Leeds CITY COUNCIL

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Report of the Deputy Chief Executive
Report to Executive Board
Date: 14th December 2016

Subject: Initial Budget Proposals for 2017/18

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

Summary of main issues

1. The purpose of this report is to set out the initial budget proposals for 2017/18.

2. These budget proposals support the council's Best City/Best Council ambitions, policies and priorities aimed at tackling inequalities (please refer to the Best Council Plan 2017/18 refresh report which is on today's agenda).

3. These budget proposals are set within the context of the 2017/18 – 2019/20 medium term financial strategy which was approved by the Executive Board in September 2016, updated to recognise the implications following the Chancellor's Autumn Statement in November 2016, the 2017 business rates revaluation and further savings proposals to bridge the previously identified budget gap.

4. Whilst the government's multi-year funding settlement provides some certainty, there are still a number of assumptions within the budget proposals that will not be known until the provisional local government finance settlement is announced, which is likely to be mid-December 2016.

5. The financial climate for local government continues to present significant risks 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 balance the budget each year since 2010, have continued to deliver a broad range of services despite declining income, and have avoided large scale compulsory redundancies, 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 from the 2017/18 initial budget proposals, when compared to the 2016/17 budget, are as follows:

- A reduction in revenue support grant from government of £28m (30%).
- A reduction in the settlement funding assessment of £25m (10.6%)
- An increase in Council tax of 1.99% together with a further 2% in respect of the Adult Social Care precept generating an additional £10.8m of local funding.
- A combination of reduced funding and cost pressures means that the council will need to deliver £62.4m of savings by March 2018.

7. In respect of the Housing Revenue Account, whilst there are proposals to increase some service charges, the implementation of the rent cap, which was announced in July 2015, will mean that the majority of housing rents will again reduce by 1% from April 2017.

Recommendation

8. Executive Board is asked to agree the initial budget proposals and for them to be submitted to Scrutiny and also for the proposals to be used as a basis for wider consultation with stakeholders.

1. Purpose of report

1.1 In line with the council's constitution, the Executive Board is required to publish initial budget proposals two months before approval of the budget by Full Council, which is scheduled for the 22nd February 2017. This report sets out the initial budget proposals for 2017/18 which are set within the context of the medium term financial strategy which was approved by Executive Board in September 2016 updated to recognise the implications following the Autumn Statement in November 2016, the 2017 business rates revaluation and further savings proposals to bridge the previously identified budget gap.

1.2 Subject to the approval of the Executive Board, these initial budget proposals will be submitted to scrutiny for their consideration and review, with the outcome of their deliberations to be reported to the planned meeting of this board on the 8th February 2017. These budget proposals will also be made available to other stakeholders as part of a wider and continuing process of engagement and consultation. It is also proposed to provide an update at the meeting of the board in February 2017 as to the medium-term financial strategy, which was approved by the board at its September 2016 meeting.

1.3 In accordance with the council's budget and policy framework, decisions as to the council's budget are reserved to full council. As such, the recommendation at 13.1 is not subject to call in as the budget is a matter that will ultimately be determined by full council.

2. The national context and Autumn Statement

2.1 The economic context in which public spending has to be seen within is very much dominated by the debate as to the impact of the EU referendum and the strength and resilience of the national economy.

2.2 In its November 2016 forecasts, compared with its March 2016 forecasts, the Office of Budget Responsibility (OBR);

- expects gross domestic product (GDP) annual growth to be lower in 2017 and 2018, and unchanged in 2019 and 2020. The 2017 forecasts have been cut from 2.2% to 1.4%.
- has raised consumer price index (CPI) annual inflation in 2017 and 2018 recognising the fall in the pound since the EU referendum and the consequential increase in import prices.
- has cut average annual earnings growth forecasts to 2019.

Chart 1 Office of Budget Responsibility's forecasts for the national economy

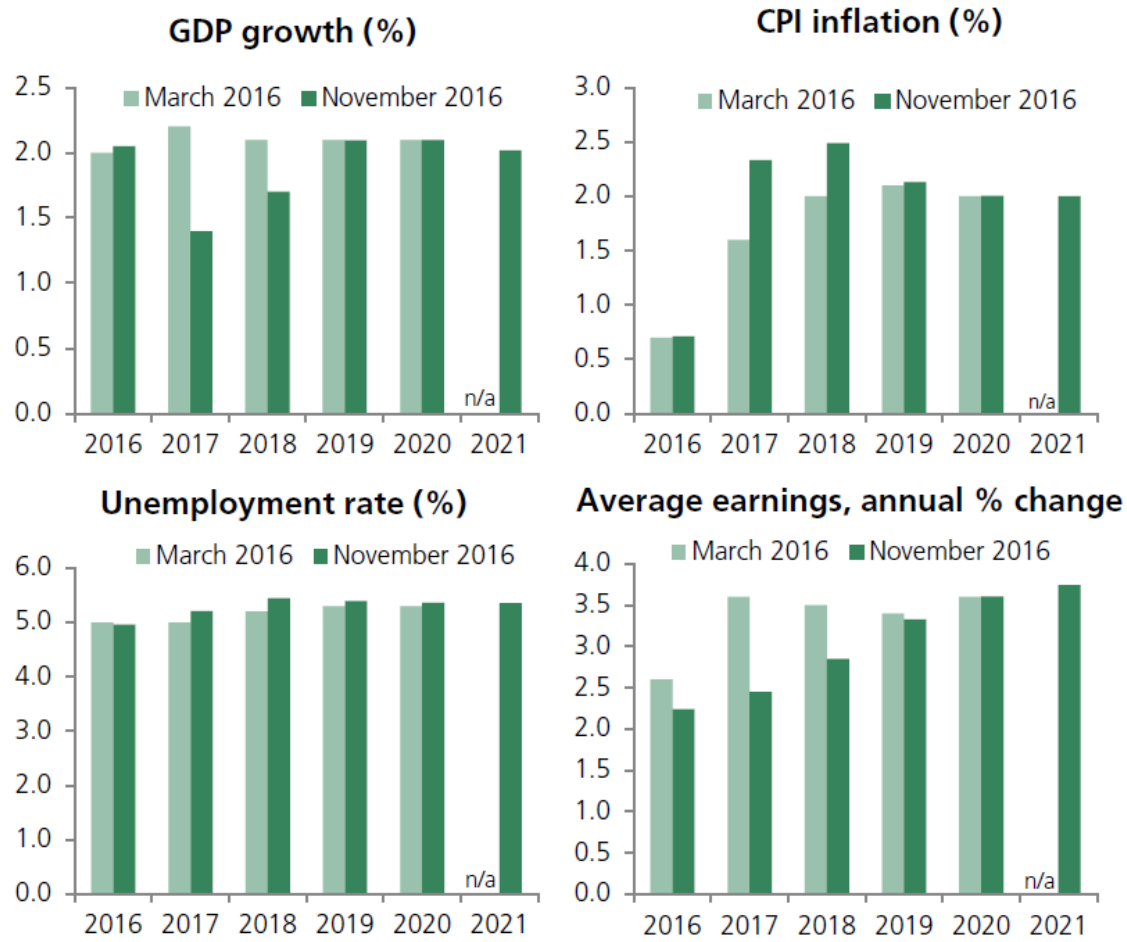


Table 1 Office of Budget Responsibility's forecasts for the national economy

OBR forecasts: economy

	2015	2016	2017	2018	2019	2020	2021
GDP growth (%)							
March 2016	2.2	2.0	2.2	2.1	2.1	2.1	..
November 2016	2.2	2.1	1.4	1.7	2.1	2.1	2.0
CPI inflation (%)							
March 2016	0.0	0.7	1.6	2.0	2.1	2.0	..
November 2016	0.0	0.7	2.3	2.5	2.1	2.0	2.0
ILO unemployment rate, %							
March 2016	5.4	5.0	5.0	5.2	5.3	5.3	..
November 2016	5.4	5.0	5.2	5.5	5.4	5.4	5.4
Average earnings, % change on previous year							
March 2016	2.3	2.6	3.6	3.5	3.4	3.6	..
November 2016	1.8	2.2	2.4	2.8	3.3	3.6	3.7

*In March 2016, there were no forecasts for 2021

2.3 The OBR also updated its forecasts for the public finances. In summary the November 2016 forecasts compared with its March 2016 forecasts;

- expects more borrowing in all years – some of the additional borrowing can be attributed to government policy decision, but the majority is a result of changes to the OBR's underlying forecast.

- expects higher debt in all years. The debt-to-GDP ratio is now expected to start falling in 2018/19, two years later than previously expected.

Chart 2 Office of Budget Responsibility's forecasts for public finances

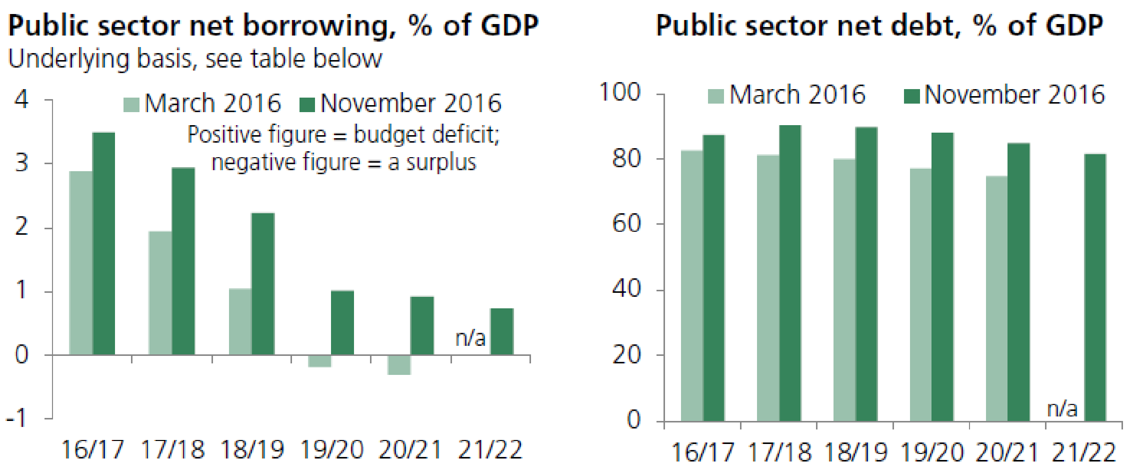


Table 2 Office of Budget Responsibility's forecasts for public finances

OBR forecasts: public finances

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Net borrowing, £ billion**							
March 2016	72.2	56.0	39.2	21.9	-4.1	-6.9	…
November 2016	76.0	68.2	59.0	46.5	21.9	20.7	17.2
Net borrowing, % of GDP**							
March 2016	3.8	2.9	1.9	1.0	-0.2	-0.3	..
November 2016	4.0	3.5	2.9	2.2	1.0	0.9	0.7
Cyclically adjusted net borrowing, % of GDP							
March 2016	3.6	2.7	1.9	1.0	-0.5	-0.5	..
November 2016	3.8	3.3	2.6	1.8	0.8	0.8	0.7
Net debt, £ trillion							
March 2016	1.59	1.64	1.68	1.72	1.72	1.74	..
November 2016	1.61	1.72	1.84	1.90	1.95	1.95	1.95
Net debt, % of GDP							
March 2016	83.7	82.6	81.3	79.9	77.2	74.7	..
November 2016	84.2	87.3	90.2	89.7	88.0	84.8	81.6

*In March 2016, there were no forecasts for 2021/22
** Like-for-like basis adjusting for ONS classification changes

The OBR assesses that the government is more likely than not to meet its proposed fiscal targets. They also report that the government would have missed its previous targets.

2.4 Autumn Statement 2016

2.4.1 On the 23rd November 2016, the new chancellor announced the first Autumn Statement since the EU referendum.

2.4.2 The key announcements in the 2016 autumn statement were;

- A National Productivity Investment Fund (NPIF) will be introduced, which will invest an average of around £5 billion a year between 2017/18 and 2021/22. The NPIF will be targeted at transport, digital communications, research and development and housing.

- The Universal Credit taper will be reduced from 65% to 63% from April 2017. This means once claimants earn above the work allowances in Universal Credit they will be able to keep more of what they earn.

- The National Living Wage will increase from £7.20 to £7.50 in April 2017. This follows the recommendations of the Low Pay Commission. The Government has also accepted the Low Pay Commission's recommendations for the other National Minimum Wage rates.

- Fuel duty will be frozen for the seventh successive year.

- The standard rate of Insurance Premium Tax will increase from 10% to 12% from 1 June 2017. From 2018/19 this is estimated to raise around £850 million a year, making it the largest tax raising measure announced.

- National Insurance contributions (NICs) thresholds for employers and employees will be aligned from April 2017. This means employees and employers will start paying National Insurance at the same amount of weekly earnings.

