage demand for care packages, the initial budget proposals include projected savings of £0.97m in 2015/16 relating to the proposed changes to provider services outlined in a report to Executive Board in November. These reflect the continued downsizing of the Community Support Services, with savings from the other aspects of the proposals expected to take effect from 2016/17. Reduced spend of £1.2m on grants and contracts with the third sector is included within the budget proposals. This will be delivered through a review of each payment in relation to the directorate's strategic priorities and will be implemented in consultation with the organisations affected.

Key Risks

A 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. This is particularly the case given the uncertainties about the number of new customers and the cost of their care and support that will arise through the new duties within the Care Act. Provisional central government funding allocations in respect of the Care Act implementation could also be subject to significant change. The associated significant risk is that agreement is not reached with health partners regarding the additional funding included in the initial budget proposals.

There are some risks associated with the significant ongoing service transformation included within the 2015/16 initial budget proposals as the process review and consultation processes have not yet been undertaken. If the proposals are approved following consultation 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 associated with the proposals for charges and changes to the financial assessment that are also subject to consultation.

Adult Social Care Directorate

Pressures/Savings	2015/16 £m	FTEs	Is this relevant to Equality & Diversity Y/N
Budget Pressures:			
Inflation			
Pay	0.85		N
Price	1.40		N
Income	-0.10		N
Full Year Effects of previous decisions			
Care Ring income less than budgeted	0.30		N
Demand/Demography			
Provision for projected over 85s population growth & new adult cases	0.95		N
Increased number of new and enhanced learning disability care packages	5.40		N
Increases in other care packages, mainly home care	8.15		N
Other			
Care Act responsibilities	4.20		
Supreme Court legal judgement costs (deprivation of liberty)	2.00	1.0	Y
South Leeds Independence Centre (SLIC)	0.20		N
Net effect of other variations	0.30	1.0	N
Total Pressures	23.65	2.0	
Savings Proposals:			
Council Plan Priorities:			
Efficiencies through Better Lives programme			
Assisted Living Leeds and telecare	-0.10		N
Physical impairment day services	-0.10	-7.0	N
Becoming an efficient and enterprising Council:			
Business change	-0.60		
Assets			
Joint occupation of properties with health partners	-0.10		N
Efficiencies			
Review of Supporting People contracts	-0.50		N
Review of high cost physical disability & mental health care packages	-0.70		N
Reablement productivity increases and impact of telecare	-0.70		N
Use of prepaid cards for direct payments	-0.10		N
Community meals	-0.20		N
Management of older peoples provider services	-0.10	-2.0	N
Impact of health integration	-0.10	-2.0	N
Income			
Better Care Fund and Care Act funding	-12.30		N
Health funding for intermediate care beds	-0.30		N
Remove maximum weekly charge for non-residential services	-0.20		Y
Reduce disability related expenses for non-residential services	-0.25		Y
Charging for preventative services (third sector services)	-0.30		Y
Financial assessment changes due to Care Act	-0.30		Y
Improved income collection	-0.15		N
Sponsorship opportunities	-0.10		N
Service Changes			
Reducing care through innovation	-2.00	15.0	N
Reduce growth in learning disability pooled budget	-1.20		N
Mental health placements	-0.50		N
Continued transfer of home care packages to independent sector	-0.97	-66.5	N
Review of contract/grant payments	-1.20		Y
Total Savings	-23.07	-62.5	
Overall Net Saving	**0.58**	**-60.5**	

INITIAL BUDGET PROPOSALS 2015/16

DIRECTORATE CHILDREN'S SERVICES

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. Leeds has set out a bold ambition to be the best city and the best council in the UK. We can only achieve this if we are the best city for children and young people to grow up in. This ambition is captured within our vision for Leeds as a 'Child Friendly City'. We are working to achieve this through our shared partnership strategy - the Leeds Children and Young People's Plan 2011-15 and the new plan for 2015-19 which is currently being developed and consulted on. Within this we have identified five outcomes: that children and young people can be safe, healthy, do well in learning, have fun growing up and have a voice and influence over the decisions affecting them, and crucially three obsessions: to safely and appropriately reduce the number of children looked after; to reduce the number of children and young people not in education, employment or training; and, to increase engagement in all phases of education.

A relentless focus on these obsessions galvanises the city around the difference that partners can make to contribute to Leeds becoming a child friendly city. Restorative Practice underpins our approach. We aim to work *with* children and families as opposed to doing things *for* them or *to* them, providing high support and high challenge, and empowering children and families to take responsibility for making positive and productive decisions about their lives and renegotiating a new 'social contract' between the various representatives of 'the state' and the citizens of Leeds based on 'high support and high challenge' practices.

Children's Services continues to face significant demand pressures including an increase of approximately 5,000 in the number of children and young people across the city since 2009 as well as a changing demographic mix. These changes have increased demand across all the services that we provide and commission and 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. However, despite this increase in demand and in contrast to much of the national picture, Leeds has successfully, and safely, stabilised and reduced the number of looked after children.

Our budget strategy for 2015/16 is guided by our statutory duties to help ensure that children and young people are kept safe, receive good quality education, and that 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 whilst at the same time recognising the changing role of the local authority particularly with regards to education support and the changing relationship with schools.

The budget challenges facing the Council in 2015/16 and 2016/17 will necessitate a fundamental re-design of services for children, young people and families to continue to support the strategy which we have in place. 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 is based on sustaining these improvements and continuing to support the over-arching strategy around protecting the service around child protection and safeguarding whilst at the same time continuing to invest in preventative and early intervention services.
Our vision is to build a fully-integrated Children's Services Directorate that will offer a seamless multi-agency service to vulnerable children, young people and their families working at a locality level in partnership with schools, clusters and other partners.

The 2015/16 budget proposals are set in the context of the vision outlined above. In 2015/16 Children's Services face pressures of some £11.4m, including £1.7m of inflationary pressures and £6m of grant funding reductions, including a £2.4m reduction in the Education Support grant primarily as a result of a Government decision to cut the national grant by £200m. In addition, there are demand pressures of approximately £1.2m primarily in respect of home to school transport and a further £1.5m of other recurrent budget pressures. The budget strategy also includes a proposal to invest a further £1m by March 2017 to support and enhance those services that work with children and young people who are at risk of child sexual exploitation and those who go missing. Recognising these significant financial challenges, the 2015/16 budget proposals include a range of savings and efficiency proposals of some £16.4m across the Directorate.

In respect of Looked After Children, 2015/16 budget continues to reflect the success of our strategic obsession and 'Council Plan Priority' around safely and appropriately reducing the need for children to be in care with further proposed budget savings of £1.7m from further reducing the number of externally provided fostering and residential placements in addition to changing the mix of placement provision. Aligned to this programme the budget strategy recognises the need for additional investment to support Special Guardianship Orders, additional support for placements with extended families (kinship care) as well as further investment into in-house foster care.

The 2015/16 proposals also include over £4.8m of savings from a range of efficiencies and funding measures including reducing the leadership and management capacity across the Directorate [£1.1m of savings by March 2017], releasing staff who have expressed an interest to leave via voluntary severance/retirement [£0.25m] and capitalising spend in school revenue budgets [£1.5m] as well as implementing a transformational change programme across the Directorate [£2.5m of savings by March 2017]. In terms of staffing, the range of budget proposals for 2015/16 would result in a net reduction of around 177 [full-time equivalent] posts across the Directorate.

In respect of Education Support Services, the budget strategy recognises the impact of the £2.4m further reduction in the Education Support Grant. In response, the ambition is to retain a 'Leeds Learning Improvement function' through the development and implementation of a business model that would generate an additional £1.7m of income through trading with schools and academies in Leeds and also with other local authorities.

