

Report of the Deputy Chief Executive

Agenda Item 5 (i)

Report to Council

Date: 24th February 2016

Subject: 2016/17 Revenue Budget and Council Tax

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? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This report seeks the approval of Council to the Revenue Budget and Council Tax for the 2016/17 financial year. In recommending the budget for 2016/17 to Council, the Executive Board received additional information in respect of the Final Local Government Finance Settlement for 2016/17 which was issued on the 8th February 2016. Whilst the funding allocations and assumptions in the Budget Report are unchanged as a result of the final settlement, this report has been updated with additional information as to the national context and comparisons between Leeds and other local authorities.
2. The report sets out the framework for compiling the 2016/17 budget, taking into account the Local Government Finance settlement, the Initial Budget Proposals that were agreed by the Executive Board in December 2015, the results of budget consultation and other factors that have influenced the budget. The report also provides an update to the Equality Impact Assessment that was developed as part of the Initial Budget Proposals.
3. The 2016/17 budget now being proposed supports delivery of the proposed Best Council Plan 2016/17. This provides the strategic framework for the Council's

allocation of resources and how it responds to financial pressures to help deliver the Council's renewed ambition aimed at tackling inequalities: for Leeds to have a **Strong Economy** and to be a **Compassionate City**, with the Council contributing to this by being a more **Efficient and Enterprising Organisation**.

4. The provisional Local Government Finance settlement was announced on the 17th December 2015, the day after the Initial Budget Proposals were approved by the Executive Board. The impact for Leeds is a reduction of £34.1m to the Council's adjusted Settlement Funding Assessment which is £10m more than was assumed in the Initial Budget Proposals. The final local government settlement was announced on the 8th February 2016 ahead of a formal parliamentary motion and debate on the 10th February 2016.
5. It is clear that the current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions. The Council continues to make every effort possible to protect the front line delivery of services, and whilst we have been able to successfully respond to the financial challenge so far, it is clear that the position is becoming more difficult to manage and it will be increasingly difficult over the coming years to maintain current levels of service provision without significant changes in the way the Council operates.
6. The headlines of the 2016/17 budget proposals are:
 - A reduction in the Council's Settlement Funding Assessment for 2016/17 of £34.13m, or 12.5% from an adjusted figure of £272.17m in 2015/16 to £238.04m in 2016/17.
 - A reduction in the Revenue Support Grant of £35.32m, or 27.5% from an adjusted figure of £128.37m in 2015/16 to £93.05m in 2016/17.
 - The budget proposals outlined in this report total some £76.3m and whilst they do cover a range of efficiencies across the Council, they also require the Council to make some difficult choices as to service provision and charging.
 - The budget proposals assume an increase in the Council's element of the council tax of 1.99%, plus the Adult Social Care precept of 2%. The Council's net revenue budget is estimated to reduce by £31.5m from £527.9m down to £496.4m
 - In terms of staffing, the proposals would mean a net reduction of 299 full-time equivalent posts by March 2017.
 - The 2016/17 budget proposals assume an increase in the use of general reserves, some non-recurrent cost reductions and also a significant level of one-off funding. This will inevitably increase the financial risk in the medium-term and put additional strain on the 2017/18 budget.

Recommendations

7. As recommended by the Executive Board, this report asks Council to adopt the following resolutions;
- i. That the Revenue Budget for 2016/17 totalling £496.378m be approved. This means that the Leeds element of the Council Tax for 2016/17 will increase by 1.99% plus the Adult Social Care precept of 2%. This excludes the Police and Fire precepts which will be incorporated into the report to be submitted to Council on the 24th February 2016.
 - ii. Grants totalling £84k be allocated to Parishes.
 - iii. In respect of the Housing Revenue Account, that the budget be approved with;
 - a reduction of 1% in dwelling rents, a 5% increase in garage rents and a 3% increase in district heating charges.
 - that service charges for multi-storey flats/low/medium rise properties are increased by £1 per week
 - that charges for sheltered support are increased from £12 to £13 per week and that a charge of £2 per week is introduced for those tenants who benefit from the sheltered support service but do not currently pay.

1. Introduction

- 1.1. This report sets out the Council's budget for 2016/17. It has been prepared in the context of the Council's Initial Budget Proposals which were agreed by the Executive Board in December 2015 and also the final Local Government Finance settlement in accordance with the Council's Budget and Policy Framework. As agreed by Executive Board, the Initial Budget Proposals have been submitted to Scrutiny for review and consideration, and also have been used as the basis for wider consultation.
- 1.2. Following recommendation by the Executive Board, this report seeks approval from Council that the City Council's revenue budget for 2016/17 be approved at £496.378m. This results in an increase of 3.99% in the Leeds element of Council Tax, which for a Band D property is an increase of £46.74 to £1,215.54 for 2016/17.
- 1.3. At its meeting in February, Executive Board received a supplementary briefing note which provided more detailed information regarding the Public Health budget proposals and this information has been incorporated into the public health budget report at appendix 8. In addition, members are asked to note two minor changes to the budget after the budget report was considered by the Executive Board. These are the confirmed Public Health grant for 2016/17 which was received on the 11th February and was £29k lower than previously assumed and in addition, we have now received the Flood Alleviation Levy which is £13k higher than previously assumed. Both of these minor changes have been incorporated into this budget report.

1.4. Detailed budget proposals for each service are set out in the directorate budget reports attached. This information will be consolidated into the Annual Financial Plan and the Budget Book;

- The Annual Financial Plan - this document brings together the revenue budget, capital programme and performance indicators for 2016/17 providing a clear link between spending plans and performance at directorate level.
- The Budget Book – this contains detailed budgets for each directorate at both service level and by type of expenditure/income. Copies of this document are available to members on request and via the intranet.

1.5. In addition, as part of the Best Council Plan 2016/17 suite of documents, it is proposed to provide a graphical design summary of how the 2016/17 budget supports delivery of the Council's priorities. This will provide a useful overview for staff, partners and the public.

1.6. In accordance with the Council's Budget and Policy Framework, decisions as to the Council's budget and Council Tax are reserved to Council.

1.7. The budget proposals contained within this report have, where appropriate, been the subject of the Council's Equality Impact Assessment process and mitigating measures have been put in place or are planned where appropriate.

2. Local Government Funding – the National Context

2.1 2015 Spending Review and Autumn Statement 2015

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

2.1.2 Details of the 2015 Spending Review and Autumn Statement were included in the Initial Budget Report to Executive Board in December 2015. The main points specific for local government from the Spending Review and Autumn Statement were;

- Significant reductions to the central government grant to local authorities.
- Savings in local authority public health spending with average annual real-terms savings of 3.9% over the next 5 years which will manifest in reductions to the public health grant to local authorities.

- Introduction of a new power for local authorities with social care responsibilities to increase council tax by up to and including 2% per year. The money raised will have to be spent exclusively on adult social care. Nationally, if all local authorities use this to its maximum effect it could raise nearly £2 billion a year by 2019/20 which would be equivalent to over £20m per year for Leeds. Effectively, the introduction of this new precept represents a shift in the burden for funding the increasing costs of Adult Social Care from national to local taxpayers. The redistribution effect should also be noted in that the precept will be most beneficial to the more affluent local authorities with the largest council tax bases.
- The Spending Review continues Government's commitment to join up health and social care. Government will continue the Better Care Fund, maintaining the NHS's mandated contribution in real terms over the Parliament. From 2017, Government will make funding available to local government, worth £1.5 billion by 2019/20, to be included in the Better Care Fund.
- The Spending Review 2015 indicated that Government will consult on reforms to the New Homes Bonus, including means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. This will include a preferred option for savings of at least £800 million. The potential impact for Leeds could be in the region of £6m and it is anticipated that further detail will be set out as part of the local government finance settlement consultation, which will include consideration of proposals to introduce a floor so that no authority loses out disproportionately.
- Confirmation of the previous announcement of the proposal to end national uniform business rates with the introduction of 100% retention of business rates for local government and the phasing out of the Revenue Support Grant as well as introduction of new responsibilities giving councils the power to cut business rates to boost growth, and empowering elected city-wide mayors.
- Allowing local authorities to be able to use 100% of receipts from asset sales on the revenue costs of reform projects.
- Capping the amount of rent that Housing Benefit will cover in the social sector to the relevant Local Housing Allowance.
- Reducing the Education Services Grant by £600m, or 73% signalling that 'Local authorities running education to become a thing of the past'. The remaining grant funding is expected to be used to cover local authority statutory duties which the Department for Education will also look to reduce. The 2015/16 allocation for Leeds is £9.2m and based on the national totals a proportionate grant cut would be in the region of £6.7m per year. More information is needed around the impact and timing of this significant

reduction and consultation is expected to start in early 2016 with the potential changes effective from 2017/18.

- Introduce a new national funding formula for schools to begin to be introduced from April 2017.
- Redistribution - Government will also shortly consult on changes to the local government finance system to rebalance support including to those authorities with social care responsibilities by reassessing needs and taking into account resources available to councils, including council tax and business rates.

2.2 The 2016/17 Local Government Finance Settlement

- 2.2.1 The Secretary of State for Communities and Local Government on the 17th December 2015 presented to the House of Commons a statement on the provisional local government finance settlement. This covered the final local government finance settlement for 2016/17 and an offer to councils for future years. Although the settlement reiterates the Government's policy intent as to self-sufficient councils, the settlement itself does not reflect such a move.
- 2.2.2 The final Local Government Settlement was announced on the 8th February 2016 ahead of a formal motion and parliamentary debate on the 10th February 2016. The key headlines in the final settlement were;
- The funding allocations for Leeds were unchanged from the provisional settlement.
 - All authorities are to receive at least the amount set out in the provisional settlement.
 - Additional transitional funding of £150m is to be provided in both 2016/17 and 2017/18 to authorities that were facing the 'sharpest reductions in Revenue Support Grant'. None of the West Yorkshire District Councils and none of the Core Cities will receive this transitional funding.
 - The Rural Services Delivery Grant, which supports certain rural districts, is to be increased from £20m to £80.5m in 2016/17.
 - The final settlement also confirmed that authorities will be given until the 14th October 2016 to decide whether to take up the 4-year funding offer.
- 2.2.3 The reduction in the 2016/17 Settlement Funding Assessment for Leeds, which is the mechanism by which government grant is allocated to local authorities, as announced in the settlement, is significantly worse than was anticipated in the 2016/17 Initial Budget Proposals, a reduction of 12.5% rather than the 9.0% previously anticipated which in cash terms means £10m less in resources for Leeds.
- 2.2.4 The reduction in the Settlement Funding Assessment of 12.5% for Leeds is in line with the England average, but is slightly higher than the West Yorkshire average of 12.1%, and is significantly higher than the Core City average of

10.3%. For comparison, if the reduction in the Settlement Funding Assessment for Leeds was in line with the Core Cities average, the reduction in our Settlement Funding Assessment would have been £6m less.

- 2.2.5 Through the settlement the Government has introduced a new measure of ‘Core Spending Power’ which includes the Settlement Funding Assessment, Council Tax income, the improved Better Care Fund (from 2017/18) as well as the New Homes Bonus income. The details of the Leeds Core Spending Power per the settlement are provided in table 1 below:

Table 1 Leeds Core Spending Power 2016/17

Component of Spending Power	2015/16 Adjusted £m	2016/17 Final £m	Change %
Settlement Funding Assessment	272.17	238.04	(12.5)
Council Tax Requirement (excl parishes); Including base growth and increase in CPI plus 2% precept for Adult Social Care	249.90	256.30	2.6
	0.00	5.10	100.0
New Homes Bonus and returned funding	14.10	17.50	24.1
Total	536.17	516.94	(3.6)

- 2.2.6 Crucially for Leeds is the fact that the Core Spending Power in addition to providing the indicative Settlement Funding Assessment levels, also includes assumptions as to increases in the Council’s council tax base, and additionally that the Council will increase its council tax rate by an average of 1.75% per year (assumed CPI) and also by the 2% adult social care precept. Taking into account Leeds’ relatively strong Council Tax base together with the city’s good growth prospects means that by using this measure, the reduction for Leeds in 2016/17 is increased to £19.23m, or -3.6%, which is considerably higher than the 2.8% national average.
- 2.2.7 Through the settlement, Government set out an offer to any council that wishes to take it up, of a four-year funding settlement to 2019/20. Government states that as part of the move to a more self-sufficient local government, these multi-year settlements can provide the funding certainty and stability to enable more proactive planning of service delivery and support strategic collaboration with local partners and that councils should also use their multi-year settlements to strengthen financial management and efficiency. Government is making a commitment to provide central funding allocations for each year of the Spending Review period, should councils choose to accept the offer and on the proviso that councils have published an efficiency plan. Indicative allocations were published alongside the 2016/17 final settlement and for Leeds are shown at table 2.
- 2.2.8 However, it should be noted that in practice, the final determination of the local government finance settlement for any given year cannot be made until calculations are completed taking account of the business rates multiplier, which

is based on the Retail Price Index in September each year. Government will also need to take account of future events such as the transfer of functions to local government, transfers of responsibility for functions between local authorities, mergers between authorities and any other unforeseen events. However, barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, Government has stated that it expects these to be the amounts presented to Parliament each year.

2.2.9 The Government's indicative assessment of the Council's Core Spending Power for Leeds shows cash reductions in 2016/17 and 2017/18 with cash increases in the following 2 years. Overall, the table shows a cash reduction of £13.7m, or 2.6% over the four year period to 2019/20. It should be stressed that the figures in table 2 are Government's assumptions in respect of growth in the council tax base, potential increases in the Council Tax rates, additional income from any Adult Social Care precept and the New Homes bonus income generated through housing growth.

Table 2 Settlement Funding Assessment – 2015/16 to 2019/20

	2015/16 Adjusted £m	2016/17 Final £m	2017/18 Indicative £m	2018/19 Indicative £m	2019/20 Indicative £m
Settlement Funding Assessment	272.2	238.0	212.9	198.7	184.8
Council Tax	249.9	261.4	274.7	289.1	304.4
Council Tax Requirement excluding parish precepts (including base growth and levels increasing by CPI)	249.9	256.3	264.2	272.7	281.6
Additional 2% Adult Social Care precept		5.1	10.5	16.4	22.8
Improved Better Care Fund			1.5	12.6	22.7
New Homes Bonus	14.1	17.5	17.6	11	10.6
Core Spending Power	536.2	516.9	506.7	511.4	522.5
Change over the Spending Review Period (£m)					(13.7)
Change over the Spending Review Period (% change)					(2.6%)

2.2.10 In terms of the indicative Settlement Funding Assessment from 2016/17 through to 2019/20, the table below provides the breakdown between the Revenue Support Grant and the Business Rates Baseline funding and indicates a 78% reduction in Revenue Support Grant by 2019/20.

Table 3 – Settlement Funding Assessment 2015/16 to 2019/20 split by Revenue Support Grant and Business Rates baseline funding

	Adjusted 2015/16 £m	Final 2016/17 £m	Indicative 2017/18 £m	Indicative 2018/19 £m	Indicative 2019/20 £m
Revenue Support Grant	128.373	93.048	65.017	46.482	27.761
Business Rates Baseline Funding	143.798	144.997	147.848	152.210	157.077
Settlement Funding Assessment	272.171	238.044	212.865	198.692	184.838

2.2.11 Going forward, what is important is the level of resources that local authorities will have available to fund services in 2016/17 and future years, including the capacity to raise council tax, new homes bonus and the funding available through the Better Care Fund. Looking at the table below, it is clear that based on the indicative allocations provided in the local government settlement, core cities including Leeds are facing much larger reductions in their Core Spending power than other upper-tier authorities in 2016/17 and 2017/18 and also that the extent of the recovery in 2018/19 and 2019/20 is much less. The contrast between core cities and shire counties is particularly marked. Indeed, by 2019/20 Core Cities will have some 2.7% less resources than in 2015/16 whereas shire counties will have 2.3% more.

Table 4 Changes in Core Spending Power 2015/16 to 2019/20 for Upper Tier Authorities

	Core Spending Power % Change				
	15/16 Adjusted to 16/17	16/17 to 17/18	17/18 to 18/19	18/19 to 19/20	15/16 Adjusted to 19/20
Leeds	-3.60%	-1.98%	0.94%	2.18%	-2.55%
Core Cities	-4.01%	-1.98%	1.26%	2.17%	-2.65%
Shire Counties	-1.98%	-0.97%	1.86%	3.42%	2.25%
Unitaries	-2.53%	-1.53%	0.71%	2.54%	-0.89%
Metropolitan Districts	-3.82%	-1.84%	1.48%	2.39%	-1.92%
London Boroughs	-2.85%	-1.57%	0.34%	2.27%	-1.87%
Total England	-2.30%	-1.34%	0.77%	2.53%	-0.41%

3. Developing the 2016/17 budget and Medium Term Financial Strategy with the proposed Best Council Plan 2016/17

3.1 Since 2010, local government has had to deal with a 40% real terms reduction to its core government grant. In adult social care alone, funding reductions and demographic pressures have meant dealing with a £5 billion funding gap. Even in this challenging context, local government has continued to deliver. Public polling nationally has shown that roughly 80% of those surveyed are satisfied with local services and that more than 70% of respondents trust councils more than central government to make decisions about services provided in the local area – a trend that has been sustained during the last five years.

3.2 Between the 2010/11 and 2015/16 budgets, Leeds' core funding from Government has reduced by around £180m and in addition the Council has faced significant demand-led cost pressures. This means that the Council will have had to deliver reductions in expenditure and increases in income totalling some £330m by March 2016. To date, the Council has responded successfully to the challenge and has marginally underspent in every year since 2010 through a

combination of stimulating good economic growth and creatively managing demand for services alongside a significant programme of more traditional efficiencies. However, there is no doubt that it will become increasingly difficult over the coming years to identify further financial savings unless the Council works differently.

- 3.3 The report 'Best Council Plan 2016/17 proposals' explains how this will be done: that, while continuing its programme of efficiencies, the council needs to work differently, to keep evolving and innovating in terms of *what* it does and *how* it does it, exploring different service models and greater integration with other organisations and skilling up staff to grow their commercial and business acumen.
- 3.4 Much greater reliance will be placed on redefining the social contract in Leeds: the relationship between public services and citizens where there is a balance between rights and responsibilities; a balance between reducing public sector costs and managing demand, and improving outcomes. This builds on the concept of civic enterprise, born out of the '*Commission on the Future of Local Government*', whereby the future of the Council lies in moving away from a heavily paternalistic role in which we largely provide services, towards a greater civic leadership role underpinned by an approach of restorative practice: working with people, not doing things to or for them unless they need this, so that communities become less reliant on the state and more resilient. If more people are able to do more themselves, the Council and its partners can more effectively concentrate and prioritise service provision and resources towards those areas and communities most at need, helping to tackle the poverty and inequalities that still exist across the city. A summary of the key challenges around deprivation and inequalities is included in the Best Council Plan 2016/17 report.

4. The 2016/17 Net Revenue Budget

- 4.1 The Council's proposed Net Revenue Budget for 2016/17 is £496.378m which takes into account the anticipated changes to the Settlement Funding Assessment, Business Rates and Council Tax. This overall Net Revenue Budget represents a reduction of £31.5m when compared to the adjusted Net Revenue Budget of £527.9m for 2015/16, as detailed in the table below;

Table 5 –Net Revenue Budget 2016/17 compared to 2015/16 Net Revenue Budget

	2015/16 Adjusted £m	2016/17 £m	Change £m
Revenue Support Grant	128.4	93.0	(35.3)
Business Rates Baseline	143.8	145.0	1.2
Settlement Funding Assessment	272.2	238.0	(34.1)
Business Rates Growth	10.2	14.2	4.0
Business Rates Deficit	(6.4)	(23.0)	(16.6)
Council Tax	249.9	265.3	15.4
Council Tax surplus/(deficit)	2.0	1.8	(0.2)
Net Revenue Budget	527.9	496.4	(31.5)

4.2 Settlement Funding Assessment – Reduction of £34.1m

4.2.1 Settlement Funding Assessment is essentially the aggregate of government grant and business rate baseline funding for an authority. For Leeds, the Settlement Funding Assessment figure for 2016/17 articulated in the local government settlement is £238.04m which represents a reduction of £34.13m, or 12.5% when compared to the adjusted 2015/16 figure.

4.2.2 Taking account of the above, the funding position for Leeds City Council for 2016/17 is as detailed in Table 6 below:

Table 6 Leeds Settlement Funding Assessment

	2015/16 Adjusted £m	2016/17 Final £m	Change	
			£m	%
Revenue Support Grant	128.37	93.05	(35.33)	(27.5)
Business Rates Baseline	176.68	178.15	1.47	0.8
Total	305.05	271.20	(33.85)	(11.1)
Less: Tariff	(32.88)	(33.15)	(0.27)	0.8
Settlement Funding Assessment	272.17	238.04	(34.13)	(12.5)

4.2.3 The business rates element of the Settlement Funding Assessment is determined by taking the 2015/16 baseline business rates amount of £176.7m and uplifting it for inflation. The uplift for inflation, based upon September 2015 Retail Price Index, is 0.8%. The business rates element of Settlement Funding Assessment for 2016/17 for Leeds is therefore £178.15m.

4.2.4 As a tariff authority for business rates any growth in the Council's local share above £178.15m in 2016/17, is subject to an additional levy at 18.6%. Normally the levy would be paid back to Government, but because Leeds is part of a Business Rates Pool with the other West Yorkshire Districts plus Harrogate and York, which instead receives the levy payments, the proceeds of the levy for the

pool are locally retained to be used to support economic growth in the city region.

4.2.5 The adjusted 2015/16 Settlement Funding Assessment includes an adjustment of £4.06m which is primarily in respect of Care Act funding in Adult Social Care and which was previously paid as a specific revenue grant.

4.2.6 The Settlement Funding Assessment takes account of the following:

- The new national totals for Local Government funding for 2016/17.
- As in 2015/16, funding in respect of Early Intervention, Homelessness Prevention, Lead Local Flood Authorities and Learning Disability & Public Health Reform Funding are included within the Settlement Funding Assessment but continue to be separately identified within the assessment.

Table 7 - Settlement Funding Assessment breakdown

	2015/16 Original £m	2015/16 Adjusted £m	2016/17 Final £m	Change £m
Formula Grant Council	225.18	225.18	192.31	(32.87)
Council tax Freeze Grant 2011/12	6.64	6.64	6.64	0.00
Council tax Freeze Grant 2013/14	2.77	2.77	2.77	0.00
Early Intervention Grant	19.34	19.34	17.79	(1.55)
Preventing Homelessness	0.86	0.86	0.86	0.00
Lead Local Flood Authority Grant	0.14	0.23	0.23	0.01
Learning Disability & Health Reform Grant	10.58	10.58	10.81	0.22
Local Welfare Provision	2.59	2.59	2.59	(0.00)
Care Act Funding		3.96	4.03	0.07
Sustainable Drainage Systems		0.02	0.02	0.00
Carbon Monoxide & Fire Alarm Grant		0.00	0.00	0.00
Settlement Funding Assessment	268.11	272.17	238.04	(34.13)

4.3 Business Rates Retention – Net cost of £12.6m

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

4.3.2 It is estimated that the total amount of business rates to be retained by Leeds in 2016/17 will be £191.6m. After taking account of the levy of £3.0m which will be paid to the Business Rate Pool, this will result in growth income of £10.4m over

the baseline - an increase of £3.1m from that originally estimated for in 2015/16, as illustrated in the table below:

Table 8 – Estimated Business rates Growth

	2015/16 £m	2016/17 £m	Variation £m
Business Rates local share	186.846	191.569	4.723
Less: Business Rates Baseline	176.675	178.147	1.472
Growth above baseline	10.171	13.4212	3.250
less: Levy	(2.828)	(3.015)	(0.187)
Net Growth	7.343	10.4062	3.063

4.3.3 Under the Business Rates Retention (BRR) scheme which was introduced in 2013/14, business rates income is shared equally between local and central government. Local authorities that experience growth in business rates are able to retain 50% of that growth locally. The downside is that local authorities also bear 50% of the risk if their business rates fall or fail to keep pace with inflation, although a safety-net mechanism is in place to limit losses from year to year to 7.5% of their business rates baseline. Although BRR allows local authorities to benefit from business rates growth, it also exposes them to risk from reductions in rateable values. The system allows ratepayers and their agents to appeal to the Valuation Office against their rateable values if they think they have been wrongly assessed or that local circumstances have changed. When agreement cannot be reached, appeals may be pursued through the Valuation Tribunal and then through the courts. One major issue with the system is that successful appeals are usually backdated to the start of the current Valuation List, i.e. 1st April 2010, and this greatly increases the losses in cash terms – by nearly six times in the current financial year. At the end of December 2015 there were over 6,000 appeals outstanding in Leeds and the total rateable value of the assessments with at least one appeal outstanding totals some £485m, which equates to more than half of the total rateable value of the city. It is worth noting that the Council does not set rateable values, nor does it have any role in the appeals process, but has to deal with the financial impact of appeals.

4.3.4 The budget proposals include a net general fund cost of £12.6m in 2016/17 which recognises the worsening position on business rates and the contribution required from the General Fund to the Collection Fund. This £12.6m net cost includes a £23m estimated contribution from the General Fund to the Collection Fund which in the main recognises the on-going impact of the backdating of appeals. It should be noted that this £23m contribution in 2016/17 is in addition to the £6.4m contribution to the Collection Fund in 2015/16. This contribution assumes £14.2m of business rates growth which recognises the continuing improvement of the economic climate across the city.

Table 9 – Business Rates Retention Scheme

	2015/16 £m	2016/17 £m
Business Rates Baseline (including Tariff)	143.8	145.0
Projected growth above the baseline to March 2016		5.7
Estimated growth in 2016/17		6.4
Additional income from ending of Retail Relief		2.1
Total estimated growth	10.2	14.2
Estimated provision for appeals		(22.1)
Additional estimated cost of transitional arrangements and provision for bad debts		(0.9)
Estimated year-end Collection Fund deficit (Leeds Share)	(6.4)	(23.0)
Estimated Business Rates Funding	147.6	136.2
Increase/(reduction) against the Business Rates baseline	3.8	(8.8)
Business Rates Retention - Net General Fund Cost		(12.6)

4.3.5 Business Rates Reliefs and Discretionary Powers

4.3.5.1 The Spending Review and Autumn Statement further support small businesses by extending the doubling of small business rate relief (SBRR) in England for 12 months to April 2017.

4.3.5.2 In 2015/16 shops, public houses and restaurants with rateable values of less than £50,000 were entitled to a statutory reduction of £1,500 in their business rates. The cost to local authorities was fully-funded through a separate Section 31 revenue grant from Government. The Chancellor announced in the 2015 Spending Review and Autumn Statement that this Retail Relief Scheme, which was a two-year local discount, would not be extended and will end at the end of March 2016 as was previously announced. The impact of this will be to increase the income from business rates by £2.1m which is directly offset by a £2.1m reduction in the section 31 grant.

There will be no changes to discretionary reliefs in 2016/17.

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

4.4 Council Tax

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

Table 10 – 2015/16 Council Tax levels (Figures exclude Police and Fire precepts)

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

- 4.4.2 In previous years the Government has set a limit of up to 2% for Council Tax increases above which a local authority must seek approval through a local referendum. The final settlement confirmed that this limit will also apply in 2016/17 and therefore it is proposed that the standard Council Tax is increased by 1.99%.

4.4.3 Adult Social Care Precept

- 4.4.3.1 The Spending Review announced that for the rest of the current Parliament, local authorities responsible for adult social care 'will be given an additional 2% flexibility on their current council tax referendum threshold to be used entirely for adult social care'. This flexibility is being offered in recognition of demographic changes which are leading to growing demand for adult social care, and increased pressure on council budgets. To ensure that this flexibility is used in accordance with the Government's intentions, and to ensure transparency for council tax payers, authorities will be required to provide certain information and undertake a number of actions. In addition, the Secretary of State has indicated that he will take account of authorities' actions when setting referendum principles in future years. Section 151 officers in local authorities were required to indicate whether their authority would be minded to take up the 2% flexibility (in full or in part), by the 15th January 2016; Leeds has indicated that it is likely to take this up. The final terms of the flexibility offer will be confirmed after the House of Commons has approved the Local Government Finance and council tax referendum principles reports for 2016/17 in February 2016. In line with the Initial Budget Proposals, it is proposed that the Leeds element of the Council Tax is also increased by a 2% Adult Social Care precept. Members will be assured that the increase in the Adult Social Care budget is higher than the £5.1m of funding that would be generated through the precept.

- 4.4.4 The proposed budget of £496.378m for 2016/17 is consistent with a Council Tax base of 218,267.1 band D equivalent properties as agreed by Council in January 2016. It is also consistent with the Leeds element of the Council Tax for 2016/17 being increased by 1.99% together with the 2% Adult Social Care precept which will give Council Tax figures for the Leeds City Council element only for each band as follows:

Table 11 – Leeds Council Tax Bands

Leeds	2015/16 £	2016/17 £
Band A	779.20	810.36
Band B	909.07	945.42
Band C	1,038.93	1,080.48
Band D	1,168.80	1,215.54
Band E	1,428.53	1,485.66
Band F	1,688.27	1,755.78
Band G	1,948.00	2,025.90
Band H	2,337.60	2,431.08

To these sums will be added precept amounts for Police, Fire and, where appropriate, town and parish councils. These additional amounts will be submitted to Council on 24th February 2016 following the formal decisions by their respective bodies.

- 4.4.5 Table 12 below sets out the estimated total income from Council Tax in 2016/17. In addition to the 1.99% increase in Council tax and the 2% Adult Social Care precept, this also recognises an additional £5.2m of income from increases to the Council Tax base (4,452.4 band D equivalent properties) together with a reduction in the contribution from the Collection Fund of £0.2m (a budgeted £2.03m surplus on the Collection Fund in 2015/16 reducing to an estimated surplus on the Collection Fund of £1.8m in 2016/17).

Table 12 – Estimated Council Tax income in 2016/17

	£m
2015/16 Council Tax Funding	251.9
Less: Change in Collection Fund - Increase <i>/(reduction)</i>	<i>(0.2)</i>
Add: Increase in tax base	5.2
Add: 1.99% increase in Council Tax level	5.1
Add: 2% Adult Social Care Precept	5.1
2016/17 Council Tax Funding	267.1

- 4.4.6 The budget proposals continue to assume an ultimate council tax collection rate of 99.0% for 2016/17.

4.4.7 Council Tax Support

- 4.4.7.1 From 2013/14, Government made major changes to the funding regime for local government. The long-established formula grant system under which funding depended upon local needs and resources was replaced by a system based upon the capacity to deliver housing and business growth.
- 4.4.7.2 At the same time a number of council tax exemptions were removed and council tax benefit was replaced by the new council tax support scheme. In 2013/14 government funding for council tax support was reduced by 10% compared to the previous year, but from 2014/15 onwards funding has no longer been separately identifiable.
- 4.4.7.3 The council tax support scheme operates as a discount on the same basis as other discounts currently in place, with protected groups receiving a 100% discount. The scheme for Leeds will remain unchanged for 2016/17, with non-protected recipients of council tax benefit being required to pay 25% of their council tax bills.
- 4.4.7.4 The localisation of council tax support has the effect of reducing the overall tax base for Leeds. Based on the 25% scheme the tax base will be reduced by 34,767 Band D equivalent properties for 2016/17.

4.4.8 Council Tax Support and Parishes

- 4.4.8.1 The Council Tax Support scheme has the effect of decreasing the Council Tax bases for both billing authorities and their parishes. In 2013/14 payments totalling £123k were passed down to parish and town councils within the Leeds area to compensate them for the reduction in their tax base. For 2014/15, this amount was reduced to reflect the 11% reduction in local funding nationally and for 2015/16 there was a further reduction of 15.8% to reflect the reduction in government funding for Leeds. Following this principle, for 2016/17, the amount to be passed down to parish and town councils would be £84k .
- 4.4.8.2 Parish and town councils were advised of the revised proposal and were provided with individual grant figures in January 2016 and to date no concerns have been raised. It is therefore proposed that a total of £84k should be paid to parishes as detailed in Appendix 5. It is proposed that these payments are made alongside the parish precept payments at the beginning of April.

5. Consultation

- 5.1 The approach to this year's consultation on the Initial Budget Proposal took account of 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. It also recognised the ongoing uncertainty over the exact

level of financial settlement the Council would receive, which was not resolved by the consultation start date.

- 5.2 Public consultation on the Council's 2016/17 Initial Budget Proposals ran from 17th December 2015 to 31st January 2016. Interim results were reported internally during the consultation period to inform the final budget reporting process.
- 5.3 The consultation took the form of a brief online summary of the Initial Budget Proposal at www.leeds.gov.uk/budget supported by the full Initial Budget Proposals report and a response form allowing participants to navigate the different sections to the report, learn about our proposals and then comment on those proposals. Paper equivalents were promoted in public council buildings. Third sector partners promoted the consultation opportunity through their networks and the full Leeds Citizens' Panel was invited to comment (followed with two reminder messages during the consultation period). Council social media channels were also used to promote the consultation opportunity.
- 5.4 An open-response format was chosen for the response form to give participants flexibility to share any views they wished. In total, over 750 comments were generated by 116 respondents. A full report on the findings is attached at appendix 1.
- 5.5 The initial budget proposals were submitted to Scrutiny following their approval by Executive Board on the 16th December 2015. A summary of their views are attached at appendix 2.
- 5.6 The Council's financial challenges and medium term financial strategy were discussed with Third Sector Leeds at a meeting on the 16th November 2015. The Council continues to have a strong and valuable relationship with the Third Sector and recognises the critical role that the sector plays in the life of the City. A specific response from Voice of Involved Tenants Across Leeds (VITAL) is included at appendix 3.
- 5.7 The Council remains committed to working with the third sector to ensure the best possible outcomes for communities in Leeds. At both a corporate and directorate level discussions will continue through 2016/17 around the city's ambitions and challenges and how the Council and Third Sector can work together with other sectors and communities to deliver the Best Council Plan 2016/17 outcomes.

6. Changes from Executive Board

- 6.1 Section 7 describes the proposed budget for 2016/17.
- 6.2 The budget proposals in this report are in line with the proposed budget which was reported to Executive Board on 10th February 2016 together with the two minor changes which are highlighted at para 1.3.