- Tax and NICs advantages on some salary sacrifices will be removed. This means that employees swapping salary for other benefits will pay tax on these benefits. Exceptions include: pensions (including advice), childcare, Cycle to Work and ultralow emission cars.

- £1 billion of savings from an efficiency review will be reinvested in priority areas. The review, announced in Budget 2016, is aiming to find savings for public spending of £3.5 billion in 2019/20.

- A Northern Powerhouse strategy has been published.

- Pay to Stay – under which local authority tenants with sufficient incomes would have been required to pay a market, or near market rent – is dropped. This was announced a couple of days prior to the Autumn Statement.

- Letting agents' fees to tenants will be banned.

- Various measures to tackle tax avoidance and evasion will be introduced.

- There will be minor amendments to business rates. Transitional reliefs, which are available to those whose bills will rise following the business rates revaluation, will be more generous. Rural rate relief will rise to 100%.

- The Budget timetable to change. The Budget will take place in autumn from autumn 2017. From 2018 there will be a Spring Statement in which the Chancellor will respond to the OBR's forecasts for the economy and public finances.

3. Developing the 2017/18 budget and medium term financial strategy with the refreshed 2017/18 Best Council Plan

3.1 Between the 2010/11 and 2016/17 budgets, the council's core funding from government has reduced by around £214m and in addition the council has faced significant demand-led cost pressures. This means that the council will have to deliver reductions in expenditure and increases in income totalling over £400m by March 2017. 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, creatively managing demand for services, increasing traded and commercial income, growing council tax from new properties and a significant programme of organisational efficiencies.

3.2 In February 2016, Council approved the 2016/17 Best Council Plan and the supporting budget. The Best Council Plan is the council's strategic planning document and sets the context and policy direction against which the budget and medium-term financial strategy are developed. The policy direction is clearly explained in the 2016/17 Best Council Plan: that the council's 'Best City' and 'Best Council' ambitions remain - articulated around Leeds having a strong economy and being a compassionate city and the council being an efficient and enterprising organisation – with a focus on reducing poverty and tackling the range of interlinked inequalities that persist across the city.

3.3 Inevitably, managing the large reduction in government funding and increasing cost pressures has meant that the council has had to make some difficult decisions around the level and quality of services. However, as signposted in the 2016/17 Best Council Plan and 2016/17 budget reports to council in February 2016, it will become increasingly difficult over the coming years to identify further financial savings without significant changes in what the council does and how it does it. This will have significant implications for the services provided directly and commissioned by the local authority, impacting upon staff, partners and service users. In order to deliver the council's ambitions aimed at tackling poverty and reducing inequalities, those services that are no longer affordable and a lesser priority than others will be delivered differently or, in some cases, stopped. This will be achieved through a continuing process of policy and service reviews across the council's functions and ongoing consultation and engagement.

4. Estimating the net revenue budget for 2017/18

4.1 Settlement funding assessment – reduction of £25.2m

4.1.1 Settlement funding assessment is essentially the aggregate of government grant and business rate baseline funding for a local authority. As part of the 2016/17 financial settlement, government offered councils a 4-year funding settlement for the period 2016/17 to 2019/20. Government describes this as part of the move to a more self-sufficient local government, suggesting that these multi-year settlements can provide the funding certainty and stability to enable more proactive planning of service delivery, support strategic collaboration with local partners and for local authorities to strengthen financial management and efficiency.

4.1.2 At its meeting in September 2016, Executive Board agreed to accept the government's 4-year funding offer on the premise that any acceptance would be on the basis that the offer represents a minimum level of government funding to the council and that the council would not be disadvantaged at all by accepting the offer.

4.1.3 On the 16th November 2016, the council received confirmation from DCLG that it is now formally on the multi-year settlement and can expect to receive the allocations published as part of the 2016/17 local government finance settlement in 2017/18, 2018/19 and 2019/20. The letter also re-iterated that the 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, the government expects these to be the amounts presented to Parliament each year.

4.1.4 Table 3 below sets out the council's settlement funding assessment for 2017/18 which is in line with the multi-year settlement. For 2017/18, this represents a reduction of £25.2m compared to 2016/17, equivalent to a 10.6% reduction.

Table 3 – Settlement funding assessment

	2016/17	2017/18	Change	
	£m	£m	£m	%
Revenue Support Grant	93.0	65.0	(28.0)	30.13
Business Rates Baseline Funding	145.0	147.8	2.9	1.97
Settlement Funding Assessment	**238.0**	**212.9**	**(25.2)**	**10.58**

4.1.5 The business rates element of the settlement funding assessment is determined by taking the 2016/17 baseline business rates amount of £145m and uplifting it for inflation. The uplift for inflation, based upon September 2016 Retail Price Index, is 1.97%. The business rates element of settlement funding assessment for 2017/18 for Leeds is therefore £147.8m which is net of the estimated tariff adjustment of £14.9m.

4.1.6 As in 2016/17, funding in respect of early intervention, homelessness prevention, lead local flood authorities and learning disability & public health reform funding, as shown in table 4below, are included within the settlement funding assessment but continue to be separately identified within the assessment.

Table 4 – Breakdown of the settlement funding assessment

	2016/17	2017/18	Change
	£m	£m	£m
Formula Grant	192.31	167.56	(24.75)
Council tax freeze grant 2011/12	6.64	6.64	0.00
Council tax freeze grant 2013/14	2.77	2.77	0.00
Early intervention grant	17.79	16.34	(1.45)
Preventing homelessness	0.86	0.86	0.00
Lead local flood authority grant	0.23	0.23	0.00
Learning disability & health reform grant	10.81	11.02	0.21
Local welfare provision	2.59	2.59	0.00
Care act funding	4.03	4.84	0.81
Sustainable drainage systems	0.02	0.02	0.00
Carbon monoxide & fire alarm grant	0.00	0.00	0.00
Settlement Funding Assessment	**238.05**	**212.87**	(25.18)

4.2 Business rates retention

4.2.1 Leeds has the most diverse economy of all the UK's main employment centres and has seen the fastest rate of private sector jobs growth of any UK city in recent years. Yet this apparent growth in the economy is not being translated into business rates growth; in fact the council's business rates income has declined since 2014/15 and other authorities are reporting similar problems.

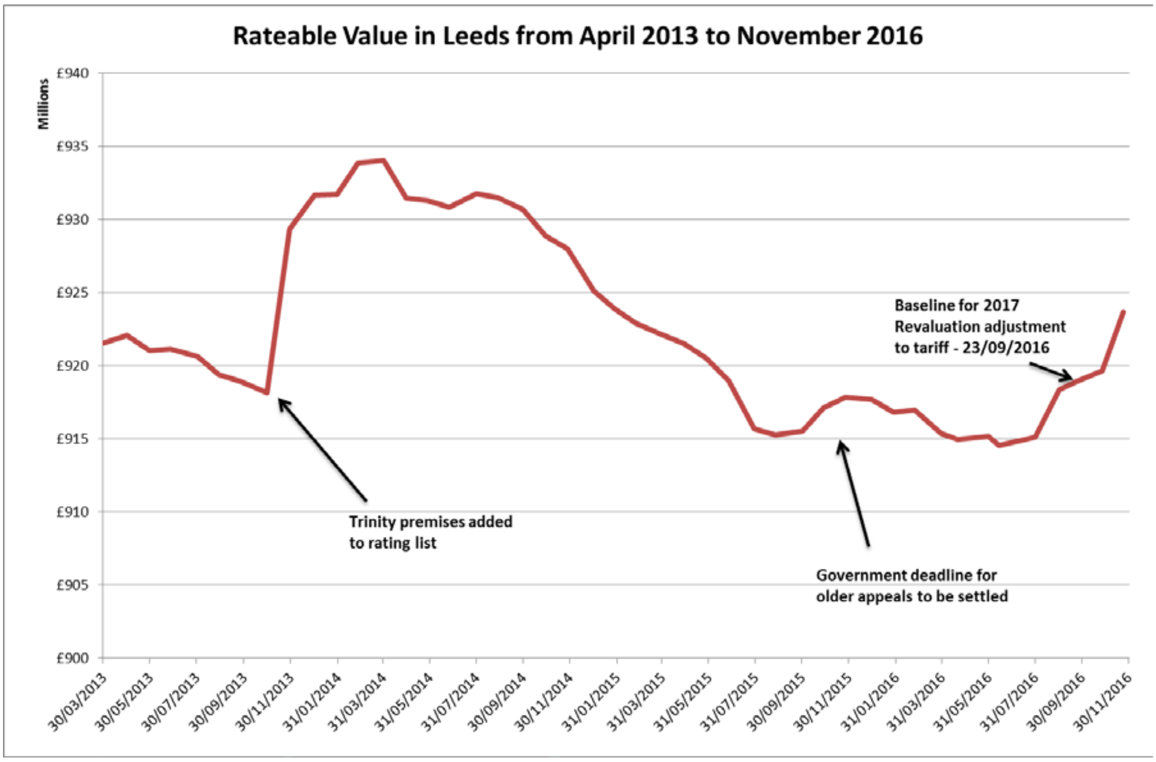
4.2.2 Under the business rates retention (BRR) scheme which was introduced in 2013/14, business rates income is shared equally between local and central government. Local authorities that experience growth in business rates are able to retain 50% of that growth locally. The downside is that local authorities also bear 50% of the risk if their business rates fall or fail to keep pace with inflation, although a safety-net mechanism is in place to limit losses from year to year to 7.5% of their business rates baseline.

4.2.3 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 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 November 2016 there were approximately 5,000 appeals outstanding in Leeds.

4.2.4. The cost of appeals in Leeds since the system started in 2013/14 is almost £100m. Under 50% retention that risk is at least shared equally with Whitehall, but under 100% retention all the appeals risk will fall on local government. The provision for business rate appeals within the collection fund has been reviewed and recalculated to recognise new appeals and the settlement of existing appeals, and the 2017/18 initial budget proposals provide for an additional £20.8m contribution from the general fund to fund the increased provision.

4.2.5 The chart below shows the headline rateable value for the city from the introduction of business rates retention in 2013 to the present day. From the chart we can see the impact from the opening of the Trinity shopping centre in 2013 and Victoria Gate in October 2016 together with other significant developments and how this growth in business rates has been eroded by successful appeals.

Chart 3 - Business rateable value 2013-2016



2017 revaluation

4.2.6 The Valuation Office Agency (VOA) has completed a revaluation of all business premises for rating purposes. Draft valuation lists were published at the end of September 2016 and ratepayers now have the opportunity to check their new rateable values and seek to have any errors corrected before the new lists come into force on 1st April 2017.

4.2.7 This new rating list, which is primarily based on rental values in 2015, should be more accurate than the 2010 list which was based on rental values in 2008, just before the 'financial & economic crisis'. This, together with the impact of the new 'check, challenge, appeal' appeals process, should reduce appeals and volatility going forward

4.2.8 Although rateable values for individual premises may go up or down, at the national level the revaluation is designed to be revenue neutral. Overall, rateable values in England have increased by 9.1%, but there are significant variations between both sectors and regions as shown below.

Table 5 - % change in rateable value by region and sector.

Area	Retail	Industry	Office	Other	All
	Percentage change in rateable value by Region and Sector				
England	**4.7%**	**4.0%**	**11.3%**	**15.5%**	**9.1%**
North East	-6.8%	0.0%	-12.5%	9.0%	-1.1%
North West	-5.5%	-3.1%	-4.8%	10.2%	-0.2%
Yorkshire and the Humber	-1.9%	0.4%	-13.0%	6.6%	-0.3%
East Midlands	4.7%	3.3%	7.8%	13.7%	7.2%
West Midlands	-1.2%	3.1%	-7.2%	12.0%	2.9%
East	-4.0%	2.3%	2.4%	13.2%	3.9%
London	26.2%	15.1%	21.2%	25.7%	22.8%
South East	1.4%	6.5%	7.7%	17.5%	8.6%
South West	-4.4%	5.4%	-0.7%	12.1%	3.8%
Wales	**-8.8%**	**-4.0%**	**-7.0%**	**4.7%**	**-2.9%**

4.2.9 The reductions for the north of England coupled with the reduction in the multiplier mean that the majority of ratepayers in the north will see reductions in their rates bills. However, those reductions will be limited because, as with previous revaluations, there will be a transitional scheme in place which will limit reductions for those transitioning to lower bills to provide funding for protections for those who are facing higher bills. The effect will be to subsidise ratepayers facing increases (mainly in London) by keeping bills in other areas (mainly in the north) higher than they otherwise would be. Government estimates that this subsidy will be worth £1bn over the five year lifetime of the scheme.

4.2.10 The average reduction in rateable value for Leeds is 1.2%, a reduction of £11m from £919m to £908m, which is higher than that for Yorkshire and Humberside as a whole. Within the 1.2% headline reduction for Leeds there are significant variations by sector with the largest factor being reductions to offices which have reduced by an average of 17.5%.