The 2015/16 financial year will see a fundamental re-design of the services that support children, young people and their families. Taking a partnership approach the proposal is to build on the current locality and cluster model by devolving and delegating targeted support services to work in localities. A key principle underpinning this will be the development and implementation of multi-agency and multi-disciplinary teams based in localities, working in close partnership and co-located with schools and clusters of schools. We will build on the highly successful Families First (Troubled Families) Programme and the 25 locality based, multi-agency clusters of services that already

bring together a wide range of children's services, the proposals would bring together schools, social work teams, governors, police, youth and youth offending services, children's services, housing services, the third sector, and health services. These teams would support our strategy at a local level, securing the best solutions for those children, young people and families requiring additional help.

The budget strategy includes a number of proposals in respect of those services that support young people. These will include further savings on the Youth Offer as well as proposed reductions in respect of funding for Targeted Information Advice and Guidance which is currently commissioned under the banner 'Connexions Leeds' and which works with priority groups of young people around the NEET (not in employment, education or training) agenda. This level of budget reductions across the Young People and Skills services would necessitate a fundamental change across the Council and partners in the city as to how we respond to young people at risk of becoming NEET.

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 increase requests for service/contacts specifically in the referrals for statutory social care services. The combination of continuing 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. There are continuing national concerns around child protection and safeguarding, including recent cases around child sexual exploitation.

The implementation of the range of proposals within the Children and Families Act will also continue to present challenges in 2015/16 and beyond, specifically around Special Educational Needs (SEN) where the Act extended the SEN system from birth to 25 alongside the requirement 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 2015/16 include £16.4m of further savings/efficiencies to be found by March 2016, on top of those already achieved in 2014/15 and previous years. The need to deliver this significant programme of savings at the same time as developing the re-design proposals and trading ambitions will require leadership and programme management capacity, at a directorate, corporate and partnership level.

Children's Services Directorate

Pressures/Savings	2015/16 £m	FTEs	Is this relevant to Equality & Y/N
Budget Pressures:			
Inflation			
Pay	0.98		
Price	2.45		
Income	(1.78)		
Full Year Effects of previous decisions			
Home to School Transport - additional demand, policy & provision changes	1.31		
Demand/Demography			
Service Investment - additional funding to support young people at risk of Child Sexual Exploitation	0.50		
Grant Fallout			
Reduction in the Education Support Grant	2.42		
Adoption Reform Grant & SEND Reform	1.50		
Families First Programme - Payments by Results income	0.75		
Support for Unaccompanied Asylum Seeking Children	0.15		
Other grant and funding pressures (Multi-System Therapy Funding, vulnerable 2-year capacity funding)	1.07		
Other			
Fallout of Social Fund Income re: section 17 payments	0.50		
Children's Centres - slippage on 2014/15 budget action plans	0.82		
Other Directorate Pressures (Social Work Increments, Residential Review)	0.71		
Total Pressures	**11.36**	**19.9**	
Savings Proposals:			
Council Plan Priorities:			
Building a Child Friendly City - Safely and appropriately reducing the number of children in care	(0.10)		Y
Becoming an efficient and enterprising Council:			
Business Improvement Programme & Support Services Review	(0.42)		Y
Efficiencies			
Reduction in Leadership & Management	(0.60)		Y
Early Leaver Initiative	(0.25)		N
Home to School/college Transport - Expansion of Independent Travel Training	(0.50)		N
Capitalise spend in school budgets	(1.50)		N
Other efficiencies	(0.55)		N
Income			
Nursery Fees - increase by £2/day (5.1%) from £39/day to £41/day	(0.10)		Y
Music Support Service - Service to be fully-funded from April 2015	(0.07)		N
Other Income	(0.50)		N
Service Changes			
Children's Services Directorate - Fundamental Restructure Programme to support the next phase of locality working.	(1.40)		Y
Early Intervention and Prevention - Re-model the partnership approach to early intervention and prevention built on the work already undertaken with clusters of schools and other partners. Includes the creation of multi-agency/multi-disciplinary Teams at a locality level.	(3.08)		Y
Narrowing the Gap & Learning Improvement - Recognising the significant impact of the reduction in the Education Support Grant and other funding. Re-negotiating the role of the Local Authority and Learning Sector with an increased emphasis on trading and cost recovery.	(2.07)		
Young People & Skills - implement a different approach to the provision of targeted support for young people (including Targeted Information, Advice and Guidance and re-commissioning of the Youth Offer)	(3.05)		Y
Review and re-configure Targeted Family Support Services	(1.03)		Y
Review and re-provide 2 in-house Children's Homes.	(0.60)		Y
Other service changes	(0.59)		Y
Total Savings	**(16.41)**	**(196.9)**	
Overall net Saving	**(5.05)**	**(177.0)**	

INITIAL BUDGET PROPOSALS 2015/16

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 subsequent financial years. 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 5 years contributing staff savings of over £11m. In most services reduced staffing levels and an increase in workloads means that further staff savings will need to be clearly linked to service reductions and opportunities for efficiencies.

The level of the savings in 2015/16 identified by the Directorate amount to some £7.9m or 12% of the 2014/15 net managed budget. Delivering savings of this magnitude represents a significant challenge to the Directorate especially as this is on top of the savings already delivered since 2011/12. The Directorate has continued to review all service areas and has sought in these proposals to lessen the need for full service closures and to minimise the impact on frontline services and the citizens of Leeds. To this end the Directorate's budget strategy for 2015/16 is based on five overarching principles; enhancing our strategic use of assets, greater integration in service delivery, developing our business structure, growing the top-line of income to the Council and working collaboratively with and through partners. The budget proposals have been categorised under the following four areas; Council plan, efficiencies, income and service changes.

Budget Proposals

Council Plan

The Directorate has a key role in working with services across the Council to enhance the strategic use of assets and to deliver savings through reducing the number of buildings used by the Council and by better use of the remaining assets. A target saving of £2m for 2015/16 has been included in the budget proposals. This saving will be achieved across Directorates but for 2015/16 the majority of the saving will be in relation to Merrion House which will be closed for refurbishment and staff decanted to existing office buildings as part of the Changing the Workplace programme. A programme of asset review and rationalisation is underway which will deliver significant running cost savings across the Council's asset portfolio. Phase 1 of this work has already seen city centre office accommodation reduced from 17 to 8 buildings, with this figure due to fall further following the refurbishment and reoccupation of Merrion House in 2017. Phase 2 work on the review of locality office accommodation and operational property has been completed and identified further potential savings.

Efficiencies

A key element of the saving proposals is to continue to identify and realise efficiency savings across the Directorate. These proposals total over £2.15m. The Directorate will continue to review staffing levels with a target saving of £1.1m although some of these savings are included under the service changes section. Most of the savings will be achieved by promoting more flexible staffing arrangements across the Directorate and through an Early Leaver Initiative business case which is currently being developed covering all service areas and will also include a reduction in JNC posts. This is expected to deliver net savings of over £0.7m. During 2014/15 restructures have also been progressed in a number of service areas including Asset Management and Regeneration, Economic Development, Libraries and Heritage Services. Proposed savings also include £75k from a realignment of work in the Sports Development Unit and associated efficiencies. Staffing numbers in the Directorate are expected to reduce by approximately 59 FTEs and will be achieved through the deletion of a number of posts. Some key posts, particularly where these are income generating or contributing to the delivery of key projects and areas of work will need to be recruited to or structures reconfigured.

The budget proposals include savings of £950k from a review of opportunities for joint working with the West Yorkshire Combined Authority and scope for greater efficiencies at City Region level.

The Directorate will also continue to develop its business structure to be more flexible and responsive to priorities. This includes actively supporting and promoting the Better Business Management work stream across the Directorate and contributing to the overall saving target for this work stream. This will include continuing working with Environment and Housing following their relocation to Leonardo/Thoresby in 2014 to share and reduce administration/ directorate support and other back office costs.