7. Proposed Budget for 2016/17

7.1 The following table analyses the change in the Council's proposed budget for 2016/17.

Table 13

	£m	£m	£m
Budget 2015/16	523.8		
Transfers of funding into SFA, mainly Care Act	4.1		
Adjusted Budget 2015/16	527.9		
Change in Grants and Reserves			
Business Rates Grants		2.1	
Increase in Business Rates Levy		0.2	
Other Grant Reductions		8.4	
Change in use of general reserves		(2.0)	
Change in use of earmarked reserves		(3.7)	5.0
Change in Prices			
Pay		5.3	
Price		6.6	
Income		(2.9)	9.0
National Insurance changes		7.6	
Real Living Wage		2.8	
National Living Wage - commissioned services		5.2	15.5
Full year Effects		(2.7)	
Demand/Demography		9.7	
Capital Financing Costs		(0.7)	
Other Budget Pressures		9.0	15.4
Total Budget Increases			44.8
Efficiencies		(23.1)	
New Homes Bonus		(0.8)	
Service Changes		(13.3)	
Income - fees & charges		(3.1)	
Income - Traded Services, Partner & other income		(12.4)	
Capital financing - MRP review		(23.7)	
Total Budget Reductions			(76.3)
Base Budget 2016/17			496.4
Reduction from Adjusted Budget 2015/16			(31.5)
Percentage decrease from Adjusted Budget 2015/16			-6.0%

7.2 Attached to this report are detailed budget reports for each directorate. Directorates have prepared their budgets in accordance with guidelines laid down by the Deputy Chief Executive. It is recognised that some actions contained in the proposed budget may impact on particular communities and

where relevant, appropriate consultation and the consideration of mitigating actions will continue.

7.3 Appendix 4 summarises the key budget decisions which underpin the assumptions contained within the 2016/17 budget. Except where explicitly stated, members are not being asked to take these decisions at this time, but they will be brought forward at the indicated time following appropriate consultation and in accordance with the Council's constitution and decision-making processes.

7.4 Within the budget, responsibility for some functional areas has changed and are reflected for 2016/17, these are;

- The transfer of the Employment and Skills service from City Development to Children's Services which occurred in May 2015.
- The transfer of various functions out of Children's Services including the Transport Service to Civic Enterprise Leeds and the Public Finance Initiative Team to Strategy and Resources.
- The Out of Hours service that allows Council tenants to report problems with their property has been transferred from Environment and Housing to the Call Centre in the Citizens and Communities Directorate.
- The transfer of core administrative functions to the Business Support Centre.
- The transfer of the front line library service from City Development to Citizens and Communities, linked to the ongoing development of Community Hubs.

7.5 Changes in Costs

7.5.1 **Inflation** - the budget proposals include allowance for £9m of net inflation in 2016/17. This includes provision of £5.3m for pay which reflects the national employers' final pay offer made in December 2015. The budget proposals also allow for inflation where there is a contractual commitment, but anticipate that the majority of other spending budgets are cash-limited. An anticipated 3% general rise in fees and charges has also been built into the budget proposals.

7.5.2 **Employer's National Insurance** - employer's national insurance costs are due to increase in 2016/17 as announced in the Chancellor's Autumn Statement in 2013. The estimated cost of this in 2016/17 is £8.2m of which £7.6m relates to general fund services and £0.6m to the Housing Revenue Account. In addition, the impact on schools will be in the region of £4.9m in 2016/17.

7.5.3 **National Living Wage** – as part of the Chancellor's budget in July 2015, Government announced the introduction of a new National Living Wage of £7.20 per hour, rising to an estimated £9 per hour by 2020. Implemented from April 2016, this National Living Wage would be paid to all employees aged over 25. In addition to the additional cost of implementing the Real Living Wage for all directly-employed staff, the budget proposals also make allowance for

implementing the cost of the National Living Wage for commissioned services, primarily those within Adult Social Care. The immediate impact in 2016/17 is estimated at an additional cost of £5.2m.

7.5.4 **Real Living Wage** – at its September 2015 meeting, the Executive Board agreed that the Council would move towards becoming a real Living Wage employer. In November 2015, the Campaign for Living Wage Foundation announced a living wage of £8.25 per hour (outside London). It is proposed to move to becoming a real living wage employer during 2016/17 by implementing a minimum rate of £8.01 per hour from April 2016 and consider the impact of a further increase with a view to implementing during the year.

7.6 Demand/Demography

7.6.1 Leeds is changing and expanding, partly as a result of rising birth rates and partly as a result of its relatively strong and vibrant economy meaning that more people choose to live and work here. An estimated population of 766,000 people includes over 185,000 children and young people (aged 0-19 years) which represents a rise of more than 2,000 since 2012.

7.6.2 In Adult Social Care, additional provision of £8.9m has been made to reflect the demand and demographic pressures experienced during 2015/16 and forecast for 2016/17. In recognition of the financial challenges facing the council the Directorate intends to put measures in place to manage this demand and reduce the costs of care packages. Savings of £5.5m are included in the budget for the estimated financial impact of service reviews across learning disability, mental health and physical impairment services based on a review of Leeds spend against the averages for comparator authorities. These savings are outlined in more detail in section 3.12 in the Adult Social Care report. Whilst the additional provision has been allocated across placements, domiciliary care, direct payments and the learning disability pooled budget, the type of service will reflect client needs and choices so each element of the community care packages budget cannot be predicted with accuracy. Budget provision made in 2015/16 for the Care Act responsibilities effective from April 2015 has also been realigned based on the trends during the first year.

7.6.3 In line with national trends, Leeds has experienced continued cost pressures on the learning disability pooled budget in recent years. Additional provision of £3.7m has been made in 2016/17 to reflect continued growth in demand. This reflects an increase in the number of customers being supported and greater costs due to their increasingly complex social care needs. This is partly offset by savings of £3m for the estimated impact of the service reviews outlined in more detail in the Adult Social Care budget report.

7.6.4 Spend on domiciliary care services has continued to grow during 2015/16, reflecting the ageing population and the aim of supporting people to remain independent for as long as possible. Additional provision of £1.6m has been made to reflect the ongoing impact in 2016/17. This has been partly offset by

savings of £1m from the service reviews. The budget for direct payments has increased by £0.7m as more people are choosing to organise their own care packages.

- 7.6.5 Additional provision of £3m has been made for residential and nursing placements. This partly reflects the growing numbers of older people and an increase in the number of working age adults with complex mental health needs requiring high levels of care. The most substantial element relates to specialist placements for people with complex physical impairments. This has been partly offset by savings of £1.5m from the service reviews outlined in the Adult Social Care report.
- 7.6.6 The increasing number of children and young people in the city brings with it an increasing number of children with special and very complex needs. In budgetary terms this impacts in particular on placements budgets for children looked after and in terms of the 2016/17 budget, approximately £3.5m of savings hinges upon the Directorate continuing to safely and appropriately reduce both the overall number of children looked after and the overall demand for expensive external placements.
- 7.6.7 Specifically, Children's Services continue to face significant demographic and demand pressures in terms of:
- High birth rates, particularly within the most deprived clusters within the city.
 - Increasing inward migration into the city, particularly from BME groups from outside the UK.
 - Increasing population of children & young people with special and very complex needs.
 - Greater awareness of the risks and prevalence of child sexual exploitation.
 - Growing expectations of families and carers in terms of services offered.
 - Changes in government legislation, including "Staying Put" arrangements which enable young people to remain with their carers up to the age of 21.

Within Children's Services these factors continue to put increased pressure on children in care placements budgets, spending on children and young people with complex needs and transport budgets, particularly for those vulnerable children with particularly complex needs. In respect of the latter, the 2016/17 budget proposals include additional funding of £0.7m to reflect this increased demand.

- 7.7 **Capital Financing and Debt** – the proposed budget recognises a net reduction in the cost of debt and capital financing costs of £0.7m in 2016/17 which reflects the on-going capital programme commitments together with anticipated changes in interest rates. The gross total capital programme is £1.1bn and seeks to deliver investment in line with the Council's plans and objectives. The level of the capital programme will continue to be reviewed to ensure that it is deliverable and that it continues to be supportive of the Council's priorities. The forecast debt budget reflects the costs of financing both present and future borrowing in

line with assumed borrowing costs. These assumed borrowing costs will be kept under review and adjusted for the latest market estimates.

- 7.8 **Council Tax Support Scheme & Single Person Discount** – the proposed budget recognises that the Council Tax Support Scheme will continue unchanged. An additional investment of £0.32m has been included in the budget proposals to fund additional customer services officers who will support implementation of the Personal Work Packages as part of the Council Tax Support Scheme which commenced in October 2015. This additional cost will be funded through additional income from estimated increases to the Council tax base. In addition, the proposed budget includes funding to extend the invest to save work on single person discount where again the commensurate savings are recognised in the Council Tax base
- 7.9 **Tour de Yorkshire & World Triathlon** – in 2016 Leeds is scheduled to host the World Triathlon and again host a stage of the Tour de Yorkshire. The 2016/17 budget includes provision of £0.6m of invest to save funding which recognises the significant economic boost that these events will bring to the City and wider region.
- 7.10 **Income Generation and Inward Investment** – in support of the continuing drive to become a more enterprising and efficient organisation, the proposed budget includes provision to invest in additional capacity to support the Council's income generation strategy including how we capitalise on the opportunities from trading services. In addition, the proposals include additional provision to support inward investment including working with partners to market our city.
- 7.11 **West Yorkshire Transport Fund** – the budget recognises a potential increase in the contribution to the West Yorkshire Transport Fund from £5.4m in 2014/15 to £11.4m over 10 years, an increase of £0.6m each year. The Leeds share based on population figures is around £0.2m and provision has been built into the proposed budget to reflect this which would be a decision by the West Yorkshire Combined Authority as part of their levy proposals.
- 7.12 Other Pressures**
- 7.12.1 Waste Management and Disposal Costs – a pressure of £0.75m is reflected in the 2016/17 budget proposals which primarily reflects changes to the costs of the processing of the green bin recycled waste and significant decline in income receivable for recycled material.
- 7.12.2 In Adult Social Care, the 2015/16 budget included financial support from health partners, recognising that without adequately resourced social care, timely hospital discharges will be adversely affected and people's conditions could necessitate more emergency hospital admissions. A pressure of £2.9m in 2016/17 arises as a proportion of the budgeted funding in 2015/16 is not expected recurrently.

- 7.12.3 Service user income Care budgeted in Adult Social in 2016/17 is £0.54m lower than in 2015/16. This largely reflects a reduction in the number of Telecare pendant alarm customers following the introduction of charging in 2014. In addition, following the reduction in the Public Health grant, the Public Health contribution to Adult Social Care has been reduced by £0.3m.
- 7.12.4 Income trends – a £0.4m pressure in City Development reflecting income trends in respect of advertising, venues income and fee recovery in asset management.
- 7.12.5 The Children's Services proposed budget recognises slippage against a number of budget action plans including delivery of the directorate's savings targets for the financial sustainability of Children's Centres (£0.9m), service transformation (£0.3m) and the delivery of extensive changes to the Youth Offer (£0.3m). In addition, the proposed budget also takes account of the need to invest £0.2m in order to secure European Structural and Investment Funds (ESIF) in respect of the 'Local Flexibilities for reducing unemployment' Programme.

7.13 Grant & other funding

- 7.13.1 The 2016/17 budget recognises pressures arising from a number of grant reductions across services. These include;
- The DfE Innovations funding for the Family Valued Programme - £1.6m.
 - Non-recurrent funding of £1m for capacity building for free early education entitlement.
 - A reduction to the Housing Benefit Administration grant of £0.3m.
 - A continuation of the in-year cut in the Youth Offending Team grant of £0.3m imposed by the Youth Justice Board as part of their 2015/16 savings.
 - As part of the local government finance settlement, the Government has reduced the per pupil rates for the Education Services Grant by 11.5%. For Leeds this equates to a core funding reduction of around £0.7m, with the potential to rise to £1m dependent upon academy conversion rates.

7.14 Public Health

- 7.14.1 On the 4th November 2015, Government announced the outcome of the consultation on the implementation of a £200m national in-year cut to the 2015/16 ring-fenced Public Health grant allocation. This confirmed the Department of Health's preferred option of reducing each local authority's allocation by 6.2%, which resulted in a reduction of £2.82m for Leeds in 2015/16.
- 7.14.2 In the Spending Review and Autumn Statement, the Government indicated it will make savings in local authority public health spending with a further cash reduction of 2.2% in 2016/17. It has become apparent that these reductions are in addition to the 6.2% 2015/16 reductions which will now recur in 2016/17 and beyond. Confirmation of the funding allocation was received on 11th February 2016 and there will be reduction to the Council's public health grant of £3.9m

(7.7%) in 2016/17 with a total estimated reduction to the Council's grant allocation of £7.3m by 2019/20. This will effectively mean that the Council will have £25m less to spend on public health priorities between 2015/16 and 2019/20.

- 7.14.3 In addition, the fall-out of non-recurrent funding from 2015/16 will mean the total savings needed from the public health budget in 2016/17 is £4.8m

Table 14– Public Health – grant allocation and reduction.

	National £'000	Leeds £'000
Original 2015/16 grant	2,801,471	40,540
Add: 0-5 transfer from health	859,526	9,986
	3,660,997	50,526
Less: 2015/16 recurring grant reduction	(200,000)	(2,818)
Less: 2016/17 grant reduction	(76,142)	(1,078)
Estimated 2016/17 grant	3,384,855	46,630
Total estimated grant reduction in 2016/17	(276,142)	(3,896)
Percentage reduction in cash-terms	7.54%	7.71%

- 7.14.4 In response to the proposed reduction in public health funding in 2016/17 to Council-provided services, the proposal is to use £1.3m of non-recurrent earmarked reserves to maintain priority services through to March 2017.

7.15 Police and Community Support Officers (PCSOs)

- 7.15.1 In 2014/15 the West Yorkshire Police and Crime Commissioner (PCC) agreed a two year funding agreement which saw a £0.45m increase in the PCC's contribution to Police and Community Safety Officers (PCSOs). In 2016/17 the PCC intends to increase the number of fully funded PCSOs from the current number of 47 but where posts are jointly funded then the contribution will be on a 50/50 basis. Currently Leeds makes a 20% contribution with its £1.06m budget, and whilst this budget in 2016/17 remains at the same level of provision as 2015/16, the revised arrangements mean that this will have implications for the numbers the Council will be contributing to since it will reduce from 165 to 67.

8. Savings Proposals – £76.3m

- 8.1 After taking into account the impact of the anticipated changes in funding and spend, it is forecast that the Council will need to generate savings, efficiencies and additional income to the order of £76.3m in 2016/17, after taking account of an estimated £15.2m additional Council Tax income.

8.2 New Homes Bonus – savings of £0.8m

- 8.2.1 The government introduced an incentive scheme in 2011 to encourage housing growth across the country; Councils receive additional grant equivalent to the

average national Council Tax for each net additional property each year which is received annually for six years. An additional 3,000 band D equivalent properties per annum has been assumed for 2016/17 which includes both new builds and properties brought back into use. The Council not only benefits from the additional Council Tax raised from these properties, estimated to be £3.6m in 2016/17, but also through the New Homes Bonus which is estimated at an additional £4.1m per annum. However, taking account of the shortfall in the net increase in properties in 2015/16 together with the fall-out of the £2.7m income from 2010/11, the cash increase is reduced to £0.8m.

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

8.3 Efficiencies – savings of £23.1m

8.3.1 The proposed 2016/17 budget includes a range of proposed efficiency savings across all directorates which total some £23.1m in 2016/17. These savings are across a number of initiatives around;

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

8.3.2 Assets – to date, the Council has successfully implemented a strategy which has seen a reduction in its asset portfolio and specifically a reduction in Council office accommodation by 250,000 square feet. The 2016/17 budget proposals include estimated revenue budget savings of £1.1m from the implementation of the asset management strategy and the reduction of the Council's asset portfolio.

8.3.3 Recycling and Energy Recovery Facility – The long term development of a waste strategy for the city has now started to deliver substantial benefits with further savings of £4.5m that are projected to be realised in 2016/17. This is in addition to the £2.3m that is projected to be saved in 2015/16.

8.3.4 In Adult Social Care, proposals are included to save £0.5m through efficiencies within the assessment and care management function. These will include a review of the staffing skills mix and business processes. Savings of £0.8m are

included for vacancy management across Adult Social Care, which will be managed so as not to impact on front-line assessments, support and care delivery. In addition, savings were built into the Aspire contract for learning disability services and these are scheduled to grow over the five-year contract period and savings of £0.15m has been included for the anticipated impact in 2016/17.

8.4 Fees & Charges – additional income of £3.1m

8.4.1 The 2016/17 budget proposals assume a general increase in fees and charges of 3%. In addition, there are a number of specific proposals to increase fees and charges detailed in the directorate pages where further increases are proposed which in total would generate an additional £3.1m of income by March 2017 over and above inflation.

8.4.2 A consultation took place in late 2015 on proposed changes to charging for non-residential services in Adult Social Care. Following a report in February 2016, the Executive Board agreed changes to the way income and allowances are taken into account when undertaking a financial assessment and to the maximum weekly charge. Some additional income was included in the 2015/16 budget and together with a net additional £1m this reflects the estimated impact in 2016/17 of this decision.

8.4.3 As a result of the enhanced visitor experience at Tropical World following the capital investment at the attraction visitor numbers have increased in 2015/16 and the budget for 2016/17 assumes that this trend continues with additional income of £0.23m included in the budget. The budget also recognises increases in activity levels at other attractions and cafés with additional income of £0.2m.

8.4.4 In City Development, the proposed budget assumes a growth in income from fees and charges of £0.8m. This will be achieved through above inflation price increases in some areas such as Highways and Transportation for services such as licences and other professional services, additional income will also be achieved through increases in volumes for income from planning and building fees, rental income and sport income. In addition, the Sport and Active Recreation Service has entered into a contract with Alliance Leisure which will provide targeted marketing and promotional support with the aim of increasing overall sport income, resulting in a profit share agreement being implemented.

8.5 Traded Services, partner income & other income – additional income of £12.4m

8.5.1 The 2016/17 budget recognises the Best Council ambition of becoming a more enterprising organisation and includes a range of proposals around securing additional income from commercial activities and traded services. In addition, the budget includes income from partner organisations and other income opportunities which are detailed in the directorate reports. Headlines include;

- In Children's Services the Directorate continues to work closely with its health partners around the 'Early Start' agenda and in 2015/16 set out a range of proposals aimed at further improving health outcomes for young children and their parents. The proposals set out a series of key actions for Children's Centres around the promotion of healthy eating, smoking cessation, accident prevention and parent and child mental health in return for £1.6m of co-investment from the 3 Health Clinical Commissioning Groups. The Clinical Commissioning Groups agreed to this level of co-investment on a non-recurrent basis in 2015/16 and the directorate continues to work closely with Health around the arrangements for 2016/17.
- Children's Services continue to work in close partnership with schools and clusters and in June 2015 presented a paper to the Leeds Schools Forum setting out proposals for improving children and young people's 'readiness for learning' for example through closer working between Children's Social Workers, Youth Workers, cluster teams and individual schools. The proposals were well received by the Forum and funding of £3.4m was agreed in principle for the 2015/16 academic year with potential for the arrangement to be extended into the 2016/17 academic year. The release of funding by Schools Forum is dependent upon the sufficiency of Dedicated School Grant balances and the submission of satisfactory progress/performance reports to the Forum setting out how the directorate has shaped service provision around the 'readiness for learning agenda'.
- In Adult Social Care the council has continued to work closely with health colleagues to reconfigure the health and social care system across Leeds and maximise the value of the 'Leeds £'. It is recognised across the sector that without adequately resourced social care there are adverse impacts on the health sector, for example timely hospital discharges will be adversely affected and people's conditions could necessitate more emergency hospital admissions. Additional income of £3.9m is included, £2.9m of which relates to funding budgeted in 2015/16 on a non-recurring basis. Following further discussions with health partners it is anticipated that this may be achieved through a combination of additional funding from health and use of the health and social care earmarked reserve established to fund initiatives of joint benefit. Any use of this reserve may effectively be a loan that would need to be repaid in future years. £1.8m relates to exploring opportunities to realign spend between capital and revenue within the Better Care Fund.
- Improvement Partner income in Children's Services - Leeds is one of 6 approved Improvement Partners for the DfE and in November 2015 began supporting Sunderland MDC on their improvement journey. This experience is helping the service develop a model for providing improvement support to other local authorities. The 2016/17 budget assumes £0.5m income for 2016/17

- A range of additional trading with schools, academies and other external organisations.

8.6 Service Changes – savings of £13.3m

- 8.6.1 By necessity, managing a reduction of £34.1m in government funding in addition to a range of cost pressures means that the Council will have to make some difficult decisions around the level and quality of services that it provides and whether these services should be increasingly targeted toward need as explained in the report on the Best Council Plan 2016/17 proposals.
- 8.6.2 Detailed service change proposals which together total savings of £13.3m by March 2017 are set out in the directorate budget reports. The key headlines include;
- 8.6.3 In Children’s Services, the Directorate is proposing to fundamentally change its response to the needs of young people at risk of falling out of education/employment. Existing arrangements for tracking young people’s destinations will continue, however, the approach to supporting these young people will change, with the aim of utilising in-house professionals already known to the young person and/or their family. These changes will enable the directorate to deliver savings of approximately £1.2m.
- 8.6.4 In Adult Social Care, the proposed budget includes savings of £1m in respect of changes to Assessment and Care Management relating to new customers, with a focus on delivering care packages that make the most effective use of telecare and reablement services and build on the individual strengths of customers to meet their needs more cost-effectively.

In addition, savings of £4.5m are proposed from Client Group Service Reviews - which are based on adopting the approach outlined above for new customers for all existing customers. A review of the costs of services has identified that spend in Leeds is significantly higher than in comparator authorities on mental health services and to a lesser extent on services for people with physical impairment and learning disabilities. Based on this analysis and the current level of spend on these services, savings of £3m are included for learning disability services, £1m for mental health services and £0.5m for physical impairment services. The impact of these reviews may include some customers being transferred to different services and some reduction in the level of care provided, but eligible social care needs will continue to be met. Some of these savings may impact on third sector services. Savings amounting to £900k are included for third sector grants and contracts, which were included in the 2015/16 budget and either not fully achieved or delivered non-recurrently.

In respect of Older People’s Residential and Day Care Services, following a consultation and engagement process, savings of £0.35m are proposed in respect of developing plans to reduce the number of council-run residential

homes and day centres that will be brought to Executive Board in due course. The £0.35m savings included in the proposed 2016/17 budget are for a part-year effect of these proposals.

8.6.5 In Citizen's & Communities, following on from reduction in the last two years' budgets, a further reduction of £0.2m is proposed to the Well Being and Youth Activities budgets. In addition, there are two other proposals that will directly impact on the third sector are a 20% reduction in the third sector infrastructure grant and a further reduction in the Innovation Fund of £50k in 2016/17.

8.7 Minimum Revenue Provision (MRP) – savings of £23.7m

8.7.1 The Council has undertaken a review of the application of its existing MRP policies and identified opportunities for additional savings which will reduce the pressure on its revenue budget but still ensure that a prudent level of provision is set aside.

8.7.2 When capital investment is funded from borrowing, there is a cost to the revenue budget both in terms of interest and minimum revenue provision (MRP). The annual MRP is effectively the means by which capital expenditure which has been funded by borrowing is paid for by the council tax payer.

8.7.3 By statute, local authorities need to make a prudent level of provision for the repayment of debt, and the government has issued statutory guidance, which local authorities are required to 'have regard to' when setting a prudent level of MRP. The guidance sets out the broad aims of a prudent MRP policy, which should be to ensure that borrowing is repaid either over the life of the asset which the capital expenditure related to or, for supported borrowing, the period assumed in the original grant determination. The guidance identifies four options for calculating MRP which would result in a prudent provision, but states that other approaches are not ruled out. Local authorities therefore have a considerable level of freedom in determining their MRP policies, provided that they are in line with the broad aims set out in the statutory guidance.

8.7.4 The Capital Finance and Audit Regulations require councils to produce an annual statement of policy on making MRP which the Council last did as part of the 2015/16 Capital Programme report to full Council in February 2015.

8.7.5 The main features of the Council's 2015/16 MRP policy include;

- If capital receipts have been used to repay borrowing for the year then the value of the MRP which would otherwise have been set aside to repay borrowing will be reduced by the amounts which have instead been repaid from capital receipts.
- MRP for borrowing for 2014/15's capital expenditure will be calculated on an annuity basis over the expected useful life of the assets. For expenditure capitalised under statute where there is no identifiable asset, the lifetimes

used for calculating the MRP will be as recommended in the statutory guidance.

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

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

8.7.7 The proposed budget for the Minimum Revenue Provision is underpinned by the availability of £27.6m of capital receipts as an alternative source of funding to repay debt. If this anticipated level of capital receipts is not achieved, either as a result of market conditions or specific issues, then there is a risk that the budgeted savings may not be achieved.

8.7.8 These changes have enabled the proposed revenue budget to include £23.7m of savings for 2016/17. In addition, as mentioned in paragraph 12.7, the intention is to identify and ring-fence some £5m of capital receipts in 2016/17 that will be used to strengthen general reserves.

8.8 Full year effects

8.8.1 Capitalised Pension Costs – savings of £2.3m are included in the budget proposals which result from the fall-out of the pension costs from 2011/12 which were capitalised and spread across a 5-year period.

8.8.2 Executive Board approved the closure of some older people's residential homes and day centres as part of the Better Lives strategy in September 2013. Savings of £0.5m relate to the anticipated impact of these decisions in 2016/17.

8.8.3 In Children's Services, a full-year saving of £0.4m arising from the decision taken in October 2015 in respect of the externally commissioned Family Intervention Service.

8.9 Impact of proposals on employees

8.9.1 The Council has operated a voluntary retirement and severance scheme since 2010/11 which has contributed to a forecast reduction in the workforce of 2,500 ftes to March 2016, generating savings of £55m per year.

8.9.2 The proposed budget provides for an estimated net reduction in anticipated staff numbers of 299 ftes by 31st March 2017, as shown in the table below:

Table 15 – Estimated staffing implications

Full-time Equivalents	Increases	Decreases	Net Movement
Adult Social Care	8	(178)	(170)
Children's Services	20	(60)	(40)
City Development	0	(31)	(31)
Environment & Housing	8	(51)	(43)
Strategy & Resources	0	(53)	(53)
Civic Enterprise Leeds	1	(24)	(23)
Citizens & Communities	10	(14)	(4)
Public Health	0	(9)	(9)
Total - General Fund	47	(420)	(372)
Housing Revenue Account	84	(11)	73
Total - General Fund & HRA	131	(431)	(299)

9. Breakdown of the 2016/17 Budget

9.1 Annex 1 to this report provides a detailed analysis at directorate level.

9.2 Annex 2 provides a subjective summary of the City Budget.

10. The 2016/17 Schools Budget

10.1 The Dedicated Schools Grant is expected to increase by £12.7m from £556.3m in 2015/16 to £569.0m in 2016/17 including funding to be transferred to academies. Pupil numbers have increased by over 2000, mainly in primary. The number of pupils taking up the free early education entitlement for 3 and 4 year olds is expected to increase as is the participation of disadvantaged 2 year olds. Funding remains at the 2015/16 levels and will be based on the January 2016 and 2017 census data. The Early Years Pupil Premium is now included within the DSG and funding remains at the same level.

Funding for pupils with special educational needs aged 0 to 25 is expected to increase by £0.9m due to changes in place numbers and the Leeds share of the national increase to this funding block.

- 10.2 There are no changes expected to the Education Funding Agency national formula for the post-16 grant.
- 10.3 The level of Pupil Premium to be received by Leeds schools (including academies) in 2016/17 for pupils aged 5-15 is estimated to be £42.3m, a year on year increase of £0.9m due to an increase in pupil numbers.
- 10.4 Universal infant free school meals - free school meals for all pupils in Reception, Year 1 and Year 2 will continue to be provided in the 2016/17 academic year at the same rate.
- 10.5 Specific Grants - the Primary PE Grant will be paid in both the 2015/16 and 2016/17 academic years to all primary schools and the Year 7 catch up premium will be paid to secondary schools in the 2015/16 and 2016/17 financial years. Funding rates remain the same.
- 10.6 Summary of Year on Year Change - the funding received through the Dedicated Schools Grant, Pupil Premium, Post-16 and other grants is estimated to be £657m for 2016/17, an increase of £13m. However, as most of the funding must be allocated to schools by a formula largely based on pupil numbers, schools with falling rolls will receive reduced funding year on year.
- 10.7 Funding from 2017/18 - the Department for Education is intending to move towards a national school funding formula from April 2017. A national consultation is expected to take place in the spring.

11. Housing Revenue Account

- 11.1 The Housing Revenue Account (HRA) includes all expenditure and income relating to the management of the Council's housing stock and in accordance with Government legislation operates as a ring fenced account. Details of the HRA budget proposals are contained in the attached Environment and Housing budget report. In summary:
- 11.2 In July 2015 the Chancellor announced that for the 4 years 2016/17 to 2019/20 dwelling rents would need to reduce by 1% each year. It is therefore proposed that rents are reduced by an average of 1.0% in 2016/17 which equates to a reduction in income of £2.1m.
- 11.3 This change in Government policy is effectively a 4% pa reduction from that assumed within the Council's HRA Financial Plan for each of the next 4 years and in cash terms equates to a reduction of £20.5m in rental income over this period. It is proposed that the reduction in income is managed through a combination of efficiencies, increasing charges where appropriate to reflect more closely the costs associated with providing services, together with improved targeting of resources and the use of reserves.

- 11.4 It is proposed to increase garage rents by 5% in 2016/17 which will generate additional income of £73k per year. In addition, it is proposed to increase district heating charges by 3% in order to reduce subsidisation.
- 11.5 Tenants in multi storey flats (MSFs) and in low/medium rise flats receive additional services such as cleaning of communal areas, staircase lighting and lifts. Since tenants only pay a notional charge towards the cost of these services, other tenants are in effect subsidising the additional services received. To reduce this subsidisation it is proposed to increase charges by £1 per week in 2016/17. This will generate additional income of £607k per year for the HRA. It is estimated that 65% of this will be met through housing benefit.
- 11.6 Tenants living in sheltered housing schemes across Leeds are supported by Sheltered Support Officers who provide housing related support to enable tenants to live independently in a safe environment. Tenants in receipt of this service are charged £12 per week which is eligible for Housing Benefit. It is proposed to increase this charge to £13 per week to reflect the costs associated with the service. For those tenants who benefit from the service but do not currently pay it is proposed from 2016/17 to introduce a nominal charge of £2 per week. These proposals will generate additional income of £313k in 2016/17.
- 11.7 Despite reduction in rental income the Council remains committed to maintaining inflationary increases in the amount provided to maintain homes, funding the investment strategy agreed by Executive Board in March 2015 and to replacing homes lost through Right To Buy (RTB) by the planned investment in new homes and buying empty homes.
- 11.8 The 2016/17 budget includes £43,588k for repairs to dwellings, which is £855k (2%) higher than the 2015/16 budget. In addition, the budget includes £73,041k to fund the housing capital programme/investment plan. This is £3,057k (4.5%) higher than the amount provided in 2015/16. This increase is being funded from the Swarcliffe PFI sinking fund. It should be noted however, that as the sinking fund smoothes out the effect of the incidence of the payments to the PFI contractor using these reserves will require additional resources to be identified in future financial years to fund the unitary charge payments.

12. Reserves Strategy and General Reserves

- 12.1 General and useable reserves are a key measure of the financial resilience of the Council, allowing the authority to address unexpected financial pressures. Since 2010/11, the Council's general reserve level has reduced from £29.56m down to £22.3m at April 2015 with further budgeted use of £1.5m in 2015/16.
- 12.2 Under the 2003 Local Government Act, the Council's statutory financial officer is required to make a statement to Council on the adequacy of reserves. In addition, it is good practice for the authority to have a strategy on the level and nature of its reserves and ensure these are monitored and maintained within the range determined by its agreed strategy. The purpose of a reserves strategy is:

- to maintain reserves at a level appropriate to help ensure longer term financial stability, and
- to identify any future events or developments which may cause financial difficulty, allowing time to take appropriate action.

12.3 The established strategy encompasses an assessment of financial risks included in the budget based on directorate budget risk registers. The risk assessments identify areas of the budget which may be uncertain and the at risk element of each budget area has been quantified. This represents the scale of any likely overspend/shortfall in income and does not necessarily represent the whole of a particular budget heading. Each risk area is scored in terms of the probability and potential impact on the budget.

12.4 The strategy also requires directorates to prepare budget action plans to deal with spending variations on budgets controlled by directorates during the year.

12.5 The assumed general reserve balance of £20.9m at March 2016 is predicated on the delivery of a balanced budget in 2015/16. The latest 2015/16 month 9 financial health report to Executive Board forecasts a marginal overspend which is anticipated will be brought into balance by the end of the financial year.

12.6 In order to support the 2016/17 budget it is proposed to use £3.45m of general reserves which is £2m more than the budgeted use in 2015/16. This would leave the level of general fund reserves at 31st March 2017 at £17.4m, or 3.5% of net expenditure.

The table below provides a summary of general reserves.

Table 16- General Reserves

General Reserves	2015/16 £m	2016/17 £m
Opening Balance 1st April	22.3	20.9
Budgeted usage	(1.5)	(3.5)
Closing Balance 31st March	20.9	17.4

12.7 Given the uncertainty about the future government funding, the financial challenges ahead and the inherent risks in future budgets, there is a strong argument that the level of general reserves should be increased over the next few years in order to increase the Council's financial resilience. To this end, it is proposed that additional specific capital receipts from asset sales are ring-fenced and used to reduce the Council's minimum revenue provision requirement and that these additional savings are then used to increase the level of General

Reserves. To this end a target of £10m of additional asset sales has been identified across 2016/17 and 2017/18.

13. Robustness of the Budget and the Adequacy of Reserves

13.1 The Local Government Act (Part II) 2003 places a requirement upon the Council's statutory finance officer (The Deputy Chief Executive) to report to members on the robustness of the budget estimates and the adequacy of the proposed financial reserves.

13.2 In considering the robustness of any estimates, the following criteria need to be considered;

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

13.3 In coming to a view as to the robustness of the 2016/17 budget, the Deputy Chief Executive has taken account of the following issues:-

- Detailed estimates are prepared by directorates in accordance with principles laid down by the Deputy Chief Executive based upon the current agreed level of service. Service changes are separately identified and plans are in place for them to be managed.
- Estimate submissions have been subject to rigorous review throughout the budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council.
- Significant financial pressures experienced in 2015/16 have, where appropriate, been recognised in preparing the 2016/17 budget, or are subject to further actions to enable them to be delivered.

- As part of the budget process, directorates have undertaken a risk assessment of their key budgets, documented this assessment in the form of a formal Risk Register, and provided a summary of major risks within the directorate budget documents, many of which are significant. All directorate budgets contain efficiencies, income generation and service reviews which will require actions to deliver, and any delay in taking decisions may have significant financial implications. The overall level of risk within the 2016/17 budgets of directorates is considered to remain relatively high. Whilst this level of risk can be considered manageable, it must be on the understanding that key decisions are taken and that where identified savings are not delivered alternative savings options will be needed. This is all the more important given that the Council will face further financial challenges over the years beyond 2016/17.
- In addition to specific directorate risks, the collection of Council Tax and generation of Business rates yields are two key risks which need to be closely monitored.
- The introduction from April 2013 of a scheme of council tax discounts does raise additional risks as to collection. Overall, the assumed collection rate for Council Tax was previously reduced from 99.2% to 99% to reflect this additional risk. It is still too early to make a proper assessment of the deliverability of collection at this level and there is still the potential for further losses. However, it should be noted that should there be a higher level of loss than assumed, that this would materialise within the collection fund, and as such would not impact upon the current year's budget.
- Under the business rates retention scheme, the Council's local share of business rates is exposed to risks from both collection and reductions in rateable values. During 2014/15 and 2015/16 two trends have become clear; firstly that gradual economic recovery is not resulting in significant volumes of new-builds in Leeds and secondly that growth that does occur is being largely offset by the effect of successful appeals and other reductions to the rating list; either through closure or Valuation Office reviews. Business rates income is therefore still a significant risk, however, as in the case of Council Tax, any losses greater than those assumed in setting the budget will materialise through a Collection Fund and will not impact in the current year.