4.2.11 From April 2017, small business in Leeds will benefit from an increase to the rateable value threshold from £6,000 to £12,000 which will effectively mean that an extra 3,500 properties will pay no business rates at all.

4.2.12 In terms of the initial budget proposals, after applying the business rate multiplier, together with mandatory and discretionary reliefs, it is estimated that the local share of business rates funding in 2017/18 will be £180.51m. This includes an estimated £7.7m for a national appeals adjustment which relates to the potential future appeals against the 2017 business rates list. As per table 6 below, the initial budget proposals recognise business rate growth above the baseline of £17.8m which is an increase of £3.5m, or 25% from 2016/17 budget.

Table 6 – business rates, estimated growth above the baseline

	2016/17 £m	2017/18 £m	Change £m
Business rates local share	192.39	180.51	(11.88)
Less: business rates baseline	178.15	162.73	(15.42)
Growth above baseline	14.24	17.78	3.54

4.2.13 The £180.51m local share of business rates funding is then reduced by the £14.9m tariff payment and the £20.2m contribution to the collection fund to give the £145.4m estimated business rates funding shown in table 7.

4.2.14 Comparing the £145.4m of business rates funding against the £147.8m business rates baseline produces a shortfall of £2.4m which is a £6.4m improvement against the budgeted shortfall in the 2016/17 financial year.

4.2.15 The £20.2m contribution to the collection fund in 2017/18 is in addition to the £23m contribution in 2016/17 and the £6.4m contribution to the collection fund in 2015/16.

Table 7 – Business rates retention 2016/17 & 2017/18

	2016/17 £m	2017/18 £m
Business rates baseline (including tariff)	**145.0**	**147.8**
Projected growth above the baseline to March	5.7	16.7
Estimated growth in the year	6.4	1.1
Additional income from ending of Retail Relief	2.1	0
Total estimated growth	**14.2**	**17.8**
Estimated provision for appeals	(22.1)	(20.8)
Additional cost of transitional arrangements and provision for bad debts	(0.9)	0.6
Estimated year-end Collection Fund deficit (Leeds Share)	**(23.0)**	**(20.2)**
Estimated Business Rates Funding	**136.2**	**145.4**
Increase/(reduction) against the Business Rates baseline	**(8.8)**	**(2.4)**
Business rates retention - net general fund saving		6.4

4.2.16 The council is a member of the Leeds City Region Business Rates Pool along with the other four West Yorkshire Authorities, Harrogate and York. The benefit of the pooling arrangement is that the levy income generated by Leeds, Harrogate and York is retained in the region rather than being paid over to the Government. The initial budget proposals assume that this arrangement will continue in 2017/18. Based on the estimated growth in business rates above the baseline, the estimated levy payment to the pool in 2017/18 is £1.1m.

4.3 Council Tax

4.3.1 The 2016/17 budget was supported by a 3.99% increase in the level of council tax which included the new adult social care precept. Leeds council tax remains the 2nd lowest of the English core cities and mid-point of the West Yorkshire districts, as detailed in table 8 below.

Table 8 – 2016/17Council Tax levels (Figures exclude Police and Fire precepts)

Core Cities	Band D £:p	West Yorkshire Districts	Band D £:p
Nottingham	1,771.08	Kirklees	1,522.86
Bristol	1,692.87	Calderdale	1,506.51
Liverpool	1,675.46	**Leeds**	**1,421.20**
Newcastle	1,604.79	Wakefield	1,413.43
Sheffield	1,581.27	Bradford	1,403.74
Manchester	1,435.12		
Leeds	**1,421.20**		
Birmingham	1,372.23		

4.3.2 Government previously provided funding for the on-going effect of previous council tax freezes up to 2015/16. The council accepted the council tax freeze grant for the years 2011/12 to 2013/14, and government funding of £9.4m was built into the council's 2015/16 settlement (the grant for freezing council tax in 2012/13 was for one year only).

4.3.3 The 2017/18 initial budget proposals recognise an additional £3.6m of income from increases to the Council Tax base (3,000 band D equivalent properties) together with an increase in the contribution from the collection fund of £0.4m (a budgeted £1.8m surplus on the collection fund in 2016/17 increasing to an estimated surplus on the collection fund of £2.2m in 2017/18).

4.3.4 In previous years the government has set a limit of up to 2% for council tax increases above which a Local Authority must seek approval through a local referendum. The referendum ceiling for 2017/18 has yet to be announced; when this information is known the council will need to make a decision about the proposed council tax increase. However, subject to an announcement as to a referendum ceiling it is proposed that the standard council tax is increased by 1.99%.

4.3.5 The 2015 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 was 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 are required to provide certain information and undertake a number of actions. In addition, the Secretary of

State continues to indicate that he will take account of authorities' actions when setting referendum principles in future years. In line with the medium term financial strategy, 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 £5.4m of funding that would be generated through the precept.

4.3.6 Table 9 below sets out the estimated total income from council tax in 2017/18. This recognises the estimated increase in the council tax base, a £2.2m estimated surplus on the collection fund together with £10.8m of additional income generated from the Adult Social Care precept and the general increase in the council tax rate.

Table 9 – estimated council tax income in 2017/18

	2016/17 Baseline £m	2017/18 Forecast £m
Previous year council tax funding	251.9	267.1
Change in collection fund - increase/(decrease)	(0.2)	0.4
Change in tax base - increase/(decrease)	5.2	3.6
Increase in council tax level	5.1	5.4
Adult Social Care precept	5.1	5.4
Total - Council Tax Funding	**267.1**	**282.0**
Increase from previous year		14.9

4.3.7 The settlement funding assessment includes an element to compensate parish and town councils for losses to their council tax bases from the local council tax support (LCTS). The amount is not separately identifiable and, as in previous years, it is proposed that the LCTS grant for parish and town councils should be reduced in-line with the assumptions for Leeds' overall reduction in the settlement funding assessment which would be a reduction of 10.6% for 2017/18 from £84k to £75k.

4.4 The net revenue budget 2017/18

4.4.1 After taking into account the anticipated changes to the settlement funding assessment, business rates and council tax, the council's overall net revenue budget is anticipated to reduce by £4.0m from £496.4m to £492.4m, as detailed in table 10 below;

Table 10 – estimated net revenue budget 2016/17 compared to the 2016/17 net revenue budget

	2016/17 £m	2017/18 £m	Change £m
Revenue Support Grant	93.0	65.0	(28.0)
Business Rates Baseline	145.0	147.8	2.8
Settlement Funding Assessment	**238.0**	**212.8**	(25.2)
Business Rates Growth	14.2	10.1	(4.1)
National Appeals Adjustment	0.0	7.7	7.7
Business Rates Deficit	(23.0)	(20.2)	2.8
Council Tax (incl. Adult Social Care Precept)	265.3	279.7	14.4
Council Tax surplus/(deficit)	1.8	2.2	0.4
Net Revenue Budget	**496.4**	**492.4**	**(4.0)**

4.4.2 Table 11 below analyses the £4m estimated reduction in the net revenue budget between the settlement funding assessment and locally determined funding sources.

Table 11 – reduction in the funding envelope

Funding Envelope	**2017/18 £m**
Government Funding	
Settlement Funding Assessment	(25.2)
Sub-total Government Funding	**(25.2)**
Locally Determined Funding	
Council Tax (incl tax base growth)	14.9
Business Rates	6.4
Sub-total Locally Determined Funding	**21.3**
Increase/(decrease) in the Net Revenue Budget	**(4.0)**

5. Developing the council's budget proposals – consultation

5.1 The financial strategy and initial budget proposals have both been driven by the council's ambitions and priorities as set out in the Best Council Plan, which have been shaped through past consultations and stakeholder engagement. Information that the council already hold about people's priorities has been used to inform the preparation of the initial budget proposals for 2017/18.

5.2 As in previous years, residents and wider stakeholders will have the opportunity to comment on the initial budget proposals in a variety of ways, for example hard-copy feedback forms in public spaces, online and also through city-wide networks.

6. Initial budget proposals 2017/18

6.1 This section provides an overview of the spending pressures which the council is facing in 2017/18 and the initial budget proposals to balance with the available resources. Table 12 below provides a summary of key cost pressures and savings areas:

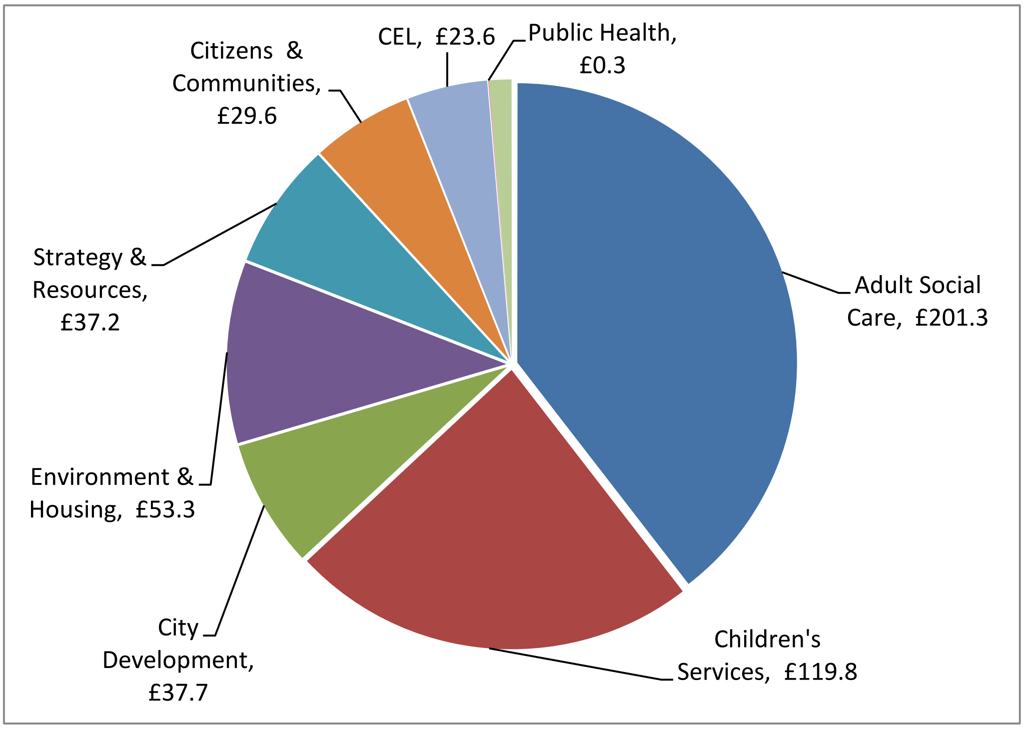
Table 12 Initial Budget Proposals 2017/18

		£m
Reduction in settlement funding assessment		25.2
Inflation		7.2
Employers LGPS pension contributions		1.5
Apprentice levy		1.4
Leeds CC minimum pay rate		0.4
National living wage - commissioned services		3.2
Demand & demography - mainly Adult Social Care and Children's Services		12.5
Debt - external interest		2.5
New homes bonus - reduction in funding		6.6
Improved Better Care fund & Housing Benefit grant		(1.9)
Education Services Grant - reduction in funding		4.3
Estimated reduction in ring-fenced Public Health grant		1.2
Estimated reduction in partner funding		10.3
West Yorkshire transport fund		0.2
Adult social care charging review (full year effect)		(2.0)
Other corporate and directorate budget pressures;		
Children's Services	0.9	
Environment & Housing	0.5	2.7
Public Health	1.7	
Corporate pressures/savings	(0.4)	
Cost & funding changes		**75.3**
General and earmarked reserves		8.4
Potential increase in council tax base, rate and adult social care precept		(14.9)
Business rates - potential growth offset by impact of backdated appeals		(6.4)
Sub total - reserves, council tax and business rates		**(12.9)**
Re-profiling the repayment of long-term debt		(9.3)
Additional capitalisation		(2.0)
Directorate Savings - see appendix 2		(51.1)
Sub total - savings proposals		**(62.4)**
Total		**(75.3)**