Information Management Technology is being brought together across the Directorate and it is envisaged that this will enable initial savings of £50k to be realised. In Highways and Transportation further savings of £300k have been included to be achieved by extending the roll out of dimming and switch off programme for street lighting. Proposals for an extension to the current scheme will be submitted to Executive Board. The proposals include a saving of £50k anticipated from the consolidation of the Commercial Property Portfolio in City Development. This will enable a review of the portfolio to be carried out with the aim of improving the generation of non-core income across the portfolio. Savings of £100k in Economic Development are anticipated from a review of expenditure, markets staffing arrangements and from the full year saving of the move of the Leeds Visitor Centre to the Art Gallery.

Income

Growing the current income base of £83m is a key priority in the Directorate and the Initial Budget Proposals include a number of actions which will lead to increased income with a total of £1.8m included for new and increased income.

The Directorate will support greater integration across the Council in the delivery of key projects and work streams including the Breakthrough projects. The Directorate together with Environment and Housing will take a lead on housing growth through the establishment of the Housing Growth team. This team will pull together existing and new resources in a unified team and will consist of dedicated officers who will be located together to ensure the appropriate communication and synergies. A sum of £6m

has been included in the budget strategy for additional NHB income in 2015/16 and for the growth in the Council Tax base. Although this income is accounted for strategically the project team has a key role in ensuring that appropriate actions are taken to help secure this income. The budget proposals include £150k funding towards the cost of the newly established team.

The Directorate will also continue to seek 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 which has already seen the opening of the new Trinity retail centre; the Victoria Gate scheme including John Lewis and the redevelopment of Kirkgate Market. It is anticipated that the main contract works for the redevelopment of Kirkgate Market will commence in 2015 with John Lewis opening in 2016. Whilst the Market will continue operating the programmed works will inevitably mean a reduction in the trading area and in the number of stalls. As a result there will be a reduction in income from Kirkgate Market, the net impact on the budget is estimated at £850k in 2015/16.

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, creative and digital industries, 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.

Supporting a modern day infrastructure in the city is also a key priority for the Directorate. This will include proposals to develop 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, the City Cycle Ambition scheme and improving the technological infrastructure through the Superfast broadband scheme.

There has been some improvement in economic conditions and this has been evident in that the Directorate has seen an upturn in workloads across services and most external income targets are forecast to be met in 2014/15. In Planning and Sustainable Development the increase in planning and building fee income experienced in 2013/14 has continued in 2014/15. There is no proposed increase in planning fees for 2015/16 which are set by the government and it is not proposed to increase the overall income target for planning fees. However, the Service is looking to increase income from other sources and the budget proposals include additional income of £225k. An increase in income from Building Control of £75k is expected largely from increasing work from within the Council. An additional £50k is also anticipated from increasing charges for pre-application work in Planning Services. With the introduction of the Community Infrastructure Levy (CIL) in April 2015 a small proportion of the income will be available to fund the costs of administrating and collecting it. The budget proposals include income of £100k from CIL to contribute to these costs.

Other income proposals include seeking to increase income from advertising through the opportunity for two new advertising towers subject to planning consent. Price increases and other income proposals across the Directorate are estimated to result in

an additional £650k of income with fees and charges being increased by around 3% although in some service areas such as Sport, prices will be largely held at 2014/15 levels.

As part of increasing the income from the Commercial Property Portfolio the acquisition of the lease of a multi-story car park has recently been approved by Executive Board and the budget proposals include an additional acquisition of the lease of another investment property. These acquisitions are anticipated to yield net additional income after borrowing costs of £280k. It is also proposed to extend short and medium stay car parking on the Leeds International Pool site which is estimated to produce £150k in additional income. Following a recent court case, the Council has pursued an exemption from VAT for entrance charges for Cultural activities with HMRC; this would result in an increase in income of approximately £200k.

Another important principle for the budget strategy is to continue working collaboratively with and through partners, commissioning more, securing external funding and income from the private sector. This will include continuing to work with the business sector in developing the Business Improvement District (BID). The establishment of the BID is subject to a ballot of businesses within the designated area and if successful would include the ability to levy additional business rates on occupiers to create funds earmarked for improvements to an area.

Service Changes

Whilst the closure of services has largely been avoided with the focus on the budget proposals on efficiencies and income generation, achieving the scale of savings required has inevitably meant that some reductions to services have been included in the proposals. Savings of just under £2m have been included.

As part of the 2015/16 proposals a saving of £500k has been included for a reduction to the overall Arts grant budget. Arts organisations have recently submitted funding bids covering the three year period 2015/16 to 2017/18. A further 5% reduction of £110k is planned for 2016/17.

Across Culture and Sport a target saving of £380k is proposed to be partly achieved by additional integration between the Culture and Sport services including staffing and expenditure savings, a reduction to the library IT budget £50k, Leeds Lights £40k and the acquisitions budget for museums £40k. A reduction in the events budget of £150k is also included although it is also proposed to establish an innovation fund which would be used to co-produce new events in the city with a range of partners. Proposals also include a reduction to the Breeze budget of £150k through a reduction in Breeze on Tour events from three to one with associated savings. A saving of £115k has been included for Yeadon Tarn and Pudsey Civic Centre. Community Asset Transfer proposals will be invited in the first instance. If this is unsuccessful then savings will be looked to be realised through service reductions. Other savings include £120k from reduced operating hours in Sport Centres. A £50k saving will be realised from the planned reduction to the gymnastics grant. The Directorate will also support the hosting of global events such as the British Art Show and Rugby Union World Cup in 2015. The service will develop a cultural strategy in the context of the challenges and opportunities facing the cultural sector and in this context progress discussions on a possible bid for European Capital of Culture in 2023. The Directorate will develop a Tour de France legacy programme following the hugely successful staging of the Tour de France in July 2014.

The proposals also include savings of £100k from the Projects and Programme support budget in Employment and Skills through a change in the delivery model for targeted employability to a more commissioned based service.

A reduction of £360k to the Highway Maintenance budget is included in the proposals. This represents a reduction of 6% on the 2014/15 budget. In order to manage this reduction some changes to the way that the remaining budget will be managed are proposed including taking a more strategic approach to the way the budget is spent.

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 also need to be a period of consultation around the individual service proposals and there is a risk that plans are changed or will take longer to implement.

The budget proposals also include the generation of additional income through a number of measures and there is a risk that the budgeted assumptions are not met.

City Development Directorate

Pressures/Savings	2015/16 £m	FTEs	Is this relevant to Equality & Diversity Y/N
Budget Pressures:			
Inflation			
Pay	0.72		
Price	0.91		
Income	-0.25		
Full Year Effects of previous decisions			
Funding the housing growth team	0.15	3	
Demand/Demography			
Other			
Impact of the development of Kirkgate Market - mainly income	0.85		
costs of HS2 and South Bank team and related expenditure	0.30		
Total Pressures	2.68	3	
Savings Proposals:			
Becoming an efficient and enterprising Council:			
Business Improvement Programme	-0.10	-3	N
Assets	-2.00		N
Efficiencies			
Consolidation of the Commercial Property Portfolio	-0.05		N
Economic Development efficiency savings	-0.10	-1	N
Increase dimming/switch off programme for street lighting	-0.30		Y
Net staff saving target through ELIs and other savings	-0.63	-43	Y
Realignment of work in Sports Development Unit and related efficiencies	-0.08	-1	Y
Review of opportunities for joint working with the West Yorkshire Combined Authority, and scope for greater efficiencies at City Region level.	-0.95		N
Savings from co-ordinated IMT approach across the Directorate	-0.05		N
Income			
Additional advertising income - 2 new advertising towers subject to planning	-0.27		N
Commercial Property Portfolio - new acquisitions	-0.28		N
Temporary carpark - LIP site	-0.15		N
Increased income in Planning and Building Control	-0.23		N
VAT exemption on entrance charges	-0.20		N
Increased income from price increases and other initiatives	-0.65		Y
Service Changes			
Reduction in Employment and Skills projects and programmes	-0.10		Y
Arts grants reduction - new funding agreements 2015/16 to 2017/18	-0.50		Y
Invite Community Asset Transfer proposals for Pudsey Civic Centre and Yeadon Tarn or make savings through service reductions	-0.12	-5	Y
Reduce events budget and establish an innovation fund	-0.15		Y
Planned reduction in gymnastics grant	-0.05		Y
Reduction in Breeze on Tour events from three to one with associated savings	-0.15	-1	Y
Savings from additional culture and Sport integration and other expenditure savings including Leeds lights £40k, IT budget £50k, acquisitions budget £40k	-0.38	-2	Y
Reduction in operating hours in Sport Centres	-0.12	-6	Y
Reduction to Highway maintenance budget	-0.36		Y
Total Savings	-7.95	-62	
Overall net Saving	**-5.27**	**-59**	

INITIAL BUDGET PROPOSALS 2015/16

ENVIRONMENT AND HOUSING DIRECTORATE

Service Context

The Directorate 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 Directorate, 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.