13.4 The Council's financial controls are set out in the Council's Financial Regulations. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the Council. The Council has a well-established framework for financial reporting at directorate and corporate levels. Every month Executive Board receives a risk-based financial health report from each directorate and action plans are utilised to manage and minimise any significant variations to approved budgets.

13.5 The Council's Reserves strategy, as set out in section 12, requires directorates to prepare budget action plans to deal with spending variations on budgets controlled by directorates during the year.

13.6 In the context of the above, the Deputy Chief Executive considers the proposed budget for 2016/17 as robust and that the level of reserves are adequate given a clear understanding of the following:

- The lateness of the announcement of the provisional local government settlement for 2016/17 on the 17th December 2015 the day after the Initial Budget Proposals were agreed by the Executive Board. This has led to an increased call on general reserves in 2016/17, although mitigated in the medium term by the commitment to target additional capital receipts from asset sales to increase the level of general reserves in the medium-term.
- The level of reserves is in line with the risk based reserves strategy but their enhancement will be a prime consideration for the use of any fortuitous in year saving.
- Risk-based budget monitoring and scrutiny arrangements are in place which include arrangements for the identification of remedial action, and reporting arrangements to members will be enhanced.
- The budget contains a number of challenging targets and other actions, these are clearly identified, and will be subject to specific monitoring by the Council's Corporate Leadership Team, and as such, are at this time considered reasonable and achievable.
- Monthly risk-based budget reporting to members will continue in 2016/17.
- Budget risks are identified and recorded and will be subject to focussed control and management.
- As part of the Council's reserves strategy directorates are required to have in place budget action plans which sets out how they will deal with variations during the year.
- Risks associated with council tax and business rates, although potentially significant, will feed into the budget via a Collection Fund and will therefore not impact on the 2016/17 budget.
- There is a clear understanding of the duties of the Council's statutory Financial Officer and that the service implications of them being exercised are fully understood by members and senior management alike.

14. Equality Impact Assessment of the Budget

14.1 The Equality Act 2010 requires the Council to have 'due regard' to the need to eliminate unlawful discrimination and promote equality of opportunity. The law requires that the duty to pay 'due regard' be demonstrated in the decision-making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show 'due regard'. Equality impact assessments also ensure that we make well informed decisions based on robust evidence.

14.2 The Council is fully committed to assessing and understanding the impact of its decisions on equality and diversity issues. In order to achieve this, the Council has an agreed process in place and has particularly promoted the importance of the process when taking forward key policy or budgetary changes.

14.3 A specific equality impact assessment of the budget at a strategic level has been carried out and this is attached as Appendix 6.

15. Corporate Considerations

15.1 Consultation and Engagement

15.1.1 As explained at section 5 above the Initial Budget Proposals were subject to consultation with key stakeholders prior to finalisation of the 2016/17 budget.

15.2. Equality and Diversity / Cohesion and Integration

15.2.1 This issue is fully explained in section 14 above.

15.3 Council Policies and Best Council Plan

15.3.1 The 2016/17 Best Council Plan's ambitions, outcomes and priorities underpin the proposed 2016/17 budget and have been used to ensure that the Council's financial resources are directed towards its policies and priorities and, conversely, that these policies and priorities themselves are affordable.

15.4 Resources and Value for Money

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

15.5 Legal Implications, Access to Information and Call In

15.5.1 In accordance with the Council's Budget and Policy Framework, decisions as to the Council's budget and Council Tax are reserved to Council. As such, the recommendation at 17.1 which recommends the budget to Council is not eligible for call in.

15.5.2 The budget will 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.

15.6 Risks and Risk Management

- 15.6.1 The Council's current and future financial position is subject to a number of risk management processes. The adequacy of resources to meet the Best Council Plan objectives in the medium-term in a sustainable way is identified as one of the Council's corporate risks, as is the Council's financial position going into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the Council's risk-based reserves strategy. Both these risks are subject to regular review. In addition, financial management and monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach has been reinforced with specific project management based support and reporting around the achievement of the key budget actions plans.
- 15.6.2 It is recognised that the proposed strategy carries a number of significant risks. Delivery of the annual budget savings and efficiencies proposed will be difficult, but failure to do so will inevitably require the Council to start to consider even more difficult decisions which will have far greater impact upon the provision of front line services to the people of Leeds.
- 15.6.3 A full risk assessment of the Council's financial plans has been undertaken as part of the normal budget process.
- 15.6.4 The individual directorate budget reports at appendix 8 provide more detailed information.

16. Implications for Council Policy and Governance

- 16.1 There are no proposed changes to delegations and limits which form part of the Council's budget and financial control environment. The current limits are set out at appendix 7.

17. Recommendations

- 17.1 As recommended by the Executive Board, this report asks Council to adopt the following resolutions;
- i. That the Revenue Budget for 2016/17 totalling £496.378m be approved. This means that the Leeds element of the Council Tax for 2016/17 will increase by 1.99% plus the Adult Social Care precept of 2%. This

excludes the Police and Fire precepts which will be incorporated into the report to be submitted to Council on the 24th February 2016.

- ii. Grants totalling £84k be allocated to Parishes.
- iii. In respect of the Housing Revenue Account, that the budget be approved with;
 - a reduction of 1% in dwelling rents, a 5% increase in garage rents and a 3% increase in district heating charges.
 - that service charges for multi-storey flats/low/medium rise properties are increased by £1 per week
 - that charges for sheltered support are increased from £12 to £13 per week and that a charge of £2 per week is introduced for those tenants who benefit from the sheltered support service but do not currently pay.

18. **Background Documents**¹

18.1 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.

Statement of 2015/16 and 2016/17 budgets

Annex 1

Service	2015/16			2016/17		
	Net managed budget £000s	Net budget managed outside service £000s	Net budget £000s	Net managed budget £000s	Net budget managed outside service £000s	Net budget £000s
Adult Social Care						
Health Partnerships	60	16	76	252	27	279
Access and Care	191,986	16,051	208,037	206,448	6,457	212,905
Strategic Commissioning	(5,337)	(5,036)	(10,373)	(11,277)	(1,133)	(12,410)
Resources & Strategy	6,040	(4,962)	1,078	5,917	764	6,681
Pensions adjustment	0	(1,456)	(1,456)	0	(2,720)	(2,720)
	192,749	4,613	197,362	201,340	3,395	204,735
Children's Services						
Partnership Development and Business Support	18,485	25,641	44,126	18,663	41,646	60,309
Learning, Skills and Universal Services	15,286	1,856	17,142	12,369	2,557	14,926
Safeguarding, Targeted and Specialist Services	93,329	2,637	95,966	92,365	3,835	96,200
Central overheads	(3,081)	(4,503)	(7,584)	(2,944)	(941)	(3,885)
Pensions adjustment	0	813	813	0	(4,682)	(4,682)
	124,019	26,444	150,463	120,453	42,415	162,868
City Development						
Planning and Sustainable Development	3,539	72	3,611	2,876	274	3,150
Economic Development	1,075	288	1,363	888	396	1,284
Asset Management	1,332	1,756	3,088	809	5,448	6,257
Highways and Transportation	20,390	35,720	56,110	16,376	35,494	51,870
Libraries, Arts and Heritage	17,010	4,927	21,937	15,057	4,842	19,899
Sport and Active Recreation	6,250	6,947	13,197	5,701	7,624	13,325
Resources and Strategy	2,119	(1,822)	297	1,287	(936)	351
Pensions adjustment	0	(701)	(701)	0	(3,172)	(3,172)
	51,715	47,187	98,902	42,994	49,970	92,964
Environment and Housing						
Car Parking Services	(7,011)	921	(6,090)	(7,611)	807	(6,804)
Community Safety	2,171	448	2,619	2,199	545	2,744
Strategic Housing Support	1,096	7,206	8,302	835	4,269	5,104
General Fund Support Services	252	(414)	(162)	(826)	(353)	(1,179)
Waste Management	39,542	1,163	40,705	35,210	1,038	36,248
Parks & Countryside	8,366	2,820	11,186	8,061	3,367	11,428
Leeds Building Services	(4,920)	1,731	(3,189)	(5,822)	1,721	(4,101)
Strategic Housing Partnership	1,244	50	1,294	1,294	752	2,046
Special Contracts & Seccc	7,738	(289)	7,469	7,138	94	7,232
Environmental Action - West	2,825	154	2,979	3,110	276	3,386
Environmental Action - East	2,440	146	2,586	2,660	261	2,921
Environmental Action - South	2,511	168	2,679	2,695	248	2,943
Environmental Action - City Wide	411	79	490	0	0	0
Environmental Action - City Centre	2,150	98	2,248	2,291	120	2,411
Non Delegated Street Cleansing	377	2,044	2,421	255	2,102	2,357
Environmental Health	2,452	(56)	2,396	2,414	91	2,505
Pensions adjustment	0	(2,234)	(2,234)	0	(4,950)	(4,950)
	61,644	14,055	75,699	53,903	10,388	64,291
Strategy and Resources						
Strategy and Improvement	4,342	(1,773)	2,569	4,370	(1,432)	2,938
Finance	9,815	(1,228)	8,587	8,850	(786)	8,064
Human Resources	6,300	51	6,351	6,669	260	6,929
Technology	14,266	7,282	21,548	13,371	4,598	17,969
Public Private Partnership Unit	(23)	191	168	(590)	384	(206)
Legal Services	(1,562)	44	(1,518)	(2,177)	130	(2,047)
Democratic Services	4,983	(4,983)	0	4,919	(4,919)	0
Pensions adjustment	0	(1,373)	(1,373)	0	(2,510)	(2,510)
	38,121	(1,789)	36,332	35,412	(4,275)	31,137
Citizens and Communities						
Communities	5,830	799	6,629	5,529	860	6,389
Customer Access	12,494	393	12,887	15,404	709	16,113
Licensing and Registration	595	67	662	730	197	927
Benefits, Welfare and Poverty	2,643	171	2,814	2,912	309	3,221
Pensions adjustment	0	(747)	(747)	0	(1,411)	(1,411)
	21,562	683	22,245	24,575	664	25,239
Civic Enterprise Leeds						
Business Support Centre	4,638	27	4,665	9,288	765	10,053
Commercial Services	782	810	1,592	2,465	1,692	4,157
Facilities Management	6,222	2,335	8,557	5,989	2,740	8,729
Corporate Property Management	6,250	528	6,778	5,629	761	6,390
Pensions adjustment	0	(825)	(825)	0	(2,430)	(2,430)
	17,892	2,875	20,767	23,371	3,528	26,899
Public Health						
Public Health	0	(76)	(76)	0	(57)	(57)
Supporting People	299	2	301	327	26	353
Drugs Commissioning Service	(67)	0	(67)	19	0	19
Pensions adjustment	0	(122)	(122)	0	(163)	(163)
	232	(196)	36	346	(194)	152
Strategic and Central accounts	17,300	(41,136)	(23,836)	(2,566)	(78,557)	(81,123)
Pensions adjustment	0	(52,736)	(52,736)	0	(27,334)	(27,334)
Strategic and Central Accounts	17,300	(93,872)	(76,572)	(2,566)	(105,891)	(108,457)
NET COST OF CITY COUNCIL SERVICES	525,234	0	525,234	499,828	0	499,828
Contribution to/(from) General Fund Reserves	(1,450)	0	(1,450)	(3,450)	0	(3,450)
NET REVENUE CHARGE	523,784	0	523,784	496,378	0	496,378

Summary of 2016/17 budget by type of spending and income

Annex 2

	General Fund excluding Schools	Per Band D Property	Schools	HRA	Total Budget	% of total
	£000	£	£000	£000	£000	
Expenditure						
Employees	471,041	2,158	325,480	30,115	826,636	41
Premises	50,206	230	35,050	51,266	136,522	7
Supplies and services	30,815	141	74,630	108,109	213,554	11
Transport	42,824	196	1,757	497	45,078	2
Capital costs	23,345	107	26,545	59,505	109,395	5
Transfer payments	305,584	1,400	0	0	305,584	15
Payments to external service providers	363,449	1,665	0	176	363,625	18
	1,287,264	5,898	463,463	249,668	2,000,395	100
Income						
Grants	(488,630)	(2,239)	(423,285)	(21,385)	(933,300)	65
Rents	(10,215)	(47)	0	(219,060)	(229,275)	16
Fees, charges & other income	(219,853)	(1,007)	(40,178)	(7,200)	(267,231)	19
	(718,698)	(3,293)	(463,463)	(247,645)	(1,429,806)	100
Net budget	568,566	2,605	0	2,023	570,589	100
Contribution to/(from) IAS19 Pensions reserve	(49,371)	(226)		(1,528)	(50,899)	
Contribution to/(from) other earmarked reserves	(19,367)	(89)	0	(495)	(19,862)	
Contribution to/(from) General reserves	(3,450)	(16)		0	(3,450)	
	(72,188)	(331)	0	(2,023)	(74,211)	
Net revenue charge	496,378	2,274	0	0	496,378	

Notes: The number of Band D equivalent properties is

218,267

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

Report on the consultation to inform the 2016/17 Leeds City Council Budget

The financial strategy and budget proposals have both been driven by the Council's ambitions and priorities which have been shaped through past consultations and stakeholder engagement. Public perception evidence which services and localities already hold about people's priorities also supports the preparation of the initial budget proposals for 2016/17.

As in previous years, residents and wider stakeholders were given the opportunity to comment on the initial budget proposals in a variety of ways, for example, feedback forms in public spaces, online and also working with city-wide networks.

The approach to this year's consultation took account of 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. It also recognised the ongoing uncertainty over the exact level of financial settlement the council would receive, which was not resolved by the consultation start date.

Public consultation on the Council's 2016/17 Initial Budget Proposals ran from 17th December 2015 to 31st January 2016.

The consultation took the form of a brief online summary of the Initial Budget Proposal (IBP) at www.leeds.gov.uk/budget supported by the full IBP report and a response form allowing participants to navigate the IBP sections, learn about our proposals and then comment on those proposals. Paper equivalents were promoted in public council buildings. Third sector partners promoted the consultation opportunity through their networks and the full Leeds Citizens' Panel was invited to comment (followed with two reminder messages during the consultation period). Council social media channels were also used to promote the consultation opportunity.

An open-response format was chosen for the response form to give participants flexibility to share any views they wished. In total, over 750 comments were generated by 116 respondents.

Who took part

Participants were asked to complete equality monitoring information and the following table, based on interim sets of results taken with two weeks of the consultation period remaining, shows the profile of the respondents. Note that not all respondents completed all parts of the equality monitoring.

Gender			
Male	55%	Prefer not to say	14%
Female	31%		

Age			
Under 18	1%	46-55	19%
18-25	5%	56-59	8%
26-35	14%	60-64	13%
36-45	16%	65-74	7%
Prefer not to say	15%	75+	1%

Ethnicity	
White British	75%
White Irish, BME, other ethnicities	9%
Prefer not to say	16%

Self-declared disability	
Yes	10%
No	78%
Prefer not to say	12%

Religion			
Buddhist	1%	Sikh	0%
Hindu	1%	No religion	41%
Muslim	0%	Other	3%
Christian	34%	Prefer not to say	18%
Jewish	2%		

Sexual orientation			
Heterosexual/Straight	67%	Bisexual	2%
Lesbian/Gay woman	2%	Prefer not to say	25%
Gay man	3%		

Findings

The findings from the consultation are set out below. Each question is followed by a table showing the main thematic groups of comments made, ranked by percentage of all comments made.

1. Comments on our proposals to save £14m by becoming more efficient

Theme of comments made (% of all comments)	
General support for approach	26%
Critical of approach	15%
Cut senior management costs	11%
Critical of budget consultation	6%
Cut number of Members	5%
Protect youth services	5%
Share services with partners	5%
Cut bureaucracy	3%
Other (includes range of specific suggestions)	24%

2. Comments on our proposals to bring in £2.8m extra through an increase in some specific fees and charges, on top of a 3% general increase

Theme of comments made (% of all comments)	
General support for approach	33%
Try other options first	14%
Generally critical of approach	14%
Concerned at impact on vulnerable	11%
Support for parking charge rise only	4%
Too high a rise considering inflation	4%
Other (wide range of specific points)	19%

3. Comments on our proposals to bring in £12.5m extra through trading some of our services, and accessing funding from our partners

Theme of comments made (% of all comments)	
General support for approach	47%
Concern over viability	16%
Generally critical of approach	5%
Try other options first	5%
Go further	4%
Other (wide range of specific points)	22%

4. Comments on any other proposals we are putting forward to make savings and bring more income (in section 6.3 of IBP)

Theme of comments made (% of all comments)	
Generate income before cutting	19%
Concerned at impact on vulnerable and young people	19%
General support for approach	11%
Invest in transport	11%
Want clearer vision for future	8%
Other (wide range of specific points)	32%

5. Comments on our proposals for Council Tax levels in 2016/17, including the proposal to raise funds specifically for adult social care services through an additional 2% rise in Council Tax

Theme of comments made (% of all comments)	
Support full increase	46%
Against increases	28%
Only support ASC precept increase	5%
Other (wide range of specific points)	21%

6. Comments on our overall budget approach. Respondents were invited to comment on the overall approach to the 2016/17 budget

Theme of comments made (% of all comments)	
Generally supportive	27%
Generally critical	24%
Encourage more people to take action and responsibility	8%
Concern at impact of higher charges on vulnerable	8%
Invest for the future city	8%
Other (wide range of specific points)	25%

7. Additional ideas on efficiencies and income generation

Respondents were invited to share ideas on other ways the council can cut costs and increase income. A wide range of comments were given, and common ideas included:

- Increase revenue from events, advertising space or sponsorship
- No further work on trolley bus project
- Reduction in senior staff costs
- Greater sales of assets (buildings, art)

8. Alternative priorities

Residents were asked if there were other priorities they would like the council to consider in future. Again, a wide and diverse range of comments were made, with common themes including:

- Encourage growth and jobs (with decent wages)
- Improve transport infrastructure
- Education and young people's future prospects

9. Directorate budget proposals

Respondents could also give comments on the detailed IBP appendices setting out each council directorate's budget proposals for 2016/17. Fewer comments were made here, and the main themes are briefly set out below:

Adult Social Care

- A half show concern about the impact in general terms, or specifically about vulnerable groups, or for quality of services
- Around a fifth of comments show general support for the budget approach
- A minority want less spend in this area

Children's Services

- A third of comments showed concern about the potential impact on vulnerable young people of reduced youth services, and the longer term consequences
- A minority gave comments in general support for the proposals
- A minority also gave comments suggesting people should take more responsibility for themselves and their children

Citizens and Communities

- Few comments were made, but did include encouragement for partnership working and helping local people take more control in their communities

City Development

- A quarter of comments suggested that spending on culture should be further reduced
- A smaller set of comments suggested maximising revenue through cultural events
- Around a quarter of comments suggested further savings should be made from infrastructure work e.g. major transport projects, street-lighting
- A minority of comments also requested further work to attract jobs and businesses

Civic Enterprise Leeds

- Few comments were made, but a number encouraged the council to ensure it was suitably business-minded to achieve these proposals

Environment and Housing

- A quarter of comments focussed on better use of empty properties and making more homes available
- A fifth were generally supportive of the proposals
- A fifth of comments suggested fines for not recycling or managing household waste appropriately

Public Health

- A quarter of comments showed general support for the proposals
- A quarter also showed concern at the long term implications of the proposals

Strategy and Resources

- A third of comments encouraged smarter working e.g. more technology, flexible working

Initial 2016/17 Budget Proposals – Comments from Scrutiny

In accordance with the Council's Budget and Policy Framework the Council's Scrutiny Boards received the Executive's initial budget proposals in their December and January meeting cycles. All Boards undertook thorough examination of the budget proposals, inviting, where appropriate, Executive Board Members and Directors. All Board's recognised the significant budget pressures facing the Council and the difficult decisions that are required to be made and the need to work in smarter ways.

SCRUTINY BOARD (ADULT SOCIAL SERVICES, PUBLIC HEALTH, NHS)

Comments on the initial budget proposals for 2016/17

Introduction

At its meeting on 22 December 2015, the Scrutiny Board (Adult Social Services, Public Health, NHS) considered the Executive Board's initial budget proposals for 2016/17. The Board considered the Council's overall budgetary position, alongside those areas specifically within the Scrutiny Board's terms of reference, i.e. Adult Social Services and Public Health.

To assist the Scrutiny Board, the following Council officers were in attendance:

- Doug Meeson, Chief Officer (Finance Services)
- Cath Roff, Director of Adult Social Services
- Ann Hill, Head of Finance, Adult Social Care
- Dr Ian Cameron, Director of Public Health.

Main issues

The key areas of discussion and areas identified by the Scrutiny Board included:

- Confirmation of a larger reduction in the provisional local government finance statement than had been anticipated.
- Concern that the local government finance settlement for Leeds compared unfavourably to other local authorities.
- Confirmation of a new power for local authorities with social care responsibilities to increase council tax by up to and including 2% per year.
- Confirmation that from 2017/18, the Government was making funding available to local government, worth £1.5 billion by 2019/20, to be included in the Better Care Fund.
- An update on savings in local authority public health spending and reductions to the public health grant to local authorities.
- Significant concern that reductions to public health budgets limited the capacity to undertake preventative work, aimed at keeping people healthier for longer and slowing down the demand for NHS services in the City. It was felt that in the longer-term, there would be additional pressure on NHS budgets and the already predicted budget shortfall.

Outcomes

At the conclusion of its discussions, the Scrutiny Board made the following resolutions:

- (a) That the Board notes the Executive Board's initial budget proposals.

- (b) That the Board supports proposals to apply the additional 2% social care precept increase to Council Tax in 2016/17.
- (c) That the Director of Public Health reports details of the proposed 2-year budget strategy to a future meeting.

**Cllr Peter Gruen, Chair
on behalf of the Scrutiny Board (Adult Social Services, Public Health, NHS)**

INITIAL 2016/17 BUDGET PROPOSALS – COMMENTS FROM THE THIRD SECTOR

VITAL consultation response to Housing Leeds' proposals to manage its budget reductions from 2016/17 to 2019/20

VITAL was briefed at its December meeting about proposals from Housing Leeds to manage its budget reductions up to 2019/20. After a discussion it was agreed that VITAL would respond formally to the proposals and raise any concerns.

Whilst the budgets have already been agreed, VITAL have taken this opportunity to ask Housing Leeds what it intends to do to raise awareness and help tenants manage the impacts of funding pressures and changes to policy.

Reduction in rental income

The Chancellor's announcement of a reduction in social housing rents of 1% per year will have significant impacts on money generated to manage current housing stock.

VITAL is concerned that this will lead to a deterioration of the repairs and management service as less money is available. VITAL would see maintenance of current stock as an absolute priority. Environmental services like grass-cutting, litter picking, graffiti cleaning should under the circumstances carry a lower priority than keeping properties safe and maintained. However Vital is fully aware that creating better communities and safer places for people to live requires Housing Leeds to encourage any shortfall of funding for environment services to be sought from other agencies and partners so that we can continue to make our estates places that people choose to continue to live in.

Action: *For Housing Leeds to confirm how this will be managed.*

Increase of social housing rents for tenants with an income of over £30,000

VITAL was concerned that this threshold was too low and would impact tenants who would not be able to afford a rent rise to up to 80% of the local market rent.

Although tenants would pay more there would be no direct benefit from improved services as any additional rental would go direct to the Treasury.

Also no details were available currently about how this would be implemented and how much it would cost to evaluate tenants income.

Action:

- *For Housing Leeds to confirm how much they estimate it will cost and how long it will take to set up systems that will enable them to collect accurate information on tenant's income levels.*
- *For Housing Leeds then to provide VITAL with information on the number of tenants this would impact and to confirm how they intended to communicate this to those tenants.*
- *For Housing Leeds to brief VITAL once it has been decided on how rent thresholds were to be determined.*
- *For VITAL to work with Housing Leeds to ensure that as much information as possible would be given to impacted tenants and to come up with options to mitigate the impact.*

Service charges

The proposals for Housing Leeds to increase service charges by £1 per week for MSF and medium/low rise flats, by £1 per week for those sheltered tenants already paying for a warden service and to introduce a nominal £2 per week for those in sheltered housing but opting out of warden service were accepted by VITAL as a reasonable option to cover shortfalls. It was acknowledged that the current service was subsidised by Housing Leeds.

Right to Buy (RTB) Scheme

VITAL were very concerned about the short tenancy length (3 years) before tenants could consider buying their properties and the extension of RTB to Housing Association properties. This would lead to a continued fall in available social housing without the funding to provide like-for-like new build. Ultimately social tenants may have to pay market forces rents in the private sector, which coupled with the cap on the housing element of welfare benefit, could drive more people to homelessness and pressure already challenged services.

Whilst sheltered properties are not considered in the Scheme, it was perceived that tenants in sheltered communities were in effect "subsidising" it. Housing Leeds confirmed this is the case for all tenants.

Action:

- *For Housing Leeds to highlight the impacts of these changes to Government as a priority.*

For Housing Leeds to work in partnership with VITAL and other private and third sector organisations to ensure a holistic overview of various scenarios are explored so that some of the impacts can be anticipated. Perhaps Housing Leeds could produce a graph for VITAL members showing the overall expected impact of RTB sales over the next 10 years and the ramifications to people on Housing Leeds waiting lists.

Appendix 4

Proposal	Options Considered And Justification for proposal	Risks	Consultation undertaken	Summary of Equality Impact Assessment	Expected Decision Date	2016/17 Budget Amount £m	Decision Maker
Adult Social Care – review of assessment and service provision for new and existing customers.	Seeking more cost effective delivery of services as the “Use of Resources” benchmarking tool for adult social care services indicates that spend in Leeds is higher than that for comparator authorities. This will include a review of care management policies.	Increase in complaints (some customers will be signposted to alternative community based services or receive lower levels of care to meet their eligible needs)	To be undertaken	Not yet undertaken	Summer 2016 for policies. Ongoing for individual customers.	£1.0m New customers Existing Customers: £0.5m physical impairment £1.0m mental health £3.0m learning disability	Director in consultation with Executive Member or Executive Board on policies. Team Managers and Service Delivery Managers through approval of support plans.
Adult Social Care – review of older people’s residential and day care services	Recommendations to be developed for older people’s residential care and day care services taking account of the consultation on potential closures undertaken in late 2015.	None identified at this stage	Yes	Not yet undertaken	Summer 2016	£0.35m	Executive Board

Proposal	Options Considered And Justification for proposal	Risks	Consultation undertaken	Summary of Equality Impact Assessment	Expected Decision Date	2016/17 Budget Amount £m	Decision Maker
Adult Social Care – review of charging for non-residential services	Customer contributions in Leeds are lower than in comparator authorities and the Care Act includes areas of discretion for councils to consider. The review included proposed changes to the way customer contributions are calculated and an increase in the maximum weekly charge.	Some customers may reduce or cease their service or have financial concerns. Plans are in place to mitigate and manage these risks. Possible negative publicity.	Yes	Series of actions to mitigate affordability concerns and impacts.	February 2016	£1m	Executive Board
Adult Social Care - reduction in voluntary sector contract/grant spend	Seeking more cost effective delivery of services to address reduced public health funding in 2016/17 and the ongoing delivery of savings budgeted in 2015/16.	Staffing reductions may be required in some voluntary organisations. Possible negative publicity.	To be undertaken	Not yet undertaken	Ongoing as contracts are renewed or renegotiated.	£1.1m	Director, in consultation with Executive Member

Proposal	Options Considered And Justification for proposal	Risks	Consultation undertaken	Summary of Equality Impact Assessment	Expected Decision Date	2016/17 Budget Amount £m	Decision Maker
Children's Services - Reconfiguration of staffing across support functions within Partnerships Development & Business Support	Requirement to deliver savings to consume directorate pressures around demand led budgets	Potential lengthening of response times to data requests, lack of capacity to support projects/programmes	Ongoing	Not Needed	April 2016	£0.5m saving	Director
Children's Service - Reconfiguration of Children's Services - Youth Offending Service – staff reductions managed via vacancies and Early leavers Initiative.	In year reduction in specific grants from Youth Justice Board	Insufficient savings realised to meet scale of reduction required	Ongoing	Not Needed	March 2016	£0.4m saving	Director

Proposal	Options Considered And Justification for proposal	Risks	Consultation undertaken	Summary of Equality Impact Assessment	Expected Decision Date	2016/17 Budget Amount £m	Decision Maker
Children's Services - Reconfiguration of services to young people at risk of becoming NEET	Education, Employment & Training needs will be better met by making them integral to a range of professionals rather than a separately commissioned service;	Potential phased approach to de-commissioning may be needed with resultant impact on delivery of savings. Potential short term disruption to service delivery; Potential increase in NEET/not known's during transition	Ongoing	Needed and in progress	February 2016	£1.2m saving	Director
Children's Services - Reduce the net	Ongoing strategy to reduce the net cost of child-care through a	Time taken to agree service redesign and	Ongoing	Not Needed	March 2016	£0.5m	Director

Proposal	Options Considered And Justification for proposal	Risks	Consultation undertaken	Summary of Equality Impact Assessment	Expected Decision Date	2016/17 Budget Amount £m	Decision Maker
cost of Early Help managed child-care – through changes in management structure and efficiencies on other running costs including catering	more business-like approach which maximises income via take –up of places and changes the mix of staffing to decrease running costs	change the mix of staffing may impact on delivery of overall savings target. Potential shortfall in income in centres where places are not filled to expected capacity					
City Development – reduction to the Arts Grants budget	New 3 year agreements agreed by Executive Board, includes 5% reduction to the Arts Grant budget in 2016/17	Needs to take account of the impact of changes to other external funding sources e.g. Arts Council	Yes	complete	March 2015	Savings of £0.12m	Executive Board
City Development – agree annual	Review opportunities for further income generation and	Increasing charges may deter users of	Appropriate consultation on a case by	Will be undertaken on a case by	April 2016	Income of £0.6m	Chief Officer Culture and Sport and

Proposal	Options Considered And Justification for proposal	Risks	Consultation undertaken	Summary of Equality Impact Assessment	Expected Decision Date	2016/17 Budget Amount £m	Decision Maker
increase for Sport and other Services	charges across the Leisure Services and other Services to reduce subsidies	our facilities	case basis	case basis			other Chief Officers as appropriate
City Development – Reduction to the libraries book fund	Reduction to the book fund budget, the specific area of spend impacted will need to be determined.	Impact on library users of the reduction in spend	To be undertaken	Not yet undertaken	tbc	Savings of £0.05m	Chief Officer Culture and Sport
City Development - Reduction to events budget	Options to reduce the net cost of events	Savings not realised	To be undertaken	Not yet undertaken	tbc	Savings of £0.17m	Executive Board or Chief Officer Culture and Sport as appropriate
Environment and Housing – implementation of price increases	Price increases will be implemented in Parks & Countryside and Environmental Health and reflect increased contributions from users of services, since CPI is currently lower than 3%, although the Council still subsidises the cost	Leads to a reduction in demand	To be undertaken	Not yet taken	February and March 2016	£0.44m	Chief Officer for Parks and the Chief Officer for Environmental Action

Proposal	Options Considered And Justification for proposal	Risks	Consultation undertaken	Summary of Equality Impact Assessment	Expected Decision Date	2016/17 Budget Amount £m	Decision Maker
	<p>of many of the services concerned.</p> <p>Car Parking tariff increases will be at 3% with additional revenue being realised being employed to resource Highways expenditure.</p>					£0.2m	
Environment and Housing – Increased bereavement charges	A price increase of 4% will help contribute towards reducing the public subsidy for this service.	Leads to a reduction in demand	To be undertaken	Not yet undertaken	February 2016	£0.2m	Chief Officer Parks and Countryside
Environment and Housing – Re-commissioning and re-tendering of Supporting People contracts	Re-commissioning of Supporting people contracts with external providers will realise economies and demonstrate VFM.	That the re-tendering of contracts does not deliver contract savings	To be undertaken	Not yet undertaken	Various during 2016/17	£0.1m	Director

Proposal	Options Considered And Justification for proposal	Risks	Consultation undertaken	Summary of Equality Impact Assessment	Expected Decision Date	2016/17 Budget Amount £m	Decision Maker
Environment and Housing – strategic review of the operation of Household Waste Sites	Different options will be considered as a part of the review.	That the outcome of the review does not realise efficiency savings.	To be undertaken	Not yet undertaken.	tbc	£0.1m	Chief Officer for Waste Management
Environment and Housing – reduction in the discount for early payment of Environmental and Car Parking FPNs (Fixed Penalty Notices)	That early payers should still be incentivised but should still be financially penalised for the transgression they committed.	Leads to a reduction in payment rates.	To be undertaken	Not yet undertaken	February/March 2016	£0.02m	Chief Officer – Environmental Action
Citizens and Communities – reduction in wellbeing and youth activities budget	It is proposed to reduce the well-being and youth activities budget by £200k	None identified, although will obviously impact on funding of local projects and	To be undertaken	Not yet undertaken	February 2016	£0.20m	Assistant Chief Executive (Citizens and Communities)

Proposal	Options Considered And Justification for proposal	Risks	Consultation undertaken	Summary of Equality Impact Assessment	Expected Decision Date	2016/17 Budget Amount £m	Decision Maker
		initiatives					
Citizens and Communities – reduce Third Sector Transition Fund by £70k	20% reduction on current budget of £360k	Could impact on the ability of the third sector to contribute to the achievement of Council priorities	To be undertaken	Not yet undertaken	February 2016	£0.07m	Assistant Chief Executive (Citizens and Communities)
Public Health – Review of Commissioning contracts	The budget proposal reflects a £3.6m reduction in commissioning contracts of which £1.7m is internal to the Council and £1.9m relates to other providers	Negative impact on health of Leeds population	To be undertaken	Not yet undertaken	February 2016	£3.6m	Director of Public Health

**PROPOSED COUNCIL TAX SUPPORT
PAYMENTS FOR PARISH/TOWN COUNCILS**

Parish	Proposed 2016/17 Payment £
Aberford and District	435
Allerton Bywater	2,608
Alwoodley	1,009
Arthington	46
Bardsey cum Rigton	818
Barwick in Elmet and Scholes	1,629
Boston Spa	1,872
Bramham cum Oglethorpe	786
Bramhope and Carlton	1,021
Clifford	713
Collingham with Linton	965
Drighlington	1,443
East Keswick	366
Gildersome	1,754
Great and Little Preston	731
Harewood	25
Horsforth	5,937
Kippax	3,366
Ledsham	119
Ledston	161
Micklefield	4,518
Morley	16,142
Otley	19,666
Pool in Wharfedale	1,012
Rawdon	1,925
Scarcroft	181
Shadwell	411
Swillington	2,611
Thorner	1,018
Thorp Arch	293
Walton	98
Wetherby	10,191
TOTAL	83,870

Equality Impact Assessment

2016/2017 Budget

Introduction

This paper outlines the equality analysis and strategic equality assessment of the Budget and Council Tax proposals for 2016/2017 (as detailed in Executive Board Report 10th February 2016). The lead person for this equality impact assessment was Alan Gay, Deputy Chief Executive. Members of the Assessment Team were:

Neil Warren	Head of Finance
Michael Everitt	Principal Financial Manager
Lelir Yeung	Head of Equality
Pauline Ellis	Senior Policy and Performance Officer
Catherine Marchant	Head of HR – Resources
Coral Main	Principal Risk Management Officer

Overview

The 2016/17 budget supports delivery of the proposed Best Council Plan 2016/2017. This provides the strategic framework for the council's allocation of resources and how it responds to financial pressures to help deliver the authority's renewed ambition aimed at tackling inequalities: for Leeds to have a Strong Economy and to be a Compassionate City, with the Council contributing to this by being a more Efficient and Enterprising Organisation

It is clear that the current and future financial climate for local government represents a significant risk to the council's priorities and ambitions. The council continues to make every effort possible to protect the delivery of front line services. Whilst we have been able to successfully respond to the financial challenge so far, it is clear that the position is becoming more difficult to manage and it will be increasingly difficult over the coming years to maintain current levels of service provision without significant changes in the way the council operates.