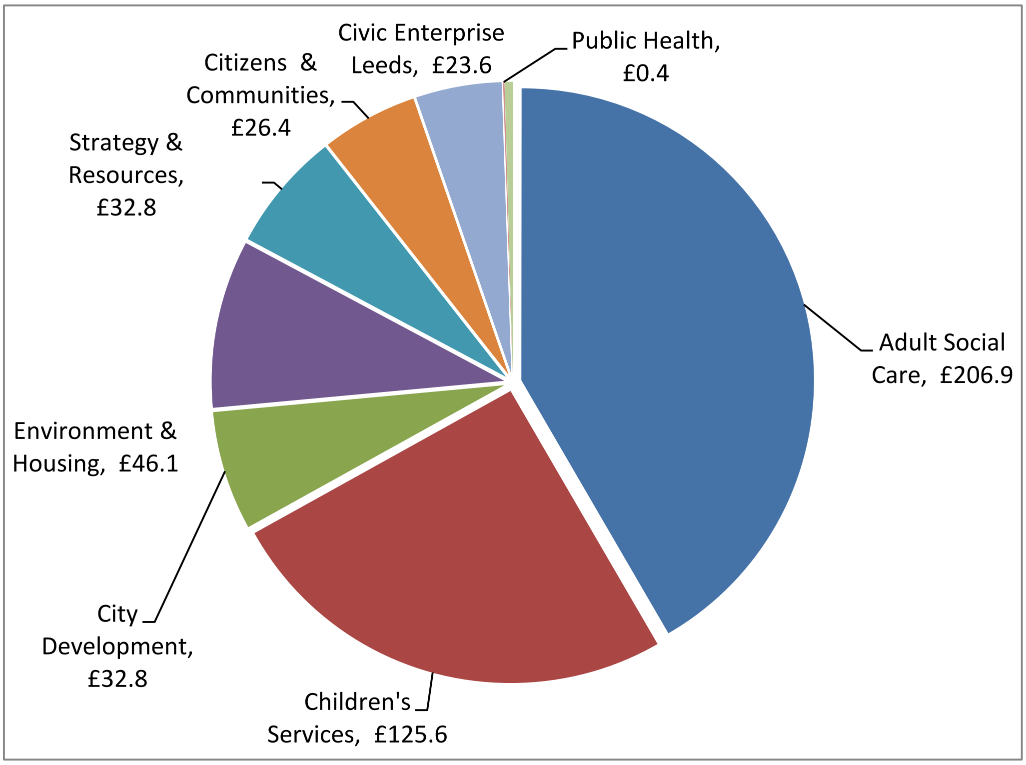
6.1.1 The pie charts below show the share of the council's net managed expenditure between directorates for 2016/17 and the proposed allocations for 2017/18 based on the initial budget proposals. It should be noted that these resource allocations may be subject to amendments as we move through the budget setting process. Net managed expenditure represents the budgets under the control of individual directorates and excludes items such as capital charges and pensions adjustments.

6.1.2 The initial budget proposals would mean that the council's spend on Children's Services and Adult Social Care will increase from 64.7% in 2016/17 to 67% in 2017/18 which reflects the council's priorities around supporting the most vulnerable across the city and to prioritise spending in these areas.

2016/17 net managed budgets (adj) £m



2017/18 net managed budgets (adj) £m



6.2 Changes in costs

6.2.1 **Inflation -** the budget proposals include allowance for £7.2m of net inflation in 2017/18. This includes provision of £4.7m for a 1% pay award over and above the cost of implementing the real living wage. The budget proposals allow for inflation where there is a contractual commitment, but anticipates that the majority of other spending budgets are cash-limited. An anticipated 3% general rise in fees and charges has also been built into the budget proposals, although there are instances where individual fees and charges will increase more than this.

6.2.2 **Local government pensions -** the next actuarial valuation will be implemented in April 2017. Employers' pension contribution rates have been fixed at 14.2% until the end of 2016/17. The initial budget proposals assume that a further provision will have to be made in 2017/18 to address the service pension deficit and an increase of 0.5% on the employers' contributions has been included into the proposed budget, which will cost an estimated £1.5m in 2017/18. This will need to be updated once the outcome of the 2017 actuarial valuation is known.

6.2.3 **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, rising to £9 per hour by 2020. Implemented from April 2016, the national living wage would be paid to all employees aged over 25. In his 2016 autumn statement, the Chancellor confirmed that the national living wage for all those aged over 25 would be increased by 4% in April 2017, to £7.50 per hour with an intention for the national living wage to reach 60% of median earnings by 2020. The increase in the national living wage is estimated to cost local authorities nationally an extra £337m and the council's initial budget proposals provides £3.2m to recognise the increased cost pressure on commissioned services.

6.2.4 **Leeds CC minimum pay rate** – the council has committed to the West Yorkshire Low Pay Charter and the Ethical Care Charter and, at its October 2016 meeting, the board agreed to increase the minimum hourly rate for council employees to £8.25 from January 2017. The initial budget proposals include provision £0.4m over and above inflation in order to fund this agreed increase.

6.2.5 **Apprentice levy** – the government has made a commitment to see an additional 3 million apprenticeship starts in England by 2020 with an apprenticeship levy used to fund the provision of quality training. From April 2017, larger organisations will pay a levy equivalent to 0.5% of their pay bill and organisations with pay bills less than £3m being exempt. The overall levy for the council is estimated to be around £2.9m in total of which £1.4m and £0.1m relate to schools and the housing revenue account. The initial budget proposals therefore include provision of £1.4m in 2017/18 for the general fund services

6.2.6 **Demand and Demography** – the initial budget proposals recognise the increasing demography and consequential demand pressures for services in Adult Social Care and Children's Services with provision of £12.6m. The population growth forecast assumes a steady increase from 2015, in the number of people aged 85-89 during 2016 and 2017 (2.9% and 2.8% respectively) followed by further increases but at a lower rate at 1.8% for the later years of the strategy, resulting in additional costs for domiciliary care and placements (£3.5m). In addition, the strategy reflects the anticipated impact of increasing cash personal budgets of £2m per year through to 2020. The learning disability demography is expected to grow by £3.7m per annum, which includes an anticipated growth in numbers of 3.5% (based on ONS data) over the period; but noting that the high cost increase is primarily a combination of increasingly complex (and costly) packages for those entering adult care, as well as meeting the costs of the increasing need for existing clients whose packages may last a lifetime.

Children's Services continues to face demographic and demand pressures with provision of £5.8m included in the 2017/18 initial budget proposals. These pressures reflect relatively 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), the increasing population of children & young people with special and very complex needs, greater awareness of the risks of child sexual exploitation, growing expectations of families and carers in terms of services offered and changes in government legislation, including 'staying put' arrangements that enable young people to remain with their carers up to the age of 21.

6.2.7 **Debt (external interest)** – the initial budget proposals include provision for an increase in the council's estimated debt costs in 2017/18 of £2.5m. This reflects the on-going investment through the capital programme together with assumptions around interest rates and internal revenue balances. The gross total 2016/17 to 2019/20 capital programme is over £1bn and seeks to deliver investment in line with the council's plans and objectives.

6.2.8 **Public Health** – 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.

6.2.8.1 In the 2015 Spending Review and Autumn Statement, government indicated it will make savings in local authority public health spending with a further cash reduction of 2.2% in 2016/17 and it became apparent that these reductions were in addition to the 6.2% 2015/16 reductions which have now recurred in 2016/17. Confirmation of the funding allocation was received on 11th February 2016 which set out the 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 £7.4m 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.

6.2.8.2 The initial budget proposals recognise an indicative £1.2m further cut to the ring-fenced public health grant, which when combined with other pressures and the impact of the previous grants cuts will require savings in the order of £2.9m to be made to public health spending by March 2018.

6.2.8.3 **West Yorkshire Transport Fund** – From the 1st April 2015 the West Yorkshire Combined Authority began operations overseeing strategies for growing the economy, creating jobs, developing new affordable homes and improving the transport network. Discussions as to how to bridge the gap between the aspiration to deliver a £1.4bn transport fund compared to the government's commitment of £1bn over 20 years would result in an increase in contributions by local councils from 2016/17. The initial forecast for council levies indicates a further £1.8m per annum would eventually be required from Leeds by 2024/25, with the levy increasing on average by £0.2m per year. This has been built into the initial budget proposals.

6.2.9 Grant & other funding

6.2.9.1 **Education services grant** – the council and academies in the city are allocated an education services grant (ESG) on a per pupil basis according to the number of pupils for whom they are responsible. The current assumption is that, in line with the consultation, the grant will be significantly reduced and this is reflected in the initial budget proposals with a reduction of £4.2m for 2017/18 (equivalent to a 49% reduction on the 2016/17 grant allocation of £8.5m).

6.2.9.2 **New homes bonus** – the government introduced the new homes bonus as 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. Whilst the new homes bonus is intended as an incentive for housing growth, it should be noted 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. The Chancellor announced in the 2015 spending review that the new homes bonus would be reduced by at least £800m in order to redirect funding to support adult social care services via the improved Better Care Fund. Although consultation ended in March 2016, the government has yet to announce the outcome. In line with the financial strategy and government's assessment of the council's core spending power, the initial budget proposals assume a reduction of £6.6m in 2017/18.

6.3 The Budget Gap – savings options – £62.4m

6.3.1 After taking into account the impact of the anticipated changes in funding and spend, it is forecast that the council will need to generate savings, efficiencies and additional income to the order of £62.4m in 2017/18, in addition to an estimated £14.9m additional council tax income.

6.3.2 To develop options to generate these savings, efficiencies and additional income, from April 2016 an ongoing process of reviews has been carried out across a range of services and policy areas with the active involvement of the Best Council Leadership Team (the c. 50 most senior managers) and service managers throughout the organisation. With the Best Council Plan focus on tackling inequalities and poverty being central to any proposals, the reviews have identified possible savings / income generation opportunities, decision-making routes for any changes to be implemented, initial identification of possible third sector and equality impacts and a high-level risk assessment. Of particular note are the two key cross-cutting reviews on support services and locality working / leadership (both incorporating reviews of JNC – senior management – staff) and reviews assessing options around income and trading.

6.3.3 The total budget savings options are shown at table 12 and detailed by directorate at appendix 2. This estimated budget gap and therefore the required savings are very much dependent on the range of assumptions highlighted previously in this report.

6.3.4 These service and policy reviews have been – and will continue to be – updated as part of an iterative approach to developing the council's strategic plan and aligned medium-term financial strategy and annual budgets. All services are within scope though the council remains committed to protecting front-line services as far as possible – especially those that provide support to the most vulnerable.

6.3.5 Efficiencies – savings of £24.9m

6.3.5.1 In terms of efficiencies, the council has taken quite a distinctive approach. The focus has been on efficiencies from stimulating good economic growth and creatively managing demand for services. This whole city approach drives ambitious plans despite austerity. It is born from our vision for Leeds to be the best city in the UK: one that is compassionate with a strong economy that can tackle poverty and reduce inequalities. This approach coupled with a significant programme of more traditional efficiencies has enabled the council to make £400m of savings since 2010 whilst simultaneously creating the conditions for a thriving and sustainable city where people's lives are better.

6.3.5.2 Efficiency of the council's own operations remains important and we have reduced budgets in all areas of the council and will continue to do so, whilst protecting frontline services and those for the most vulnerable. At the centre of this work is a whole organisation cultural change programme coupled with modernisation of the work environment creating the necessary conditions for fundamental organisational change and efficiency improvements. Our key achievements so far include:

- Staff reductions of 2,500 since 2010 without compulsory redundancy – saving £55m pa.
- £2.4m savings from changes in terms and conditions of staff;
- Over 50% reduction in agency staff since 2013;
- Over £35m of procurement savings since 2010/11;
- Asset review – getting the most from the assets we own and investing in new assets where it makes financial sense, saving over £4m since 2013/14;
- An annual saving in the cost of waste disposal of approximately £7m following the completion of the Recycling and Energy Recovery plant in 2015.

- Innovative use of the balance sheet to generate £35m savings in 2015/16; and
- More effective working with city partners to maximise the impact of the 'Leeds Pound'.

6.3.5.3 Appendix 2 provides the detail of a range of proposed efficiency savings across all directorates which total some £24.9m in 2017/18. 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.
- Ongoing recruitment and retention management.
- Reviewing leadership and management.
- Realising savings by cash-limiting and reducing non-essential budgets.
- Ongoing procurement and purchasing savings.

6.3.6 Fees & Charges – additional income of £6m

6.3.6.1 At its February 2016 meeting, Executive Board approved the recommendations from Scrutiny Board (Strategy & Resources) on fees and charges which included agreement that all fees would be reviewed annually and increased by at least the rate of inflation, that officers should benchmark their charging frameworks each year and that full-cost recovery in line with CIPFA guidance should apply as part of the annual budget setting process.

6.3.6.2 The initial budget proposals reflect these principles and assume a general increase in fees and charges of 3%, and appendix 2 sets out detailed proposals around a number of fees, charges and subsidised services. If approved, these proposals would generate an additional £6m of income in 2017/18.

6.3.7 Traded Services, partner income & other income – additional income of £8.9m

6.3.7.1 Appendix 2 provides details across directorates of a number of proposals that together would generate additional income of £8.9m.

6.3.8 Changes to service – savings of £11.4m

6.3.8.1 By necessity, managing a reduction of £25.2m in government funding in addition to a range of cost pressures means that the council will have to make some difficult decisions around the level and quality of services that it provides and whether these services should be increasingly targeted toward need.