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.

<u>The Key Outcomes</u>

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 maximising reuse, recycling and energy recovery;
- clean neighbourhoods, reflecting local needs;
- green spaces which people can enjoy

Given this context and against a background of significant reduction in resources, the Directorate's budget submission for 2015-16 will seek to protect services and initiatives which advance these priorities. The Directorate will also seek to consolidate the major efficiencies that were incorporated into the 2014/15 budget. The long term development of a waste strategy for the city will also begin to deliver substantial financial benefits, with £1.9m being received next year in PFI payments.

Budget proposals

Price increases

There will be price increases in cafes and retail outlets and on chargeable bereavement services. Charges for waste disposal at transfer stations will be reviewed following increases in the rate of landfill tax

Full year Effect of Previous Decisions

Through the redesign of the Forestry service and the implementation of seasonal working patterns for maintenance staff, savings have been realised by a reduced requirement to employ seasonal staff during the period May to September.

Middleton Park and Gotts Park have ceased to be operated as municipal golf courses. The decision to cease direct delivery of golf will result in lower maintenance costs.

Additional costs for drivers within the Refuse Collection service are being incurred as a result of a job evaluation during 2013-14.

The Victoria Gate development has impacted upon the receipt of both on street and off street car parking income around this site.

Council Plan Reductions

Additional residual waste disposal costs are being incurred due to a combination of an increasing number of households in the City, anticipated reductions in residual waste volumes not being as significant as expected in some parts of the City where alternate week collections have been introduced and also reductions in the market prices for some recyclable materials.

In November 2015 the Energy from Waste facility is expected to start to receive waste for commissioning. In accordance with the signed agreement, PFI grant is receivable from the Government once the facility is ready to accept waste.

Provision has been made for the funding of the redevelopment of the Kirkstall Road Household Waste Site so that the facility can offer the same level of recycling to members of the public as other re-developed sites across the City.

Fall out of temporary staffing arrangements within Waste Management following the introduction of the new management structure will result in savings.

Income above budgeted levels is being received in 2014-15 for second collections, mainly from multi storey flats. It is assumed this continues in 2015-16.

Efficiencies

Savings on staffing will be realised through both the deletion of vacant posts and through staff across all services in the Directorate exiting the Authority through the Early Leaver's Initiative. In addition further savings will be realised through a reduction in the number of JNC posts.

Further savings have been realised through the re-tendering and re-design of Supporting People contracts in large part due to the effective intervention of the Housing Options team who have reduced the requirement for temporary accommodation.

Procurement savings have been realised through the re-tendering of both the pest control contract and the fuel contract. In addition waste disposal costs have been reduced from the retendering of waste of residual waste contracts and anticipated reductions in recycling processing costs through new contracts.

Through the anticipated reductions in residual waste disposal costs the kerbside garden waste collection service will be rolled out further to households that are capable of receiving the service.

The continued review and scrutiny of all areas of expenditure will deliver line by line savings.

Income

It is proposed to increase charges at Woodhouse Lane Multi Storey Car Park from £5.50 to £6 per day.

In order to sustain activities in priority areas such as tackling domestic violence, dealing with anti-social behaviour, reducing burglary and stopping re-offending, it is proposed to resource these priorities through the application of West Yorkshire Police and Crime Commissioner Grant.

It is intended that there will be admission price increases at Tropical World and the increase will recognise the enhanced visitor facility that will be available at this site

Service Changes

There will be a strategic review of the operation of Household Waste Recycling Sites across the City. In addition a resident permit scheme will be introduced which will allow only Leeds residents to access Leeds City Council's Household Waste sites without a charge. This is a scheme that the Council is now having to introduce as a result of all of its neighbouring authorities having implemented similar schemes.

Grants to third sector organisations such as Middleton Equestrian Centre, Groundwork and Meanwood Valley Urban Farm will be reduced by 20%.

Other

Reductions in income receivable from both car parking and bus lane offences will be offset by additional income that is being realised from both off street and on street car parking in the City Centre due to increased usage.

Additional disposal costs are being incurred as a result of a combination of higher contamination rates of green bin recyclable materials.

A reduction in the amount of Troubled Families grant receivable has been managed through releasing staff on fixed term contracts and deleting vacant posts.

Key Risks

That assumptions in respect of waste growth and the level of recycling across the City are not realised 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 and Car Parking enforcement are impacted upon by a reduction in the numbers of offences assumed in the budget assumptions.

That increases in the amount of car parking income receivable from on street and off street parking in 2014-15 aren't sustained.

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	2015-16 £m	FTEs	Is this relevant to Equality & Diversity Y/N
Budget Pressures:			
Inflation			
Pay	0.7		N
Price inc Landfill tax	0.9		N
Income	(0.1)		N
Full Year Effects of previous decisions			
Re-Design of the Forestry service	(0.1)		N
Closure of Middleton Park and Gotts Park golf courses.	(0.2)	(5.0)	N
Re-Design of the Refuse Collection staffing structure	0.1		N
Loss of on street and off street car parking as a result of the Victoria gate development.	0.3		N
Demand/Demography			
Other			
Additional car parking fee income receivable being offset by reductions in income receivable from Penalty Charge Notices (PCNs) and Bus Lane enforcement.	(0.1)		N
Additional disposal costs resulting from a combination of higher contamination rates of SORT (Green Bin) waste and increased volumes from the kerbside garden collection service	0.2		N
Reduction in Troubled Families Grants will be managed through a combination of releasing staff on fixed term contracts and deleting vacant posts	0.0	(8.0)	N
Total Pressures	1.7	(13.0)	
Savings Proposals:			
Council Plan reductions			
Additional residual waste disposal costs due to a combination of increasing number of households, reductions in residual waste volumes not being as high in some parts of the City where alternative week collection has been introduced and falls in market prices for recyclable material	0.7		N
Procurement savings deriving from the re-tendering of recycling and residual waste landfill contracts	(0.3)		N
Receipt of PFI grant following the commissioning of the EFW plant from November 2015.	(1.9)		N
Capital financing costs associated with the planned re development of the Household Waste site at Kirkstall Road	0.3		N
Fall out of temporary staffing arrangements within Waste Management following the introduction of a new management structure	(0.1)		N
Additional income resulting from the provision of an additional collection service to multi storey flats across the city.	(0.1)		N
Efficiencies			
Deletion of JNC posts	(0.1)	(2.0)	N
Staffing reductions across all services within the Environment and Housing Directorate. This will delivered through both the deletion of vacant posts and the Early Leaver's scheme.	(1.4)	(40.0)	N
Savings will be realised though the re-tendering and re-designing of Supporting People contracts.	(0.8)		Y
Procurement savings resulting from the re-tendering of Pest Control contracts	(0.1)		N
Rollout of Garden bin collections to suitable properties which will be funded by savings in disposal costs	0.0	3.0	N
Line by line reviews of all areas of expenditure across the Directorate	(0.2)		N
Procurement savings resulting from a reduction in fuel costs	(0.3)		N
Procurement savings being realised through the re-tendering of recycling contracts	(0.2)		N
Income			
Increase in car parking fees at Woodhouse Lane Car Park.	(0.2)		N
Increased provision of CCTV and security related functions to multi storey flats across the city.	(0.1)	1.0	N
Utilisation of West Yorkshire Police and Crime Commissioner grant to sustain priorities such as tackling domestic violence, anti-social behaviour, reducing domestic burglary and re-offending.	(1.0)		N
Increase in charges at Tropical World	(0.2)		N
Service Changes			
At Household Waste sites introduce a residents permit scheme that allows only Leeds residents to continue to use the facility without charge.	(0.1)	(4.0)	Y
20% reduction in grants to voluntary sector organisations such as Meanwood Valley Urban farm and Middleton Equestrian Centre.	(0.1)		Y
Strategic review of the operation and incidence of Household Waste sites across the city.	(0.2)		Y
Total Savings	(6.4)	(42.0)	
Overall net Saving	**(4.7)**	**(55.0)**	