The 2016/2017 budget has been prepared in the context of the council's Initial Budget Proposals which were agreed by the Executive Board in December 2015 and also the provisional Local Government Finance settlement in accordance with the Council's Budget and Policy Framework. As agreed by Executive Board, the Initial Budget Proposals have been submitted to Scrutiny for review and consideration, and have also been used as the basis for wider consultation

Since 2010, local government has had to deal with a 40% real terms reduction to its core government grant. In Adult Social Care alone, funding reductions and demographic pressures have meant dealing with a £5 billion funding gap. Even in this challenging context, local government has continued to deliver. Public polling nationally has shown that roughly 80% of those surveyed are satisfied with local services and that more than 70% of respondents trust councils more than central government to make decisions about services provided in the local area – a trend that has been sustained during the last five years.

Between the 2010/2011 and 2015/2016 budgets, Leeds' core funding from Government has reduced by around £180m and in addition the council has faced significant demand-led cost pressures. This means that the council will have had to deliver reductions in expenditure and increases in income totalling some £330m by March 2016. To date, the council has responded successfully to the challenge and has marginally underspent in every year since 2010 through a combination of stimulating good economic growth and creatively managing demand for services alongside a significant programme of more traditional efficiencies. However, there is no doubt that it will become increasingly difficult over the coming years to identify further financial savings unless the Council works differently.

The report on the 'Best Council Plan 2016/2017 proposals' explains how this will be done: that, while continuing its programme of efficiencies, the council needs to work differently, to keep evolving and innovating in terms of what it does and how it does it, exploring different service models and greater integration with other organisations and skilling up staff to grow their commercial and business acumen.

Much greater reliance will be placed on redefining the social contract in Leeds: the relationship between public services and citizens where there is a balance between rights and responsibilities; a balance between reducing public sector costs and managing demand, and improving outcomes. This builds on the concept of civic enterprise, born out of the 'Commission on the Future of Local Government', whereby the future of the council lies in moving away from a heavily paternalistic role in which we largely provide services, towards a greater civic leadership role underpinned by an approach of restorative practice: working with people, not doing things to or for them unless they need this, so that communities become less reliant on the state and more resilient. If more people are able to do more themselves, the council and its partners can more effectively concentrate and prioritise service provision and resources towards those areas and communities most at need, helping to tackle the poverty and inequalities that still exist across the city. A summary of the key challenges around deprivation and inequalities is included in the Best Council Plan 2016/17 report.

Scope

The Equality Act 2010 requires public bodies to give 'due regard' to equality. The council is committed to ending unlawful discrimination, harassment and victimisation and to advancing equal opportunities and fostering good relations.

In order to achieve this we need to ensure that equality and diversity are given proper consideration when we develop policies and make decisions. The council has an agreed process in place to do this through the use of equality impact assessments.

The council has so far responded successfully to the funding challenges since 2010 by reducing a number of areas of expenditure, most significantly on employees and through better procurement and demand management, and by increasing income.

After taking into account the impact of the anticipated changes in funding and spend, it is forecast that the Council will need to generate savings, efficiencies and additional income to the order of £76.3m in 2016/2017, after taking account an estimated £15.2m additional Council Tax income.

Efficiencies – savings of £23.1m

The proposed 2016/2017 budget includes a range of proposed efficiency savings across all directorates which total some £23.1m in 2016/2017. These savings are across a number of initiatives around;

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

Assets – to date, the council has successfully implemented a strategy which has seen a reduction in its asset portfolio and specifically a reduction in Council office accommodation by 250,000 square feet. The 2016/17 budget proposals include estimated revenue budget savings of £1.1m from the implementation of the asset management strategy and the reduction of the Council's asset portfolio.

Recycling and Energy Recovery Facility – The long term development of a waste strategy for the city has now started to deliver substantial benefits with further savings of £4.5m that are projected to be realised in 2016/2017. This is in addition to the £2.3m that is projected to be saved in 2015/2016.

Fees & Charges – additional income of £3.1m

The 2016/2017 budget proposals assume a general increase in fees and charges of 3%. In addition, there are a number of specific proposals to increase fees and charges detailed in the directorate pages where further increases are proposed which in total would generate an additional £3.1m of income by March 2017.

Traded Services, partner income & other income – additional income of £12.4m

The 2016/2017 budget recognises the Best Council ambition of becoming a more enterprising organisation and includes a range of proposals around securing additional income from commercial activities and traded services. In addition, the budget includes income from partner organisations and other income opportunities which are detailed in the directorate reports. Headlines include:

- In Children's Services the Directorate continues to work closely with its health partners around the "Early Start" agenda and in 2015/2016 set out a range of proposals aimed at further improving health outcomes for young children and their parents. The proposals set out a series of key actions for Children's Centres around the promotion of healthy eating, smoking cessation, accident prevention and parent and child mental health in return for £1.6m of co-investment from the 3 Health Clinical Commissioning Groups. The Clinical Commissioning Groups agreed to this level of co-investment on a non-recurrent

basis in 2015/2016 and the directorate continues to work closely with Health around the arrangements for 2016/2017.

- Children's Services continue to work in close partnership with schools and clusters and in June 2015 presented a paper to the Leeds Schools Forum setting out proposals for improving children and young people's 'readiness for learning' for example through closer working between Children's Social Workers, Youth Workers, cluster teams and individual schools. The proposals were well received by the Forum and funding of £3.4m was agreed in principle for the 2015/2016 academic year with potential for the arrangement to be extended into the 2016/2017 academic year. The release of funding by Schools Forum is dependent upon the sufficiency of Dedicated School Grant balances and the submission of satisfactory progress/performance reports to the Forum setting out how the directorate has shaped service provision around the 'readiness for learning agenda'.
- In Adult Social Care the council has continued to work closely with health colleagues to reconfigure the health and social care system across Leeds and maximise the value of the 'Leeds £'. It is recognised across the sector that without adequately resourced social care there are adverse impacts on the health sector, for example timely hospital discharges will be adversely affected and people's conditions could necessitate more emergency hospital admissions. Additional income of £3.9m is included, £2.9m of which relates to funding budgeted in 2015/2016 on a non-recurring basis. Following further discussions with health partners it is anticipated that this may be achieved through a combination of additional funding from health and use of the health and social care earmarked reserve established to fund initiatives of joint benefit. Any use of this reserve may effectively be a loan that would need to be repaid in future years. £1.8m relates to exploring opportunities to realign spend between capital and revenue within the Better Care Fund.
- Improvement partner income in Children's Services - Leeds is one of 6 approved Improvement Partners for the DfE and in November 2015 began supporting Sunderland MDC on their improvement journey. This experience is helping the service develop a model for providing improvement support to other local authorities. The 2016/17 budget assumes £0.5m income for 2016/2017.
- A range of additional trading with schools, academies and other external organisations.

Service Changes – savings of £13.3m

By necessity, managing a reduction of £34.1m in government funding in addition to a range of cost pressures means that the Council will have to make some difficult decisions around the level and quality of services that it provides and whether these services should be increasingly targeted towards need as explained in the report on the Best Council Plan 2016/2017 proposals.

The key headlines include;

- In Children's Services, the Directorate is proposing to fundamentally change its response to the needs of young people at risk of falling out of education/employment. Existing arrangements for tracking young people's destinations will continue, however, the approach to supporting these young people will change, with the aim of utilising in-house professionals already known to the young person and/or their family. These changes will enable the directorate to deliver savings of approximately £1.2m.
- In Citizen's & Communities, following on from reduction in the last two years' budgets, a further reduction of £0.2m is proposed to the Well Being and Youth Activities budgets. In addition, there are two other proposals that will directly impact on the third sector are a 20% reduction in the third sector infrastructure grant and a further reduction in the Innovation Fund of £50k in 2016/2017.
- In Adult Social Care, the proposed budget includes savings of £1m in respect of changes to Assessment and Care Management relating to new customers, with a focus on delivering care packages that make the most effective use of telecare and reablement services and build on the individual strengths of customers to meet their needs more cost-effectively. In addition, savings of £4.5m are proposed from Client Group Service Reviews - which are based on adopting the approach outlined above for new customers for all existing customers. A review of the costs of services has identified that spend in Leeds is significantly higher than in comparator authorities on mental health services and to a lesser extent on services for people with physical impairment and learning disabilities. Based on this analysis and the current level of spend on these services, savings of £3m are included for learning disability services, £1m for mental health services and £0.5m for physical impairment services. The impact of these reviews may include some customers being transferred to different services and some reduction in the level of care provided, but eligible social care needs will continue to be met. Some of these savings may impact on third sector services. Savings amounting to £900k are included for third sector grants and contracts, which were included in the 2015/2016 budget and either not fully achieved or delivered non-recurrently. In respect of Older People's Residential and Day Care Services, following a consultation and engagement process, savings of £0.35m are proposed in respect of developing plans to reduce the number of council-run residential homes and day centres that will be brought to Executive Board in due course. The £0.35m savings included in the proposed 2016/2017 budget are for a part-year effect of these proposals.

Minimum Revenue Provision (MRP) – savings of £23.7m

The council has undertaken a review of the application of its existing MRP policies and identified opportunities for additional savings which will reduce the pressure on its revenue budget but still ensure that a prudent level of provision is set aside.

When capital investment is funded from borrowing, there is a cost to the revenue budget both in terms of interest and minimum revenue provision (MRP). The annual MRP is effectively the means by which capital expenditure which has been funded by borrowing is paid for by the council tax payer.

By statute, local authorities need to make a prudent level of provision for the repayment of debt, and the government has issued statutory guidance, which local authorities are required to 'have regard to' when setting a prudent level of MRP. The guidance sets out the broad aims of a prudent MRP policy, which should be to ensure that borrowing is repaid either over the life of the asset which the capital expenditure related to or, for supported borrowing, the period assumed in the original grant determination. The guidance identifies four options for calculating MRP which would result in a prudent provision, but states that other approaches are not ruled out. Local authorities therefore have a considerable level of freedom in determining their MRP policies, provided that they are in line with the broad aims set out in the statutory guidance.

The Capital Finance and Audit Regulations require councils to produce an annual statement of policy on making MRP which the Council last did as part of the 2015/2016 Capital Programme report to full Council in February 2015.

The proposed MRP policy for 2016/2017 is included in the Capital Programme Report and states that borrowing for 2015/2016 capital expenditure will be calculated on an annuity basis over the expected life of the assets. It will also propose that the MRP liability on PFI schemes (to be met from capital receipts) is calculated over the life of the assets rather than the duration of the contract. These changes have enabled the revenue budget to include £23.7m of savings for 2016/2017.

Housing Revenue Account

The Housing Revenue Account (HRA) includes all expenditure and income relating to the management of the Council's housing stock and in accordance with Government legislation operates as a ring fenced account. Details of the HRA budget proposals are contained in the attached Environment and Housing budget report. In summary:

In July 2015 the Chancellor announced that for the 4 years 2016/2017 to 2019/2020 dwelling rents would need to reduce by 1% each year. It is therefore proposed that rents are reduced by an average of 1.0% in 2016/2017 which equates to a reduction in income of £2.1m.

This change in Government policy is effectively a 4% pa reduction from that assumed within the Council's HRA Financial Plan for each of the next 4 years and in cash terms equates to a reduction of £20.5m in rental income over this period. It is proposed that the reduction in income is managed through a combination of efficiencies, increasing charges where appropriate to reflect more closely the costs associated with providing services, together with improved targeting of resources and the use of reserves.

It is proposed to increase garage rents by 5% in 2016/2017 which will generate additional income of £73k per year. In addition, it is proposed to increase district heating charges by 3% in order to reduce subsidisation.

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 tenants only pay a notional charge towards the cost of these services, other tenants are in effect subsidising the additional services received. To reduce this

subsidisation it is proposed to increase charges by £1 per week in 2016/2017. This will generate additional income of £607k per year for the HRA. It is estimated that 65% of this will be met through housing benefit.

Tenants living in sheltered housing schemes across Leeds are supported by Sheltered Support Officers who provide housing related support to enable tenants to live independently in a safe environment. Tenants in receipt of this service are charged £12 per week which is eligible for Housing Benefit. It is proposed to increase this charge to £13 per week to reflect the costs associated with the service. For those tenants who benefit from the service but do not currently pay it is proposed from 2016/17 to introduce a nominal charge of £2 per week. These proposals will generate additional income of £313k in 2016/17.

Despite reduction in rental income the Council remains committed to maintaining inflationary increases in the amount provided to maintain homes, funding the investment strategy agreed by Executive Board in March 2015 and to replacing homes lost through Right to Buy (RTB) by the planned investment in new homes and buying empty homes.

The 2016/17 budget includes £43,588k for repairs to dwellings, which is £855k (2%) higher than the 2015/16 budget. In addition, the budget includes £73,041k to fund the housing capital programme/investment plan. This is £3,057k (4.5%) higher than the amount provided in 2015/16. This increase is being funded from the Swarcliffe PFI sinking fund. It should be noted however, that as the sinking fund smoothes out the effect of the incidence of the payments to the PFI contractor using these reserves will require additional resources to be identified in future financial years to fund the unitary charge payments.

Impact of proposals on employees

The Council has operated a voluntary retirement and severance scheme since 2010/2011 which has contributed to a forecast reduction in the workforce of 2,500 ftes to March 2016, generating savings of £55m per year.

The initial budget proposals provide for an estimated net reduction in anticipated staff numbers of 299 ftes by 31st March 2017.

The scope of this equality impact assessment is set within the context of savings in the above areas and seeks to understand the strategic analysis and assessment of the equality implications of the revenue budget 2016/2017 budget impact on all protected characteristics/equality groups.

Where relevance to equality has been determined, further work on each individual proposal will be undertaken within the normal decision – making process, which gives ‘due regard’ to equality through use of screening and equality impact assessments.

Fact finding – what do we already know

Demographics

A Changing Population

- The population of Leeds grew by just over 36,000 between 2001 and 2011 to 751,485 people, an increase of 5.0% (less than the 7.1% increase for England and Wales, and the 6.4% increase for Yorkshire and the Humber);
- The latest mid-2014 population estimate shows the Leeds population to be 766,399;
- The age structure for Leeds is broadly similar to that for England and Wales with the notable exception of the 20-29 age band which in Leeds accounts for 17.5% of the population compared to 13.6% in England & Wales;
- Children (aged 0-15) account for 18.3% of the city's population, while people aged 65+ account for 14.6%;
- Leeds is becoming increasingly diverse with the Black and Minority Ethnic (BME) population now accounting for 18.9% of the resident population (10.8% in 2001);
- The number of Leeds residents that were born outside of the UK has increased from 47,636 (6.7% of the population) in 2001 to 86,144 (11.5%) in 2011, with just over 20,300 people being born in the EU (12,026 born in EU accession countries) and just over 61,000 born elsewhere;
- Of the 86,144 people born outside the UK, more than half arrived in the last 10 years, 67% were between the ages of 16 and 44 when they arrived in the UK, and 29.5% were aged 15 or younger;
- There is no direct count of disability, but the census collects information in relation to 'long term health problems or disability'. In Leeds 83.2% of people say that their day to day activities are not limited by long term health problems or disability, 7.9% say they are limited a lot and 8.9% say that they are limited a little;
- The proportion of people who say they are Christian is lower in Leeds (55.9%) than across the whole of England and Wales (59.3%), while the proportion of people who say they have no religion is higher (28.2% and 25.1% respectively); and
- Compared to England and Wales, Leeds has higher than average proportions of people stating their religion as Jewish (0.9% compared to 0.5%), as Muslim (5.4% compared to 4.8%) and as Sikh (1.2% compared to 0.8%).

As a growing city Leeds is seeing significant changes to the makeup of the population which has an impact in particular:

- We have an ageing population, as the baby-boomer generation grows older there will be implications not only in terms of public services, ensuring that older people get excellent care and support when they need it and are enabled to live independently, but also in terms of the labour market as we make the most of the skills and talents that everyone has to offer.
- In the last decade the BME population in the city has increased from 10.8% to 18.9%, and the number of residents born outside of the UK has almost doubled. There have been very localised impacts across the city - with complex, related issues such as 'national identity', language proficiency, transient populations and variations in birth rates that in turn influence service provision and the wider interface between communities.
- In part linked to demographic change, in part linked to wider social change, patterns of faith have also changed across the city - different ethnic and religious

groups have very different age profiles and understanding these differences is key to helping plan and deliver appropriate services.

Poverty and Inequality

The Best Council Plan 2016/17 continues the aim set out in the Best Council Plan 2015/16 of reducing inequalities but articulates this more firmly around the integrated concepts of promoting economic growth and of being a compassionate city, with everything the council does having a clear focus on tackling poverty and inequalities.

The slow economic recovery alongside reductions in public spending has significantly impacted the poorest members of society. In Leeds, economic and social deprivation remains concentrated in specific localities, with long-term challenges such as access to employment, poor housing, language and literacy, skills, health and care responsibilities, being compounded by the changes to the welfare system.

Key data relating to poverty and deprivation:

- Almost a quarter of the Leeds population – around 175,000 people across the city - is classified as being in 'absolute poverty'.
- Over 28,000 (19.5%) Leeds children are in poverty, 64% (18,000) of whom are estimated to be from working families.
- As of October 2015, around 73,000 Leeds households were in receipt of Council Tax Support. Of this figure over 25,000 (35%) of these households in Leeds now have to pay 25% of their council tax due to changes to Council Tax Support.
- In-work poverty is estimated to affect 15,000 households in Leeds. Almost 22,000 Leeds residents in full-time work earn less than the Living Wage and almost 8,000 Leeds workers are on zero hour contracts.
- Approximately 20,000 people in Leeds have needed assistance with food via a food bank between April 2014 and April 2015.
- Almost 38,000 Leeds households are in fuel poverty and over 8,000 of these households are paying their fuel bills via prepayment meters.
- Access to credit and interest rates for those on low incomes or with poor credit histories also remains high. Around 121,000 payday loans were estimated to be accessed by Leeds residents in 2013.

The 2015 Index of Multiple Deprivation key findings:

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

- The age profile of our most deprived neighbourhoods confirms that our most deprived communities are also our youngest (and fastest growing).

The impact of welfare reforms on protected characteristics/equality groups as national research indicates that:

- women are more likely to be adversely affected by welfare reforms
- non-working lone parents, of which around 90% are female, are one of the groups that will see the largest income losses.
- there will be significant impacts on disabled people, as a result of Universal Credit, changes to benefit and tax credit indexation, Disability Living Allowance, Incapacity Benefit, Employment and Support Allowance and Housing Benefit.
- Carers of disabled people may lose their entitlement to Carer's Allowance as a result of the move from Disability Living Allowance to the Personal Independence Payment. In addition, under Universal Credit a carer will only be entitled to either a carer or a disability element, not both. This will mean that some carers with health problems will be worse off.
- some of the welfare reforms, such as the household benefit cap, are likely to have a disproportionate impact on some Black and ethnic minority claimants because of the characteristics of some of these households, such as the tendency for family size to be larger.
- Young people under the age of 25 and single people under the age of 35 will be affected by proposed welfare reforms.

Consultation

The financial strategy and budget proposals have both been driven by the Council's ambitions and priorities which have been shaped through past consultations and stakeholder engagement. Public perception evidence which services and localities already hold about people's priorities also supported the preparation of the initial budget proposals for 2016/17.

As in previous years, residents and wider stakeholders were given the opportunity to comment on the initial budget proposals in a variety of ways, for example, feedback forms in public spaces, online and also working with city-wide networks.

The approach to this year's consultation took account of 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. It also recognised the ongoing uncertainty over the exact level of financial settlement the council would receive, which was not resolved by the consultation start date.

Public consultation on the Council's 2016/17 Initial Budget Proposals ran from 17th December 2015 to 31st January 2016.

The consultation took the form of a brief online summary of the Initial Budget Proposal (IBP) at www.leeds.gov.uk/budget supported by the full IBP report and a response form allowing participants to navigate the IBP sections, learn about our proposals and then comment on those proposals. Paper equivalents were promoted

in public council buildings. Third sector partners promoted the consultation opportunity through their networks and the full Leeds Citizens' Panel was invited to comment (followed with two reminder messages during the consultation period). Council social media channels were also used to promote the consultation opportunity.

An open-response format was chosen for the response form to give participants flexibility to share any views they wished. In total, over 750 comments were generated by 116 respondents. Further details of the consultation can be found in Appendix 1.

Third Sector

The council has a strong and valued relationship with the Third Sector. It has long recognised the critical role that the sector plays in the life of the City. The council and the sector continue to be committed to working together to ensure the best possible outcomes for communities in Leeds. The council demonstrates its commitment to the sector not only in the significant investment into the sector for the delivery of service, but in its investment in the infrastructure in the sector and in the development and maintenance of the partnership relationship at all levels.

The Third Sector Partnership is the key forum for the third sector, the council and other public sector partners to work together and to ensure that collectively we create the conditions for a thriving third sector that is able to play its part in delivering the city ambitions and the partnership agendas.

The council has maintained the overall level of investment into the third sector, at around £110m despite the significant reductions in the council's budget over the last 3 years.

The council invests in the infrastructure to support Third Sector Leeds, (the sectors voice and influence body) and a network of third sector forums, so that it can facilitate strategic engagement with the sector and dialogue between the sector, the council and the City Partnerships.

There have been frank discussions over the last year, in many forums, about the challenging budget situation. The third sector has been invited to lead innovation and engage with the council in discussions about new ways of working. This has been supported by the council again making available the Innovation Fund (£150k in 15/16 and £100k in 16/17) to support and encourage transition to new ways of working, in addition to the investment by Directorates.

The council's dialogue with the sector about the budget proposals is now an established part of the annual cycle. However, since the last budget round Third Sector Leeds has worked with the council to raise awareness of the financial pressures and facilitate discussion within the sector.

A joint council, third sector task group was established in Spring 2015 to explore opportunities to maximise external funding into Leeds and specifically into the third

sector. This is a challenging agenda and progress is slow, but there is a shared commitment to capitalise on every funding opportunity for investment in Leeds.

A Third Sector Leeds Assembly event 'Responding to the Challenge', a collaboration between Third Sector Leeds and the council, was held during 2015. It was attended by over 100 Third Sector colleagues and 30 council officers. The Deputy Chief Executive and the Assistant Chief Executive (Citizens and Communities) set out the budget challenges ahead. The wider third sector were also encouraged to engage in thematic, service and locality focused discussions to bring forward ideas for new ways of working that would deliver on city priorities and ambitions, within the context of the financial pressures. There have also been discussions at Third Sector Leeds networks, forums and discussions about local priorities at Third Sector Goes Local events.

In addition to the dialogue about the budget pressures generally, there has been specific dialogue about the 2016 - 2017 draft budget and the implications.

As part of the council's budget consultation programme the third sector have been invited to respond to draft budget proposals, information has been cascaded through third sector communication mechanisms.

Directorates also have established mechanisms and arrangements for engaging with their third sector partners and there has been on-going dialogue about the emerging budget pressures and priorities, and exploring ways forward.

Initial strategic discussions with the sector took place in November 2015 at a special Third Sector Partnership with a council budget focus. The Assistant Chief Executive (Citizens and Communities) the Chief Officer Financial Services and Directorate representatives, met with Third Sector Leeds members to set out the projected financial position, emerging priorities and the Directorates key areas of challenge.

The council's Corporate Commissioning Group also held a third sector themed meeting in January 2016 to discuss arrangements for managing the impact on the third sector of budget cuts.

A further meeting will be held in late January 2016 with commissioning colleagues from across the council, focusing on coordinating approaches to manage and mitigate the impact of budget cuts on the third sector.

Third Sector Partnership continues to drive forward a strategic and considered focus on the third sector and will broker further necessary discussions on the budget pressures and new ways of working.

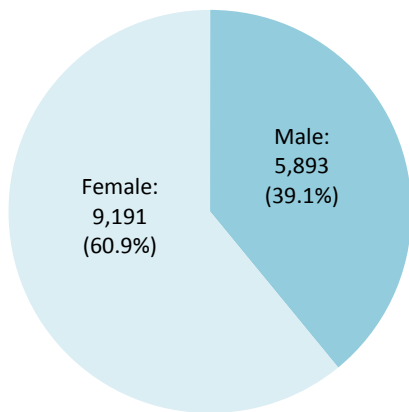
Workforce Profile

In December 2014 there were 16,096 people employed in the council (excluding schools and casual staff). In December 2015 this figure was 15,084, a reduction of 1,012 members of staff. The reduction is due in part in 2015/16 to the transfer under TUPE of 756 council staff in Adult Social Care to 'Aspire Community Benefit Society',

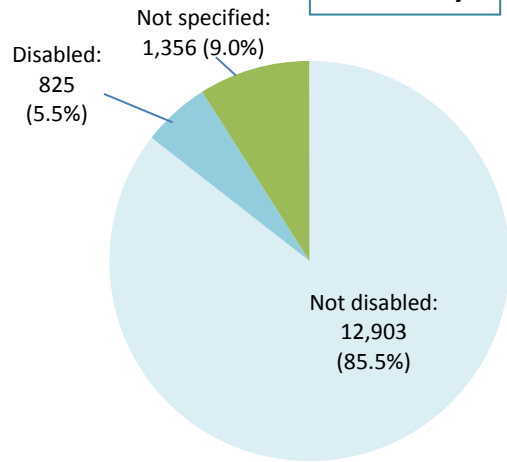
a not for profit social enterprise supporting people with learning disabilities that was 'spun out' of council control in August 2015.

A workforce profile breakdown of the 15,084 council staff is below:

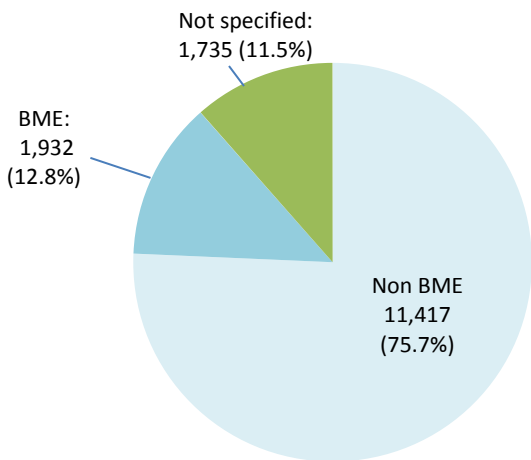
Gender



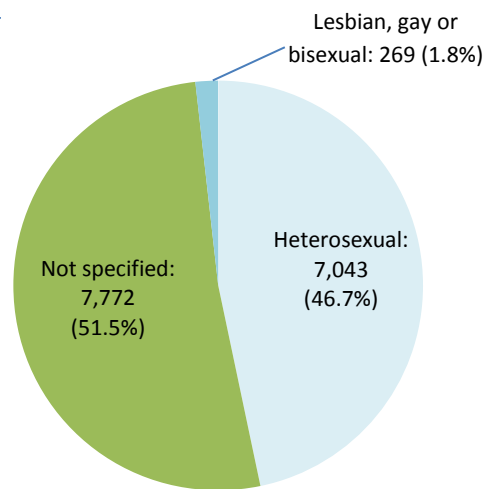
Disability

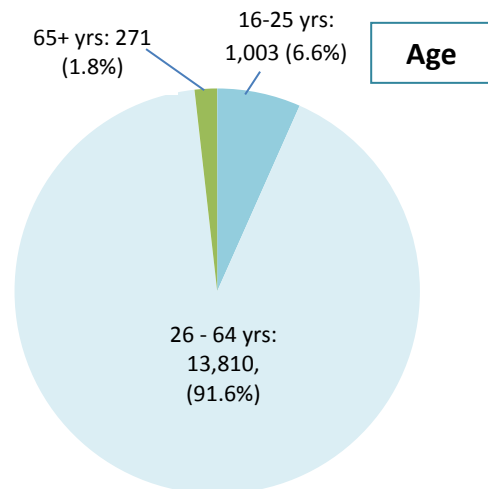
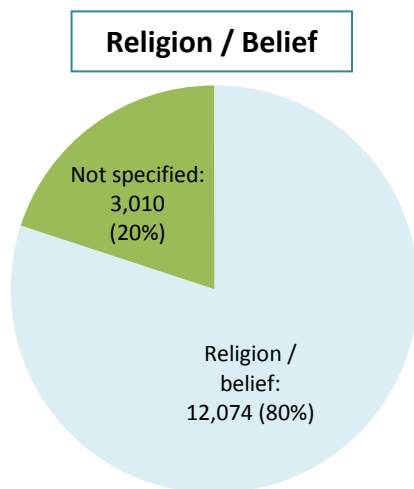


Ethnic Origin



Sexual Orientation





In response to the financial challenges, the council recognised that it would be necessary to significantly reduce its workforce with the council becoming smaller in size but bigger in influence.

In 2010/11 the council launched a voluntary early retirement and severance ('Early Leavers Initiative' or 'ELI') scheme. This scheme has continued throughout 2011/12, 2012/13 and 2013/14. In 2014/15, 561 people left the organisation under ELI and to date in 2015/16 another 128 people have left under this scheme. The current scheme finishes in March 2016 and employees have only been able to express an interest up to that date. An Equality impact Assessment was carried out on the Early Leavers Initiative and 'due regard' given at all stages of the process. Whilst there has been no significant impact on the workforce profile for most protected characteristics, due to the nature of the scheme, there has been most impact on the age profile. A review is now taking place regarding whether the ELI scheme will continue and in what format.

To date the number of people leaving since 2010 through natural turnover and ELI is not adversely affecting the workforce equality profile. However, the reducing workforce coupled with reduced external recruitment - vacancy management controls remain in place to limit the numbers of vacant posts advertised externally, but with directors having more flexibility to recruit externally on business needs - is affecting our ability to improve the workforce profile to reflect the city population. Positively, the increase in the number of young people employed in the organisation continues to rise with 6% of the workforce under the age of 25.

The budget for 2015/16 assumed that the equivalent of 401 FTE would leave the organisation by 31st March 2016. The budget for 2016/17 currently assumes a net reduction of 299 FTE posts.

It is expected that many of the cost savings and reductions in budget expenditure will have staffing implications and services will continue to look to reduce staffing levels. The council continues to promote flexibility in order to offer employment opportunities and retraining and redeploying staff into job opportunities which exist across the council, where there is a clear business need and which need to be filled.

The council promotes equality and diversity and wants a workforce which reflects the people of Leeds. Just as the census helps us to understand the Leeds community it serves, the council needs to understand the diversity of the workforce. This information helps the council to spot trends, remove barriers to employment and ensure our policies better reflect all employees.

The council needs to work hard to improve the workforce profile with closer working with the community and partners. Actions include:

- The council remains committed to creating an inclusive organisation which is reflective of the city’s population and all members of the Corporate Leadership Team and Chief Officers have a specific inclusion objective.
- All equality training has been reviewed to ensure it is fit for purpose and offers value for money. An equality e-learning module has been developed and rolled out to all appraising managers; other managers and colleagues will follow, ensuring that all the council’s workforce receive equality training.
- Additionally a new Disclosure Audit is going to take place to produce a more up to date profile of the workforce.
- ‘Due regard’ continues to be given to all key and major decisions which may impact on the workforce profile as the council’s workforce reduces.

Overview of Fact Finding

This is a high level overarching equality impact assessment and, whilst recognising the need to improve staffing data collection and analysis, it has not identified any specific gaps in the equality and diversity information used to carry it out. When undertaking Equality Impact Assessments on specific budget proposals the evidence used and any gaps in information highlighted will be included in the assessment.

Equality Considerations

The tables below highlight the range of protected characteristics/equality groups, stakeholders and other potential barriers that could be impacted on by the budget proposals:-

Protected characteristics					
<input checked="" type="checkbox"/>	Age	<input checked="" type="checkbox"/>	Carers	<input checked="" type="checkbox"/>	Disability
<input checked="" type="checkbox"/>	Gender reassignment	<input checked="" type="checkbox"/>	Race	<input checked="" type="checkbox"/>	Religion Or Belief
<input checked="" type="checkbox"/>	Sex (male or female)	<input checked="" type="checkbox"/>	Sexual orientation		
<input checked="" type="checkbox"/>	Other	This includes marriage and civil partnership, pregnancy and maternity, and those areas that impact on or relate to equality: tackling poverty and improving health and well-being)			

Stakeholders		
<input checked="" type="checkbox"/> Services users	<input checked="" type="checkbox"/> Employees	<input checked="" type="checkbox"/> Trade Unions
<input checked="" type="checkbox"/> Partners	<input checked="" type="checkbox"/> Members	<input checked="" type="checkbox"/> Suppliers
Potential barriers		
<input checked="" type="checkbox"/> Built environment	<input checked="" type="checkbox"/> Location of premises and Services	<input checked="" type="checkbox"/> Information and communication
<input checked="" type="checkbox"/> Customer Care	<input checked="" type="checkbox"/> Timing	<input checked="" type="checkbox"/> Stereotypes and assumptions
<input checked="" type="checkbox"/> Cost	<input checked="" type="checkbox"/> Consultation and Involvement	<input checked="" type="checkbox"/> Financial exclusion
<input checked="" type="checkbox"/> Employment and training		

Equality Impacts Identified

The longer term approach to financial planning responds to the Best Council Plan priorities and ensures budget cuts are managed sensitively. This requires an understanding of potential negative impact on groups and protected characteristics and also that actions are identified and taken to mitigate against these. The revenue budget will impact on all communities but those who have been identified at being at the greatest potential risk of negative impact include:

- Disabled people – including all impairment groups;
- Black and Minority Ethnic communities;
- Women;
- Older and younger people; and
- Low socio-economic groups (there is over representation within this group by disabled people and BME communities).