6.3.8.2 Appendix 2 sets out these detailed service change proposals which together target savings of £11.4m by March 2018.

6.3.9 Minimum revenue provision – savings of £9.3m

6.3.9.1 The minimum revenue provision (MRP) is an annual revenue charge for the repayment of borrowing and other capital financing liabilities. Statutory 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. In simple legislative terms, local authorities have a duty each year to provide for an amount of MRP which it considers to be 'prudent', although the regulation does not itself define what is a 'prudent provision'.

6.3.9.2 The guidance on Minimum Revenue Provision 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. In line with the 2012 guidance, the council has already reviewed its MRP policies including the use of capital receipts to redeem debt, rescheduling the MRP on pre-2017/18 debt and to charge MRP on PFI schemes over the life of the asset rather than the term of the PFI contract. The council's base budget for MRP in 2016/17 is £10.3m which reflected £23m of savings in that year.

6.3.9.3 Following the asset life approach, the council's post 2007/08 debt is being funded over periods ranging from 5 years to 70 years, according to the nature of the capital expenditure. Its pre 2007/08 debt is being funded over 39 years. The proposal is to amend the MRP policy to reduce the overall provision for debt repayment from MRP and capital receipts in each of 2016/17, 2017/18 and 2018/19. The reduction in debt repayments across these 3 years would then be spread evenly over the following 10 years to leave the position at the end of 13 years exactly as it would have been if no change had been made.

6.3.9.4 In order to adhere to the principle that debt should be funded over the life of the relevant asset, the intention would be to still repay borrowing on short-life assets which are due to be fully repaid by 2019/20 in line with the existing schedule. This would be funded from a mixture of revenue MRP and capital receipts. Funding of repayments on longer maturity debt would be deferred during this three year period.

6.3.9.5 It is estimated that this change in policy would re-profile approximately £79m of long-term debt repayments by the end of 2018/19 in comparison to the council's existing MRP policy. The council would then spread the repayment of this £79m evenly over the following 10 year period. Forecasts of capital receipts from planned asset sales indicate that the impact on the revenue budget from 2019/20 can be phased in gradually over a further three year period by the use of increased capital receipts to repay debt in those years. Re-profiling the long-term debt would increase external interest costs by £150k in 2017/18.

6.3.9.6 The initial budget proposals include savings of £9.3m against the MRP budget in 2017/18. In addition, the proposal to re-profile the repayment of long-term debt would enable savings in the 2016/17 financial year and against the financial strategy and the intention is to use these savings to create specific earmarked reserves to support business rate appeals, employee severance and invest to save opportunities.

6.4 Impact of proposals on employees

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

6.4.2 Following the 2015 spending review the council re-issued a Section 188 notice (notice to collectively consult to avoid redundancies issued under s.188 TULRCA 1992) stating that it is anticipated the council will need to downsize by 1,000 – 2,000 full time equivalent posts by the end of March 2020.

6.4.3 Since May 2016, the council has been positively and constructively engaging and working with our trade unions partners.

6.4.4 The council will continue to strive to avoid compulsory redundancies – through natural turnover, continuing the voluntary early leaver scheme, staff flexibility and continuing the positive working with the trade unions.

6.4.5 The initial budget proposals provide for an estimated gross reduction up to 800 in staff numbers by 31st March 2018, although there will be some opportunities for recruitment and redeployment, for example in highways, Children's Services, Civic Enterprise Leeds and across support services.

7. General Reserve

7.1 General and useable reserves are a key measure of the financial resilience of the council, allowing the authority to address unexpected financial pressures. Since 2010/11, the council's general reserve level has reduced from £29.56m down to £21.6m at April 2016 with further budgeted use of £3.5m in 2016/17.

7.2 The assumed general reserve balance of £18.1m at March 2017 is predicated on the delivery of a balanced budget in 2016/17. Executive Board will be aware of the pressures in the 2016/17 financial year and the financial health report (month 7) indicates a potential pressure of £4m, primarily due to continuing demand pressures in children's social care. The expectation is that measures will be put in place to bring the council's budget into balance by March 2017.

7.3 The initial budget proposals assume a £2.7m contribution to general reserves in 2017/18. This will take the estimated level of the general reserves to £20.8m by March 2018 as set out in the table below:

Table 13 – General reserve level

General Reserve	2016/17 £m	2017/18 £m
Brought Forward 1st April	21.6	18.1
Budgeted contribution/(use) in-year	(3.5)	2.7
Carried Forward 31st March	**18.1**	**20.8**

7.4 The council's reserves are relatively low and whilst they afford some flexibility between years, the intention is to increase the level of general reserve in the medium-term, as reflected in the financial strategy.

8. The Schools Budget

8.1 The Dedicated Schools Grant (DSG) for 2017/18 will continue to be funded as three separate blocks for early years, high needs and schools.

8.2 The early years block will fund free early education for 3 and 4 year olds and the early education of eligible vulnerable 2 year olds. The per pupil units of funding will be confirmed in December 2016 and will continue to be based on participation. From September 2017, government will increase the amount of free childcare to 30 hours/week for working families of 3 and 4 year old children.

8.3 The high needs block will support places and top-up funding in special schools, resourced provision in mainstream schools and alternative provision; top-up funding for early years, primary, secondary, post-16 and out of authority provision; central SEN support and hospital & home education. Published place numbers for the 2016/17 academic year will be rolled forward as the base for 2017/18 allocations and adjusted in accordance with the Education Funding Agency's (EFA) place change request process, and the transfer of funding from the post 16 budget. The overall high needs block allocation will not be known until December 2016.

8.4 The schools block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11, and a number of prescribed services and costs in support of education in schools. The grant for 2017/18 will be based on pupil numbers (including those in academies and free schools) as at October 2016, multiplied by the schools block unit of funding which for 2017/18 is £4,564.86. The block unit of funding has increased due to the transfer of funding for the Education Services Grant (ESG) for retained duties (£15 per pupil). This rate also incorporates the former non-recoupment academies. It is estimated that pupil numbers will increase by approximately 3,080 this year, mainly in primary.

8.5 £5.2m of the schools block was retained centrally in 2016/17 in order to support Clusters, however the EFA has stipulated that from April 2017, the funding must be delegated to schools, and the local authority will have to put a plan in place so that schools may opt to purchase the service through individual agreement.

This funding will be distributed through an adjusted formula in order to limit variations to clusters and schools.

8.6 Funding for post-16 provision is allocated by the EFA through a national formula. No changes to the formula are expected for 2017/18. The current national base rate per student for 16-19 year olds will be protected in cash terms over the parliament. Funding for 2017/18 will be based on 2016-17 lagged student numbers.

8.7 Pupil Premium grant is paid to schools and academies based on the number of eligible Reception to year 11 pupils on roll in January each year. The rates for 2017/18 are expected to remain at: primary £1,320, secondary £935, looked after/adopted £1,900, service £300. The early years pupil premium is payable to providers for eligible 3 and 4 year olds at the rate of £0.53 per child per hour. The pupil premium grant will continue and the rates will be protected.

8.8 The Primary PE grant will be paid in the 2016/17 academic year to all primary schools at a rate of £8,000 plus £5 per pupil. The year 7 catch-up grant will be paid in the 2016-17 financial year at a rate of £500 for each pupil in year 7 who did not achieve at least level 4 in reading and/or mathematics (maximum £500 per pupil) at key stage 2. The rates for 2017-18 have yet to be announced.

8.9 A grant for the universal provision of free school meals for all pupils in reception, year 1 and year 2 was introduced in September 2014. Funding is based on a rate of £2.30 per meal taken by eligible pupils. Data from the October and January censuses will be used to calculate the allocations for the academic year. The government has given a commitment to maintain this funding.

8.10 The high needs block is forecast to overspend this year by over £5m with a significant increase in the number pf pupils with additional needs and an increase in spend on top-ups for outside placements resulting in an overspend against the Funding For Inclusion budget. These budget pressures are forecast to continue in 2017/18 meaning that options for savings in the high needs block or other areas of the DSG will need to be considered in order to bring spend in line with the available resources. School Forum will be consulted on options at its meeting in January with proposals included in the budget report to Executive Board in February 2017.

8.11 The government had previously announced that from 2017/18 funding for schools, early years and high needs would be delivered through a national funding formula and there would be a transitional phase to smooth its introduction. These proposals have been delayed. We are awaiting further details, however the earliest implementation will now be 2018/19.

8.12 There will be a reduction in the education support grant paid to local authorities as part of government's commitment to reduce the local authority role in running schools as well as the removal of, as yet unspecified, statutory duties. ESG funding for retained duties will transfer to the DSG form April 2017

Schools funding summary

8.13 As per table 14 below, the estimated figures for the 2016/17 and 2017/18 for the schools budget are;

Table 14 – the estimated schools budget

	2016/17 £m	2017/18 £m	Change £m
DSG - schools block	466.24	482.09	15.85
DSG - early years block	40.00	45.65	5.65
DSG - high needs block	59.25	60.75	1.50
EFA Post 16 funding	33.23	33.23	-
Pupil premium grant	42.03	42.93	0.90
Early years pupil premium grant	0.53	0.53	-
PE & sport grant	2.09	2.11	0.02
Yr 7 catch-up grant	0.83	0.86	0.03
Universal infant free school meals grant	9.37	9.57	0.20
Total schools budget	**653.57**	**677.72**	**24.15**

9. Housing Revenue Account

9.1 The Housing Revenue Account (HRA) includes all expenditure and income incurred in managing the Council’s housing stock and, in accordance with Government legislation, operates as a ring fenced account.

9.2 The 2016 Welfare Reform and Work Act introduced the requirement for all registered social housing providers to reduce social housing rents by 1% for the 4 years from 2016/17. This reduction was implemented by the council in 2016/17 with a subsequent loss of £2.1m in rental income. Reducing rents by a further 1% in each of the three years from 2017/18 to 2019/20 equates to an additional estimated loss of £18.5m in rental income over this period. When compared to the level of resources assumed in the financial plan (and assuming that from 2020/21 rent increases will revert back to the previous policy of CPI+1%) this equates to a loss of £283m of rental income over the 10 year period (2016/17 to 2024/25).

9.3 Whilst the 2016 Act requires that social rents have to reduce by 1% per annum until 2019/20, properties funded through PFI can be exempt from this requirement. An increase in accordance with the government’s rent formula of CPI (1% as at September 2016) + 1% is therefore proposed. This overall 2% rise equates to approximately £0.35m.

9.4 The costs associated with servicing the HRA’s borrowing have increased due to a combination of discounts that had previously been applied to the overall level of debt falling out and the planned increase in borrowing to support the Council’s new build programme.

9.5 The rollout of universal credit in Leeds commenced in 2016 and once fully implemented it will require the council to collect rent directly from around 24,000 tenants who are in receipt of full or partial housing benefit. Although the financial impact of this is still difficult to quantify it is likely to have implications for the level of rental income receivable since the level of arrears is anticipated to increase.

9.6 A reduction in the qualifying period after which tenants are able to submit an application to purchase a council house through the government's Right to Buy legislation continues to sustain an increase in the number of sales with a subsequent reduction in the amount of rent receivable.

9.7 The reduction in rental income will need to be managed in addition to other pay, price and service pressures. A combination of staffing efficiencies, a reduction in the contribution to BITMO and the use of reserves will all contribute towards off-setting these pressures. In addition it is proposed to reduce the level of resources available to Housing Advisory Panels (HAPs). Despite this reduction the proposed budget available to HAPs (£0.45m) in 2017/18 will still be greater than the level of resources that was provided prior to the housing management function being transferred back to the Council in 2013.

9.8 Further consideration will be given to increasing service charges to reflect more closely the costs associated with providing services. This will generate additional income which will contribute towards offsetting the reduction in rental income receivable as a result of the change in Government's rent policy.

9.9 Tenants in multi storey flats (MSFs) and in low/medium rise flats receive additional services such as cleaning of communal areas, staircase lighting and lifts and only pay a notional charge towards the cost of these services meaning other tenants are in effect subsidising the additional services received. It is proposed that an additional £2 per week increase on multi storey flats with an increase of £1 per week on low/medium rise flats in 2017/18 would generate an additional £950k compared to 2016/17.

9.10 Currently tenants in sheltered accommodation receiving a warden service are charged £13 per week for this service. This charge is eligible for Housing Benefit. In 2016/17 a nominal charge of £2 per week was introduced for those tenants who benefited from the service but did not pay. It is proposed to increase this charge by a further £2 per week in 2017/18.

9.11 An analysis of the impact on individual tenants of reducing rents by 1% and implementing the proposed charges as above has been undertaken. This analysis shows that should the proposals be agreed 71.8% of tenants will pay 78p less per week less in overall terms in 2017/18 than in 2016/17 with a further 4.1% paying 70p less per week. Of those paying more, 11.3% will pay up to £1.35 more per week, 4.6% will pay 31p per week more, 2.8% will pay £1.56 more per week, 2.3% will pay an additional 30p per week, 1.2% will pay £2.37 more per week, 0.8% will pay £3.30 more per week and 1.1% will pay

£1.33 more per week. These increases will be funded through Housing Benefit for eligible tenants.