INITIAL BUDGET PROPOSALS 2015/16

DIRECTORATE: STRATEGY AND RESOURCES

Service Context

Strategy and Resources comprises the Council's key professional support services: Finance, HR, Technology, Legal Services, Procurement, Democratic Services, Project Management and Strategy and Improvement. These services support the strategic direction for the Council and provide practical support to Members and managers to improve outcomes. The net managed budget for 2014/15 is £40m comprising 1,272 fte's.

Since 2010/11 there has been a continual reduction in the level of resource in these services associated with service redesign and ceasing some activities. Savings equivalent to 14% were achieved during the financial years 2011/12 and 2012/13; plans from 2013/14 onwards assume a further 30% reduction and the proposals set out in this draft budget make a significant step towards this.

Budget proposals

<u>Efficiencies</u>

Finance
In order to achieve the current 30% reduction target, the service is redesigning internal processes and the level of service it offers. Examples of the changes implemented so far are centralisation of activities where appropriate into an 'accounting hub', standardisation of financial reporting and cessation of low-added value processes, for example significant reductions in the volume of internal charging transactions. The budget reduction of £630k will almost all be achieved by staffing reductions and this equates to approx 21 fte's.

HR
To deliver the changes, the structure of the HR service and the way it works is changing, with increased functions being managed from within the HR Centre. Local HR teams will combine for further efficiencies to be realised, and grade structures will be standardised across all local teams. More work will be needed to optimise technological solutions, modernise employment framework (policies etc.) and to either cease or minimise operational/transactional activities and seek to deliver via alternative models e.g. shared service. The reduction in budget is £540k, approx 18 fte's.

ICT
Since 2012 ICT Services have delivered £2.25m of savings from its operational budgets in a time when the amount, use and complexity of ICT continues to grow. Further savings for 2015/16 will be delivered through, for example, implementing new printing arrangements and a new mobile phone contract. Through cutting overtime - ICT will do more changes in working hours and will reduce maintenance contracts to provide less cover. This could result in longer downtime if there are any failures.

Legal and Democratic Services
On top of £2.5m savings realised since 2010/11, the main proposal for legal services is the introduction of a new case management system which will deliver savings of £240k (on top of £50k delivered in 2014/15) both in admin and professional staff (approx 7 fte's)

Within Democratic Services proposals are being developed to reduce the cost of the Council's Scrutiny arrangements and the cost of Members Support. In addition, the budget reflects the impact of the recent change to the Members' pension scheme.

Procurement
Two specific areas are being targeted for savings; firstly a review of existing PFI contract management arrangements across the Council anticipates a saving of £860k. In addition, a saving of £1m is built into the budget arising from a review of 'off-contract' spend across the Council.

Intelligence Function
The first stage of the review of the 'Intelligence' function across the whole Council has been to bring together the core team within Strategy and Resources. Detailed proposals are still being developed but a 10% year on year reduction of £300k is planned in 2015/16.

Business Administration
A review of business support functions across the Council gives rise to an expected saving of £100k in Strategy and Resources in 2015/16.

<u>Income</u>

There has been an increase in the number of court summonses raised since 2013/14, mainly linked to the introduction of the Local Council Tax Scheme. Although there is uncertainty around the likely collection rates, current predictions are for additional income of £200k.

In respect to Business rates, additional staffing resource will be employed to ensure all eligible properties are identified and valued. For example ATM's are now classed as 'properties' for business rates, so a proactive (and ongoing) exercise will be undertaken to ensure all ATM's in Leeds are identified and charged. Initial estimates are that additional rates of £430k could be collected.

Key Risks

Further reduction in support services could impact on the ability of the Directorate to adequately support managers within the Council, in particular the action plans to implement the 2015/16 and 2016/17 budget proposals.

Failure to provide up to date and resilient ICT. Priority has been given to adequately resourcing the service and also key ICT projects to take the Council into the future.

Whilst a significant proportion of the staffing savings can be achieved via the early leavers' initiative, the scale of the reductions will mean further measures will be

required. The speed of implementation will be crucial in order to realise the level of savings otherwise slippage could result in an overspend situation in 2015/16.

Directorate: Strategy and Resources

Pressures/Savings	2015/16 £m	FTEs	Is this relevant to Equality & Diversity Y/N
Budget Pressures:			
Inflation			
Pay	0.55		
Total Pressures	0.55	0	
Savings Proposals:			
Becoming an efficient and enterprising Council:			
Support Services			
Finance	-0.63	-16	Y
HR	-0.54	-14	Y
ICT	-0.53	-2	
Communications and Procurement	-0.30	-10	Y
Legal and Democratic Services (including proposals for Scrutiny Boards and Member Support)	-0.34	-9	Y
Further support service savings - yet to be allocated	-0.75	-25	Y
Business Improvement Programme			
ICT - Printsmart implementation	-0.20		
Review of Corporate Intelligence function	-0.30	-10	Y
Legal Services new case management system	-0.24	-7	Y
Business Administration	-0.10	-3	Y
Procurement			
PFI contract management - incidence in other directorates	-0.86		
Review of off contract spend - Council wide	-1.00		
Income			
Court fees: assume continuation higher level of Council tax non-payers	-0.20		
Business rates: additional resource on identification of business properties	-0.43	1	
Service Changes			
Further review of insurance arrangements	-0.05		
Total Savings	-6.47	-95	
Overall net Saving	**-5.92**	**-95**	

INITIAL BUDGET PROPOSALS 2015/16

DIRECTORATE: CIVIC ENTERPRISE LEEDS

Service Context

CEL Group is responsible for developing an enterprising and trading strategy across the council. There are 5 service areas within CEL group: Business Support Centre (BSC), Catering and School Cleaning, Facilities Management, Passenger Transport and Property and Fleet services.

CEL turnover in 2014/15 is £102m. The proposals outlined below take turnover for CEL group up to £104m; an increase of 2%. Net managed budget for 2014/15 is £13m; £4.7m credit from Property, Catering, Cleaning and Fleet trading units, offset by cost of service for BSC of £3.9m, Facilities Management £7.5m and Corporate Property Management £6.3m. The group comprises over 1,950 fte's.

From 2015-16 Property Maintenance Trading will transfer into Environment and Housing Directorate (245 staff). Revenue budget of £3.5m Credit will transfer across from April 2015. A further transfer into CEL Group from Adult Social Care in 2015-16 is £2.3m budget for the delivery of facilities management functions in ASC centres, predominately covering catering and cleaning staff. Neither of these is reflected in the above figures.