The vision is for Leeds to be the best city in the UK: one that is compassionate with a strong economy that tackles poverty and reduces the inequalities that still exist. Equality analysis used to set the council equality improvement priorities and socio-economic analysis referred to above have been used to inform the Best Council Plan priorities and the 16/17 budget and highlights the challenges the city will have to address to tackle inequality and help people out of poverty. These are:

1. Achieving Potential

(a) Children and Young People

Education and learning has a significant impact on life chances. Higher levels of numeracy and literacy are associated with a range of improved outcomes such as higher incomes and chances of long term, well paid employment. Anyone part of the 40+ % of young people not getting 5 good GCSEs has a 1 in four chance of being not in education, employment or training two years later.

The most recent school census shows that:

- 16% of the school population have English as an additional language
- 24% are from Black or minority ethnic groups
- 20% of children are eligible for FSM
- 18% had special educational needs.
- 26% of children lived in households in areas identified as being amongst the 10% most deprived areas in the country
- 37% of children live in the 20% most deprived areas of Leeds
- for some individual schools over 90% of children live in the 20% most deprived areas
- 21% of children (33,175 in total) are in child poverty and numbers are expected to grow significantly

We know that there are gaps in learning outcomes for young people on free school meals, looked after children, special education needs or disability and BME children. As such, one of the eight outcomes in the 2016/17 Best Council Plan is that 'we want everyone in Leeds to... Do well at all levels of learning and have the skills they need for life' with specific priorities on 'Supporting children to have the best start in life' and 'Improving educational achievement and closing achievement gaps'.

(b) Mental ill-health

We want to increase access to employment opportunities, up-skill the workforce and provide effective support to adults with low to moderate mental ill-health conditions to access the labour market because:

- The number of local residents claiming health related out-of-work benefits has remained persistently high over the last 15 years at over 30,000. Almost 50% of claimants have mental ill health rather than / in addition to physical conditions.
- There are 14,010 Employment and Support Allowance (ESA) claimants and 1,440 Incapacity Benefit (IB) claimants of working age with a mental and behavioural disorder. The highest level of claimants is concentrated in the most disadvantaged communities in the inner city.
- Jobcentre Plus has limited dedicated resource to support this group and a relatively small number of claimants are referred to the Work Programme for support. Current employment support available through Clinical Commissioning Groups is focused on those adults accessing secondary care (provision following a GP referral). There is a gap in terms of support available to those still within primary care. Earlier supportive interventions are required to improve the health and well-being of residents and reduce dependency on welfare.

(c) Apprenticeships

To improve access to Apprenticeships for Young People from BME communities as we know that:

- Apprenticeships offer entry level jobs with skills training to enable progression through recognised career pathways across all sectors of the local economy.
- Underrepresentation by BME residents in apprenticeships in Leeds reflects the national picture with Apprenticeship starts at just over 10% in 2013/14 academic year. The BME population of the school year 11 cohort is 21.2%. BME participation rates in apprenticeships compare poorly with adult learning programmes as a whole.

(d) Digital Inclusion

Improved digital inclusion provides greater access to jobs, skills and learning which help to reduce poverty as:

- Lack of connectivity impacts on people's ability to easily and readily access services and opportunities which adds to financial exclusion.
- Analysis of the 2010 Index of Multiple Deprivation shows that 23% of premises in West Yorkshire with the poorest connectivity (no superfast provision) are in the 20% most deprived areas in the country. Lower income levels and lower rates of adoption mean there is less incentive for the market to extend into these areas.
- For some people the costs of having a home broadband connection (most internet service providers require a landline telephone) are prohibitive.

(e) Financial Hardship

Poverty is recognised as an issue that impacts on equality, and financial exclusion as a barrier to an equal society. We know that poverty and financial exclusion disproportionately affect people within specific equality groups, particularly single parents, and people with mental health problems. For example, a report by the Mental Health Foundation asked people to identify the causes of their anxiety, with almost half of those surveyed (45%) saying that financial issues caused them to feel anxious (Living with Anxiety, 2014).

- The recession, the slow recovery and welfare changes have impacted on the poorest members of our society, and have led to increased problems of financial hardship and distress. Over the past five years the total number of people claiming benefits has grown, with the number of housing benefit and council tax benefit claimants increasing by 10%.
- The implementation of the welfare changes from April 2013 has contributed to many families falling into rent and council tax arrears or further into arrears. As a result in 2013/14 the council saw over 11,000 awards to people accessing its Local Welfare Support Scheme for both emergency (food and fuel) and basic needs provision (household goods) totalling over £1.4 million in direct awards. Mirroring national trends the city has also seen the emergence and significant growth of foodbanks, supported by the establishment of the Leeds Food Aid Network to coordinate emergency food provision across the district.

- Another trend which has emerged in recent years is an increase in the number of people in employment who are living in poverty. Nationally over 5 million people now live in households where at least one member of the household is in work, yet they live in poverty. This is symptomatic of a labour market which is characterised by low pay, temporary, part-time and zero hour contracts.

2. Helping vulnerable people

(a) Domestic Violence

One of the ambitions of the City is to tackle the prevalence and impact of domestic violence and abuse:

- There have been over 14,000 reported incidents of domestic violence and abuse in Leeds within the last 12 months. Both men and women may experience incidents of inter-personal violence; however, women are considerably more likely to experience repeated and severe forms of violence. Within Leeds, over 80% of victims of domestic violence and abuse are women.
- A third of all domestic violence reported incidents had children present. There are issues relating to under-reporting from victims of different communities.
- Additionally those communities/ wards with the highest levels of poverty and deprivation account for disproportionately higher levels of domestic violence and abuse reporting than the more affluent parts of the city. The ten most deprived wards across Leeds account for almost 50% of all reported domestic violence incidents.

(b) Reduce the occurrence and impact of hate crime

In 2014 Leeds Anti-Social Behaviour Team (LASBT), working in partnership with the Police, Stop Hate UK and Hate Incident Reporting Centres across Leeds, played a lead role in developing and delivering the current 'Hate Crime Strategy for Leeds'. The strategy reflects the government's plan published in 2012 to tackle hate crime: 'Challenge it, Report it, Stop it' aims to prevent and reduce levels of hate crime by ensuring victims and witnesses are supported, and offenders are brought to justice.

During the year to end of March 2015, LASBT received 293 reported Hate Incidents, (slightly down on the figures for 2013/13 when it received 331 reports). 227 (77.5%) of all reports received were identified as being reported under the 'Race' strand, 26 (8.9%) were linked to 'Sexual Orientation' reports and 23 (7.8%) were identified as 'Disability' hate incidents, with 17 (5.8%) as Faith, Transgender and Other. LASBT subsequently opened 108 hate related cases for investigation.

Data from West Yorkshire police shows that during the same period the police recorded 1,282 reported Hate Incidents across Leeds, an increase from the previous 12 month period of 107 reports (2013/14 – 1,175 hate incidents).

1,072 (83.6%) of all reports received were identified as being reported under the 'Race' strand, 88 (6.8%) were linked to 'Sexual Orientation' reports and 58 (4.58%) were identified as 'Disability' hate incidents, with 64 (Faith and Transgender reports).

Hate Crimes recorded by the police also rose slightly during 2014/15 to 831 from the 2013/4 figure of 810.

Taking the three sets of data together the overall figures for Hate Incidents and hate Crime were 2406 in 2014/5, a small increase on the 2316 recorded during the same period in 2013/4.

(c) Provide support and meet the accommodation needs of older people

The number of older people in Leeds is growing and by 2020 it is anticipated that those most in need of care and support, mainly older people aged 75 plus, will increase by around 13%. Leeds City Council has recognised that this demographic shift requires a change in how services for older people are delivered, including meeting their accommodation needs.

Overall, 39% of council tenants are currently aged 55 and over and 4% are aged 85 and over. It is projected that over the next 15 to 20 years this could increase significantly to 68% of tenants being over 55, and 18% of these being over 85 years old (Renew Research, 2014). The council's Adult Social Care Strategy - 'Better Lives for Older People' has identified the need for approximately 900 units of Extra Care housing by 2020.

Housing Leeds has a portfolio of approximately 4,200 Category 2 sheltered units in 127 schemes across the city (these are purpose built units for older people usually with communal facilities and a visiting Sheltered Support Officer). Housing Leeds also manages 235 Category 1 properties (purpose built units for older people but with no communal facilities or visiting Sheltered Support Officer, but with the availability of telecare). In addition, Telecare Leeds also provides 24 hour emergency support to a further 831 general needs council properties.

As 75% of LCC tenants over 65 (and 66% of tenants over 85) live in general needs housing it is essential that the Better Lives for Older People strategy also considers options for developing other housing and support solutions for all older tenants. It is well known that social isolation has a huge impact on overall physical and mental health, and so an important part of the strategy is to look at the wider role of sheltered housing in providing a community that all tenants feel part of, within the wider community.

(d) Improve housing options for young people

Reducing homelessness for 16 to 24 year olds, such as care leavers, young offenders and young people whose relationship with their family has broken down is an issue, as is reducing homelessness from existing young tenants who find it difficult to maintain successful council tenancies.

- National research indicates that under 25s now account for more than half of people seeking help with homelessness and make up over half of those living in homeless accommodation services in England. 62% are young people becoming homeless due to family and friends no longer willing to accommodate due to a relationship break down. Some are more at risk than others: 13% of young people experiencing homelessness are young offenders and 11% are care leavers.
- In 2014 Leeds had 2,339 16-24 year olds who presented themselves as homeless. Of these, 302 were 16/17 year olds. In most circumstances, it has been identified that the interests of young people (especially 16 and 17 year olds) are best served by living with their parents and that they should move to

independent living in a planned way. In 2014 the youth mediation workers in Housing Leeds prevented homelessness in 447 cases, and there have been no B&B placements for 16-24 year olds in the past 12 months.

- There are 2,861 (5%) lead tenants aged 16-24 who live in council properties. A customer STAR satisfaction survey in 2014 identified that 59% of 16-24 year olds who complete the survey were satisfied with the overall service from Housing Leeds, with those least satisfied also finding their current financial situation difficult. The findings also showed that younger tenants were most likely to find it difficult to manage their finances and afford energy bills.

(e) Fuel Poverty

Reducing fuel poverty, and therefore increasing affordable warmth, increases life expectancy, improves mental health and wellbeing and reduces health inequalities. It improves children's educational achievements and school attendance and reduces the incidence of childhood asthma. It also promotes social well-being and independent living, with older people able to use the whole house following central heating installation. This potentially reduces or delays admission to hospitals and care homes and reduces bed-blocking and winter pressures on the NHS.

- The five Leeds wards with the highest percentage of households that suffer fuel poverty all have an above average (or higher) concentration of BME communities in council housing. They are likely to have low incomes which will exacerbate fuel poverty. Income maximisation will also help alleviate fuel poverty.
- Fuel poverty is a product of low incomes and high energy costs. It affects the most vulnerable residents in our communities and can have adverse impacts on their well-being. Fuel price rises in recent years have combined with flat incomes to increase fuel poverty, with 3.5 million households living in fuel poverty in 2010 compared to 1 million households in 2004. If fuel bills continue to rise and incomes remain stagnant, Leeds recognises that more residents will be at risk of falling into fuel poverty unless the causes are addressed.
- The effects of cold caused by fuel poverty are not evenly spread: young children, particularly disabled children, and old people are most at risk of hypothermia. Children living in cold homes are twice as likely to develop respiratory conditions. Cold can make some health conditions such as musculoskeletal disorders, respiratory illness, mental health and cancer worse and can mean that frail people are more at risk of falls. These conditions make a major contribution to the gap in life expectancy between the most prosperous and most disadvantaged wards.

Next Steps

The Best Council Plan 2016/17 continues the aim set out in the previous 2015/16 Plan of reducing inequalities but articulates this more firmly around the integrated concepts of promoting economic growth and of being a compassionate city, with everything the council does having a clear focus on tackling poverty and inequalities.

During 2015/16, there have been some real achievements around 'Strong economy and compassionate city', just a few of these being:

- Leeds has now taken in 50 Syrian refugees and the council has facilitated a huge number of city-wide donations to assist.
- The council has signed up to Unison's Ethical Care Charter standards which will see improved terms and conditions for home care staff including implementation of the living wage, travel time and travel expenses, contractual hours and paid access to training. External providers, commissioned by the council, will also have to demonstrate that they have signed up to the Social Care Commitment and be able to demonstrate that staff have access to good quality training and that the provider is committed, as an organisation, to encourage staff to undertake training.
- The 100th Council home was completed as part of the council's housing regeneration project in Little London, Beeston Hill and Holbeck. This regeneration project will eventually deliver 1,200 newly refurbished council properties and nearly 400 new council homes.
- The 'Warmth for Wellbeing' service was set up to ensure vulnerable people living in cold or damp homes are able to keep warm this winter, offering advice, energy 'health checks' and energy efficiency improvements. A movement of 115 Winter Friends has been established across Leeds aiming to provide vulnerable older people with support over winter. Winter Friends have attended awareness sessions and will use a Winter Wellbeing Checklist with older people to increase their resilience during cold weather.
- Over 87% of children attend a Leeds primary or secondary school that is rated good or outstanding by Ofsted. This is above the national figure of 82% and 10% above the regional figure of 77%. While attainment nationally declined slightly on the headline '5 A*-C including English and maths GCSE' measure, provisional results show that Leeds' results increased by three percentage points. Leeds has the highest attainment on this indicator of the core city local authority areas.
- In October, Leeds launched the country's first Council Tax - Personal Work Support Package which provides 'high support, high challenge' for residents claiming Council Tax support to become work ready and to find employment. To date, at the time of writing, 155 people have started the programme and 10 people have gained employment.
- 5,995 residents have been supported through the Community Hub Jobshops with information and guidance on job search, CVs and applications, and training; 1,928 have been helped to secure jobs
- The council itself has committed to moving towards becoming a Real Living Wage employer by implementing a minimum rate of £8.01 per hour from April 2016.

We know that 2016/17 will bring continued reductions in our funding and that this is set to continue to 2020; Leeds has a growing and ageing population with increasingly complex needs; some communities are not benefiting from the economic growth the city has experienced and welfare changes could make the inequality gap bigger.

During 2016/2017 more detailed and specific work will continue to take place to ensure that further consideration is given to equality. Where any negative or

disproportionate impacts on protected characteristics have been identified appropriate and relevant action to mitigate these will be considered and implemented.

Equality Impact Assessment Action Plan

Action	Responsibility
Completion of all equality impact assessments in the Budget where relevance to equality has been identified	Directors
Continue quality assurance and review of equality impact assessment and actions from budget decisions	Communities Team

FINANCIAL REGULATIONS

Supplementary Votes

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

Up to £100,000	Deputy Chief Executive
Up to £5m	Executive Board
No specific limit	Council

Delegated Virements

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

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

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

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

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

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

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

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

- 4 Any decision to vire must comply with the constitutional requirements for decision making.

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

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

Other Budget Adjustments

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

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

Approval Type	Full Council	Executive Board	Deputy Chief Executive*	Directors**
	£	£	£	£
A) Supplementary Votes (i.e. Release of General Fund Reserves)	No specific limit	5,000,000	100,000	None
B) Virements of the net managed budget into or out of budget book service headings:				
1. Within a Directorate	No specific limit	5,000,000	750,000	125,000
2. Between Directorates	No specific limit	5,000,000	750,000	None
C) Self - Financing virements of the net managed budget (from External Funding)				
- policy change	No specific limit	5,000,000	None	None
- within current policy	No specific limit	No specific limit	No specific limit	No specific limit

* With the support of Directors

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

Full Council papers 24th February 2016 – Service budgets

The following pages provide supporting information to the main budget report.

LEEDS CITY COUNCIL

2016/17 BUDGET REPORT

Directorate: Adult Social Care

1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the directorate's budget for the 2016/17 financial year.

2. Service Context

- 2.1 The national context for Adult Social Care continues to be one of demographic increases, increased life expectancy, increasing complexity of need and service user expectations, greater support for people to remain living independently in their own homes for as long as possible, a national drive to improve the quality of social care services and an increasing focus on the integration of health and social care services. The introduction of the National Living Wage will have a significant impact on the care sector and whilst improved pay for care staff is welcomed, it will lead to increased costs for services commissioned by Adult Social Care. 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.
- 2.2 The Care Act 2014 gave "wellbeing" a central focus. Through the changes that took effect from April 2015 some discretionary powers became 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. The further changes originally scheduled to take effect in April 2016 have now been deferred to April 2020. These include a cap on individuals' care costs and changes to the capital thresholds that apply to financial assessments.
- 2.3 The Spending Review 2015 gave councils the option of a 2% increase in Council Tax earmarked wholly for Adult Social Care. Additional funding for local authorities in future years through the Better Care Fund is also planned. However, given the scale of demand and cost pressures on Adult Social Care this additional funding in itself will not address our financial challenges, particularly within the context of continuing funding reductions for the Council as a whole.
- 2.4 Over the last five years Adult Social Care has implemented its Better Lives service transformation programme, which aims to enhance the range, amount and quality of adult social care services available and deliver 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 service transformation programme will continue in 2016/17, with a focus on service improvement running alongside financial efficiencies. This will include the further development of our approach to build care packages around the strengths of individual service users and carers, and the assets available within their communities empowering them to live the 'Better Life' that they want for themselves. A further example of our ambition to improve service quality is our

commitment to the Ethical Care Charter and our plans to move towards all home care providers working on behalf of the Council paying their staff the Living Wage as defined by the Living Wage Foundation. This is higher than the National Living Wage and research has demonstrated that there is a positive correlation between pay rates for care workers and the quality of care provided to customers.

3. Budget Proposals

3.1 This budget represents an increase of £5,091k (2.59%) when compared to the adjusted budget 2015/16, summarised in the table attached to this report:

3.2 Adjustments – increase of £3,500k

Care Act funding provided in 2015/16 through a specific government grant has been included for 2016/17 in the Settlement Funding Assessment. £3,367k has been added to the Adult Social Care budget to reflect the fall-out of the Care Act grant funding. Transfers of functions reflect the transfer of staff to Civic Enterprise Leeds as part of better business management, partly offset by the Performance, Policy and Improvement Team transferring from Strategy and Resources. In August 2015 the learning disability community support service transferred to Aspire, a social enterprise. Adult Social Care provides the full funding for this contract and £915k has been added to reflect some of the support services being provided by other directorates. The creation of Aspire has also led to a significant realignment of budgets within Adult Social Care, predominantly a reduction in the staffing budget and an increase in the budget for commissioned services. The other main adjustments are the transfer of pension costs to Central and Corporate accounts, partly offset by the budget for procurement transferring from Strategy and Resources.

3.3 Changes in prices – pressure of £2,649k

3.3.1 The budget includes provision of £695k reflecting the National Employers' final pay offer made in December 2015. This offer involves lump sum increases in 2016/17 and 2017/18 for spinal column point (scp) 6 to 17 and 1% increases in each year for scp 18 and above.

3.3.2 No provision has been made for inflation on running cost budgets other than where there are specific contractual commitments and on utilities. The main provision for price inflation is £1,917k for care packages.

3.3.3 Inflationary increases in the level of fees, charges and income from other organisations are estimated to generate additional income of £40k. Many Adult Social Care fees and charges are related to Department for Works and Pensions benefits rates and will be uplifted accordingly from April 2016. Those not linked to benefits rates have been budgeted to increase by 3%. An increase in the charges for services does not generate a proportionate increase in income as the amount people pay for most services is determined by their financial circumstances.

3.4 National Insurance Changes

The Chancellor's Autumn Statement in 2013 announced that the current arrangements for contracting out will be abolished from 2016/17. Employer's national insurance costs will therefore increase in 2016/17 and £1,325k provision has been made for this.

3.5 Living Wage

At its September 2015 meeting, the Executive Board agreed that the Council would move towards becoming a real Living Wage employer by implementing a minimum rate of £8.01 per hour from April 2016 with a view to implementing a further increase during the year. Provision of £30k has been made for this.

3.6 National Living Wage

As part of the budget in July 2015, the Government announced the introduction of a new National Living Wage of £7.20 per hour from April 2016 for all employees aged over 25, rising to an estimated £9 per hour by 2020. The budget makes allowance for implementing the cost of the National Living Wage for commissioned services within Adult Social Care. The immediate impact in 2016/17 is estimated at an additional cost of £5,168k.

3.7 Holiday Pay

The budget provides for the estimated cost of the draft regional collective agreement regarding the Council's obligation, following recent case law, to pay 'normal pay' to employees on annual leave. This agreement would apply an uplift to annual leave payments to reflect enhancements, primarily overtime payments, which are not currently paid to employees on annual leave. Provision of £282k has been made in the 2016/17 budget for this.

3.8 Full Year Effects – saving of £1,082k

Executive Board approved the closure of some older people's residential homes and day centres as part of the Better Lives strategy in September 2013. Savings of £502k relate to the anticipated impact of these decisions in 2016/17. Savings of £580k reflect the fall-out of 5-year capitalised pension costs arising from the Early Leavers Initiative.

3.9 Demography and Demand - pressure of £8,942k

- 3.9.1 Additional provision of £8,942k has been made to reflect the demand and demographic pressures experienced during 2015/16 and forecast for 2016/17. In recognition of the financial challenges facing the council the directorate intends to put measures in place to manage this demand and reduce the costs of care packages. Savings of £5,500k are included under the service changes heading for the estimated financial impact of service reviews across learning disability, mental health and physical impairment services based on a review of Leeds spend against the averages for comparator authorities. These savings are outlined in more detail in section 3.12. Whilst the additional provision has been allocated across placements, domiciliary care, direct payments and the learning disability pooled budget, the type of service will reflect client needs and choices so each element of the community care packages budget cannot be predicted with accuracy. Budget provision made in 2015/16 for the Care Act responsibilities effective from April 2015 has also been realigned based on the trends during the first year.
- 3.9.2 In line with national trends, Leeds has experienced continued cost pressures on the learning disability pooled budget in recent years. Additional provision of £3,700k has been made in 2016/17 to reflect continued growth in demand. This reflects an increase in the number of customers being supported and greater costs due to their increasingly complex social care needs. This is partly offset by savings of £3,000k for the estimated impact of the service reviews outlined in more detail in section 3.12.
- 3.9.3 Spend on domiciliary care has continued to grow during 2015/16, reflecting the ageing population and the aim of supporting people to remain independent for as long as possible. Additional provision of £1,558k has been made to reflect the ongoing impact in 2016/17.

This has been partly offset by savings of £1,000k from the service reviews outlined in section 3.12. The budget for direct payments has increased by £667k as more people are choosing to organise their own care packages.

3.9.4 Additional provision of £3,017k has been made for residential and nursing placements. This partly reflects the growing numbers of older people and an increase in the number of working age adults with complex mental health needs requiring high levels of care. The most substantial element relates to specialist placements for people with complex physical impairments. This has been partly offset by savings of £1,500k from the service reviews outlined in section 3.12.

3.10 **Grant Fallout - £152k**

This relates to funding formerly included within the Local Reform and Community Voices Grant that is now within the Better Care Fund. This change in funding arrangements took effect in 2015/16 after the 2015/16 budget was set.

3.11 **Other Budget pressures - £3,271k**

The 2015/16 budget included financial support from health partners, recognising that without adequately resourced social care, timely hospital discharges will be adversely affected and people's conditions could necessitate more emergency hospital admissions. A pressure of £2,900k in 2016/17 arises as a proportion of the budgeted funding in 2015/16 is not expected recurrently.

Service user income budgeted in 2016/17 is £539k lower than in 2015/16. This largely reflects a reduction in the number of Telecare pendant alarm customers following the introduction of charging in 2014. Following the reduction in the Public Health grant, the Public Health contribution to Adult Social Care has been reduced by £300k.

3.12 **Savings and Funding £15,646k**

3.12.1 **Efficiencies – £2,655k**

Proposals are included to save £500k through efficiencies within the assessment and care management function. These will include a review of the staffing skills mix and business processes. Savings of £800k are included for vacancy management across Adult Social Care, which will be managed so as not to impact on front-line assessments, support and care delivery. The Council continues to rationalise its use of assets and savings of £305k are included in 2016/17. These will be delivered through ongoing work to make better use of office space and through changes to service delivery models. Savings were built into the Aspire contract for learning disability services and these are scheduled to grow over the five-year contract period. £149k has been included for the anticipated impact in 2016/17. Continued efforts have been made to reduce expenditure on general running expenses, including cash limiting, giving rise to a saving of £901k.

3.12.2 **Service Changes - £5,851k**

Assessment and Care Management Practice - £1,000k

These budgeted savings relate to new customers, with a focus on delivering care packages that make the most effective use of telecare and reablement services and build on the individual strengths of customers to meet their needs more cost-effectively.

Client Group Service Reviews - £4,500k

These savings are based on adopting the approach outlined above for new customers for all existing customers. A review of the costs of services has identified that spend in Leeds is significantly higher than in comparator authorities on mental health services and to a lesser extent on services for people with physical impairment and learning disabilities. Based on this analysis and the current level of spend on these services, savings of £3,000k are included for learning disability services, £1,000k for mental health services and £500k for physical impairment services. The impact of these reviews may include some customers being transferred to different services and some reduction in the level of care provided, but eligible social care needs will continue to be met. Some of these savings may impact on third sector services. Savings amounting to £900k are included for third sector grants and contracts, which were included in the 2015/16 budget and either not fully achieved or delivered non-recurrently.

Older People's Residential and Day Care Services - £351k

Following a consultation and engagement process plans are being developed to reduce the number of council-run residential homes and day centres that will be brought to Executive Board in due course. Savings of £351k are included in the 2016/17 budget for a part-year effect of these proposals.

Public Health - £300k

The impact on Adult Social Care of the significant reduction in the Public Health grant is £300k. Plans are being developed to address this and whilst an impact on frontline services will be avoided as far as possible it may be necessary to some extent.

3.12.3 Income – Fees and Charges £1,000k

A consultation took place in late 2015 on proposed changes to charging for non-residential services. A report elsewhere on this agenda, taking account of the consultation feedback, makes recommendations for changes to the way income and allowances are taken into account when undertaking a financial assessment and to the maximum weekly charge. Some additional income was included in the 2015/16 budget and together with a net additional £1,000k this reflects the estimated impact in 2016/17 of the final recommendations.

3.12.4 Income - Other £5,840k

The council has continued to work closely with health colleagues to reconfigure the health and social care system across Leeds and maximise the value of the "Leeds £". It is recognised across the sector that without adequately resourced social care there are adverse impacts on the health sector, for example timely hospital discharges will be adversely affected and people's conditions could necessitate more emergency hospital admissions. Additional income of £3,900k is included, £2,900k of which relates to funding budgeted in 2015/16 on a non-recurring basis outlined in section 3.11. Following further discussions with health partners it is anticipated that this may be achieved through a combination of additional funding from health and use of the health and social care earmarked reserve established to fund initiatives of joint benefit. Any use of this reserve may effectively be a loan that would need to be repaid in future years. £1,800k relates to exploring opportunities to realign spend between capital and revenue within the Better Care Fund. A further £140k relates to health income for beds hosted within transitional housing units.

4. Risk Assessment

- 4.1 In determining the 2016/17 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2016/17 budget for Adult Social Care are;
- 4.2 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 budget is based on realistic demographic information using trends experienced in Leeds and national and local indicators that are available to the Council. However, the nature of demand for these services can be somewhat volatile and subject to demand factors that Adult Social Care cannot directly control. The numbers of service users and the complexity of their needs may exceed the provision made within the budget. With approximately 3,500 placements in total a relatively modest percentage variance in numbers can give rise to a substantial cash variance. These variations could affect community care packages for adults, including those commissioned within the pooled budget for people with learning disabilities. In this context, delivering the service review savings included within the 2016/17 budget as set out in section 3.12.2 carries some risk.
- 4.3 There are some risks associated with the review of charging and reduction in directly provided older people's residential and day care services as final decisions have not yet been taken.

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Directorate - ADULT SOCIAL CARE

	2016/17 £m	FTEs
Net Managed Budget 2015/16	192.75	
Adjustments		
Transfer of specific grant to Settlement Funding Assessment	3.37	
Transfers of function	-0.19	
Other adjustments	0.32	
Adjusted Net Managed Budget	196.25	
Budget Pressures:		
Inflation		
Pay	0.70	
Price	1.99	
Income	-0.04	
National Insurance changes	1.32	
Living Wage	0.03	
National Living Wage - commissioned services	5.17	
Holiday Pay	0.28	
Full Year Effects of previous decisions		
Closure of homes for older people (previously approved)	-0.50	-31.40
Fall-out of 5-year capitalised pension costs	-0.58	
Demographic and demand pressures		
Learning disability services	3.70	
Residential & nursing placements	3.02	
Domiciliary care	1.56	
Direct Payments	0.67	
Grant Fallout		
Now included within Better Care Fund	0.15	
Other		
Non-recurring health funding	2.90	
Service user income	0.54	
Public health funding	0.30	
Net effect of other variations	-0.47	7.90
Total Pressures	20.74	-23.50
Savings Proposals:		
Efficiencies		
Assessment & Care Management - efficiency & effectiveness	-0.50	-13.10
Vacancy management	-0.80	-21.40
Asset management savings	-0.31	
Aspire contract	-0.15	
General running expenses savings	-0.90	
Service Changes		
Assessment & Care Management - practice with new service users	-1.00	
Review of physical impairment services - existing service users	-0.50	
Review of mental health services - existing service users	-1.00	
Review of learning disability services -existing service users	-3.00	
Review of older people's residential and day care	-0.35	-111.90
Service reviews - reduced Public Health funding	-0.30	
Income - Fees & Charges		
Charging review for non-residential services	-1.00	
Income - Traded Services, Partner and Other Income		
Better Care Fund	-1.80	
Health funding/use of earmarked reserve	-4.04	
Total Savings	-15.65	-146.40
Net Managed Budget 2016/17	201.34	-169.90

LEEDS CITY COUNCIL

2016/17 BUDGET REPORT

Directorate: Children's Services

1. Introduction

- 1.1 This report sets out the main variations and factors influencing the Children's Services budget for the 2016/17 financial year.

2. Service Context

- 2.1 The Council has a statutory duty and responsibility to safeguard and promote the welfare of the 186,000 children & young people across Leeds and has set out a bold ambition to be the best city and best council in the UK. In order to achieve this ambition the Council acknowledges that Leeds must also be the best place for children and young people to grow up in.
- 2.2 Restorative Practice continues to underpin Children's Services ambition to be a truly Child Friendly city and is the single most important element of the directorate's strategy for managing increasing demographic and demand pressures that are often a by-product of a city with a strong economy. The restorative approach requires professionals/practitioners 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 make positive decisions about their lives.
- 2.3 The strategy also continues to move towards a localities model with service delivery built around clusters of schools and with multi-disciplinary teams working closely with schools and in some areas co-located with schools as part of the "readiness for learning" agenda launched in 2015.
- 2.4 It is clear that the directorate's strategy is working and 2015 has been a successful year, a year in which Ofsted assessed Leeds Children's Services as 'good' and in which the DfE endorsed the directorate's strategy by awarding Leeds £4.85m of Innovation Funding to expand Family Group Decision Making and Restorative Practice further and faster.
- 2.5 The government has acknowledged Leeds as one of only six 'exemplar' Children's Services and has asked the Directorate to become a 'partner in practice'. This is in addition to being included on the DfE improvement framework earlier in the year and subsequently engaging with and/or being visited by over one third of all local authorities in the country. .
- 2.6 In contrast to the national trend, over the last 4 years Leeds has managed to safely and appropriately reduce the number of children looked after (CLA). Since 2011 Leeds has reduced the number of CLA by 14.1% (from 1,450 to 1,245) whilst nationally the number of CLA has grown by 6.2% over the same period.
- 2.7 This reduction in the overall number of CLA together with a significantly reduced dependence on expensive external provision means that the average annual cost of the current CLA population is approximately £15m less than the equivalent cost in 2011/12.

3. Budget Proposals

3.1 The 2016/17 budget for Children's Services represents a net decrease of £0.59m when compared to the adjusted budget for 2015/16 summarised in the statement attached to this report.

3.2 Adjustments – reduction of £2,990k

3.2.1 The proposed budget reflects the transfer of various functions out of the Directorate including the Transport Service (to Civic Enterprise Leeds), the Public Finance Initiative (PFI) Team (to Strategy & Resources) and certain non-service specific administration functions (to Civic Enterprise Leeds).

3.2.2 The net impact of the above transfers is to decrease Children's Services budget by £1,570k.

3.2.3 The budget has also been adjusted to reflect changes to the Council's Graduate Development Programme which from 2016/17 will be funded corporately by top-slicing directorate budgets. The top-slice (reduction) applied to Children's Services is £370k.

3.2.4 The budget also includes a reduction of £1,050k for historical pension costs which from 2016/17 will be accounted for corporately.

3.3 Changes in Prices – £2,110k pressure

3.3.1 **Inflation** (pay award) - the budget includes provision of £1,000k reflecting the National Employers' final pay offer made in December 2015. This offer involves lump sum increases in 2016/17 and 2017/18 for spinal column point 6 to 17 and 1% increases in each year for spinal column point 18 and above.

3.3.2 **Inflation (other)** - a total of £1,100k has been included for the net impact of general inflation on income and other running costs.

3.4 National Insurance Changes - £1,700k pressure

3.4.1 The Chancellor's Autumn Statement in 2013 announced that the current arrangements for contracting out will be abolished from 2016/17. Employer's national insurance costs will therefore increase in 2016/17 and £1,700k provision has been made for this.

3.5 Living Wage - £70k pressure

3.5.1 At its September 2015 meeting, the Executive Board agreed that the Council would move towards becoming a real Living Wage employer by implementing a minimum rate of £8.01 per hour from April 2016 with a view to implementing a further increase during the year. Provision of £70k has been made for this.

3.6 Demography/Demand – £700k pressure

3.6.1 Children's Services continue to face significant demographic and demand pressures as a result of:

- High birth rates, particularly within the most deprived clusters within the city.
- Increasing inward migration into the city, particularly from BME groups from outside the UK.
- Increasing population of children & young people with special and very complex needs.
- Greater awareness of the risks and prevalence of child sexual exploitation.
- Growing expectations of families and carers in terms of services offered.
- Changes in government legislation, including "Staying Put" arrangements which enable young people to remain with their carers up to the age of 21.

3.6.2 Within Children's Services these factors continue to put increased pressure on Children Looked After (CLA) placements budgets, spending on children and young people with complex needs and transport budgets, particularly for those vulnerable children with particularly complex needs. In respect of the latter, the 2016/17 budget proposals include additional funding of £700k to reflect this increased demand.