9.12 Since all housing priorities are funded through the HRA any variations in the rental income stream will impact upon the level of resources that are available for the delivery of housing priorities. Resources will be directed towards key priority areas which include fulfilling the plan to improve the homes people live in, expanding and improving older person's housing and improving estates to ensure that they are safe and clean places to live.

9.13 In addition to the above, the Housing and Planning Act 2016 which received Royal Assent in May 2016 introduces a number of government proposals which when implemented are likely to have a significant impact on HRA resources. The Act requires local authorities to sell their higher value homes and allows the government to estimate the amount of money that they expect each local authority to receive from such sales each financial year. Authorities will then be required to pay a proportion of these receipts to the Treasury every quarter. Details of the definition of higher value homes and the mechanism by which government will calculate the amount to be paid by each authority are yet to be published. It is also unclear the date from which this legislative change will be implemented from. Since detailed regulations in respect of the Housing and Planning Act 2016 have yet to be issued the financial implications of the legislation upon the Housing Revenue Account cannot readily be assessed.

9.14 The Council remains committed to prioritising resources to meet the capital investment strategy and to replace homes lost through Right to Buy by the planned investment in new homes and the buying up of empty homes. The council aims to maintain a consistent level of capital expenditure with a view to improving the condition of the stock. However, any financial pressures resulting from the Housing and Planning Act may impact on the authority's ability to deliver this.

Table 15 – housing revenue account pressures and savings

Income	**£m**
Reduction in rental income due to stock reduction and 1% rent reduction	3.40
Apply 2% rent increase to PFI funded areas	(0.35)
Increase service charges	(0.95)
Use of Reserves	(3.35)
Total	**(1.25)**
Expenditure	
Pay and price pressures	0.65
Increase costs of capital (due to fallout of HRA discount and increased borrowing)	1.90
Targeted staffing efficiency	(0.80)
Reduce Housing Advisory Panel expenditure	(0.45)
BITMO - apply staff efficiency target	(0.05)
Total	**1.25**

10. Capital Programme

10.1 Over the period 2016/17 to 2019/20 the existing capital programme includes investment plans which total £1.1bn. The programme is funded by external sources in the form of grants and contributions and also by the Council through borrowing and reserves. Where borrowing is used to fund the programme, the revenue costs of the borrowing will be included within the revenue budget. Our asset portfolio is valued in the Council's published accounts at £4.3bn, and the council's net debt, including PFI liabilities stands at £2.32bn.

10.2 The initial budget proposals provide for a £2.5m increase in the cost of debt and capital financing. This assumes that all borrowing is taken short term at 0.65% interest for the remainder of 2016/17 and 2017/18.

10.3 The strategy allows for capital investment in key annual programmes, major schemes that contribute to the Best Council Plan objectives and schemes that generate income or reduce costs. Capital investment will continue to be subject to robust business cases being reviewed and approved prior to schemes approval. Whilst the capital programme remains affordable, its continued affordability will be monitored as part of the treasury management and financial health reporting.

10.4 A capital programme update report will be presented to the Executive Board in February 2017.

11. Corporate Considerations

11.1 Consultation and Engagement

11.1.1 As explained at section 5 above the initial budget proposals have been informed through the wealth of consultation evidence gathered in recent years on residents' budget priorities. Since 2012 there has been only minor changes to those priorities and, in addition, residents and service users have had significant involvement in on-going service-led change projects. Subject to the approval of the board, this report will be submitted to Scrutiny for their consideration and review, with the outcome of their deliberations to be reported to the planned meeting of this Board on the 8th February 2017.

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

11.2 Equality and Diversity / Cohesion and Integration

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

11.2.2 As an example of the commitment to equality, scrutiny will again play a strong role in challenging and ensuring equality is considered appropriately within the decision making processes.

11.2.3 The proposals within this report have been screened for relevance to equality, diversity, cohesion and integration and a full strategic analysis and assessment will be undertaken on the revenue budget and council tax 2017/18 which will be considered by Executive Board in February 2017. Specific equality impact assessments will also be undertaken on the implementation of all budget decisions as they are considered during the decision-making processes in 2017/18.

11.3 Council Policies and Best Council Plan

11.3.1 The refreshed Best Council Plan 2017/18 will set out the council's priorities aligned with the medium-term financial strategy and annual budget. Developing and then implementing the Best Council Plan will continue to inform, and be informed by, the council's funding envelope and staffing and other resources.

11.4 Resources and Value for Money

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

11.5 Legal Implications, Access to Information and Call In

11.5.1 This report has been produced in compliance with the Council's Budget and Policy Framework. In accordance with this framework, the initial budget proposals, once approved by the board will be submitted to Scrutiny for their review and consideration. The outcome of their review will be reported to the February 2017 meeting of this Board at which proposals for the 2017/18 budget will be considered prior to submission to full Council on the 22nd February 2017.

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

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

11.6 Risk Management

11.6.1 The council's current and future financial position is subject to a number of risk management processes. Failure to address medium-term financial pressures in a sustainable way is identified as one of the council's corporate risks, as is the council's financial position going into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the council's risk-based reserves policy. Both these risks are subject to regular review. In addition, financial management and monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach has been reinforced with specific project management based support and reporting around the achievement of the key budget actions plans.

11.6.2 It is recognised that the proposed strategy carries a number of significant risks. Delivery of the annual budget savings and efficiencies proposed will be difficult, but failure to do so will inevitably require the council to start to consider even more difficult decisions which will have far greater impact upon the provision of front line services to the people of Leeds.

11.6.3 A full risk assessment will be undertaken of the council's financial plans as part of the normal budget process, but it is clear that there are a number of risks that could impact upon these plans put forward in this report; some of the more significant ones are set out below.

- The reductions in government grants are greater than anticipated. Specific grant figures for the council for 2017/18 will not be known until later in the budget planning period.
- Demographic and demand pressures, particularly in Adult Social care and Children's services could be greater than anticipated.
- The implementation of the transformation agenda and delivery of the consequential savings could be delayed or the savings less than those assumed in the budget.
- Delivery of savings proposals could be delayed and reductions in staffing numbers could be less than anticipated.
- Inflation and pay awards could be greater than anticipated.
- The level of funding from partners could be less than assumed in the budget.
- Other sources of income and funding could continue to decline.
- The increase in the council tax base could be less than anticipated.
- The position on business rates retention, and specifically the impact of back-dated appeals, could deteriorate further.
- Changes in the level of debt and interest rates could impact upon capital financing charges.
- The estimated asset sales and capital receipts could be delayed which would impact on the assumed reduction in the minimum revenue budget

and which would also require the council to borrow more to fund investment.
- Failure to understand and respond to the equality impact assessment.

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

12. Conclusions

12.1 This report has shown that the current financial position continues to be very challenging. The council is committed to providing the best service possible for the citizens of Leeds and to achieving the ambition for the city of being the best in the UK with a firm focus on tackling inequalities. In order to achieve both the strategic aims and financial constraints, the council will need to work differently, helping people to look after themselves, others and the places they live and work by considering the respective responsibilities of the 'state' and the 'citizen' (the social contract). This approach underpins the medium-term financial strategy and the refreshed 2017/18 Best Council Plan.

12.2 Based on the government multi-year settlement there will be a further reduction in the settlement funding assessment for 2016/17 of £25.2m which means that core funding from government (SFA and other core grants) will have reduced by around £240m by March 2018. The initial budget proposals for 2017/18 set out in this report, subject to the finalisation of the detailed proposals in February 2017, will, if delivered, generate savings and additional income of £62.4m to produce a balanced budget.

12.3 Clearly savings of this magnitude will require many difficult decisions to be taken and these will not be without risk. The level of reductions required for 2017/18 will impact on front line services which the council has worked, and continues to work, extremely hard to protect. In this context, it is important that risks are fully understood and the final budget is robust.

13. Recommendations

13.1 Executive Board is asked to agree the initial budget proposals and for them to be submitted to scrutiny and also for the proposals to be used as a basis for wider consultation with stakeholders.

14. Background documents[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.

Equality, Diversity, Cohesion and Integration Screening

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

A **screening** process can help judge relevance and provides a record of both the **process** and **decision.** Screening should be a short, sharp exercise that determines relevance for all new and revised strategies, policies, services and functions. Completed at the earliest opportunity it will help to determine:

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

Directorate: Strategy and Resources	**Service area: Corporate Financial Management**
Lead person: Doug Meeson	**Contact number: 74250**

1. Title: Initial Budget Proposals 2017/18
Is this a: [x] **Strategy / Policy** [ ] **Service / Function** [ ] **Other** **If other, please specify**

2. Please provide a brief description of what you are screening
The council is required to publish its initial budget proposals two months prior to approval of the budget by full council in February 2017. The initial budget proposals report for 2017/18 sets out the Executive's plans to deliver a balanced budget within the overall funding envelope. It should be noted that the budget represents a financial plan for the forthcoming year and individual decisions to implement these plans will be subject to equality impact assessments where appropriate.

3. Relevance to equality, diversity, cohesion and integration

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

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

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

Questions	**Yes**	**No**
Is there an existing or likely differential impact for the different equality characteristics?	X	
Have there been or likely to be any public concerns about the policy or proposal?	X	
Could the proposal affect how our services, commissioning or procurement activities are organised, provided, located and by whom?	X	
Could the proposal affect our workforce or employment practices?	X	
Does the proposal involve or will it have an impact on • Eliminating unlawful discrimination, victimisation and harassment • Advancing equality of opportunity • Fostering good relations	 X X X	

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

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

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

4. Considering the impact on equality, diversity, cohesion and integration
If you can demonstrate you have considered how your proposals impact on equality, diversity, cohesion and integration you have carried out an impact assessment. Please provide specific details for all three areas below (use the prompts for guidance).
• **How have you considered equality, diversity, cohesion and integration?** (think about the scope of the proposal, who is likely to be affected, equality related information, gaps in information and plans to address, consultation and engagement activities (taken place or planned) with those likely to be affected)

The initial budget proposals identify a savings requirement of £62.4m due to a reduction in Government funding and unavoidable pressures such as inflation and demand/demography. Savings proposals to bridge this gap will affect all citizens of Leeds to some extent. The council has consulted on its priorities in recent years and has sought to protect the most vulnerable groups. However, the cumulative effect of successive annual government funding reductions, means that protecting vulnerable groups is becoming increasingly difficult. Further consultation regarding the specific proposals contained in this report will be carried out before the final budget for 2017/18 is agreed.
• **Key findings** (think about any potential positive and negative impact on different equality characteristics, potential to promote strong and positive relationships between groups, potential to bring groups/communities into increased contact with each other, perception that the proposal could benefit one group at the expense of another) The budget proposals will impact on all communities but those who have been identified as being at the greatest potential risk include: • Disabled people • BME communities • Older and younger people and • Low socio-economic groups The initial budget proposals have identified the need for significant staffing savings in all areas of the council which may impact on the workforce profile in terms of the at-risk groups. There will be some impact on our partners through commissioning and/or grant support which may have a knock on effect for our most vulnerable groups.
• **Actions** (think about how you will promote positive impact and remove/ reduce negative impact) A strategic equality impact assessment of the budget will be undertaken prior to its approval in February 2017. There will also be further equality impact assessments on all key decisions as they go through the decision making process in 2017/18.