Full Year Effects

From September 2014 all school pupils in year groups, Reception, 1 and 2 became entitled to a free school meal; programme known as Universal Free School Meals (UFSM's). The full year effect of this is to serve 1.6m additional school meals; increase of 8,380 per meals per day. At £2.30 per meal generates £3.8m additional turnover. Part Year effect in 15-16 is additional turnover of £1.4m. For 15-16 the net effect of this is a £350k net contribution to the authority.

Pressures

Pressures arising in 2014-15 budget are assumed to be managed within the year and therefore will not roll through into 2015-16.

The only new pressure of significance is the impact is the NNDR increase in respect of the portfolio of properties that Facilities Management manage and this amounts to £99k.

Budget proposals

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

Efficiencies

CEL group are reflecting £680k of savings from new ways of working; £400k efficiencies from merging Property Maintenance Trading with the Housing Leeds In-House Construction Service Team. The new unit will have combined turnover of over £45m. In addition £100k back office savings from the introduction of the new IT mobile working software within Property Maintenance are projected.

Within Fleet Services there are £100k savings from lower spend on vehicle parts and sub-contractors within Fleet Services, due to effect of the second year of the vehicle replacement capital programme, £13m in 13-14 and £8m 14-15 (although some slippage in vehicle replacement anticipated).

It is also estimated that there will be £80k savings from the transfer and integration of ASC facilities management functions into CEL Group as this allows for economies of scale and a rationalisation of the service.

Procurement
CEL Group is budgeting for procurement savings of £100k. Fleet Services awarded the new tyre contract for the authority from October 2014 and the new contract has switched from a monthly fee basis, to pay-as-you go.

Business Improvement Programme
A saving of £200k 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
CEL Group is budgeting for additional profit of £100k; £50k further contribution from Civic Flavour and £50k additional profit in Fleet Services from expanding trading, mainly additional MOT tests for employees and members of the public and University of Leeds fleet maintenance.

Service Changes
Building on changes introduced during 2014/15 a further £200k savings from lower cleaning specifications is reflected in the budget proposals.

Key Risks

- Schools market testing their Catering and Cleaning Services, resulting in loss of contracts. Especially the market for Primary School Catering which has seen renewed interest from the private sector following the roll out of Universal Free School Meals and the set funding of £2.30 per meal from Central Government.

- Procurement savings of £100k are not delivered. £100k risk that the decision within Fleet Services to switch from a monthly fee to pay-as-you go tyre contract will result in higher tyre usage.

- Risk around £880k other efficiencies and savings target. Risk that actions slip or not realised.

- Business improvement target of £200k is not realised. This piece of work is linked to the Better Business Management (BBM) programme.

Directorate: Civic Enterprise Leeds

Pressures/Savings	2015/16 £m	FTEs	Is this relevant to Equality & Diversity Y/N
Budget Pressures:			
Inflation			
Pay	1.03		
Price - NNDR	0.10		
Full year effects			
Full year impact of Universal School Meals	-0.35	27.8	
Total Pressures	0.78	27.8	
Savings Proposals:			
Becoming an efficient and enterprising Council:			
Better Business Management - Admin and Mail & Print	-0.20	-8.0	
Efficiencies			
Amalgamation of Property Maintenance and Construction Services and the transfer of Construction Services so that it operates from the General Fund. Savings will result from a rationalisation of assets, staffing structures and business processes.	-0.40		
CEL building management and restructures following launch of 'Total Mobile' IT system and introducing more mobile working.	-0.10	-3.0	
Fleet Services vehicle replacement savings. Due to the £8m capital vehicle replacement programme in 14/15, LCC will be operating a newer fleet resulting in lower repairs / servicing & maintenance costs.	-0.10		
Fleet Services - impact of new tyre contract, July'14. Switch to pay-as-you go. Previously a fixed price per month.	-0.10		
Extended Facilities Management to ASC. ASC are looking to transfer over the FM responsibilities for their Older People and Mental Health Physical Impairment properties. Impact on catering and cleaning teams.	-0.08	-4.4	
Income			
Civic Flavour - further expansion of the catering service within Civic Hall and potentially other venues.	-0.05	1.0	
Provide a greater range of fleet services to staff / public eg routine servicing and repairs	-0.05	1.0	
Service Changes			
Cleaning - further efficiency savings from rolling out the lower cleaning spec to clients. Also looking at winning further additional external work - schools and other clients.	-0.20	-10.0	
Total Savings	-1.28	-23.4	
Overall net Saving	**-0.50**	**4.4**	

INITIAL BUDGET PROPOSALS 2015/16

DIRECTORATE: CITIZENS & COMMUNITIES

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 1.4 million calls and 25,000 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, council tax, benefits and parking and travel permits. The centre uses state-of-the–art technologies to manage customer contact and provide a quality service. Many services are currently available 24 hours a day, 7 days a week, using digital channels such as Interactive Voice Response (IVR) technology.

Face-to-face contact - There are a number one stop centres/community hubs across the city, which handle 0.53 million face-to-face customer contacts each year. The centres are fundamental to the Citizens@Leeds agenda and we are looking to extensively expand the range of services delivered at the first point of contact and roll-out a network of community hubs across the whole of the city. 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 including web-chat which has seen over 70,000 chats take place since it went live in September 2013. 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 556,000 people in 335,000 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 9,800 births and 6,500 deaths, issuing 17,000 certificates, attesting 6,900 notices and performing 1,800 marriage and civil partnership ceremonies, and issuing 2,600 British Citizenship certificates.

Licensing - administrate and enforce licenses for the sale of alcohol (approximately 2,700 premises and 7,100 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 hackney carriage vehicles; just under 1,000 hackney carriage drivers; approximately 3,700 private hire vehicles; around 4,800 private hire drivers; and, 90 private hire operators. The section is self-sufficient in respect of all costs and has a ring-fenced budget in compliance with statutory licensing provisions.

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 (community committees and area working), equalities, migration, volunteering, third sector relationships and infrastructure, provision of community centres and support for the Communities Board and the Poverty Truth Challenge. 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 Community Champions provide local leadership and a local voice on these issues from a grass-roots perspective.

Welfare and Benefits - The provision of welfare and benefits services including the welfare rights team, fairer charging team, financial hardship service, benefits and council tax processing. A key priority is 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

Advice Service – The service is the leading provider of welfare rights advice in the city with particular expertise in relation to disability benefits. The service also provides a Fairer Charging service which assesses the level of financial contribution residents need to make towards the cost of home help provision.

Financial Hardship – The service is responsible for the design and development of local schemes to tackle financial exclusion. This includes the design of the local welfare scheme, local council tax support scheme and local initiatives to tackle debt, high cost lending and poverty-related issues.

Council Tax - This service is responsible for the billing and the collection of Council Tax which totals more than £330 million from 341,000 properties. The service works closely with the Empty Home Team to ensure that the Council tax system accurately records occupied and empty properties in order to maximise the New Homes Bonus. The service also administers the Council Tax Support scheme, introduced in 2013-14, which replaced the previous national scheme of Council Tax Benefit.

Local Welfare Scheme – The service operates an emergency payment scheme for individuals and families facing crisis. The scheme provides help with food, fuel, furniture and white goods and can help with other items such as clothing as well

Housing benefit – The service is responsible for the assessment and payment of housing benefit to over 70,000 tenants totalling more than £280m each year. This includes dealing with new and repeat claims as well as working to ensure that benefit entitlement remains accurate and changes in circumstances are identified and dealt with. The service also operates a Discretionary Housing Payment scheme that provides additional help to tenants needing extra help to pay their rent. Housing Benefit is intended to become part of Universal Credit but the current timetable for transfer to Universal Credit means that HB will stay with local authorities until at least 2019

Education benefits - The service provides a free school meals assessment service on behalf of schools, both LEA run and Academies. Over 20,000 children in Leeds are assessed each year as being entitled to free school meals. The introduction of universal entitlement to free school meals for reception and 1st year pupils has had little impact on the need to continue to assess entitlement.

