

Report of Head of Scrutiny and Member Development

Report to Scrutiny Board (Housing and Regeneration)

Date: 20 January 2015

Subject: 2015/16 Initial Budget Proposals

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

Summary of main issues

1. The purpose of this report is to present the initial 2015/16 budget proposals relevant to the Scrutiny Board's portfolio.
2. Initial budget proposals were considered at the Executive Board meeting on 17 December 2014. The sections of the report relevant to this Scrutiny Board's portfolio are attached. Members' attention is drawn to Section 8 of the attached Executive Board report, dealing with the Housing Revenue Account, in addition to the specific proposals relating to the Environment and Housing directorate and the Regeneration service within City Development.
3. The Board will have the opportunity to raise any specific questions with regard to budget proposals that fall within its portfolio area. Executive Members and officers from Environment and Housing and City Development will attend the Board meeting.
4. Any comments from this Scrutiny Board will then be forwarded to the Scrutiny Board (Resources and Council Services) in the first instance. Other Scrutiny Boards will undertake a similar exercise in relation to their portfolio areas.
5. Any conclusions, observations and recommendations that are made by Scrutiny Board (Resources and Council Services) will be fed back to Executive Board prior to full Council, and will incorporate the views of each of the Scrutiny Boards within a composite statement, as in previous years.

Recommendation

6. Members are asked to consider the initial 2015/16 budget proposals relevant to the Scrutiny Board's portfolio and agree any comments to be forwarded to the Executive Board through the Scrutiny Board (Resources and Council Services).

Background documents¹

None used

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.

**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):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This report sets out the Initial Budget Proposals for 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.

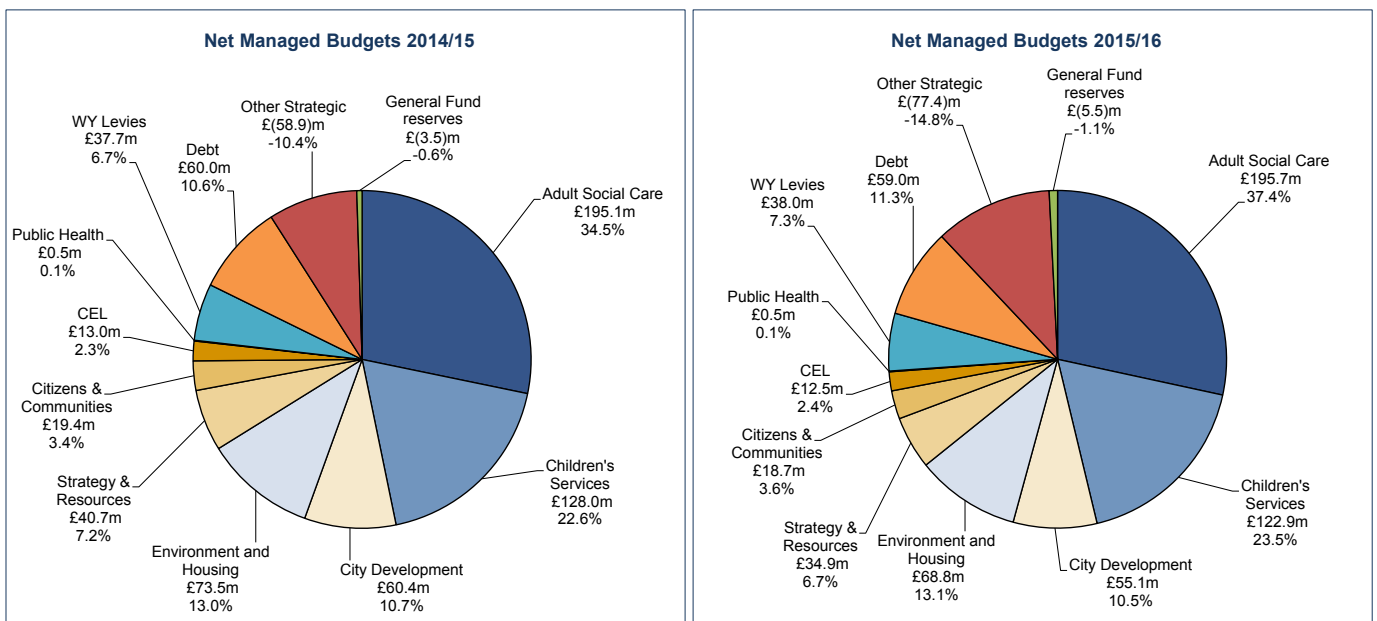
6.5 The proposals outlined above are reflected in table 6 below which gives a subjective breakdown of the Council’s initial budget in 2015/16, compared to 2014/15.

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 through 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 critical 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 documents¹

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.

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.

The Key Outcomes

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

- preventing homelessness;
- improving the quality of private sector housing
- reducing crime and anti-social behaviour
- reducing fuel poverty and providing sustainable energy
- providing a reliable refuse and recycling service
- minimising the amount of waste that ends up in landfill by 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 be 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)	

City Development – Initial 2015/16 Budget Proposals for Regeneration.

	£000's
Regeneration Base Budget 2014/15	580
Inflation (pay and running costs)	13
Staff savings target	-32
Resource adjustment within Asset Management	48
Draft Base Budget 2015/16	609

The proposed Net Rate Charge for the Regeneration service in 2015-16 is £609k which represents an increase on the 2014-15 budget of £29k. This budget allows for 24 FTE's which reflects the recently approved service restructure together with the latest round of ELI approvals. It is an increase of 2.2 FTE's on the 14-15 numbers and is funded from savings elsewhere within Asset Management in line with the approved restructure.

Two of the Townscape Heritage Initiative projects, Chapeltown and West Armley, will conclude leaving Kirkgate as the only remaining active scheme.

The service will be the focus for the recently approved Housing Growth Team, which will draw heavily from resources within the Regeneration service but also from the creation of 6 additional FTE's. These new posts have been initially allocated to the relevant service i.e. Planning, Highways and Asset Management. The team are to be funded from a combination of charges to the Housing Revenue accounts together with an increase in the base budget funded from the Authority's strategy.