3.7 Grant Fallout – £3,900k pressure

3.7.1 The budget recognises the impact of the fall-out of several grant funding streams including DfE Innovations Funding for the Family Valued Programme (pressure £1,600k) and the use of Dedicated Schools Grant (DSG) balances to support the creation of free 2yr old early education places (pressure £1,000k).

3.7.2 As part of the local government settlement, the government has reduced the 'per pupil' rates for Education Services Grant (ESG) by 11.5%. For Leeds this equates to a core funding reduction of approximately £700k, with the potential to rise to £1,000k dependent upon academy conversion rates.

3.7.3 The budget also recognises a £300k reduction in grant for Youth Offending Teams (YOTs) imposed by the Youth justice Board as part of the 2015/16 in year funding cuts.

3.8 Full Year Effects – saving of £980k

3.8.1 Savings of £980k reflect the fall-out of 5-year capitalised pension costs arising from the Early Leavers Initiative (saving £580k) and a reduction in the externally commissioned Family Intervention Service from October 2015 (saving £400k).

3.9 Other Budget Pressures - £1,700k

3.9.1 Other pressures included within the budget include slippage against a number of budget action plans including delivery of the Directorate's savings targets for the financial sustainability of Children's Centres (£900k), service transformation (£300k) and delivery of extensive changes to the Youth Offer (£300k).

3.9.2 The budget also takes account of the need to invest £200k in order to secure European Structural and Investment Funds (ESIF) in respect of the 'Local Flexibilities for reducing unemployment' Programme.

3.10 Efficiencies - £2,900k saving

3.10.1 The 2016/17 proposals include £2,900k of savings from a range of efficiencies including rationalisation of staffing across support functions (£500k), releasing staff who have expressed an interest to leave via voluntary severance/retirement (£500k), reducing the net cost of learning for life managed Children's Centre childcare (£500k) and reconfiguring Targeted Services and the Youth Offending Service (£600k).

3.10.2 The budget also recognises significant savings in overtime/agency costs resulting from the closure of 2 large in-house children's homes in 2015/16 (£400k) and additional funding from the Housing Revenue Account for family intervention services for people in council tenancies, including Multi-systemic Therapy (MST) services (£300k).

3.10.3 The Directorate also propose to save a further £100k by cash limiting a range of expenditure budgets for non-essential supplies and services,

3.11 Service Changes – £1,600k saving

3.11.1 Services for Young People - the directorate is proposing to fundamentally change its response to the needs of young people at risk of falling out of education/employment. Existing arrangements for tracking young people's destinations will continue, however, the approach to supporting these young people will change, with the aim of utilising in-house professionals already known to the young person and/or their family. These changes will enable the directorate to cease the contract for the provision of information advice and guidance (IAG) to young people and deliver savings of approximately £1,200k.

3.12 Income from Traded Services/Partnerships - £5,300k saving

3.12.1 Schools Forum - Children's Services continue to work in close partnership with schools and clusters and in June 2015 presented a paper to the Leeds Schools Forum setting out proposals for improving children and young people's 'readiness for learning' for example through closer working between Children's Social Workers, Youth Workers, cluster teams and individual schools.

3.12.2 The proposals were well received by the Forum and funding of £3,400k agreed in principle for the 2015/16 academic year with potential for the arrangement to be extended into the 2016/17 academic year.

3.12.3 The release of funding by Schools Forum is dependent upon the sufficiency of DSG balances and the submission of satisfactory progress/performance reports to the Forum setting out how the directorate has shaped service provision around the "readiness for learning agenda".

3.12.4 Health Clinical Commissioning Groups – the directorate continues to work closely with its health partners around the 'Early Start' agenda and in 2015/16 set out a range of proposals aimed at further improving health outcomes for young children and their parents. The proposals set out a series of key actions for Children's Centres around the promotion of healthy eating, smoking cessation, accident prevention and parent and child mental health in return for £1,600k of co-investment from the 3 Health Clinical Commissioning Groups (CCGs).

3.12.5 The CCGs agreed to this level of co-investment on a non-recurrent basis in 2015/16 and the directorate continues to work closely with Health around the arrangements for 2016/17.

3.12.6 DfE Improvement Partner – Leeds is one of 6 approved Improvement Partners for the DfE and in November 2015 began supporting Sunderland MDC on their improvement journey. This experience is helping the service develop a model for providing improvement support to other local authorities. The directorate is on track to raise £125k of additional income in 2015/16 and is proposing a target of £500k for 2016/17.

3.12.7 **Adel Beck Secure Children's Home** – a reduction in the number of places contracted by the Youth Justice Board has presented an opportunity for the Directorate to maximise income from the provision of secure welfare beds for other local authorities. By successfully marketing and selling the capacity freed up by the new YJB contract, the Directorate aims to deliver an overall net increase in income of £400k.

3.12.8 **Other income** – the directorate's budget proposals also include a further £200k of income from trading Learning Improvement services (£200k), School to Work/Transition Team (£100k) and Educational Psychology Service (£100k).

4. Risk Assessment

- 4.1 In determining the 2016/17 budget, consideration has been given to all the risks which are managed within the Directorate's overall risk management framework. Within this framework, a register of those items considered to carry the highest risk and therefore requiring careful and regular monitoring has been prepared.
- 4.2 The key risks in the 2016/17 budget for Children's Services are:
- 4.2.1 Demand Led Budgets – Leeds is changing and expanding, partly as a result of rising birth rates and partly as a result of its relative strong economy meaning that more families choose to live and work here. An estimated overall population of 761,000 people includes over 185,000 children and young people (aged 0-19 years) which represents a rise of more than 2,000 since 2012.
- 4.2.2 This increasing demographic brings with it an increasing number of children with special and very complex needs. In budgetary terms this impacts in particular on placements budgets for children looked after and in terms of the 2016/17 budget, approximately £3.5m of savings hinges upon the directorate continuing to safely and appropriately reduce both the overall number of children looked after and the overall demand for expensive external placements.
- 4.2.3 Income – the Directorate's proposed budget includes significant income from partners and, whilst partners recognise the importance of sustaining key services, there is still a significant amount of work to be done in order to ensure this income is realised in full in 2016/17.
- 4.2.4 The Schools Forum's, willingness and capacity to release £3,400k of school balances in 2016/17 is dependent on both the availability of DSG balances and the implementation of significant service change at a local level, particularly across Social Work and Youth Services.
- 4.2.5 The government has clearly signalled the direction of travel around its policies on academy conversion and diminishing responsibility for local authorities in schools and this means that the directorate will need to develop even stronger relationships with individual schools in order to ensure that all relevant services are able to trade by April 2017.
- 4.2.6 Similarly, whilst the directorate's Health partners have already shown their commitment to sustaining Children's centres this year, at this stage the £1,600k of funding received in 2015/16 has only been agreed on a non-recurrent basis and further work is needed to ensure that Health see the benefits of further ongoing investment in 2016/17.

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Directorate - Children's Services

	2016/17 £m	FTEs
Net Managed Budget 2015/16	124.02	
Adjustments		
Transfers of functions	-1.75	
Other adjustments	-1.24	
Adjusted Net Managed Budget	121.04	
Budget Pressures:		
Inflation		
- Pay	1.00	
- Running costs	1.91	
- Income	-0.80	
National Insurance changes	1.70	
Living Wage	0.07	
Full Year Effects of previous decisions		
- Fall out of capitalised pension costs	-0.58	
- Reduction in externally Commissioned Family Intervention Services	-0.40	
Demand/Demography		
- Increase in transport activity for children with Complex Needs	0.70	
Grant Fallout		
- One off Innovations Funding	1.10	
- Capacity building FEEE income	1.00	
- Maximisation of Innovations Funding	0.50	
- Reduction in Education Services Grant (ESG)	1.00	
- Reduction in Youth Offending Service (YOS) Grant	0.30	
Other		
- Slippage of delivery of 15/16 Service Transformation	0.30	10.00
- Slippage of delivery of 15/16 Youth savings	0.30	10.00
- Net pressure on School Managed Children's Centre Services	0.90	
- Local Authority match funding required for ESIF programme	0.20	
Total Pressures	9.20	20.00
Savings Proposals:		
Directorate Efficiencies		
- Rationalisation of professional support services	-0.50	-15.00
- Further savings from Early Leavers	-0.50	-15.00
- Impact of residential review on agency/overtime spend	-0.40	
- Re-configuration of Youth Offending Service	-0.40	-10.00
- Reduce the net cost of Early Help managed Children's centres childcare	-0.50	-15.00
- Reconfiguration of Targeted Services	-0.20	-5.00
- HRA funding for services to families	-0.30	
- Reduction in spend on supplies/services & other non-essential spend	-0.10	
Corporate Efficiencies		
- Asset Review	-0.13	
- Minor variations	-0.26	
Service Changes		
- Reconfiguration of services to young people at risk of becoming NEET	-1.20	
Income - Fees & Charges	0.00	
Income - Traded Services, Partner and Other Income		
-Schools Forum "Readiness For Learning" funding	-2.40	
-Health Funding for Children's centres	-1.60	
-DfE income for Improvement Partnership	-0.50	
-Additional income from Secure Welfare Provision (Adel Beck)	-0.40	
- Cease non-statutory element of Early Years Improvement Service	-0.20	
-Additional Trading Income from Schools	-0.20	
Total Savings	-9.79	-60.00
Net Managed Budget 2016/17	120.45	-40.00

LEEDS CITY COUNCIL

2016/17 BUDGET REPORT

Directorate: Children's Services

The Schools Budget 2016/17

1. The schools budget is funded by the Dedicated Schools Grant (DSG). The DSG is a ring-fenced grant and may only be applied to meet costs that fall within the schools budget. Any under or over spend of grant from one year must be carried forward and applied to the schools budget in future years. The schools budget comprises individual school budgets (ISB) delegated to schools; free early years education provision for 2, 3 and 4 year olds; the cost of supporting pupils with high needs and a number of prescribed services and costs in support of education in schools. Funding for post-16 provision remains as a separate post-16 grant and a small number of targeted grants remain, with the Pupil Premium being the largest of these. There are therefore five broad funding blocks covering five areas of expenditure.
2. The DSG for 2016/17 is funded as three separate blocks known as the early years block, the high needs block and the schools block.
3. 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. Funding will be based on the number of pupils on the January 2016 and January 2017 census, multiplied by a figure of £3,883 per full time equivalent pupil for 3 & 4 year olds and £4,607 for 2 year olds. These per pupil rates are the same as the 2015-16 level. The funding for the 2016/17 financial year will therefore not be finalised until after the end of the year but pupil numbers may increase.
4. The Early Years Pupil Premium (EYPP) will continue to be paid as part of the DSG and will remain at £0.53 per pupil per hour for eligible pupils.
5. The high needs funding system is intended to support the most appropriate provision for pupils with SEN, learning difficulties and disabilities from their early years to age 25. In line with the SEN reforms introduced in September 2014, high needs funding should be used to provide the most appropriate provision for each individual in a range of settings including good quality alternative provision for pupils who cannot receive their education in schools.
6. The funding for high needs pupils has two aspects, place funding and top-up funding. Place funding is to provide a base level of funding for the institution for pupils' core education and basic programmes to meet additional support costs up to a specified threshold. Top-up funding is that which is required over and above the place funding, to enable a pupil with high needs to participate in education and learning.
7. 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 2015/16 academic year have been rolled forward and used as the basis for 2016/17 allocations. Adjustments have been made for previously agreed place numbers and approved exceptional places. Leeds has received an additional £1.3m from a national increase of £92m in high needs funding.
8. The schools block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11, and a number of prescribed services and costs in support of

education in schools. The grant for 2016/17 will be based on pupil numbers in Leeds (including those in academies and free schools) as at October 2015, multiplied by the schools block unit of funding. The 2016/17 rate is £4,546 which has been increased due to the incorporation of funding for the former non-recoupment academies which was given as a cash allocation in 2015/16. Pupil numbers have increased by 2171, with primary pupil numbers increasing by 2078 and secondary by 93.

9. The delegated schools budget will be allocated to primary and secondary schools including academies through the school funding formula. The funding allocated to academies and free schools through the funding formula will be recouped from the schools block paid to the City Council.
10. As at January 2016, it is estimated that the total amount to be recouped by the DfE for academies will be £127m. Should any more schools convert to academy status during the year, then further adjustments will be made to the DSG received by the Council.
11. Funding for post-16 provision is allocated by the Education Funding Agency (EFA) through a national formula which incorporates factors including student numbers, student retention, higher cost subjects, disadvantaged students and area costs. This is supplemented by additional funding for high needs students, bursaries and other financial support for individual students. No changes to the EFA's formula are expected for 2016/17.
12. The DfE continues to provide separate ring fenced grant allocations to support national priorities which are paid to the school attended. Pupil Premium is paid to schools and academies based on the number of pupils aged 5 to 15 on roll in January each year who have been eligible for free school meals at any point in the previous 6 years of education; children who are looked after/ adopted from care or pupils who have been recorded as children of service personnel since January 2011. The Pupil Premium rates remain the same for 2016/17.
13. An Early Years Pupil Premium (EYPP) was introduced from April 2015 at a rate of £0.53 per child per hour which must be paid to providers and this will continue in 2016-17 at the same rate. Ofsted, as part of their inspection framework, now assess the effective use and impact of the EYPP under their judgment of leadership and management.
14. The Primary PE grant will continue to be paid in the 2015/16 and 2016/17 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 2015/16 and 2016/17 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. The funding for Summer Schools will not continue in 2016/17.
15. The universal provision of free school meals for all pupils in Reception, Year 1 and Year 2 will continue in the 2016/17 academic year at a rate of £437 per eligible pupil.
16. The latest estimated figures for 2015/16 and 2016-17 are shown below:

	2015/16 £m	2016/17 £m	Yr on yr Change £m
DSG - schools block	457.06	466.33	9.27
DSG - high needs block	58.35	59.25	0.90
DSG - early years block	39.97	42.54	2.57
DSG - early years pupil premium	0.89	0.89	-
EFA Post 16 funding	33.13	33.13	-
Pupil premium grant	41.36	42.26	0.90
PE & sport grant	2.07	2.09	0.02
Summer schools grant	0.75	-	-0.75
Yr 7 catch-up grant	0.84	0.87	0.03
Universal infant free school meals grant	9.23	9.43	0.20
Total Schools Budget	643.65	656.79	13.14

(figures include estimates for academies)

17. The DSG can only be applied to expenditure within the schools budget and unspent balances of the grant must be carried forward and applied to the schools budget in consultation with the Schools Forum. Underspends on de-delegated services in 2015/16 have to be ring fenced within the DSG and must be applied to the following year.
18. Following a full consultation with maintained primary and secondary schools, Schools Forum has agreed to the central retention of funding for de-delegated services. These are: schools contingency; maternity; suspended staff cover; trades union facilities time; museum service; school library service (primary only); FSM eligibility; licences (primary only); behaviour support and support to underperforming ethnic groups. The total amount deducted from 2016/17 school budgets will be £5.1m.
19. The funding regulations require that Schools Forum agree to the level of funding to be held centrally in 2016/17 under continuing commitments and responsibilities. These budgets can be no higher than the value retained in 2015/16. Schools Forum has agreed to the central retention of budgets for the repayment of capitalised equal pay costs, debt repayment under prudential borrowing, contribution to combined budgets, operating a schools forum and the admissions service.
20. The DfE have an arrangement whereby they purchase a single national licence for all state funded schools in England. The DfE will pay the agencies concerned and charge local authorities. This budget is allowed to be held centrally rather than included in school budgets. The total amount held centrally for continuing commitments will be £8.5m in 2016/17.
21. Schools Forum has agreed to retain a growth fund centrally in order to support costs incurred by schools that are being established or extended to meet basic need and where admission numbers are increased. This budget provides in-year funding where additional pupils are admitted, covers the costs where additional premises are rented and provides pre-opening funding for new schools and academies established to meet basic need. The budget will be £2.9m for 2016/17.
22. It should be noted that the arrangements for 2016/17 school funding are transitional as the DfE are intending to move towards a national funding formula from April 2017. A national consultation is expected to take place in the spring. As a result, Schools Forum has agreed to adopt the same factors in the funding formula as those used in 2015/16.

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LEEDS CITY COUNCIL

2016/17 BUDGET REPORT

Directorate: City Development

1. Introduction

1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2016/17 financial year.

2. Service Context

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

2.2 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. Staffing levels have reduced by over 30% over the last 6 years contributing to staff savings of over £12m. 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.

2.3 The net managed budget for 2015/16 is £51,714k, the transfer of Employment and Skills to Children's Services which occurred in May 2015 is reflected in this figure. After allowing for a number of adjustments, detailed below, the 2015/16 restated base budget is £44,073k. The level of savings in 2016/17 identified by the Directorate amount to some £4,980k or 11% of the restated 2015/16 net managed budget. Delivering savings of this magnitude year on year represents a significant challenge to the Directorate especially as this is additional to the savings already delivered since 2010/11. The Directorate has continued to review all service areas and these proposals do seek to minimise the impact on frontline services and the citizens of Leeds. To this end the Directorate's budget strategy for 2016/17 includes a further reduction in staffing levels, no inflationary increases for most running cost budgets, continues to grow the Directorate's and the Council's income base and maximise the opportunities for making efficiencies. The proposals also include some service reductions which are outlined in this report.

3. Budget Proposals

3.1 This budget proposals represent a decrease of £1,070k (2.4%) when compared to the adjusted budget 2015/16 summarised in the table attached to this report:

3.2 Adjustments - £7,641k reduction

3.2.1 There have been a number of service transfers to other directorates which are reflected in the adjusted 2015/16 budget. These total a reduction of £4,218k. The transfers include a reduction of £2,592k for the transfer of the front-line library service to Citizens and Communities and a reduction of £1,558k for the transfer of staff to Strategy and Resources Directorate that are part of the Better Business Management programme which has brought together administration staff across the Council.

3.2.2 Other adjustments total a net reduction of £3,423k and include a reduction of £1,017k for the transfer of the unfunded pension budget in City Development to the Strategic budget. The Highways and Transportation budget includes a reduction of £2,000k for capitalisation of highway revenue maintenance expenditure during the year. A general annual capitalisation target is included in the Strategic budget but most of this is actually highway related expenditure so for the 2016/17 budget it is proposed to include £2,000k of the target in Highways and Transportation. Other adjustments include a reduction of £273k for the transfer of market cleaning staff to Commercial Enterprises Leeds, £74k for the transfer of budget provision for the recruitment of graduates which is now being coordinated centrally, £62k for an adjustment in relation to the new Aspire contract, a reduction of £53k relates to the transfer of the budget for business intelligence to Strategy and Resources and £133k of other minor adjustments. An increase of £136k has been provided for charges for procurement work. In 2016/17 the Projects, Programmes and Procurement Unit (PPPU) will start charging directorates for some procurement work to enable support to be more effectively prioritised. The existing procurement budget has been realigned to directorates to facilitate this.

3.3 Changes in prices – pressure of £2,984k

3.3.1 The provision made for inflation is detailed below:

Inflation (pay award) - the budget includes provision of £601k reflecting the National Employers' final pay offer made in December 2015. This offer involves lump sum increases in 2016/17 and 2017/18 for spinal column point (scp) 6 to 17 and 1% increases in each year for scp 18 and above.

Inflation (other) – a total of £1,535k has been included for the impact of general inflation on running costs although the directorate proposals include reducing this by £800k, shown under efficiencies in this report, so that only essential inflation such as on National Non Domestic Rates and major contracts such as PFI contracts are provided for. Additional income of £250k has been included for inflationary increases in fees and charges across the Directorate where the Council has discretion to increase them and where it is considered the market can stand an increase. Planning fees are set by the Government and to date no increase has been announced for 2016/17. A very selective increase to sport prices is proposed as generally prices are still considered to be relatively high when compared to other local authorities and there are concerns about the impact on customers and income if prices were increased further.

Employer's National Insurance - the Chancellor's Autumn Statement in 2013 announced that the current arrangements for contracting out will be abolished from 2016/17. Employer's national insurance costs will therefore increase in 2016/17 and £966k provision has been made for this.

Real Living Wage - at its September 2015 meeting, the Executive Board agreed that the Council would move towards becoming a real Living Wage employer by implementing a minimum rate of £8.01 per hour from April 2016 with a view to implementing a further increase during the year. Provision of £147k has been made for this.

Holiday Pay - the budget provides for the estimated cost of the draft regional collective agreement regarding the Council's obligation, following recent case law, to pay 'normal pay' to employees on annual leave. This agreement will apply an uplift to annual leave payments to reflect enhancements, primarily overtime payments, which are not currently paid to employees on annual leave. Provision has been made in the 2016/17 budget for this

although it is anticipated that the additional costs in Highways and Transportation will be recovered in fees.

3.4 Full year Effects – savings of £330k

3.4.1 A reduction of £330k is included for the transfer to the Strategic budget of savings from the fall out of capitalised pension costs.

3.5 Other Budget pressures - £1,225k

3.5.1 An additional £300k has been included to provide funding for the Council to contribute to the costs of hosting a stage of the Tour de Yorkshire in 2016 and £300k has also been included towards the costs of the Triathlon World Series being held in Leeds in June 2016.

3.5.2 The 2015/16 Economic Development budget included £250k in one off income to be received as the Council's share of the reserves of Leeds and Partners following the organisation being officially wound up. The 2016/17 budget provides an additional £250k to remove this income. Other pressures funded in the budget proposals include £200k to reduce the advertising income target in line with projected income next year, this still leaves a budgeted income target of over £700k, £100k to reduce the budget for income from venues reflecting current income levels and a £75k reduction in the budget for income earned from the project team in Asset Management.

3.6 Savings £4,980k

3.6.1 Efficiencies £2,029k

3.6.2 A key element of the saving proposals is to continue to identify and realise efficiency savings across the Directorate. Proposed savings include £767k from cash limiting most expenditure budgets. The budget strategy includes provision for inflation across the Directorate of £1,540k, this proposal limits the provision for inflation to essential inflation only. It is also proposed that an additional £500k of highways maintenance spend can be capitalised and this increases the capitalisation of the revenue maintenance spend to over £4,000k. Revenue maintenance expenditure will continue to be reviewed during the year to ensure that appropriate expenditure is capitalised. Other savings include £300k from a reduction to the insurance charges in Highways and Transportation as a result of the ongoing reduction in claims, £50k in Highways and Transportation from removing the current budgeted subsidy for the Elland Road Park and Ride which is now successfully operating and a subsidy is no longer required. Savings of £100k on energy and fuel costs have been included for Sport and Active Recreation and Highways and Transportation. In Libraries £100k of savings have been included for existing vacant posts which won't be filled and for other expenditure savings that are being made this financial year and are expected to continue into 2016/17.

3.6.3 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 saving of £1,100k has been included in the overall Council budget proposals and will be achieved across directorates with a net £115k of this in City Development. The saving in City Development is mostly due to the full year saving from the reduction in rent for Merrion House, the majority of this saving was included in the 2015/16 budget, and also includes savings from the closure of the Library Headquarters. A programme of asset review and rationalisation is continuing 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. Phase 2 work on the review of locality office accommodation and operational property has identified further potential savings which are now being implemented.

3.7 Service Changes

3.7.1 The Directorate will continue to review staffing levels with a target saving of over £1,250k although some of these savings are included in other specific saving proposals. A saving of £1,025k is assumed for services including Asset Management, Planning and Sustainable Development, Economic Development and Highways and Transportation. Most of the savings will be achieved through the Early Leaver Initiative scheme with business cases for the majority of the expected leavers already approved with the staff leaving the authority by the end of March 2016. This includes a further reduction in JNC posts. A management restructure in Planning and Sustainable Development is currently being progressed and will deliver approximately £180k of these savings. These reductions will have an impact on some service levels. All services are developing work force plans which will include determining the impact on services of the proposed reductions in staffing levels. The Directorate will also continue to closely manage the filling of vacant posts to ensure that only essential posts are filled so that savings can be maximised. Overtime and agency spend will also be closely managed.

3.7.2 In 2014/15 Executive Board approved a three year strategy for the Arts Grants budget which included reductions of 10% in 2015/16, 5% reduction in 16/17 and a standstill position in 2017/18. The reduction in 2016/17 equates to £125k. The budget proposals also include a reduction of £300k to the Cultural Services expenditure budget. This will be achieved through a saving of £100k on the library book fund with £50k of this saving anticipated to be achieved through additional capitalisation of the expenditure and a saving of £170k on the overall events budget. This will include the consolidation of the event budgets across Sport and Culture and achieving associated efficiencies and through reducing the net cost of some events by increasing income, significant new sponsorship and partnership opportunities and reducing costs.

3.7.3 A reduction of £100k is proposed to the Economic Development budget which will be achieved through a reduction to the supplies and services budget which is mainly used for commissioning various studies, programmes and other one off pieces of work during the year. A reduction of £200k is proposed to the net cost of Sport and Active Recreation. This includes a reduction in running costs of £100k reflecting savings made this financial year and £100k of further savings from continuing the implementation of changes to the Sport Development Unit which have moved the service to a more community basis.

3.8 Income £1,060k Cr

- 3.8.1 Growing the current income base continues to be a key priority in the Directorate and the 2016/17 proposals include a number of actions which will lead to increased income with a total of £1,060k included for new and increased income. The Directorate will continue to 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 continue to focus on housing growth. This work is being led by the Housing Growth team which was established during 2015/16. A sum of £4,400k has been included in the Strategic budget for additional New Homes Bonus income in 2016/17. Whilst income is accounted for strategically the Housing Growth team has a key role in ensuring that appropriate actions are taken to help secure this income.
- 3.8.2 The Directorate will also continue to seek to create the conditions for 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 and in 2016 will see the completion of the Victoria Gate scheme including John Lewis and the redevelopment of Kirkgate Market. The main contract works for the redevelopment of Kirkgate Market have commenced and are anticipated to finish in autumn 2016. The Directorate is also supporting a wide range of key projects. These include the Southern railway entrance at Leeds station which has recently opened, Park and Ride and regeneration opportunities at Elland Road and Temple Green and the British Art show at the Art Gallery. Other ongoing projects include the investment by both Vastint and Burberry in the South Bank, HS2 and the integrated station, the East Leeds Extension, 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.
- 3.8.3 Fees and Charges - the 2016/17 budget assumes a growth in income from fees and charges of £760k. This will be achieved through above inflation price increases in some areas such as Highways and Transportation for services such as licences and other professional services, additional income will also be achieved through increases in volumes for income from planning and building fees, rental income and sport income. The Sport and Active Recreation Service has entered into a contract with Alliance Leisure which will provide targeted marketing and promotional support with the aim of increasing overall sport income, resulting in a profit share agreement being implemented.
- 3.8.4 Trading - increased income from trading of £100k has been included in Highways and Transportation for increased income from work with the other West Yorkshire authorities. The service already undertakes work for some Districts and it is anticipated that this will be expanded in 2016/17.
- 3.8.5 Additional income of £100k is also anticipated in Cultural Services for various income streams in Venues and Heritage Services. Additional income of £100k has been assumed in Building Control as the service continues to increase income from trading.

4. Risk Assessment

- 4.1 In determining the 2016/17 budget, consideration has been given to all the risks which are managed within the Directorate's overall risk management framework. Within this framework, a register of those items considered to carry the highest risk and therefore requiring careful and regular monitoring has been prepared.

- 4.2 The key risks in the 2016/17 budget for City Development are;
- 4.2.1 The budget assumes further reductions in staffing across the Directorate. Whilst a large proportion of the reductions are expected to be achieved by staff leaving through the Early Leaver Initiative, other reductions are dependent on the implementation of specific budget proposals. Overall a net reduction of 31 FTEs is expected. In order to mitigate against this risk services are currently updating workforce plans and staffing levels and the release of vacancies will continue to be closely monitored by City Development.
- 4.2.2 These proposals include a significant increase to the Directorate's income base. There is an on-going risk that budgeted levels will not be achieved. Whilst most income budgets are expected to be achieved in 2015/16, partly reflecting the improving economy, a shortfall is expected against some income targets such as advertising income. The budget proposals for 2016/17 include a number of adjustments to current budgets to reflect trends and this should ensure that the risks in 2016/17 are minimised. The proposals do include growth in some income targets and the Directorate will need to ensure that actions to achieve these are closely monitored.
- 4.2.3 There is also a risk that savings from proposed service changes and efficiencies are not realised. The Directorate will regularly monitor progress in the actions required to achieve these savings and will review spending plans during the year to offset any areas where efficiencies are not being realised.

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Directorate - City Development

	2016/17 £m	FTEs
Net Managed Budget 2015/16	51.71	
Adjustments		
Transfers of function	-4.23	
Other adjustments	-3.41	
Adjusted Net Managed Budget	44.07	
Budget Pressures:		
Inflation		
Pay	0.60	
Price	1.54	
Income	-0.30	
National Insurance changes	1.00	
Living Wage	0.15	
National Living Wage - commissioned services		
Full Year Effects of previous decisions		
Fall out of capitalised pension costs	-0.33	
Other		
Fall out of budgeted one off income from Leeds and Partners reserves	0.25	
Advertising Income - shortfall against the current budget	0.20	
Venues income - shortfall against current budget	0.10	
Asset Management Project team reduction in fee recovery	0.10	
Tour de Yorkshire (2017 routes not announced)	0.30	
World Triathlon Event (expected to be 3 years)	0.30	
Total Pressures	3.91	0
Savings Proposals:		
Efficiencies		
Elland Road Park and Ride reduction in the subsidy	-0.10	
Highways insurance charges savings	-0.30	
Cash limit on most expenditure except for contract price increases	-0.80	
Energy savings - reduced energy costs in Sport and Highways	-0.10	
Highway Maintenance Budget - increase in capitalisation	-0.50	
Cultural Services - maintain current vacancies and savings achieved in year	-0.10	-3
Savings on personal protective equipment, printing and mail	-0.06	
Asset rationalisation	-0.12	
Service Changes		
Staff savings (Economic, Highways, Asset Management, Resources and Strategy)	-0.73	-19
Arts grant reduction	-0.13	
Reduction to net cost of Planning and Sustainable Development	-0.38	-6
Reduction to net cost of Economic Development	-0.10	
Reduction to net cost of Cultural services	-0.30	-1
Reduction to the net cost of Sport	-0.10	
Sport Development Unit reduction in costs	-0.10	-1
Income - Fees & Charges		
Above inflation increases in fees and charges and increase in income volumes	-0.76	
Income - Traded Services, Partner and Other Income		
Culture - opportunities to increase income from trading across Cultural Services	-0.10	
Highways trading with WY authorities	-0.10	
Reduction to Building Control subsidy	-0.10	-1
Total Savings	-4.98	-31
Net Managed Budget 2016/17	43.00	-31

LEEDS CITY COUNCIL

2016/17 BUDGET REPORT

Directorate: Environment and Housing

1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2016/17 financial year.

2. Service Context

- 2.1 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.
- 2.2 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 Directorate supports many others to sustain their tenancies. The Directorate intervenes in the private sector to tackle some of the worst housing conditions in the city.
- 2.3 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 that we make today.
- 2.4 Within the context of 'Best place for people to live' the Directorate has a number of key priorities which this 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.
 - From the waste collected seek to maximise the amount that can be re-used and recycled whilst at the same time actively undertaking and promoting energy recovery.
 - Clean neighbourhoods which reflect local needs and.
 - Green spaces which people can enjoy.
- 2.5 The Directorate is actively engaged in leading the delivery of the Council's breakthrough projects in respect of cutting carbon in Leeds, stopping domestic violence and promoting Housing growth to meet the challenge of a growing population.
- 2.6 Given this context and against a background of a significant reduction in resources, the Directorate's budget submission for 2016/17 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 2015/16 budget. The long term development of a waste strategy for the city has now started to deliver substantial benefits with further

savings of £4.7m that are projected to be realised in 2016/17. This is in addition to the £2.3m that is projected to be saved in 2015/16.

3. Budget Proposals

3.1 This budget represents a reduction of **£5,250k (8.9%)** when compared to the adjusted budget for 2015/16. These are summarised in the table attached to this report.

3.2 Adjustments

3.2.1 Transfer of functions - reduction of £351k

The Out of Hours service to that allows Council tenants to report problems with their property has been transferred back to the Call Centre in the Communities and Citizens Directorate (£213k).

The Prevent programme which is focused upon tackling terrorism has been transferred to Citizens and Communities (£68k).

Savings of £72k from better business management arrangements will be more readily realised in Directorates through the implementation of arrangements such as administration hubs which can be organised in a geographical basis. Budgets relating to the Directorate Support Team are now being held in the Business Support Centre (£50k).

The cessation of the Roseville Laundry has resulted in staff formerly employed in this area transferring to the Directorate to work in Parks and Countryside (£29k).

Budgets relating to the Corporate Intelligence staff are now held in the Directorate (£24k).

3.2.2 Other Adjustments – Reduction of £2,148k

Budgets relating to the Authority's Graduate Programme are now to be held centrally rather than in Directorates (£98k).

In accordance with the Council's current accounting practice central charges are no longer budgeted to be charged to Leeds Building Services (£600k).

The budget for the purchase of paper will now be held within Strategic Accounts (£20k).

Unfunded pension costs are incurred as a result of awarding added years to employees who took Voluntary Early Retirement (VER) and the cost reflects the ongoing unfunded pension element of that retirement for the life of the employee, their spouse or civil partner. In order to reduce the time taken to manage the unfunded pension charges to directorates it has been decided to centralise this process (£579k).

Charges to the Housing Revenue Account increased in 2015/16 (£1,000k) to more accurately reflect the appropriate charging of services provided by Parks and Countryside (£400k) and Housing Support (£600k).

Other adjustments relate to transferring budgets in respect of procurement (£157k), 3G telephones (£4k) and support service costs in respect of Aspire (£5k).

3.3 Changes in prices – pressure of £745k

- 3.3.1 The budget includes provision of £1,189k reflecting the National Employer's final pay offer made in December 2015. This offer involves lump sum increases in 2016/17 and 2017/18 for spinal column point (scp) 6 to 17 and 1% increases in each year for scp 18 and above. No provision will be made for inflation on running cost budgets other than where there are specific contractual commitments and on utilities. These include £479k for Leeds Building Services, £100k for waste that isn't processed through the RERF, £11k on NNDR, £10k on food, £65k on equipment and material largely in Parks and Countryside, £145k on fleet maintenance and £62k for Grounds Maintenance.
- 3.3.2 Price increases will realise an additional £1,554k. These increases assume a 3% price increases within the Parks and Country side service which will realise an additional £116k. This price increase is being applied in cafes, retail outlets, golf courses and to the hire of pitches. In addition a 10% price increase will be applied to entrance to Lotherton Hall (£10k).
- 3.3.3 Charges from Leeds Building Services (£705k), Housing (£57k) and Environmental Action (£147k) have been uplifted to take account of pay and price pressures.
- 3.3.4 A review of tariffs for both off street and on street parking will deliver a £240k increase in car parking income.
- 3.3.5 The 4% price increase (£222k) in bereavement charges at cemeteries, crematoria and mortuaries will contribute towards ensuring that Council Tax payers aren't subsidising these services.
- 3.3.6 At its September 2015 meeting, the Executive Board agreed that the Council would move towards becoming a real Living Wage employer by implementing a minimum rate of £8.01 per hour from April 2016 with a view to a further increase during the year. Provision of £356k has been made for this.
- 3.3.7 The Chancellor's autumn statement in 2013 announced that the current arrangements for contracting out will be abolished from 2016/17. Employer national insurance costs will therefore increase in 2016/17 and £1,358k has been provided for this.
- 3.3.8 The budget provides for the estimated cost of the draft regional collective agreement regarding the Council's obligation, following recent case law, to pay 'normal pay' to employees on annual leave. This agreement would apply uplift to annual leave payments to reflect enhancements, primarily overtime payments, which are not currently paid to employees on annual leave. Provision of £198k has been made in the 2016/17 budget for this.