5. If you are **not** already considering the impact on equality, diversity, cohesion and integration you **will need to carry out an impact assessment**.	
Date to scope and plan your impact assessment:	
Date to complete your impact assessment	
Lead person for your impact assessment (Include name and job title)	

6. Governance, ownership and approval Please state here who has approved the actions and outcomes of the screening		
Name	**Job title**	**Date**
Doug Meeson	Chief Officer Financial Services	24/11/16
Date screening completed		24/11/16

7. Publishing	
Though **all** key decisions are required to give due regard to equality the council **only** publishes those related to **Executive Board**, **Full Council, Key Delegated Decisions** or a **Significant Operational Decision.** A copy of this equality screening should be attached as an appendix to the decision making report: • Governance Services will publish those relating to Executive Board and Full Council. • The appropriate directorate will publish those relating to Delegated Decisions and Significant Operational Decisions. • A copy of all other equality screenings that are not to be published should be sent to equalityteam@leeds.gov.uk for record. Complete the appropriate section below with the date the report and attached screening was sent:	
For Executive Board or Full Council – sent to **Governance Services**	Date sent: 5/12/16
For Delegated Decisions or Significant Operational Decisions – sent to appropriate **Directorate**	Date sent:
All other decisions – sent to equalityteam@leeds.gov.uk	Date sent:

APPENDIX 1

2017/18 Budget Proposals

	Adult Social Care £m	Children's Services £m	City Development £m	Environment & Housing £m	Strategy & Resources £m	Citizen's & Communities £m	Civic Enterprise Leeds £m	Public Health £m	Strategic Budget £m	Total £m
Net Managed Budget 2016/17 (adjusted)	**201.3**	**119.8**	**37.7**	**53.3**	**37.2**	**29.6**	**23.6**	**0.3**	**(6.5)**	**496.4**
Inflation	2.5	0.6	1.8	0.8	0.4	0.3	0.6	0.1		**7.2**
Employer's LGPS contribution	0.2	0.4	0.2	0.3	0.2	0.1	0.2			**1.5**
Apprentice levy									1.4	**1.4**
Leeds CC minimum pay rate		0.02	0.04	0.1	0.002	0.01	0.3			**0.4**
National Living Wage	2.9	0.3								**3.2**
Demand and Demography	6.7	5.8								**12.5**
Specific grants		4.3						1.2	4.7	**10.2**
Partner funding	4.7	5.6								**10.3**
West Yorkshire Transport Fund									0.2	**0.2**
Adult Social Care - charging review (full-year effect)	(2.0)									**(2.0)**
Fall-out of Capitalised Pension costs	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.04)	(0.05)			**(0.8)**
Other Pressures		0.9		0.6		(0.1)		1.7	0.4	**3.6**
Debt - external interest									2.5	**2.5**
General Reserve									6.2	**6.2**
Earmarked Reserves									2.2	**2.2**
Total - Cost and funding changes	**14.8**	**17.8**	**1.8**	**1.8**	**0.5**	**0.3**	**1.0**	**2.9**	**17.6**	**58.5**
Budget Savings Options;										
Accounting - additional capitalisation									(2.0)	**(2.0)**
Capital Financing - Minimum Revenue Provision									(9.3)	**(9.3)**
Appendix 2:-										
Changes to Service	(1.9)	(3.1)	(1.6)	(0.5)		(0.7)	(0.8)	(2.9)		**(11.4)**
Efficiencies	(6.7)	(1.9)	(1.5)	(5.4)	(4.7)	(2.7)			(2.0)	**(24.9)**
Income - Fees & Charges	(0.5)		(3.4)	(1.8)		(0.2)				**(6.0)**
Income - Traded Services, Partner & Other Income		(7.0)	(0.2)	(1.3)	(0.2)		(0.2)			**(8.9)**
Total - Appendix 2	**(9.1)**	**(12.0)**	**(6.7)**	**(9.0)**	**(4.9)**	**(3.6)**	**(1.0)**	**(2.9)**	**(2.0)**	**(51.1)**
Total - Budget Savings	**(9.1)**	**(12.0)**	**(6.7)**	**(9.0)**	**(4.9)**	**(3.6)**	**(1.0)**	**(2.9)**	**(13.2)**	**(62.4)**
Target 2017/18 Net Revenue Budget	**206.9**	**125.6**	**32.8**	**46.1**	**32.8**	**26.4**	**23.6**	**0.4**	**(2.2)**	**492.4**
Increase/(decrease) from 2016/17	**5.7**	**5.8**	**(4.8)**	**(7.3)**	**(4.4)**	**(3.3)**	**0.0**	**0.0**	**4.4**	**(4.0)**

Adult Social Care - savings options 2017/18

Appendix 2

A) Efficiencies

Savings Proposal	Comments	2017/18 £m	2018/19 fye £m	Is this relevant to Equality & Diversity?
Assessment and Care Management	Review of business processes and staff skills mix	(0.5)	0.0	N
Older People Care Packages	Reduction in the number of customers going into residential care through increased use of reablement, telecare and recovery services	(1.3)	0.0	Y
Physical Impairment Care Packages	Review of care package costs, increased use of community based services rather than residential care and the promotion of 'ordinary lives'	(0.5)	0.0	Y
Mental Health Care Packages	Review of care package costs to ensure they are the most cost effective way of meeting people's needs, including in-house services, and promoting 'ordinary lives'	(0.8)	0.0	Y
Learning Disabilities Care Packages	Review of care package costs to ensure they are the most cost-effective way of meeting people's needs and that services commissioned through block contracts deliver best value outcomes. Promoting 'ordinary lives	(1.5)	0.0	Y
Aspire / Independent Living Programme	A review of practice re high cost out of area packages and low level need packages (Aspire) and a review of practices at ILP establishments	(1.0)	0.0	Y
Running Cost savings	Review and reduction of non-essential spend budgets	(0.1)	0.0	N
Direct Payments	Auditing & targeting additional recovery of unused direct payments	(0.2)	0.0	N
Legal Fees	Reduction in legal fees (representing trend of expenditure)	(0.3)	0.0	N
Staffing	Review of current posts being held vacant	(0.6)	0.0	N
Sub-Total Efficiencies		**(6.7)**	**0.0**	

Adult Social Care - savings options 2017/18

Savings Proposal	Comments	2017/18 £m	2018/19 fye £m	Is this relevant to Equality & Diversity?
B) Changes to Service				
Community Support Service	Ceasing the Community Support Service	(0.9)	0.0	Y
Residential and Day Support for Older People	Closure of residential homes and day services	(1.0)	0.0	Y
Sub-Total Service Changes		**(1.9)**	**0.00**	
C) Additional Income - Fees and Charges				
Income	Leeds income levels lower than comparators, particularly regarding residential service user contributions.	(0.5)	0.00	Y
Sub-Total Additional Income (Fees & Charges)		**(0.5)**	**0.0**	
D) Additional Income - Traded Services, Partner and Other Income				
Sub-Total Additional Income (Traded Services, Partner and Other Income)		**0.0**	**0.0**	
Total Savings Options - Adult Social Care		**(9.1)**	**0.0**	

Children's Services - savings options 2017/18

Savings Proposal	Comments	2017/18 £m	2018/19 fye £m	Is this relevant to Equality & Diversity?
A) Efficiencies				
Social Work Services	Remodelling of the service to reduce agency spend by £0.6m and non front line staffing by £0.3m	(0.9)	0.0	Y
Other staff savings	Review and reshape of services provided by Children's Services, other than those specifically identified on this document. Includes vacancy management across the directorate and specific savings in Employment and Skills and Workforce Development.	(0.4)	0.0	Y
Running Cost savings	On-going review of running cost budgets.	(0.1)	0.0	N
Targeted Services	Review of staffing in Targeted Services including Family Intervention Service and Signpost, vacancy management and review of secondment arrangements.	(0.2)	0.0	Y
Integrated Safeguarding Unit - staff savings	Review the Education Safeguarding Team and reduced staffing through vacancy management within the team.	(0.3)	0.0	Y
Sub-Total Efficiencies		**(1.9)**	**0.0**	
B) Changes to Service				
Remodelling of Children's Centre Family Services	Reshape of the provision of family services, to include a review of the core offer and additional services currently funded by partners where the funding will either reduce or cease.	(0.6)	0.0	Y
Commissioned Services	Review all current contracts with the aim to reduce spend on commissioned services. Includes specific saving proposals in Employment and Skills, Targeted Services and Complex Needs (short breaks contract)	(1.3)	0.0	Y
Education Services Grant funded activities	Reduced spend and additional income to help offset the reduction in grant funding. Includes staff savings in administration and Learning Improvement, running cost savings in IMT, Learning Improvement, Learning Management and Learning Systems.	(1.0)	0.0	Y
Complex Needs Service	Review of Complex needs and Targeted Services staffing	(0.2)	0.0	Y
Sub-Total Service Changes		**(3.1)**	**0.0**	

Children's Services - savings options 2017/18

Savings Proposal	Comments	2017/18 £m	2018/19 fye £m	Is this relevant to Equality & Diversity?
C) Additional Income - Traded Services, Partner and Other Income				
Adel Beck Secure Children's Home	Additional income from increase in demand for placements from the Youth Justice Board.	(0.2)	0.0	N
Traded Services	Specific proposals in Workforce Development, Youth Services (Activity Centres), Learning Systems and Complex Needs with other proposals being developed as part of a Trading Review across the directorate.	(1.3)	0.0	N
Innovations bid	Additional funding from a new Innovations Bid, subject to final approval.	(2.5)	0.0	N
Anti Social Behavioural Services	Additional funding from the Housing Revenue Account	(0.3)	0.0	N
Family Services Best Start.	Additional 3 year funding agreed.	(0.2)	0.0	N
Children's Centres	Increase in nursery fees and Free Early Education Entitlement hourly rates.	(0.3)	0.0	Y
Free Early Education Entitlement nursery payments	New ability to top slice 5% from the Free Early Education Entitlement payments to nursery providers.	(1.0)	0.0	N
Other income	General increases and additional non-traded income.	(0.8)	0.0	N
Families First	Reflects current income position although assumes that the programme will continue.	(0.5)	0.0	N
Sub-Total Additional Income (Traded Services, Partner and Other Income)		**(7.0)**	**0.0**	
Total Savings Options - Children's Services		**(12.0)**	**0.0**	

City Development - savings options 2017/18

Savings Proposal	Comments	2017/18 £m	2018/19 fye £m	Is this relevant to Equality & Diversity?
A) Efficiencies				
Asset Management	Reduced borrowing costs at the Leeds Arena	(0.5)	0.0	N
Economic Development	Review and reduce non staffing budgets to deliver efficiencies and expenditure savings	(0.1)	0.0	N
Highways	Capitalisation of maintenance costs and extension of street lighting switch off	(0.7)	0.0	N
Sport and Active Lifestyles	Further efficiencies within the rotas and operating methods within leisure centres and review of the work of the Sport and Active Lifestyles Development function.	(0.1)	0.0	N
Events Review	Review of Leeds lights budgets to reflect increased external commercial work and review other city centre events	(0.1)	0.0	Y
Culture	Reduction of non staffing budgets to deliver efficiencies and expenditure savings	(0.1)	0.0	N
Sub-Total Efficiencies		**(1.5)**	**0.0**	
B) Changes to Service				
Highways	Recruit more engineers to retain more work in-house and reduce external spend on contractors.	(0.7)	0.0	N
Sport and Active Lifestyles	Review of the future of the Sailing and Activity Centre and review and reduction of operating hours in some Leisure Centres	(0.3)	0.0	Y
Museums	Review of operations at Thwaite Mills to reduce opening hours and develop new income streams.	(0.2)	0.0	Y
Tour de Yorkshire	Leeds not hosting a stage in 2017	(0.3)	0.0	N
International Young Peoples Festival	Cease holding the festival realising staffing and operational cost savings	(0.1)	0.0	Y
Sub-Total Service Changes		**(1.6)**	**0.0**	

City Development - savings options 2017/18

Savings Proposal	Comments	2017/18 £m	2018/19 fye £m	Is this relevant to Equality & Diversity?
C) Additional Income - Fees and Charges				
Asset Management	New rental income from the purchase of commercial assets and additional fee income from asset sales	(2.3)	0.0	N
Economic Development	Additional income from events and licences, street trading and speciality markets, and from marketing and advertising	(0.3)	0.0	N
Highways	Additional income from developers, utility companies, and park and ride sites.	(0.1)	0.0	N
Planning Services	Additional fee income from planning application fee increases and the provision of premium services. Introduction of new charges for Street Naming and Numbering. Income from charging fees for Environment and Design work to capital schemes and external clients.	(0.4)	0.0	N
Sport and Active Lifestyles	Increased income across all leisure centres through improvements to commercial marketing, retention and sales processes.	(0.3)	0.0	N
Culture	Additional income across functions including increased rental income, increased income from ticket sales via a new box office system, increased income from cultural events.	(0.2)	0.0	N
Sub-Total Additional Income (Fees & Charges)		**(3.4)**	**0.0**	
D) Additional Income - Traded Services, Partner and Other Income				
Building Control	Increased income through increased demand for building control services	(0.2)	0.0	N
Sub-Total Additional Income (Traded Services, Partner and Other Income)		**(0.2)**	**0.0**	
Total Savings Options - City Development		**(6.7)**	**0.0**	