Budget proposals

Pressures

Government funding for the Local Welfare Support Scheme, totalling £2.8m, is uncertain for 2015/16 with the Government previously indicating that no further funding would be provided. However, DWP/DCLG have advised that a replacement scheme may be proposed as part of the general funding settlement in December 2014. Working on the original decision that no further Government funding would be available, there is a net pressure of £0.85m.

The Directorate is also affected by two other reductions in government funding. Firstly, the Local Council Tax Support Scheme 'new burdens' funding will reduce by £320k. In addition the overall Housing Benefits Administration grant will again be reduced and this, along with the impact of the transfer of the fraud investigators, amounts to £290k.

In respect of Entertainment Licensing there is a base budget pressure from 2014/15 amounting to £100k resulting from the Government's non-implementation of national fees on entertainment licensing. There will also be borrowing costs of £300k associated with the commencement of transactional web services phase 2 (exceeded by the level of savings over the life of the project).

Savings Proposals

Efficiencies

Further integration of services within the Contact Centre is planned as well integration of registrar services with the new community hubs, saving around 4-5 ftes (£100k).

There will be a planned reduction in property visits through better targeting by using credit reference agency data and some changes in practice. This initiative is expected to save £80k.

A review of running costs in Communities is targeting a saving of £100k

Income

'Data matching' has previously been undertaken in respect of those in receipt of single person council tax discount to confirm eligibility and a new exercise began in autumn 2014 which is expected to generate additional Council Tax receipts. The budget assumes that the exercise will generate extra funds for the Collection Fund in 2015/16 of £500k.

There are a number of different fees and charges, some of which are set by government, some we are constricted to only charge on a cost recovery basis, and some we have local discretion to set fee levels. A comprehensive review of all charges has been carried out and a number of proposals are being progressed which reflect charge increases wherever justified. These cover Licensing and Registration services which should yield approximately £44k additional income and Interpretation and Translation services, where a 10% increase in external rates would generate £11k assuming demand remains constant.

A continuation of current level of Housing Benefit claims should result in higher than budgeted level of overpayments, amounting to £150k. The DWP has also launched a Fraud and Error Reduction Incentive Scheme which will reward councils who exceed overpayment thresholds set by DWP. It is estimated that Leeds will secure an additional £250k in income from this scheme in 2015/16.

It is proposed to utilise £200k from the Social Inclusion Fund to support the Council's Financial Inclusion Strategy.

Service Changes

It is proposed that various streams of third sector funding currently provided by the Council are brought together and administrated at a local level either through community committees or by the Citizens and Communities directorate. The total funding is around £6m per annum and the budget proposal is that £500k saving can be achieved linked to rationalisation and prioritisation of the funding as a whole.

Two other proposals that will directly impact on the third sector are a 10% reduction in the Advice Agency grant (£130k) and a 25% reduction in the current 'innovation fund' (£50k).

The next stage of development within Customer Access will be the implementation of transactional web services to support 'channel shift'. In 2015/16 staff savings of £250k (from phases 1 and 2) are projected with further savings following the next year. Linked to the planned reduction in face-to-face and telephone contact is the

proposal to reduce opening times of the contact centres to 9am to 5pm (currently 8am to 6pm), yielding staff savings of £125k per annum.

Implementation of ‘E-claim’ for Housing Benefit (go live date of April 2015) is expected to deliver savings of approx. £100k.

The continuing development of the Community Hubs is expected to generate efficiencies once the relevant running cost budgets from the participating services are brought together. An initial saving of £100k is targeted.

The continuing review of Community Centres is expected to save an additional £100k in 2015/16.

Risks

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 localise third sector funding will be a complex exercise and will cut across other services within the Council. Until the full scope and implications have been agreed, there is a risk that the proposed saving of £500k may not be realisable.

Targeted savings from Community Hubs developments are predicated on making significant workforce changes across a number of services and therefore given the scale and scope of these changes, until the new community hub service is designed, achievement of the targeted savings are highlighted as a potential risk.

Directorate: Citizens and Communities

Pressures/Savings	2015/16 £m	FTEs	Is this relevant to Equality & Diversity Y/N
Budget Pressures:			
Inflation			
Pay	0.24		
Fallout of grant:			
Cessation of the Local Welfare Support Scheme (although awaiting Govt announcement on possible replacement scheme)	0.85		Y
Local Council Tax Support scheme: reduction in 'new burdens' funding	0.32		
Reduction in Housing Benefits Admin Grant and net impact of transfer of Local Authority Fraud Investigators to the DWP (wef 1.12.14)	0.29		
Other:			
Entertainment Licensing: base budget pressure from non-implementation of expected change in national fees	0.10		
Transactional web phase 2 borrowing costs	0.30		
Total Pressures	2.10	0	
Savings Proposals:			
Efficiencies			
Communities - Review of running costs (other hired and contracted services). Saving based on current activity	-0.10		
Further integration of services within the Contact Centre (Council Tax and Registrars) to deliver a new streamlined services (Council Tax recovery could be added as phase 2). An initial estimate of 4-5 FTE staff saving from the rationalisation	-0.10	-4	Y
Reduce Property Visits in the Council Tax Service	-0.08	-3	Y
Income			
Additional income as a result of the Single Person Discount data matching exercise. This began in autumn 2014 and will generate additional Council Tax receipts. Assumption that the exercise could generate extra funds for the Collection Fund in 2015/16	-0.50		
There are a number of different charges, some of which are set by government, some we are constricted to only charge on a cost recovery basis, and some we have local discretion to set fee levels. A comprehensive review of all charges has been carried out and the proposals reflect charge increases considered possible. These cover Licensing and Registration services and Interpretation and Translation services.	-0.06		Y
Continuation of current level of Housing Benefit claims should result in higher than budgeted level of overpayments.	-0.15		
Fraud and Error Reduction Incentive Scheme	-0.25		
Utilise Social Inclusion Fund to support Financial Inclusion Strategy	-0.20		
Service Changes			
Localise Locality Based Third Sector Funding as part of Well-being funding and deliver £0.5m savings	-0.50		Y
Review of Community Centres	-0.10	-4	Y
Reduce Advice Agency grant by 10%	-0.13		Y
Reduce opening times of contact centres to 9am-5pm	-0.13	-5	Y
Delivery of transactional web services (phase 1: £150k, phase 2: £100k)	-0.25	-10	Y
Eclaim for Benefits due to go live with effect from April 2015. If take-up is encouraged this could generate efficiencies.	-0.10	-4	Y
Reduce Innovation Fund by 25%	-0.05		Y
Community Based Assets - reduction in relevant costs across participating services as part of the formation of the Community Hubs	-0.10		Y
Total Savings	-2.80	-30	
Overall net Saving	**-0.70**	**-30**	

INITIAL BUDGET PROPOSALS 2015/16

DIRECTORATE: PUBLIC HEALTH

Service context

On 1st April 2013 Local Authorities took the lead from NHS for improving the health of their local communities. As responsibilities transferred to the council so have the staff, existing funding commitments and contacts. The Department of Health has provided a protected ring-fence 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 and Wellbeing strategy, including the four commitments plus the public health aspect of the Best Council plan.

Contracts

There were around 70 public health contracts, valued at approximately £31m, which 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 Hospitals NHS Trust, Leeds Community Healthcare NHS Trust, Leeds and York Partnership Foundation NHS Trust, as well as other NHS organisation, such as St Martin's Healthcare and a range of 3rd sector providers.