3.4 Full year Effects - reduction of £328k

- 3.4.1 In 2014/15 the West Yorkshire Police and Crime Commissioner (PCC) agreed a two year funding agreement which saw a £454k increase in the PCC's contribution to Police and Community Safety Officers (PCSOs). In 2016/17 the PCC intends to increase the number of fully funded PCSOs from the current number of 47 but where posts are jointly funded then the contribution will be on a 50/50 basis. Currently Leeds makes a 20% contribution with its £1,060k budget, and whilst this budget in 2016/17 remains at the same level of provision as 2015/16, the revised arrangements mean that this will have implications for the numbers the Council will be contributing to since it will reduce from 165 to 67.

The fall out of pension contributions for staff who have left the Authority in previous years will save £328k.

3.5 Demand - pressure of £80k

3.5.1 Based on current activity levels it assumed that the reduction in income from golf courses (£80k) will continue into 2016/17.

3.6 Grant Fallout – pressure of £71k

3.6.1 The Transitional Fund from the DWP that was funding two private sector Housing Inspectors will drop out in 2016/17 (£71k). Despite the reduction in resources this function will continue as the work is to be absorbed within the section.

3.7 Other pressures – increase of £1,352k

3.7.1 The existing contract for the processing of waste collected in the green bin will increase by £588k. This is entirely the result of a reduction in the market price for recycled materials. This same fall in the price of recycled material will result in a reduction in income of £159k.

3.7.2 There continues to be a reduction in the number of Penalty Charge Notices (PCNs) that are issued for car parking offences with a corresponding reduction in the level of income realised through the payment of associated fines (£166k).

3.7.3 The capital contribution to staffing for the Cross Green Facelift Programme (£72k) will cease in 2016/17 and the pressure caused by this will be managed through holding budgeted posts vacant.

3.7.4 In 2015/16 an additional contribution is being received from the West Yorkshire Police and Crime Commissioner in order to sustain activities in priority areas such as tackling domestic violence, dealing with anti-social behaviour, reducing burglary and stopping re-offending. The 2015/16 budget assumed a £1,000k contribution but the final amount receivable was £743k. In 2016/17 the PCC's contribution is budgeted to reduce by a further £30k.

3.8 Efficiencies - saving of £8,079k

3.8.1 Savings on staffing (£1,218k) will be generated through a combination of deleting budgeted vacant posts, staff turnover, reconfiguration of services and staff exiting the Authority through the Early Leaver's Initiative. In August 2015 the Authority arrived at a collective agreement to assimilate pay scales and grades following the integration of Property Maintenance and Construction Services into Leeds Building Services. As a result of this there has been a reduction in overall staffing costs of £100k.

3.8.2 Within the Waste Management function savings have been realised through a rationalisation of the number of management and supervisor posts within the Refuse Collection service (£62k). Further savings will accrue following reduction in the level of resources that had been budgeted for to support the successful implementation of alternate week collection across the City (£67k). These savings are in addition to the £1.4m saving in disposal costs that the implementation of alternate week collection has already generated since 2013/14.

A review of the level of resources required to deliver the front line service is expected to generate savings of £167k, including the removal of the £60k winter contingency budget.

- 3.8.3. In October 2015 the Recovery and Energy from Waste Facility (RERF) started to receive waste for commissioning and it is anticipated that it will be fully operational by April 2016. As a result further savings of £4,474k will be delivered through a combination of a reduction in disposal costs and the full year effect of the receipt of PFI grant from the Government. These savings are in addition to the £2.3m of savings that will be realised in 2015/16.
- 3.8.4 Reduced annual capital spend on replacement bins and no further roll out of kerbside collection of garden waste will result in capital financing cost savings (£58k).
- 3.8.5 Further savings within Waste Management (£300k) will be delivered by targeting an increase in the level of recycling. In recognising that resources are constrained the intention is that more materials for recycling are captured through existing services and it will be delivered through maximising existing recycling capacity and infrastructure. This will be supported with an effective programme of communications, community engagement, policy enforcement and service improvement which reflects the Council's ambition to establish a social contract with the citizens of Leeds to improve recycling.
- 3.8.6 As a result of the continued reduction in both fuel and utility costs savings of £576k and £105k respectively have been budgeted for in 2016/17.
- 3.8.7 Housing Related Support savings being realised in 2015/16 in respect of Drug Intervention projects and Integrated Offender Management will roll over into 2016/17 (£215k). In addition a further £100k targeted saving will be delivered through the re-negotiating and the re-tendering contracts.
- 3.8.8 Revised arrangements for the operation of the Pest Control contracts with payments now being based on the number of call outs rather than a fixed sum will generate a saving of £40k.
- 3.8.9 Further savings have been realised through the re-tendering of the closed landfill maintenance contract (£40k).
- 3.8.10 The budgeted contribution to the insurance provision will reduce by £59k as a result of the Directorate taking a more pro-active approach to defending third party claims.
- 3.8.11 It is projected that savings of £385k will be realised through a review of all areas of existing spend to deliver line by line savings.
- 3.8.12 A rationalisation of the use of assets will realise savings of £30k.
- 3.8.13 Provision for the breakthrough project in respect of tackling domestic violence is being funded through a combination of vacant posts and cost sharing arrangements in respect of LASBT (Local Anti-Social Behaviour Teams).

3.9 Service Changes - additional spend of £232k

- 3.9.1 In order to support to support one of the Council's seven break through projects, "Putting Children and Families first: tackling domestic violence", resources (£232k) have been provided to support this initiative. Specifically this resource will be used to resource two posts that will support and publicise the implementation of the breakthrough project and the Front Door safeguarding hub. The Hub brings together council directorates and other partner organisations in a new way to tackle domestic violence. It provides a faster more coordinated response to individuals and families affected by domestic violence with

colleagues from a variety of agencies involved in the shaping and participating in operational delivery.

3.9.2 In September 2015 Executive Board agreed to the resettlement of 200 Syrian people over the next two years. In order to progress this resettlement work an additional four posts have been provided (£129k) which are to be funded through Home Office grant.

3.9.3 In order to carry out the suitability of council letting assessments an additional Occupational Therapist post has been established and this is to be charged to the HRA (£26k).

3.9.4 Local Authorities are responsible for the regulation of the mandatory Redress Scheme which ensures that tenants are able to complain to an independent person about the service they receive. To implement the regulation of the scheme a post, funded through fines, has been established (£36k).

3.10 Income – Additional fees and charges income of £963k

3.10.1 It is anticipated that the increases in car parking income in 2015/16 for both off street and on street parking will continue in 2016/17 (£538k).

3.10.2 As a result of the enhanced visitor experience at Tropical World following the capital investment at the attraction visitor numbers have increased in 2015/16 and the budget for 2016/17 assumes that this trend continues (£225k). In addition activity levels at other attractions and cafés have increased and it is anticipated that this increase also continues in 2016/17 (£175k).

3.10.3 A reduction from 33% to 25% in the discount for early repayment of Fixed Penalty Notices for environmental offences is anticipated to realise £25k.

3.11 Income: Traded Services, Partner and Other - additional income of £120k

3.11.1 The CCTV function will continue to seek to expand their business base (£100k). Specifically this will be delivered through both the expansion of the CCTV function that is currently provided to West Yorkshire Metro and the ongoing capital investment in multi-story flats which provides an opportunity to extend the benefits of CCTV to more tenants.

3.11.2 Additional income of £20k will be generated from the production of electricity at the closed landfill site at Gamblethorpe.

4. Risk Assessment

4.1 In determining the 2016/17 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered to carry the highest risk and therefore requiring careful and regular monitoring has been prepared.

4.2 The key risks in the 2016/17 budget for Environment and Housing are;

- That assumptions in respect of waste growth and the level of recycling across the City are not realised and that there is a consequential increase, over and above the budgeted assumptions, in the amount of waste that has to be disposed of.

- 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 2015/16 aren't sustained.
- That activity levels from income generating activities within Parks and Countryside are less than anticipated.
- That staff turnover and number of vacant posts are less than assumed in the budget.
- That levels of homelessness increase across the City with the subsequent requirement for the City Council to support these individuals in temporary accommodation.

Briefing note prepared by: Richard Ellis (Head of Finance)

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Directorate - Environment and Housing

	2016/17 £m	FTEs
Net Managed Budget 2015/16	61.64	
Adjustments		
Transfers of function	(0.35)	
Other adjustments	(2.15)	
Adjusted Net Managed Budget	59.15	
Budget Pressures:		
Inflation		
Pay	1.19	
Price	1.10	
Income	(1.45)	
Additional Charges to HRA	(0.10)	
National Insurance changes	1.36	
Living Wage	0.36	
Holiday Pay Agreement	0.20	
Full Year Effects of previous decisions		
End of PCSO Cost Sharing Agreement ¹	0.45	
Reduction in number of PCSOs ¹	(0.45)	
Capitalised Pensions - fall out of costs	(0.33)	
Demographic pressures		
Demand		
Golf Income	0.08	
Grant Fallout		
Housing Partnerships	0.07	
Other		
Recycling Disposal costs / shortfall in recycling income - Market Led	0.75	
Reduction in Penalty Charge Notices	0.17	
Reduction in Capital funding for Housing Partnerships	0.07	
West Yorkshire Police Fall Out of funding	0.29	
Total Pressures	3.75	0.00
Savings Proposals:		
Efficiencies		
Staffing savings from restructures, ELIs, Vacant posts	(1.22)	-41.4
Waste Management - Refuse Collection - removal of Alternate Week Collection support/ review of staffing levels	(0.30)	-9.3
Leeds Building Services - pay assimilation	(0.10)	
Waste Strategy - FYE of Recycling and Energy Recovery Facility	(4.47)	
Waste Strategy - Disposal savings from additional recycling - Social Contract	(0.30)	
Fuel and Energy reductions following wholesale price reductions	(0.68)	
Housing Related Support	(0.32)	
Environmental Action -revised pest control contract. With consideration to review current and future charging policy	(0.04)	
Community Safety - continuation of 15/16 savings	(0.15)	
Line by line budget reductions	(0.54)	
Asset Rationalisation target savings	(0.03)	
Service Changes		
Domestic Violence Breakthrough Project	0.07	1.6
Front Door Safeguarding Hub / Health & Domestic Violence Co-ordinator	0.16	
Syrian Refugees Project	0.13	4.0
Syrian Refugees - Home Office grant	(0.13)	
Housing Property Redress	0.04	1.0
Housing Property Redress - external income funded	(0.04)	
Housing - Add'l Occupational Therapists posts	0.06	1.6
Housing - Chargeable to HRA	(0.06)	
Income - Fees & Charges		
Car Parking fees - Continuation of trend observed in 15/16	(0.54)	
Parks and Countryside -Tropical World continuation of trend & add'l visitors	(0.23)	
Parks and Countryside -Other attractions continuation of trend & add'l visitors	(0.15)	
Parks and Countryside - Cafés - continuation of trend	(0.03)	
Environmental Action - reduction in FPN Litter discount for early payment	(0.03)	
Income - Traded Services, Partner and Other Income		
Community Safety - additional income from WY bodies	(0.10)	
Waste Management - income from the sale of electricity	(0.02)	
Total Savings	(8.99)	-42.5
Net Managed Budget 2016/17	53.90	-42.5

¹⁾ In 2014/15 the City Council reduced its contribution to the PCSO budget by £0.45m. The original proposal consulted upon was to reduce the number of PCSOs. In fact the PCC made additional funding of £0.45m available over two years to ensure that there was no reduction in the number of PCSOs. This funding agreement has come to an end now. In 2016/17 the Council will continue to make the same budgeted contribution as in 2015/16 for PCSOs at £1.06m.

LEEDS CITY COUNCIL

2016/17 BUDGET REPORT

Directorate: Environment & Housing

Housing Revenue Account

1. Introduction

- 1.1 The purpose of this report is to inform members of the main variations and factors influencing the 2016/17 Housing Revenue Account (HRA) budget.
- 1.2 The 2016/17 budget has been prepared at outturn prices. This means that allowances for inflation have been included in the budget submission.
- 1.3 Appendix 1 sets out a summary of the HRA Estimate for 2016/17.

2. HRA Strategy 2016/17 – 2019/20

As outlined in 3.1 below changes to Government rent policy mean that the HRA will be required to reduce rents by 1% each year until 2019/20.

Implementing this policy will, when compared to the level of resources assumed in the Financial Plan, equate to a loss of £20.5m in cash terms over the 4 year period, and assuming that from 2020/21 rent increases of CPI +1% will resume, a loss of £283m of rental income over the 10 year period (2016/17 to 2024/25).

Despite this reduction in income the Council remains committed to maintaining inflationary increases in the amount provided to maintain homes, funding the investment strategy agreed by Executive Board in March 2015 and replacing homes lost through Right To Buy (RTB) by the planned investment in new homes and buying up empty homes.

The reduction in resources will need to be managed in addition to other service, pay and price pressures and will be achieved through a combination of efficiencies and improved targeting of resources together with the use of reserves.

Consideration will be given each year to increasing charges where appropriate to reflect more closely the costs associated with providing services. This will generate additional income which will contribute towards offsetting the reduction in rental income.

3. Key Issues - 2016/17

3.1 Rent Policy

The Council's HRA Financial Plan is based on the assumption that dwelling rents increase in line with CPI +1% each year for 10 years from 2015/16 in line with Government policy introduced in April 2015. Based on the Government's CPI target of 2% the Council anticipated annual rent increases of 3%.

In July 2015 the Chancellor announced that for the 4 years 2016/17 to 2019/20 dwelling rents would need to reduce by 1% each year. This change in Government policy is effectively a 4% pa reduction from that assumed within the Council's HRA Financial Plan for each of the next 4 years. In cash terms this equates to a reduction of £20.5m in rental income over the four year period, of which £2.1m falls in 2016/17.

In line with this policy change it is proposed that rents are reduced by an average of 1% in 2016/17. See 4.1 for more details.

3.2. Services Charges

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 tenants only pay a notional charge towards the cost of these services, other tenants are in effect subsidising the additional services received. To reduce this subsidisation it is proposed to increase charges by £1 per week in 2016/17. Further details are set out in 4.3.2.

3.3 Charges for Sheltered Support

Tenants living in sheltered housing schemes across Leeds receive housing related support provided by Sheltered Support Officers and are charged £12 per week for this service. It is proposed to increase this charge to £13 per week to reflect the actual costs associated with the service. For those tenants who benefit from the service but do not currently pay it is proposed to introduce a nominal charge of £2 per week from 2016/17. See 4.3.3 for further details.

3.4 Clydes and Wortley Initiative

Additional revenue resources (£190k) have been provided to address criminal and anti-social behaviour within the four Clydes and Wortley blocks in Armley. Through a multi-agency group a more innovative approach has been taken to improving conditions for tenants that will focus upon physical investment in the properties and their immediate environment, specific housing management actions and multi-agency actions which include an increased police and PCSO presence.

3.5 Capital investment and Council House Growth Programme

The Council remains committed to funding the investment strategy agreed by Executive Board in March 2015 and to replacing homes lost through RTB by the planned investment in new homes and buying empty homes despite the change in the Government's rent policy. Further details are set out in 5.13.

4. Key movements 2015/16 to 2016/17 - Income

4.1 Dwelling Rents

As detailed in 3.1 changes to the Government's social rent policy will result in a reduction in income to the Council's HRA.

Reducing average rents by 1% equates to a reduction of 74p per week/£39 per year as shown in the table below, however, the impact of this on individual tenants will vary.

It should be noted that had rents been increased by 3% in line with previous Government policy and in line with assumptions in the Council's HRA Financial Plan - based on the average rent for 2015/16 tenants would have received an average rent increase of £2.23 per week in 2016/17.

Average rent	2015/16	2016/176	Reduction
£ per week	74.23	73.49	0.74
£ per year	3,860	3,821	39

The budget for 2016/17 assumes that 380 properties will be sold under RTB in line with projected sales for 2015/16, void levels will remain @ 1.0% and the policy of re-letting properties at target rent (the rent which under Government policy should be charged for a property taking into account a number of factors such as the valuation of the property and the number of bedrooms) continues.

The budget also factors in additional income from new homes built or acquired during the year.

The impact of all these assumptions is a net reduction in income from dwelling rents of £2,119k in 2016/17.

4.2 **Other rents**

Rental income from shops and miscellaneous properties is budgeted to reduce by £9k due to renegotiated leases.

Garage rents are currently £7.39 per week. It is proposed to increase these by 5% in 2016/17. This equates to an average increase of 37p per week (£19 per year), making the average garage rent for 2016/17 £7.76 per week. This will generate additional income of £73k per year.

4.3 **Service Charges**

Net income from service charges is budgeted to reduce by £184k in 2016/17. Movements are detailed below.

4.3.1 **Heat Lease** - income from heat lease charges is budgeted to reduce by £1,289k in 2016/17 due to a number of lease agreements coming to an end.

4.3.2 **Service charges for MSFs, medium and low rise properties** - As stated in 3.2 tenants in MSFs/low & medium rise flats receive additional services such as cleaning of communal areas, staircase lighting and lifts. Since currently, tenants pay a notional charge towards the cost of these services, other tenants are in effect subsidising the additional services received. To reduce this subsidisation it is proposed to increase charges by £1 per week in 2016/17. This will generate additional income of £607k in 2016/17.

4.3.3 **Charges for Sheltered Support** - Tenants living in 126 sheltered housing schemes across Leeds are supported by Sheltered Support Officers who provide housing related support. This support includes completing needs and risk assessments, developing and reviewing support plans, making referrals to other agencies and carrying out regular visits to enable tenants to live independently in a safe environment. Tenants in receipt of this service are charged £12 per week which is eligible for Housing Benefit. It is proposed to increase this charge to £13 per week to reflect the costs associated with the service. For those tenants who benefit from the service but do not currently pay it is proposed from 2016/17 to

introduce a nominal charge of £2 per week. These proposals will generate additional income of £313k in 2016/17.

4.3.4 District Heating charges - Housing Leeds manages a number of district heating schemes. The District Heating Account cumulatively operates in an overall deficit position with the deficit being met from the HRA which means tenants not benefiting from the schemes are subsidising the operating costs. Pending a full review of these schemes it is proposed to increase charges by 3% for 2016/17 in order to reduce subsidisation.

4.3.5 Contributions from leaseholders to capital works - The 2016/17 budget reflects the requirement to budget for contributions from leaseholders where their properties have benefited from capital investment. The 2016/17 budget assumes income of £185k in 2016/17, which is consistent with actual income received during 2014/15 and 2015/16.

4.4 Impact on tenants of increased rents and charges

An analysis of the impact on tenants of the above charging proposals together with the 1% reduction in rents (see 4.1) has been undertaken. This shows that under these proposals 71% of tenants will pay 79p per week less in overall terms in 2016/17 than in 2015/16. Of those paying more, 22% will pay up to 34p more per week, 5% will pay £1.30 more with 2% paying an additional £2.30 per week. These increases will be funded through Housing Benefit for eligible tenants.

The proposals in relation to service charges and charges for sheltered support (4.3.2 & 4.3.3 above) have been shared with the Voice of Involved Tenants Across Leeds (VITAL). VITAL acknowledged that these services are subsidised by tenants who do not receive them and accepted the proposals as reasonable options to offset the reduction in rental income.

4.5 PFI Grant

The 2016/17 budget assumes full year PFI grant of £6,097k for Swarcliffe PFI and £15,288k for Little London Beeston Hill & Holbeck (LLBH&H) PFI.

4.6 Internal Income

The 2016/17 budget for internal income is £1,546k higher than 2015/16. Of this increase £1,388k is due to capitalising the costs of additional posts created to deliver the increased capital investment programme as detailed in 5.13.

An increase of £40k in costs associated with processing RTB applications can be offset against receipts generated through sales. Other variances relate to an increased credit of £53k for time spent by staff on DRM activities together with other minor variations.

4.7 External Income

The reduction of £78k from 2015/16 to 2016/17 is due to a number of minor variations which include reductions in income from tenants for washing tokens and keys and overnight guests staying in sheltered housing schemes.

5. Key movements 2015/6 to 2016/17 - Expenditure

5.1 Employees

The 2016/17 budget for employees is an increase of £2,259k when compared to 2015/16. Of this £1,388k is for agreed additional posts within Property and Contracts (P&C) to ensure the successful delivery of the capital programme following the long term commitment of additional funding for housing investment as agreed by Executive Board in March 2015. The costs of these posts will be charged against the capital programme (see 4.6 above). The

budget also makes provision for graduate and apprenticeship posts which will be funded through vacant posts and reconfiguration of resources.

An amount of £206k is included to reflect the National Employers' final pay offer made in December 2015. This offer involves lump sum increases in 2016/17 and 2017/18 for spinal column point (scp) 6 to 17 and 1% increases in each year for scp 18 and above.

The Chancellor's Autumn Statement in 2013 announced that the current arrangements for contracting out will be abolished from 2016/17. Employer's national insurance costs will therefore increase in 2016/17 and £618k provision has been made for this.

5.2 Repairs to dwellings

The 2016/17 budget includes £43,588k for repairs to dwellings which is an increase of £855k or 2% when compared with the amount provided for in 2015/16.

Value for money will continue to be delivered through the informed commissioning of more planned maintenance programmes which will mitigate the requirement to resource more expensive responsive repairs to properties.

5.3 Premises

The premises budget reflects a net saving of £190k. This is primarily due to a combination of savings from utilities (£339k) offset by an increase of £200k in charges for cleaning. This increased cost to the HRA is due to the impact of the decision made by Executive Board in September 2015 that the Council moves towards becoming a real Living Wage employer by implementing a minimum rate of £8.01 per hour from April 2016 with a view to a further increase during the year. In addition £40k of savings have been identified due to the ongoing review of all areas of existing spend.

5.4 Supplies & Services- Payments to PFI contractor

The reduction in payments to the PFI contractor of £18,469k between 2015/16 and 2016/17 reflects the agreed programme with the PFI Contractor as agreed by Executive Board in July 2012.

5.5 Supplies & Services - Other

The budget reflects net savings of £76k. This is largely due to the ongoing review of all areas of existing spend to deliver line by line savings.

5.6 Transport

The reduction of £73k is due to a combination of a reduction in expenditure on travel allowances and vehicle costs.

5.7 Charges for internal services

Horticultural Maintenance & Environmental Services - the increases of £87k and £95k respectively in the charges for 2016/17 are due to the impact of the National Employer's final pay, changes to national insurance (see 5.1 above), and the impact of the decision made by Executive Board in September 2015 that the Council moves towards becoming a real Living Wage employer (5.3 above).

Community Safety - the increase of £174k in charges from Community Safety is due to enhanced CCTV monitoring on council estates in the east of the City (£107k) and funding for a concierge service for the Clyde and Wortley initiative.

Supporting People in their own homes - the increase of £49k reflects the passporting of the impact of the pay award and national insurance changes on salary costs of staff within Adult Social Care who provide housing related support to tenants with mental health issues which ensures that vulnerable adults can continue to remain in their own home.

Supporting troubled families with Council tenancies - appropriate costs associated with the Family Intervention Service and Multi-systemic Therapy which focuses on supporting troubled families by reducing anti-social behaviour, have increased by £308k.

Housing Services - the increased charge of £189k relates primarily to agreed increases in the Occupational Therapist service (£92k), an additional charge for borrowing costs associated with the Little London Community Hub (£38k), plus an increase in charges due to more specific support provided by the Housing Options teams to Council tenants (£55k).

Customer Access - customer access charges to the HRA have increased by £160k due to the additional costs of the pay award, paying staff the living wage and national insurance changes adjustment.

Support Services - the increase of £92k reflects the inclusion of a charge for the Casework & Resourcing team and for Corporate Initiatives and Organisational Development within Human Resources (£116k) offset by other minor variations.

Welfare Advice and Support - a review of the Advice Consortium, Welfare Rights and the Local Welfare Support Scheme has been undertaken to ascertain the degree to which Council tenants benefit from the services provided. It is proposed that the HRA is charged £300k for this service to tenants.

Legal Services - the reduction of £42k is due to the anticipated reduction in disrepair caseload during 2016/17.

Corporate Governance/Other Services - there has been a net reduction in this budget of £396k. This includes an increased charge of £148k from Regeneration due to the increase in activity on the housing growth programme and the ongoing regeneration work across areas of the HRA estate (particularly Gipton, Seacroft, Middleton and Halton Moor). This is offset by savings of £239k in the CDC corporate management charge, in the corporate charge for communication (£69k), no requirement to fund a full stock valuation in 2016/17 (£121k), savings in accommodation used by the housing management function (£55k) and savings on the PPPU charge in relation to PFI (£63k).

5.8 **Payments to Belle Isle Tenant Management Organisation (BITMO), Housing Area Panels (HAPs) and other Organisations**

It is proposed that the Management Fee paid to BITMO in 2016/17 for the management and maintenance of the housing stock should continue to be based on the principles of driving efficiencies and redirecting resources to maintaining the housing stock. The management element of the payment reflects an increase of 1% in line with the agreed pay award. The maintenance element has been increased by 2% in line with inflation. The total fee payable to BITMO for 2016/17 is £3,217k which is an increase of £79k from 2015/16.

The budget includes £900k for HAPs to enable the continuation of funding of projects which benefit tenants and residents in the community they represent. This is a reduction of £420k from 2015/16. In the context of the reduction in rental income it is intended that environmental schemes formerly funded from this budget should in future be funded through the earmarked reserve for environmental works.

Payments to Leeds Credit Union and Leeds Tenants Federation have remained in line with 2015/16.

5.9 Provisions

(a) Disrepair

There has been a continuing reduction in disrepair caseload during 2015/16 due to clearing the backlog of cases and changes in strategy and processes which have streamlined the case management process and reduced the number of new claims being submitted. This, together with changes in processes and preventative work being undertaken should lead to both a reduction in cases and resources required from 2016/2017 onwards.

As a result of the proactive approach taken in 2015/16 the budgeted contribution to the disrepair provision will reduce by £500k in 2016/17.

(b) Bad debts

Based on performance in relation to arrears during 2015/16 the budgeted contribution to the bad debt provision will remain at £1,900k for 2016/17.

5.10 Council Tax on Empty Homes

Provision of £663k has been included in the 2016/17 HRA budget to fund the requirement to pay council tax on empty homes. This is in line with the provision required in 2014/15 and projected for 2015/16.

5.11 Discretionary Housing Payments

The Department for Communities and Local Government (CLG) has issued a direction allowing the Council to fund payments to its own tenants under the Discretionary Housing Payments (DHP) scheme. These payments are made to tenants facing a reduction in benefit and as a result of the Council making up this shortfall it enables the tenant to continue to reside in their own homes. The HRA budget for 2016/17 includes £500k to fund tenants with severe disabilities living in adapted properties who have been subject to a reduction in Housing Benefit. This is consistent with the amount provided in 2015/16.

5.12 Capital charges

There has been a net increase in capital charges of £862k due primarily to accounting adjustments in relation to heat lease and Swarcliffe and LLBH&H PFI schemes. Offsetting this is a £3m reduction in the amount provided to repay debt.

5.13 Revenue Contribution to Capital

The 2016/17 budget includes £73,041k to fund the housing capital programme/investment plan. This is £3,057k higher than the amount provided in 2015/16 and is in line with the investment strategy agreed by Executive Board in March 2015. This increase is being funded by utilising the Swarcliffe PFI sinking fund (see 5.14 below).

5.14 Appropriation

The appropriation account reflects the budgeted contributions to/from the Swarcliffe & LLBH&H PFI sinking funds.

In the context of the reduction in income due to the Government's revised rent policy it is proposed to use £3,057k of the Swarcliffe Sinking Fund to resource the increase in the capital programme (see 5.13 above). The sinking fund smoothes out the effect of the incidence of the payments to the PFI contractor so using these reserves will require additional resources to be identified in future financial years to fund the unitary charge payments.

In addition it is proposed to use £470k of the HRA General Reserve to support the 2016/17 budget.

6. HRA Reserves

- 6.1 The HRA Reserves Statement which is attached at Appendix 2 reflects the projected movement in reserves between April 2016 and March 2017. The Capital Reserve is used to resource the HRA Capital programme which is subject to a separate report on this agenda. The PFI Reserves will be used to fund the Swarcliffe and LLBH&H PFI schemes over the life of the contracts.
- 6.2 The HRA General Reserve is projected to be £8,317k at the end of 2015/16 which is higher than required following a risk assessment of the HRA income and expenditure levels. It is therefore proposed to use £470k of this to support the 2016/17 budget.

7. Risks

There are a number of risks which, should they materialise would have a significant impact upon the 2016/17 HRA budget. These risks are reviewed throughout the year and action taken to mitigate any impact wherever possible. The HRA maintains a level of reserves in order to meet the impacts of such risks should they occur. Key risks identified are as follows:

- The impact of the Government's Welfare Change Agenda may increase arrears more than anticipated as Universal Credit will have been implemented in the City by the start of 2016/17.
- Property numbers during the year may vary significantly from estimates due to fluctuations in the number of RTB sales and delays in the delivery of new homes which will impact on rental income.
- The number of disrepair claims against the Council may start to increase requiring additional contribution to the provision.

Budget Heads	Latest Estimate 2015/16	Original Estimate 2016/17	Variance
	£000	£000	£000
Income			
Dwelling Rents	(217,428)	(215,309)	2,119
Other Rents	(3,042)	(3,106)	(64)
Service Charges	(6,588)	(6,403)	184
PFI grant	(21,385)	(21,385)	(0)
Internal Income	(4,789)	(6,334)	(1,546)
External Income	(1,520)	(1,441)	78
Total Income	(254,751)	(253,979)	772
Expenditure			
Employees	26,329	28,588	2,259
Repairs to dwellings	42,733	43,588	855
Premises & repairs	7,205	7,015	(190)
Supplies & Services - Payments to PFI contractor	32,692	14,222	(18,469)
Supplies & Services - Other	5,016	4,941	(76)
Transport	570	497	(73)
Horticultural Maintenance	3,718	3,805	87
Environmental Services	3,949	4,044	95
Community Safety	3,092	3,266	174
Supporting People in their own homes	3,497	3,546	49
Supporting troubled families with council tenancies	889	1,197	308
Housing Services	2,940	3,129	189
Customer Access	5,542	5,702	160
Support Services	7,693	7,785	92
Welfare Advice and Support	0	300	300
Legal Services	1,020	978	(42)
Corporate Governance & Other Services	4,209	3,813	(396)
Payments to BITMO, Area Panels & Credit Union	4,680	4,338	(341)
Provisions			
- Disrepair	1,500	1,000	(500)
- Bad Debts	1,900	1,900	0
Council Tax on Empty Homes	663	663	0
Discretionary Housing Payments	500	500	0
Capital charges	42,373	43,235	862
Revenue Contribution to Capital (RCCO)	69,984	73,041	3,057
Total Expenditure	272,693	261,094	(11,600)
Appropriation			
General Reserve	0	(470)	(470)
Sinking Funds			
LLBH&H PFI	(16,720)	(3,719)	13,001
Swarcliffe PFI	107	(2,900)	(3,007)
Earmarked Reserves -			
Swarcliffe Environmentals	(25)	(25)	0
Welfare Change	(1,303)	0	1,303
			0
Net (surplus)/deficit	0	0	0

*figures have been restated for presentational purposes

Estimated Financial Position on Reserves	Reserves b/f 1st April 2016	Estimated use of Reserves	Estimated cbn to Reserves	Estimated Closing Reserves 31st March 2017
	£000	£000	£000	£000
HRA General Reserve	(8,317)	470		(7,847)
Earmarked Reserves				
Environmental Works	(2,480)	1,275		(1,205)
Insurance - large claims	(386)			(386)
Welfare Change	(2,000)	556		(1,444)
Swarcliffe Environmentals	(25)	25		0
Housing Advisory Panels	(264)	264		0
Sheltered Housing	(4,087)			(4,087)
Holdsworth Place - land purchase	(64)			(64)
Sub-total Earmarked Reserves	(9,306)	2,120	0	(7,186)
Total	(17,623)	2,590	0	(15,033)
PFI Reserves				
Swarcliffe PFI sinking Fund	(12,698)	3,057	(285)	(9,926)
LLBH&H PFI Sinking Fund	(6,717)	3,544		(3,173)
Total PFI Reserves	(19,415)	6,601	(285)	(13,099)
Capital Reserve				
MRR (General)	(13,763)	79,220	(73,041)	(7,584)
MRR (New Build)	(22,088)	18,251	0	(3,837)
Total Capital Reserve	(35,851)	97,471	(73,041)	(11,421)
Grand Total	(72,889)	106,662	(73,326)	(39,553)

LEEDS CITY COUNCIL

2016/17 BUDGET REPORT

Directorate: Strategy and Resources

1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2016/17 financial year.

2. Service Context

- 2.1 Strategy and Resources comprises the Council's key professional support services: Finance, HR, Technology, Legal Services, Project Management and Procurement, Democratic Services, and Strategy and Improvement. These services support the strategic direction for the Council and provide essential support to Members and managers to improve outcomes.
- 2.2 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. Including the proposals contained in this report, the cost of these services will have reduced by £21m (375 fte's) since 2010/11, an average of 33% with some services reducing by well over 40%.

3. Budget Proposals

- 3.1 This budget represents a reduction of £1.85m (5%) when compared to the adjusted budget 2015/16 summarised in the table attached to this report:

3.2 Adjustments (-£860k)

3.2.1 Transfer of functions

A number of functions have transferred out of Strategy and Resources including Intelligence/Performance staff (-£279k) and also staff engaged in business administration (-£659k) who are moving to the new centralised service within CEL.

3.2.2 Other adjustments

The Council has a Corporate Graduate Development Programme that now recruits around 30 graduates a year on a temporary contract for two years. Previously each Directorate budgeted for the cost, but in 2016/17 to achieve a better coordinated and more efficient approach, these budgets (£700k) have been centralised within HR. Other adjustments amount to -£443k, the main change being charges of £448k to the Aspire Community Benefit Society in respect of support services still provided to them by the Council.

3.3 Changes in prices (+£1,410k)

- 3.3.1 **Inflation** (pay award) - the budget includes provision of £570k reflecting the National Employers' final pay offer made in December 2015. This offer involves lump sum increases in 2016/17 and 2017/18 for spinal column point (scp) 6 to 17 and 1% increases in each year for scp 18 and above.

- 3.3.2 **Employer's National Insurance** - the Chancellor's Autumn Statement in 2013 announced that the current arrangements for contracting out will be abolished from 2016/17. Employer's national insurance costs will therefore increase in 2016/17 and £950k provision has been made for this.
- 3.3.3 **Real Living Wage** – at its September 2015 meeting, the Executive Board agreed that the Council would move towards becoming a real Living Wage employer by implementing a minimum rate of £8.01 per hour from April 2016 with a view to implementing a further increase during the year. Provision of £11k has been made.
- 3.3.4 **Holiday Pay** - the budget provides for the estimated cost of the draft regional collective agreement regarding the Council's obligation, following recent case law, to pay 'normal pay' to employees on annual leave. This agreement would apply an uplift to annual leave payments to reflect enhancements, primarily overtime payments, which are not currently paid to employees on annual leave. Provision of £21k has been made in the 2016/17 budget for this.

3.4 Savings £3.04m

3.4.1 Efficiencies (-£2,890k)

Finance

The finance function continues to reduce in size and a saving of £760k is proposed for 2016/17, equating to a reduction of 22 ftes. The service is implementing continual change and adaptation in response to this year's budget challenge and also future reductions. There will be more focus on the higher risk areas and less resource for more transactional functions and lower risk budget areas.

Human Resources (HR)

To deliver the changes, the structure of the HR service and the way it works continues to change, with increased functions being managed from within the HR Centre. Work is ongoing to optimise technological solutions, modernise employment framework (policies etc) and to either cease or minimise operational/transactional activities and also seek to deliver via alternative models e.g. shared service. The reduction in budget is £370k, approx 8 ftes.

Information and Communication Technology (ICT)

Whilst continuing with the priority of maintaining and developing the core ICT service for the Council, savings of £550k will be generated in 2016/17 primarily through procurement related initiatives such as 'printsmart' and the modernisation of telephony.

Legal and Democratic Services

Democratic Services are projected to save £123k in 2016/17 from a combination of staff savings from known leavers, further savings in relation to the Members' pension scheme and other efficiencies. Legal Services have a savings target of £51k.

Projects, Programmes and Procurement Unit (PPPU)

The PPPU are budgeting to deliver savings of £660k to be achieved through a combination of increased external income of £445k (now £1,265k in total) combined with a revised approach to support for procurement within the Council. The Effective Procurement Programme has now introduced a number of procurement toolkits used by services to self-serve on low value and non-complex work. In April 2015 the council introduced PM Lite, the mandatory project management methodology, to more effectively deliver the projects,

programmes and procurements it prioritises ensuring that mid-scale and complex projects/procurements are managed utilising the new methodology. The impact has been to reduce the cost of corporate procurement support by £352k.

Strategy and Improvement

Staffing reductions of £380k will be realised from prioritising work and working differently, eg communications and intelligence and information management and technology.

3.5.2 Income (-£150k)

In 2016/17 ICT will be providing a full 'managed service' for West Yorkshire Joint services supporting 200 devices. This is estimated to result in net income of £150k.

4. Risk Assessment

- 4.1 In determining the 2016/17 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered to carry the highest risk and therefore requiring careful and regular monitoring has been prepared.
- 4.2 The key risks for Strategy and Resources are;
 - 4.2.1 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 2016/17 budget proposals.
 - 4.2.2 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.
 - 4.2.3 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 2016/17.

Briefing note prepared by: Charles Oxtoby (Head of Finance)
Telephone: 74228

Directorate: Strategy and Resources

	£m	FTEs
Net Managed Budget 2015/16	38.12	
Adjustments		
Transfers of function	-1.10	
Other adjustments	0.19	
Adjusted Net Managed Budget	37.21	
Budget Pressures:		
Inflation		
Pay	0.57	
Income	-0.12	
National Insurance increase	0.95	
Living wage	0.01	
Holiday Pay	0.02	
Fall out of 5 year pension costs	-0.19	
Total Pressures	1.24	0
Savings Proposals:		
Support Services		
Financial services	-0.76	-22
HR	-0.37	-8
ICT staffing	-0.12	-3
ICT - further 'Print Smart' savings	-0.10	
Legal Services	-0.05	-1
Corporate Communications and Intelligence	-0.38	-13
Democratic Services	-0.12	-2
ICT procurement savings	-0.33	
PPPU - staffing savings, new approach to procurement support and additional external income	-0.66	-4
Income - Traded Services, Partner and Other Income		
Provide full 'managed ICT service' for West Yorkshire Joint Services, an estimated 200 devices	-0.15	
Total Savings	-3.04	-53
Net Managed Budget 2016/17	35.41	

LEEDS CITY COUNCIL 2016/17 BUDGET REPORT

Directorate: Citizens and Communities

1. Introduction

This report has been produced in order to inform members of the main variations and factors influencing the directorate's budget for the 2016/17 financial year.

2. 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 and the ongoing development of community hubs is being led by Citizens and Communities. The net budget in 2015/16 is £21.6m, employing 788 full-time equivalent staff.

3. Budget Proposals

3.1 This budget represents a net reduction of £0.2m (0.9%) when compared to the adjusted budget 2015/16 summarised in the table attached to this report:

3.2 Adjustments (£3,220k)

3.2.1 Transfer of functions

During 2015/16 the branch libraries budget (£2.6m) has transferred to Citizens and Communities linked to the ongoing development of Community Hubs.

3.2.2 Other budget adjustments, not affecting service provision, amount to £620k.

3.3 Changes in prices (+£830k)

3.3.1 **Inflation** (pay award) – the budget includes provision of £271k reflecting the National Employers' final pay offer made in December 2015. This offer involves lump sum increases in 2016/17 and 2017/18 for spinal column point (scp) 6 to 17 and 1% increases in each year for scp 18 and above. Income inflation for Licensing and Local Land Charges is £20k.

3.3.2 **Employer's National Insurance** - the Chancellor's Autumn Statement in 2013 announced that the current arrangements for contracting out will be abolished from 2016/17. Employer's national insurance costs will therefore increase in 2016/17 and £479k provision has been made for this.

3.3.3 **Real Living Wage** – at its September 2015 meeting, the Executive Board agreed that the Council would move towards becoming a real Living Wage employer by implementing a minimum rate of £8.01 per hour from April 2016 with a view to implementing a further increase during the year. Provision of £72k has been made for this.

3.3.4 **Holiday Pay** – the budget provides for the estimated cost of the draft regional collective agreement regarding the Council's obligation, following recent case law, to pay 'normal pay'

to employees on annual leave. This agreement would apply an uplift to annual leave payments to reflect enhancements, primarily overtime payments, which are not currently paid to employees on annual leave. Provision of £33k has been made in the 2016/17 budget.

3.4 Budget pressures (£839k)

- 3.4.1 There is a reduction in grants supporting the Housing Benefits amounting to £319k, the majority being a further reduction in the Admin Grant.
- 3.4.2 The budget reflects that as well as local elections, there will be the referendum on Europe and the PCC election. The projected increase in cost compared to 2015/16 is £200k and whilst the additional costs for the referendum and the PCC election will be covered by government grant, the cost of the local election will be funded by local resources.
- 3.4.3 In autumn 2015 an additional 10 Customer Support Officers were appointed for 2 years to deliver the 'Personal Work Support Package' (PWSP) for those people being supported into work under the new council tax support arrangements. The cost of £320k is funded from savings on the Council Tax Support Scheme for 2015/16 and is expected to deliver further savings in future years.

3.5 Savings -£1,850k

3.5.1 Efficiencies (-£880k)

The continuing development of the Community Hubs is expected to generate further efficiencies of £100k on top of the £100k delivered in 2015/16.

A cross-directorate review of staffing and running costs is projected to save £290k, mainly within Communities.

Implementation of transactional web services to support 'channel shift' is progress within Customer services and further £200k savings (on top of the £250k in 2015/16) are built into the budget in 2016/17.

As part of the Council's Asset management strategy a savings target of £124k is reflected in Citizens and Communities in respect of savings from closure of buildings.

A price increase for the Registrars services in January 2016 combined with a review of running costs equates to savings of £70k.

Other savings amount to £100k.

3.5.2 Income (-£850k)

A exercise of 'Data matching' began in autumn 2014 in respect of those in receipt of single person council tax discount to confirm eligibility and in 2015/16 the savings target of £500k to generate additional Council Tax receipts was over-achieved. The 2016/17 budget assumes that the exercise will generate extra funds for the Collection Fund of £280k, offset by a cost of £80k shown in this budget.

A continuation of the current level of Housing Benefit overpayments, largely as a result of proactive measures to identify Housing Benefit paid in error, should result in additional revenue amounting to £350k.

A review of the Advice Consortium, Welfare Rights and the Local Welfare Support Scheme has been undertaken to ascertain the degree to which Council Tenants benefit from the services provided and it is proposed to make an appropriate charge of £300k to the Housing Revenue account to reflect the cost.

3.5.3 Service Changes (-£250k)

Following on from reduction in the last two years' budgets, a further reduction of £200k will be applied to the Well Being and Youth Activities budgets.

Two other proposals that will directly impact on the third sector are a 20% reduction in the third sector infrastructure grant and a further reduction in the Innovation Fund of £50k in 2016/17.

4. Risk Assessment

- 4.1 In determining the 2016/17 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered to carry the highest risk and therefore requiring careful and regular monitoring has been prepared.
- 4.2 The key risks in the budget for Citizens and Communities are:
 - 4.2.1 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.

Briefing note prepared by Charles Oxtoby (Head of Finance)
Telephone: 74228

Directorate: Citizens and Communities

	£m	FTEs
Net Managed Budget 2015/16	21.56	
Adjustments		
Transfers of function	3.26	
Other adjustments	-0.04	
Adjusted Net Managed Budget	24.78	
Budget Pressures:		
Inflation		
Pay	0.27	
Income	-0.02	
National Insurance increase	0.48	
Living wage	0.07	
Holiday pay	0.03	
Full Year Effects		
Additional customer service officers to support implementation of the Personal Work Packages as part of the Council Tax Support Scheme (commenced October 2015)	0.32	10
Fall out of 5 year pension costs	-0.12	
Grant Fallout		
Further reduction in Housing Benefits Admin grant	0.32	
Other pressures		
Elections	0.20	
Review of Single Person Discount (forecast to generate £280k additional income)	0.08	
Total Pressures	1.63	10
Savings Proposals:		
Efficiencies		
Community Hubs - further efficiencies from bringing services together	-0.10	-4
Cross-directorate staffing and running cost savings	-0.29	-2
Further savings from the implementation of transactional web	-0.20	-8
Registrars service - review of costs and income	-0.07	
Asset rationalisation savings	-0.12	
Other	-0.10	
Service Changes		
Third sector infrastructure grant 20% reduction	-0.07	
Reduction in Well Being Budget and Youth Activities	-0.20	
Innovation Fund: reduce by £50k in 2016/17	-0.05	
Income - Traded Services, Partner and Other Income		
Housing benefit overpayments - assume continuation of trends from last 2 years	-0.35	
Further review of Council Tax Single Person Discount. £280k additional Council Tax receipts reflected in the Collection Fund. The net impact after the costs of £80k (shown above) is £200k.		
Contribution from Housing Revenue Account		
Advice Consortium and Welfare Rights	-0.20	
Local Welfare Support Scheme	-0.10	
Total Savings	-1.85	-14
Net Managed Budget 2016/17	24.56	

LEEDS CITY COUNCIL 2016/17 BUDGET REPORT

Directorate: Public Health

1. Introduction

1.1 This report has been produced in order to inform members of the main variations and factors influencing the directorate's budget for the 2016/17 financial year.

2. Service Context

2.1 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.

2.2 Grant Allocation

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

In the Spending Review and Autumn Statement, the Government indicated it will make savings in local authority public health spending with a further cash reduction of 2.2% in 2016/17. It has become apparent that these reductions are in addition to the 6.2% 2015/16 reductions which will now recur in 2016/17 and beyond. Confirmation of the funding allocation was received on 11th February 2016 and there will be reduction to the Council's public health grant of £3.9m (7.7%) in 2016/17. The indicative allocation for 2017/18 is £45,481k, a reduction of £1,159k (2.5%) compared to 2016/17.

	National £'000	Leeds £'000
Original 2015/16 grant	2,801,471	40,540
Add: 0-5 transfer from health	859,526	9,986
	3,660,997	50,526
Less: 2015/16 recurring grant reduction	(200,000)	(2,818)
Less: 2016/17 grant reduction	(76,142)	(1,078)
Estimated 2016/17 grant	3,384,855	46,630
Total estimated grant reduction in 2016/17	(276,142)	(3,896)
Percentage reduction in cash-terms	7.54%	7.71%

2.3 Contracts

There are around 58 service contracts Public Health directly commission valued at approximately £32m. Public Health commissions a wide range of providers to deliver public health services, these include; 3rd Sector Providers, GPs, Pharmacies and Leeds Community Healthcare NHS Trust. There are also a number of public health activity based contracts to support sexual health, drug and alcohol and NHS Health checks, valued at approximately £5m.

In July 2015 two newly commissioned services started, the new integrated service for Sexual Health was commissioned to Leeds Community Healthcare and Drugs and Alcohol to 3rd sector provider DISC. These were key developments as part of the Public Health strategic commissioning priorities programme. Also underway is the review and re-procurement for Healthy Lifestyle services (Weight Management, Smoking Cessation, Healthy Lifestyles, Physical Activity) and Community Health Development and Improvement as part of this review a key decision is expected to extend 3rd sector contracts for the final year of their contracts. As part of the Strategic Commissioning priorities during 2016/17 the review will begin for the Healthy Child pathway service.

The Public Health grant is also used to jointly commission services with other Council directorates including Neighbourhood networks, Infant Mental Health, Luncheon Clubs Sexual Health Skyline project and St Anne's residential rehabilitation. In addition the Public Health grant contributes to some Council run services including Children's Centres, Healthy Schools and Active Lifestyles.

In October 2015, funding and contract responsibility for 0-5yrs public health service (health visiting services and the Family Nurse Partnership) transferred from NHS England to the Council. The provider of these services is Leeds Community Healthcare NHS Trust. The Council will take full responsibility from April 2016 with the full year effect being £9,986k.

3. Budget Proposals

3.1 Changes in prices – pressure of £170k

3.1.1 **Inflation** (pay award) - the budget includes provision of £50k reflecting the National Employers' final pay offer made in December 2015. This offer involves lump sum increases in 2016/17 and 2017/18 for spinal column point (scp) 6 to 17 and 1% increases in each year for scp 18 and above. Provision has been made for the impact of the nationally agreed pay awards for 2015/16. No provision has been made for inflation on running cost budgets.

3.1.2 **Employer's National Insurance** - the Chancellor's Autumn Statement in 2013 announced that the current arrangements for contracting out will be abolished from 2016/17. Employer's national insurance costs will therefore increase in 2016/17 and £120k provision has been made for this.

3.1.3 This service does not generate any fees and charges and so no income inflation can be applied.

3.2 Other Budget Pressures - £4,740k

3.2.1 0-5yrs public health service (health visiting services and the Family Nurse Partnership) will transfer from NHS England to Leeds City Council from October 2015. The full year cost of this contract is £9,986k (an increase of £4,993k) and is funded by the Department of Health.

3.2.2 Anticipated reduction in Public Health grant as described in paragraph 2.2 above of £3,896k.

3.2.3 The Leeds South & East Clinical Commissioning Group (CCG) has provided a £3m Health Inequalities Fund which will be managed by LCC to commission additional targeted Public Health services and related programmes. This fund will be used to support the development and implementation of local work programmes and services which will improve the health and wellbeing of the local population and to reduce health inequalities. Of the total allocation, it is expected that £500k will be utilised during 2016/17.

3.2.4 As part of the 2015/16 budget, there was an underspend of £800k from the previous year which was being utilised. This is therefore no longer available for 2016/17.

3.2.5 Provision has also been made for other minor pressures totalling £90k in the general fund services.

3.3 Savings

3.3.1 Efficiencies £-800k

The efficiencies comprise a combination of expired contracts, ending of one-off contributions, reductions in activity levels and activities now funded by other contracts or organisations. The savings cover the following areas:

	£000
Healthy Living Services	-269
Sexual Health	-73
Mental Health	-26
Domestic Violence	-40
Addiction Services	-100
Health Protection	-97
Area Health & Wellbeing	-92
Other	-103
	<hr/>
	-800

3.3.2 Staffing savings £-423k

Within the Public Health structure, there are a number of vacant posts which are not being filled. In addition, it is anticipated that further staff turnover during 2016/17 will result in additional savings.

3.3.3 Review of commissioned services £-3,616k

A review of all commissioned services has taken place which has resulted in the some public health services being stopped and others receiving a reduction in funding. These cuts will affect all Public Health commissioned services including direct commissioning, joint commissioning with other Council Directorates and Council run services. The savings comprise the following areas:

Third Sector £-738k

- £-163k – 5% saving on contracts due to expire and to be extended for a further year. These are held with 22 3rd sector providers to improve health and wellbeing including services both citywide and within localities. These services cover community development, food and nutrition, vulnerable groups, older people, sexual health, domestic violence, mental health, cancer screening, children’s physical activity, obesity and breastfeeding.
- £-200k – saving on drugs and alcohol services.
- £-375k – saving on Drug Intervention Programme and Integrated Offender Management.

Public Health Services £-524k

- £-291k – reduction within existing contracts including Health Visiting, School Nursing, Healthy Lifestyles, Smoking Cessation, Weight Management, Infection Control.
- £-233k – transfer of TB service to NHS provider.

Leeds City Council contributions £-1,753k

- Each contribution was individually assessed to determine the level of reduction. Some were one off contributions which were no longer needed and others have had varying levels of reductions applied to them. The impact on the services is as follows:

	£000
Healthy Living Services	-229
Sexual Health	-88
Mental Health	-30
Addiction Services	-100
Children 0-5	-697
Older People	-406
Health Protection	-14
Other	-189
	-1,753

- In response to the proposed reduction in public health funding in 2016/17 to Council-provided services, the proposal is to use £1.3m of non-recurrent earmarked reserves to maintain priority services through to March 2017.

Programmed Budgets £-601k

- Area Health Priorities across East North East, South and East and West North West. Adult Public Health programmes including drugs and alcohol, mental health, sexual health, infection control and fuel poverty programmes. Children’s Public Health programmes including obesity, breastfeeding, alcohol, drugs, Infant Mortality, Oral health.

4. Risk Assessment

- 4.1 In determining the 2016/17 budget, consideration has been given to all the risks which are managed within the directorate’s overall risk management framework. Within this framework, a register of those items considered to carry the highest risk and therefore requiring careful and regular monitoring has been prepared.

- 4.2 The key risks in the 2016/17 budget for Public Health are;
- 4.2.1 Risk of harm to health and increase in health inequalities due to the impact of the public health cuts on commissioned services.
 - 4.2.2 Failure to realise the savings identified in the cost improvement plan for public health commissioned services in order to meet the public health grant reduction in 2016/17.
 - 4.2.3 The Office of the Director of Public Health is responsible for 19 contracts which are activity based, there is a risk based on the possibility of fluctuation in particular an increase in demand, some of which funding is determined by NHS tariff costs.
 - 4.2.4 Risk of unanticipated emergency situation and Health Protection issues for example flu pandemic and outbreaks of infectious diseases, in terms of costs that would have to be met by the council.
 - 4.2.5 The NICE endorsed alcohol treatment provides a treatment cost pressure, usage by GPs is currently unknown therefore a risk of increased demand with an associated cost pressure.
 - 4.2.6 Risk of increases in costs for activity based contracts for Drugs and Alcohol in relation to increase in demand particularly for prescribing and dispensing which is a national NHS agreed tariff.
 - 4.2.7 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.
 - 4.2.8 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.
 - 4.2.9 Within the general fund budgets, there is a contribution of £613k from the Police and Crime Commissioner to fund work on DIP/IOM. This income has not yet been confirmed for 2016/17. If the income is not received, it is expected that the specific expenditure that this funds will cease.

Briefing note prepared by: Shirley Maidens (Senior Finance Manager)
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Directorate - Public Health

	Ring Fenced £m	General Fund £m	2016/17 £m	FTEs
Net Managed Budget 2015/16		0.23	0.23	
Adjustments				
Other adjustments			0.00	
Adjusted Net Managed Budget	0.00	0.23	0.23	
Budget Pressures:				
Inflation				
Pay	0.04	0.01	0.05	
Prices			0.00	
Income			0.00	
National Insurance changes	0.10	0.02	0.12	
National Living Wage - commissioned services			0.00	
Full Year Effects of previous decisions				
FYE of transfer of 0-5 service to LCC:				
Expenditure	4.99		4.99	
Funding	-4.99		-4.99	
S&E Clinical Commissioning Group				
Award of specific funding in 2015/16	-0.50		-0.50	
Expenditure	0.50		0.50	
Grant Fallout				
Estimated reduction in grant	3.90		3.90	
Other				
Fall out of 2014/15 underspend	0.80		0.80	
Other pressures		0.09	0.09	
Total Pressures	4.84	0.12	4.96	0.00
Savings Proposals:				
Efficiencies				
Savings and fall out of expenditure	-0.80		-0.80	
Service Changes				
Reduction in staffing budgets	-0.42		-0.42	-9.00
Review of commissioning contracts	-3.62		-3.62	
Total Savings	-4.84	0.00	-4.84	-9.00
Net Managed Budget 2016/17	0.00	0.35	0.35	-9.00

LEEDS CITY COUNCIL

2016/17 BUDGET REPORT

Directorate: Civic Enterprise Leeds (CEL)

1. Introduction

1.1 This report has been produced in order to inform members of the main variations and factors influencing the directorate's budget for the 2016/17 financial year.

2. Service Context

2.1 Civic Enterprise Leeds (CEL) employs over 2,000 employees and is responsible for delivering a wide range of services to council directorates and schools as well as external customers and suppliers.

2.2 The services cover Catering and Cleaning, Corporate Property Management, Fleet, Facilities Management, Passenger Transport and the Business Support Centre. CEL are also responsible for developing an enterprising and trading strategy across the Council and provide technical and marketing support to Directorates.

2.3 In 2015/16 the total budgeted turnover is £64m and the proposals outlined below will increase turnover for the group by £0.5m. The current trading surplus from Catering, School Cleaning and Fleet is £1.8m. Business Support Centre (£3.7m) Facilities Management (£7.1m) and Corporate Property Management (£6.3m) are net cost of service accounts.

2.4 Significant changes for the future include the creation of a core council wide administration service with a more flexible team who use shared, professional working practices which should result in savings of £371k.

3. Budget Proposals

3.1 This proposed budget represents an increase of £1.1m when compared to the adjusted budget 2015/16. This increase is largely a result of the implementation of the Living Wage.

3.2 Adjustments +£4.4m

3.2.1 The most significant transfer of service reflected in the budget is £4.3m mainly pay budgets moved from other directorates into CEL for the creation of a council wide admin service with a more flexible team who use shared, professional working practices. This is part of delivering Better Business Management which is transforming the way the council delivers its support services, to help us better manage business and deliver the best services for Leeds. In addition, £273k has been received by Property Cleaning for the transfer of market attendants staff from City Development.

3.2.2 Following the creation of Aspire Community Benefit Society, CEL will charge £394k to Aspire for the provision of support services, cleaning and service charges.

3.3 Changes in prices +£3.1m

- 3.3.1 **Inflation** (pay award) – the budget includes provision of £406k reflecting the National Employer’s final pay offer made in December 2015. This offer involves lump sum increases in 2016/17 and 2017/18 and for spinal column point 6 to 17 and 1% increases in each year for scp 18 and above.
- 3.3.2 **Employer’s National Insurance** – the Chancellor’s Autumn Statement in 2013 announced that the current arrangements for contracting out will be abolished from 2016/17. Employer’s national insurance costs will therefore increase in 2016/17 and £624k provision has been made for this.
- 3.3.3 **Real Living Wage** – at its September 2015 meeting, the Executive Board agreed that the Council would move towards becoming a real Living Wage employer by implementing a minimum rate of £8.01 per hour from April 2016 with a view to implementing a further increase during the year. Provision of £2.1m has been made.
- 3.3.4 **Holiday Pay** – the budget provides for the estimated cost of the draft regional collective agreement regarding the Council’s obligation, following recent case law, to pay “normal pay” to employees on annual leave. This agreement would apply an uplift to annual leave payments to reflect enhancements, primarily overtime payments, which are not currently paid to employees on annual leave. Provision of £154k has been made in the 2016/17 budget for this.
- 3.3.5 No provision will be made for inflation on running cost budgets other than the increase in NNDR of £31k in respect of buildings within the CEL portfolio.

3.4 Savings £1.9m

- 3.4.1 **Assets** - a programme of asset review and rationalisation is underway which will deliver significant running cost savings across the Council’s asset portfolio. The impact of the savings in relation to Civic Enterprise Leeds in 2016/17 amounts to £294k mainly in relation to the full year effect of vacation of Merrion House and the savings arising following the purchase of Tribeca House.
- 3.4.2 **Efficiencies** - CEL are reflecting £600k of savings from the maintenance of council buildings which is 10% saving against a budget of over £6m. Following business trends emerging during 2015/16, the service is looking to reduce the use of agency staff by £50k and continue to implement energy efficiency measures to deliver £50k savings against the energy budget.

Fleet services are looking to reduce spend by £40k on external specialist repairs and the rest of the group are also looking to make similar efficiencies totalling £210k. Fleet Services will be working closely with corporate colleagues to extend vehicle lives, where viable, and generate savings of £300k against leasing budgets held centrally.

- 3.4.3 **Business Improvement Programme** - a saving of £371k 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.

3.5 Income

- 3.5.1 CEL is budgeting for additional income of £350k; £230k for the recovery of the cost of the living wage in Property Cleaning, £30k net additional MOT tests income for employees and

members of the public, £70k for the funding of cleaning charges within Facilities Management and £50k additional income from Catering.

4. Risk Assessment

- 4.1 In determining the 2016/17 budget, consideration has been given to all the risks which are managed within the Directorate's overall risk management framework. Within this framework, a register of those items considered to carry the highest risk and therefore requiring careful and regular monitoring has been prepared.
- 4.2 The key risks in the 2016/17 budget for CEL are as follows;
 - 4.2.1 The continuing risk of 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.
 - 4.2.2 Risk around £1.25m of efficiencies (£371k BBM savings, £600k reduction in building maintenance budget) included within the budget and referred to above. Risk that actions slip or are not realised. There are also risks around generating an additional £150k income as some of the services within CEL operate under a competitive environment.

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Directorate: Civic Enterprise Leeds

	£m	FTEs
Net Managed Budget 2015/16	17.89	
Transfers of function	4.35	
Budget adjustments	0.01	
Adjusted Net Managed Budget 2015/16	22.25	
Budget Pressures:		
Inflation		
Pay	0.41	
Price - NNDR	0.03	
Income	-0.09	
National Insurance Increase	0.62	
Living Wage	2.09	
Total Pressures	3.06	0.0
Savings Proposals:		
Efficiencies		
Asset rationalisation	-0.29	
Reduction in responsive maintenance of Council Buildings	-0.60	-7.5
Savings on agency staff	-0.05	
Energy - energy saving/efficiency measures	-0.05	
Better Business Management - Admin and Mail & Print	-0.37	-16.3
Other Efficiencies	-0.20	
Income		
Recover cost of living wage	-0.23	
Additional external income	-0.05	
Additional Net MOT Income	-0.03	1.0
Cleaning Charges	-0.07	
Total Savings	-1.94	-22.8
Net managed budget 2016/17	23.37	-22.8

LEEDS CITY COUNCIL

2016/17 BUDGET REPORT

Directorate: Central and Strategic Budget

1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Central and Strategic budget for the 2016/17 financial year.

2. Service Context

- 2.1 The Central and Strategic accounts hold a variety of corporate budgets which do not relate directly to individual directorates, as well as council-wide budgets which largely for timing reasons have not been allocated to individual services. Generally these council-wide budgets will be allocated to services in year, once their impact is known. Corporate budgets include the Council's capital financing costs and associated entries relating to the complexities of the capital accounting requirements. In addition, in accordance with accounting requirements, the Central Accounts include those costs which are defined as the Corporate and Democratic Core. Other budgets within the Central Accounts include the Council's contributions to joint committees and levies.

3. Budget Proposals

- 3.1 This budget represents a reduction of £28.4m when compared to the adjusted budget 2015/16 summarised in the table attached to this report:

3.2 Adjustments

- 3.2.1 Budgets of £3.99m for unfunded pensions which were previously held across directorates have been centralised within the Central accounts budget.
- 3.2.2 A budget of £2m for capitalisation of Highways works has been moved to the City Development budget.
- 3.2.3 Changes to the budgets for recharges to the Housing Revenue Account have resulted in a net reduction of £0.54m in the income budget included within Central accounts.

3.3 Fallout of grants - £2.36m

- 3.3.1 The Central accounts budget reflects the impact of the Government's decision to cease the Section 31 grant for retail relief on business rates, which was budgeted at £2.29m for 2015/16. Other minor grants receivable are expected to reduce by £0.07m.

3.4 Other Budget pressures - £0.67m

- 3.4.1 The Central Accounts budget includes provision for an increase of £0.19m in the business rates levy, and a reduction of £0.19m in the level of income which the council expects to receive from the Leeds City Region Business rates Pool. There is also an additional budget of £0.2m to fund corporate projects during the year.

3.5 Changes to levies and other contributions

3.5.1 Contributions to joint committees and other bodies have increased by a net £0.1m. Within this figure, the contribution to the West Yorkshire Combined Authority has increased by £0.17m, reflecting increased contributions to the West Yorkshire Transport Fund. There has also been a decrease of £0.06m in the contribution to the West Yorkshire Joint Services Committee, reflecting continued efficiencies.

3.5.2 The following table gives details of the contributions and levies. In approving these contributions, members will note that they are not approving the individual budgets of the Joint Committees, but the estimated effect on the Council's budget.

	Leeds' contribution			
	2015/16 £m	2016/17 £m	Variation £m %	
Joint Committees				
Joint Services	1.502	1.438	-0.064	-4%
Other Bodies				
Flood Defence Levy	0.331	0.344	0.013	4%
Combined Authority and Transport Fund	34.161	34.328	0.167	0%
Coroners	1.292	1.295	0.003	0%
Probation Service (Debt only)	0.006	0.006	0	0%

3.6 Savings £31.42m

3.6.1 Minimum Revenue provision and other Capital Financing costs - £24.7m

The Council's debt budget reflects further savings arising from the changes to the Council's Minimum Revenue Provision (MRP) policy which was adopted from 2015/16. Savings arising from the impact of switching the MRP calculation basis for pre-2007/08 borrowing to an annuity asset life based method were greater than was anticipated in the 2015/16 budget. The effect of this, combined with a further savings target to review the asset lives used in calculating the MRP on post 2007/08 borrowing, means that an additional reduction of £6.9m can be made to the MRP budget for 2016/17. The policy of using capital receipts as an alternative means to fund the repayment of borrowing is expected to generate further savings to the revenue budget of £16.7m in 2016/17, based on the projected availability of capital receipts

Prior to these savings, the budget for debt costs included £1.3m of net pressures, reflecting new borrowing to fund the capital programme. This was offset by a £2m increase in the level of prudential borrowing recharges to directorates, reflecting the savings achieved in service revenue budgets as a result of previous capital expenditure. The Central accounts budget also recognises income of £0.4m from the Leeds City Region LEP. This income is from retained enterprise zone business rates, and represents the first tranche of the repayment of the borrowing costs incurred by the council from constructing the Logic Leeds Spine Road on behalf of the City Region.

3.6.2 Income £1.15m

The Central Accounts includes grant increases of £0.79m for the New Homes Bonus and £0.21m for the range of grants which the council receives to fund the effects of government decisions on business rates relief and the cap on the business rates multiplier. A further budget of £0.15m has been included for income from enterprise zone business rates retained by the Leeds City Region, which are to reimburse the council for services which it advance funded on behalf of the region.

3.7 Use of Reserves

3.7.1 The proposed budget includes provision for the use of the general fund reserve in 2016/17 has increased by £2m, giving a budgeted use of reserves of £3.45m.

3.7.2 The budgeted use of the capital reserve has increased by £3.68m. This includes the use of £1m received in 2015/16 from HMRC as a result of the Council's successful claim for a refund of VAT on cultural admissions.

4. Risk Assessment

4.1 In determining the 2016/17 budget, consideration has been given to all of the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items which are considered to carry the highest risk and therefore requiring careful and regular monitoring has been prepared.

4.2 The key risks in the 2016/17 budget for the Central and Strategic Accounts are:

4.2.1 The proposed savings in respect of the Minimum Revenue Provision rely on the availability of £27.6m of capital receipts as an alternative source of funding to repay debt. If the forecast level of capital receipts is not achieved, either as a result of worsening conditions in the property market or of specific issues, then these savings in the revenue budget may not be achieved.

4.2.2 The budgeted capital financing costs are based on assumptions about market interest rates during 2016/17. If rates are greater than forecast then the actual borrowing costs incurred could be greater.

4.2.3 There is a budget of £5.2m for the use of section 278 contributions. This is dependent on the authority receiving these contributions from developers.

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Directorate - Central Accounts

	2016/17 £m	FTEs
Net Managed Budget 2015/16 (Restated)	15.85	
Adjustments		
Transfers of function		
Other adjustments		
Centralisation of unfunded pensions budget	3.99	
Transfer of Highways capitalisation target to directorate	2.00	
Transfers of Central recharges	0.54	
Adjusted Net Managed Budget	22.38	
Budget Pressures:		
Inflation	0.00	
Grant Fallout		
Section 31 Business Rates Retail relief	2.29	
Other grants	0.07	
Other		
Reduced income from LCR Business Rates Pool	0.19	
Increase in Business Rates Levy	0.19	
Corporate projects	0.20	
Reduction in central recharges to HRA and Public health	0.09	
Total Pressures	3.03	0.00
Savings Proposals:		
Debt costs		
Increases in Debt budget before MRP savings	1.35	
Increase in use of capital receipts to offset MRP	-16.75	
Other reductions in MRP	-6.90	
Repayment from LCR for capital advanced funding	-0.40	
Additional prudential borrowing recharges to directorates	-2.00	
Levies and other contributions	0.11	
Income		
Grants		
New Homes Bonus	-0.79	
Section 31 grants in relation to business rates relief	-0.21	
Income from Enterprize zone retained business rates	-0.15	
Changes in use of reserves		
General reserve	-2.00	
Capital reserve	-3.68	
Total Savings	-31.42	0.00
Net Managed Budget 2016/17	-6.01	0.00