A key decision to waiver contract procurements rules to award contacts to the same providers for 2014/15 was supported to allow time for phased approach to re commissioning. All contracts that are not part of the current re procurement plan are part of a key decision to invoke the provision to extend by one year for 2015/16. This will allow the time needed to re-commission and procure all contracts using the Councils procurement processes, with the aim of improve outcomes and more cost effective services. 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 2015/16 will be approximately £31m

During 2014/15 there have been two major programmes of work underway to re-commission and procure and a third about to start:

- Sexual Health Services – a new integrated sexual health service provided by a Consortia of NHS and third sector organisations is expected to be in place by July 2015. The current budget is £6.6m. Sexual health is a mandatory function for the council.
- Drugs & Alcohol treatment services – a new integrated service provided by a consortia led by the third sector organisation is expected to be in place by July 2015. The current budget is £8.4m. Recent guidance from the Department of Health has put drug and alcohol treatment services as near to an additional mandatory responsibility as it can without recourse to a legislative change.

- Re-commissioning and procurement of a number of healthy living services including smoking cessation, healthy weight and healthy living support and advice will commence in 15/16. This will produce Healthy Lifestyles Services, for Leeds, details of expected savings is still to be worked up.

The Public Health grant is also used to fund current Council Services this amounts to £3.5m and includes funding to Children's Centres £988k, Healthy Schools £222k, Substance misuse £591k, Active lifestyles £369k and Sexual Health Skyline project £289k. A further £120k is used to fund the public health contribution for corporate and democratic services.

In addition from October 2015, funding and contract responsibility for 0-5yrs public health service (health visiting services and the Family Nurse Partnership) will transfer from NHS England to the Council. The provider of these services is Leeds Community Healthcare NHS Trust. Work is underway with NHS England to co-commission these services from April 2015, with the Council taking full responsibility from October 2015. Agreement has been reached with the NHS England West Yorkshire Area Team on what funding should be transferred to the Council. National confirmation of funding to be transferred has now been delayed by the Department of Health but is expected in the New Year. However, based on information previously supplied, it is estimated that the additional cost and grant to fund this will be approximately £4.8m.

Staff

The Public Health Leadership Team continues to review its structure against the Council's organisational design principles. As a result there has a 23% reduction of JNC posts from what would have occurred from the original structure of planned posts pre April 2013; this has been reflected in the budget. In April 2014 20.5 fte's transferred to Public Health from Environments and Housing.

Budget proposals

The council's Office of the Director of Public Health is responsible for a ring-fenced grant of £40.5m for 2015/16, identical to the grant for 2014/15. This grant comes from the Department of Health (DoH) which has announced that there would no uplift for 2015/16 which means that Leeds is about £6m below the target funding identified for Leeds by the DoH based on need. Priorities will be on the successful mobilisation of the new re-commissioned sexual health and drugs & alcohol treatment services; ensuring a smooth transfer of commissioning responsibilities from NHE England to the Council of the health visitor & Family Nurse Partnerships service. Work will continue to align responsibilities and finance between the Council and other agencies for those services that are still unresolved post the NHS re-organisation. Following successful actions in 2014/15 this is essentially down to just TB services and Hepatitis treatment.

Specific priorities for the public health budget have been determined by the significant financial pressures faced by the Council:-

- To provide a further £1.25m to maintain current important Council Services that contribute to the public health agenda, resulting in 12.5% of the public health grant being used in this way:
  £750k Neighbourhood Networks
  £500k Children's Centres

- The £1.25m savings required will be found by a mixture of recurrent funding (£750k) and non-recurrent funding (£500k) to be carried forward from 2014/15. The reduction in recurrent budgets includes:-
  - Department of Health Leeds PCT legacy balance now not required in 2015/16
  - Responsibility for adult weight management has transferred to the CCG's and so no future expenditure will be required
  - PPPU commissioning support budget savings
  - Programme budget reductions for social marketing
  - Activity based contracts budget reductions on NHS health checks

  The anticipated underspend from 2014/15 includes:-

  - Staff budget reductions due to delays in recruitment
  - Delays in the full implementation of the Baby Steps programme to support mothers and the pharmacy NHS health check programme have resulted in one-off in year savings
  - Reductions in activity based contracts for sexual health services and drug treatment diagnostics. Due to the review and re-procurement of these services, these savings will not recur in future years.

- In addition, there are a number of changes to the budgets required within Public Health. These include:-
  - Increased costs on Children's dental health programmes, mental health / suicide prevention and project management costs around the new Healthy Lifestyles procurement
  - Reduced costs on staffing, drugs diagnostics, Leeds Lets Change, Niche Tobacco, Beat the Street and health trainers

- The recurrent savings required from 16/17 (£500k) will be found from anticipated savings from the re-commissioning of drugs and alcohol treatment services, sexual health services, and proposed re-commissioning of health lifestyle services.
- The National Institute of Excellence (NICE) is about to endorse a new alcohol treatment medication. The Council will need to fund this (in the same way the NHS has to comply with the same type of NICE instruction). This will need to be closely monitored as cost pressures will build over time and will be tested out against our rather crude current cost estimates – perhaps £100k for the first half year but potentially rising to £500k per year.
- Public Health strategic commissioning priorities have been developed in order to develop a clear plan for priorities to re commissioning and procure. These priorities have been aligned to the Council's Adults and Public Health category structure. In addition to Sexual Health and Drugs and Alcohol public health have worked across the Council with other directorates to re commission Advice Services and Fuel Poverty/Winter warmth contracts.

Work is also underway to review domestic violence and a healthy lifestyles service (Smoking, Healthy Weight and advice) in order to provide better outcomes and more cost effective services.

Key Risks

- The Office of 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.
- The NICE endorsed alcohol treatment provides a new treatment cost pressure
- Failure to realise sexual health and drugs and alcohol saving to meet the 16/17 recurrent saving requirement.
- Risk of failure to recoup costs for genitourinary medicine (GUM) treatment for out of area provision. This is due to national chaos on the provision of GU services for patients outside their place of residence and the need to charge each individual Local Authority.
- Risk of activity and cost increases for sexual health devices - Implants and Intrauterine Contraceptive device (IUCD) as these are determined by the nationally by the NHS
- Risk of increases in costs for prescribing and dispensing in relation to drugs as this is a national NHS agreed tariff

Directorate: Public Health

Pressures/Savings	Grant Funded £m	General Fund £m	2015/16 £m	FTEs	Is this relevant to Equality & Diversity Y/N
Budget Pressures:					
Inflation					
Pay	0.05	0.01	0.06		
Price	0.00	0.00	0.00		
Income	0.00	0.00	0.00		
Full Year Effects of previous decisions					
Re-grading of Supporting People staff		0.01	0.01		
Demand/Demography					
Other					
Charges for services already provided by other directorates					
- Neighbourhood Networks	0.75		0.75		
- Children's Centres	0.50		0.50		
Contribution to cost of Central and Democratic core	0.12		0.12		
Contract costs on 0-5 Transfer from NHS	4.86		4.86		
Children's dental health programme	0.05		0.05		
Mental health / suicide prevention	0.11		0.11		
Healthy Lifestyles procurement	0.06		0.06		
Total Pressures	6.50	0.02	6.52	0	
Savings Proposals:					
Income					
Increase in ring fenced grant to fund 0-5 Transfer	-4.86		-4.86		
Use of grant to fund regrading costs		-0.01	-0.01		
Service Changes					
Reduction in staff costs	-0.13		-0.13	-3	
PCT legacy balance not required in 2015/16	-0.28		-0.28		
PPPU reviews completed during 2014/15	-0.16		-0.16		
Reduction in social marketing costs	-0.05		-0.05		
Adult Weight Management responsibility of CCG	-0.11		-0.11		
NHS Healthcheck - estimated reduction in demand	-0.15		-0.15		
2014/15 Underspend to be carried forward	-0.50		-0.50		
Reductions in small projects	-0.26		-0.26		
Total Savings	-6.50	-0.01	-6.51	-3	
Overall net Saving	**0.00**	**0.01**	**0.01**	**-3**	