Environment & Housing - savings options 2017/18

Savings Proposal	Comments	Saving 2017/18 £m	2018/19 fye £m	Is this relevant to Equality & Diversity?
A) Efficiencies				
Leeds Building Services - consolidation of Construction/Property Maintenance	Cost savings will be realised though both a reduction in the number of managers and supervisors and a targeted reduction in running costs. In addition the roll out of the Total Mobile software combined with improved job scheduling will deliver efficiencies which will result in a reduction in the use of sub-contractors.	(1.8)	0.0	Y
Refuse Collection - review of routes	Increased productivity will facilitate a revision to the current number of collection routes and the anticipated reduction in the number of rounds and management costs will result in cost savings.	(1.6)	0.0	Y
Strategic Housing - integration of functions	Closer working arrangements for the different functions within Strategic Housing will facilitate a reduction in the number of budgeted posts.	(0.1)	0.0	N
Environmental Action - revision to the level of resources	Street cleansing and enforcement expenditure and posts will be reduced, with resources reviewed & deployed differently across the city in line with the Council-wide review of Locality Working.	(0.4)	0.0	Y
Environmental Action - locality working	Managerial posts will be reduced as operational teams are reconfigured in line with the Council-wide review of Locality Working.	(0.4)	0.0	Y
Community Safety - reduction in area coordinator posts	Following a review of the delivery of the Community Safety function it is proposed to reduce the number of area co-ordinator posts.	(0.2)	0.0	Y
Housing Related Support - reduction in contract payments	Savings to be realised through the ongoing review and retendering of contracts	(0.4)	(0.2)	Y
Parks & Countryside - reduce grants to the Third Sector	Grants to support 3rd sector organisations will reduce at the same level as the reduction in resources to the Council.	(0.02)	0.0	Y
Parks & Countryside - revised security at the new nursery	The relocation of the nursery from Redhall to Whinmoor will result in revised security arrangements.	(0.1)	0.0	N
All services - review of running costs	Review of running cost budgets across the directorate	(0.5)	0.0	N
Sub-Total Efficiencies		**(5.4)**	**(0.2)**	
B) Changes to Service				
Parks & Countryside - reduction in front line horticultural staff	In discussion with Community Committees, this will mean a reduction in the area of maintained flower beds, shrub beds and hedges along with some increased relaxed mowing as appropriate in parks/green spaces and at graveyards/closed churchyards	(0.4)	0.0	Y
Parks & Countryside - reduction in grass/hedge cuts on highways assets	Reduce grass verge maintenance on high speed roads and reduce hedge cuts from 3 times each year to 2 on highway assets	(0.1)	0.0	N
Sub-Total Service Changes		**(0.5)**	**0.0**	
C) Additional Income - Fees and Charges				
Car Parking - Woodhouse Lane car park price increase	The 50p increase implemented at Woodhouse Lane car park in June 2016 will generate an additional £120k in a full year	(0.1)	0.0	N
Car Parking - price increases	Additional income from a £1 increase on Sunday/evening tariffs, the introduction of charging on bank holidays (excl xmas day), and increase of 10p on all on street tariffs. It is also assumed that activity levels experienced in 2016/17 will continue and generate an additional £200k in 17/18	(0.6)	0.0	N
Car Parking - mobile enforcement/increase in permit charges	Mobile CCTV monitoring to enforce offences at schools/bus stops/bus lanes. Increase cost of business and trade permits.	(0.1)	0.0	N

Environment & Housing - savings options 2017/18

Savings Proposal	Comments	Saving 2017/18 £m	2018/19 fye £m	Is this relevant to Equality & Diversity?
Parks & Countryside - review of charges at Lotherton Bird Garden	In recognition of the enhancements to the Bird Garden admission prices will increase from £5.50 to £6 from April 1st. It is also anticipated that the improved attraction will experience an increase in visitor numbers.	(0.1)	(0.0)	Y
Parks & Countryside - review of charges at Tropical World	Following further development of the attraction prices will increase from £5 to £6 per visit for adults with other charges to increase in the same proportion. There will we significant discounts for Leedscard and Leedscard Extra holders and under 5s will continue to gain free entry.	(0.3)	(0.1)	Y
Parks & Countryside - review of charges at Temple Newsam Home Farm	Review of charging following significant investment in indoor play facility with integral café/retail space. Price would increase from £3.60 to £5 from 2018/19.	0.1	(0.1)	Y
Parks & Countryside - introduce parking charges at visitor attractions	Introduction of car parking charges at Roundhay Park, Golden Acre Park and Temple Newsam	(0.2)	(0.1)	Y
Bereavement Services - review of charges to eliminate subsidy	Removal of subsidy would require a 5% increase in prices	(0.1)	0.0	Y
Waste Management - introduce charges for replacement wheeled bins	Implement charging for replacement wheeled bins that have been stolen or destroyed.	(0.2)	(0.1)	Y
Waste management - introduce charges for inert waste/plasterboard waste	The introduction of charges for disposal of inert (soil/rubble) and plasterboard waste at Household Waste sites would eliminate the current level of subsidy for disposal of these types of waste	(0.1)	0.0	Y
Environmental Action - introduce charges for bulky waste collections	Introduction of a charge to households choosing to use the bulky waste collection service over other disposal options which will remain free of charge.	(0.1)	0.0	Y
Environmental Health - introduce new pest control fees	Implement charges to eliminate the subsidy in pest control services. This would include introducing a charge for treating rats in domestic properties.	(0.1)	0.0	Y
Sub-Total Additional Income (Fees & Charges)		**(1.8)**	**(0.4)**	

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

Savings Proposal	Comments	Saving 2017/18 £m	2018/19 fye £m	Is this relevant to Equality & Diversity?
Community Safety - review partner funding arrangements of community safety activities	Working with West Yorkshire Police and Crime Commissioner to review the funding arrangements of community safety activities	(0.8)	0.0	N
Strategic Housing - review of charging arrangements	In respect of adaptations review charges to both the capital programme and Housing Leeds.	(0.2)	0.0	N
Parks & Countryside - review of the allocation of costs relating to mowing amenity grass	Increase the level of charges to Housing Leeds to reflect the fact that housing assets are typically smaller with more access restrictions (e.g. gates/fences) resulting in smaller machines and more operators.	(0.2)	0.0	N
Parks & Countryside - income from partnership with Askham Bryan college	Contribution from Askham Bryan college in respect of the use of buildings and facilities at Parks and Countryside sites for student learning	(0.1)	0.0	N
Parks & Countryside - additional retail income from nursery	Increase in plant and other retail sales following move to new nursery facility at Whinmoor	(0.1)	0.0	N
Parks & Countryside - additional landscaping income	Review the appropriateness of the allocation of costs associated with landscaping work.	(0.1)	0.0	N
Sub-Total Additional Income (Traded Services, Partner and Other Income)		**(1.3)**	**0.0**	
Total Savings Options - Environment & Housing		**(9.0)**	**(0.6)**	

Strategy & Resources - savings options 2017/18

Savings Proposal	Comments	2017/18	2018/19 fye	Is this relevant to Equality & Diversity?
		£m	£m	
A) Efficiencies				
Business Administration, transactional and operational activities	Following the first phase of Better Business Management where all 'core' business admin staff were transferred into the central service, the main initiative in progress is to achieve further efficiencies by consolidating 'specialist' admin staff under one professional lead.	(1.0)	(1.1)	Y
ICT, Information Management and Technology (IM&T), Information Governance(IG) and Intelligence	Introduce a new operating model for coordinated, shared cross Council digital and intelligence services. Establish 2 Hubs for IM&T and IG complemented by Business Partners who will work with Council services. The new Intelligence function will be brought alongside the corporate policy and insight function to form a single lead through the Chief Officer, Strategy and Improvement.	(1.1)	(0.5)	Y
Programme, Project and Portfolio Management	The review has sought to identify savings through the development of a portfolio approach which includes the development of a prioritisation tool. This will lead to greater efficiency with more of the right projects / programmes being delivered to time, cost and quality.	(0.6)	(0.3)	Y
Workforce Development	April 2017 move to a single professional line of leadership model. Consolidation of training budgets into one single pot combined with a comprehensive review of all Organisational/Workforce Development activity.	(0.3)	(0.2)	Y
Compliments and Complaints	Bring existing staff performing this function together into 2 teams. Implement de-escalation of complaints at the first point of contact and realise efficiencies through reduction in the duplication of process and IT system changes.	(0.1)	(0.1)	Y
Financial Services	Implement new operating model from September 2017 based on a centralised approach in one physical location. Finance Business Partner teams would continue to be aligned to specific directorates and organisational priorities and focus on supporting transformational change across the organisation.	(0.9)	(0.5)	Y
Human Resources	Continuation of implementation of new ways of working within the service.	(0.3)	(0.1)	Y

Strategy & Resources - savings options 2017/18

Savings Proposal	Comments	2017/18 £m	2018/19 fye £m	Is this relevant to Equality & Diversity?
Strategy and Improvement	Further staffing savings and efficiencies within Communications, Marketing and Emergency Planning. (Strategy and Policy and Business Improvement are included in scope of the Intelligence review).	(0.1)	(0.1)	Y
Legal and Democratic Services	Staffing efficiencies to fund cost of pay award	(0.1)	(0.2)	Y
Corporate Leadership Team	Changes to Corporate Leadership Team	(0.2)	0.0	N
Sub-Total Efficiencies		**(4.7)**	**(3.0)**	

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

Savings Proposal	Comments	2017/18 £m	2018/19 fye £m	Is this relevant to Equality & Diversity?
Financial Services	Additional traded income	(0.2)	0.0	N
Sub-Total Additional Income (Traded Services, Partner and Other Income)		**(0.2)**	**0.0**	
Total Savings Options - Strategy & Resources		**(4.9)**	**(3.0)**	

Citizens & Communities - savings options 2017/18

Savings Proposal	Comments	2017/18	2018/19 fye	Is this relevant to Equality & Diversity?
		£m	£m	
A) Efficiencies				
Communities	Communities teams and associated activity: review management & leadership; review grants & contributions to 3rd sector	(0.2)	(0.1)	Y
Corporate Contact Centre	Fewer calls due to channel shift (dependent on technology) and general improvement in productivity	(0.3)	0.0	Y
Corporate Contact Centre	Council Tax/Benefits/Contact Centre Integration (savings within Customer Access and Welfare and Benefits)	(0.2)	0.0	Y
Corporate Contact Centre	Reduce service failure: target to reduce by 25%	(0.1)	(0.04)	N
Corporate Contact Centre	Review the Out of Hours Service allow contact to be directed straight to the relevant service	(0.1)	0.0	Y
Customer Access	Reduce Helpdesk function through development of professional Tier 2 (rather than C1 Helpdesk Customer Services Officer) support	(0.1)	0.0	Y
Customer Access	Merge support and development functions	(0.2)	0.0	Y
Elections	No local elections in 2017/18	(0.7)	0.7	N
Welfare and Benefits	Reduction in off-site processing and overtime	(0.2)	0.0	Y
Advice Consortium	Deliver greater efficiencies; to be addressed as part of re-tendering on contract in 2017/18	(0.1)	(0.1)	Y
Libraries	Staffing review, running cost savings, and increased income	(0.4)	0.0	Y
All services	Review of running cost budgets across the directorate	(0.3)	0.0	N
Sub-total Efficiencies		**(2.7)**	**0.5**	

Citizens & Communities - savings options 2017/18

Savings Proposal	Comments	2017/18	2018/19 fye	Is this relevant to Equality & Diversity?
		£m	£m	
B) Changes to services				
Communities	Well Being grants - further reductions	(0.2)	(0.1)	Y
Library Service	Reprovision delivery of mobile library service	(0.1)	0.0	Y
Local Welfare Support Scheme	Reduction in existing £1.1m budget provision by £300k	(0.3)	0.0	Y
Leeds City Credit Union	Working with Credit Union to agree options to save £50k	(0.1)	0.0	N
Sub-total Changes to Services		**(0.6)**	**(0.1)**	
C) Additional income - Fees and Charges				
Community Centres	Restrict free lets to 75% of present level	(0.1)	0.0	Y
Community Hubs	Charge for events (currently free)	(0.1)	0.0	Y
Registrars service	Charging/income proposals (Passport checking service; additional appointments; Saturday appointments; general fee increase)	(0.1)	(0.0)	N
Sub-total Fees and Charges		**(0.2)**	**(0.0)**	
Total Savings Options - Citizens and Communities		**(3.6)**	**0.4**	

Civic Enterprise Leeds - savings options 2017/18

Savings Proposal	Comments	2017/18 £m	2018/19 fye £m	Is this relevant to Equality & Diversity?
A) Efficiencies				
Cleaning Civic Hall	Changes to the times and frequency at which cleaning is provided resulting in a reduced staffing requirement and expanding the mobile operation for cleaning.	(0.1)	0.0	N
Cleaning - other office accommodation	As with changes at the Civic Hall, these are changes to the times and frequency at which cleaning is provided resulting in a reduction in the number of staff required to deliver the service combined with expanding the mobile cleaning operation.	(0.4)	0.0	N
Management/staff reductions	Reduction in level of JNC management support, delivered through reconfiguration of roles and responsibilities within the service.	(0.2)	0.0	Y
Facilities Management savings	Planned realignment of the service to be delivered through a restructure resulting from a review of roles and responsibilities.	(0.1)	0.0	N
Sub-Total Efficiencies		**(0.8)**	**0.0**	
B) Additional Income - Traded Services, Partner and Other Income				
Fleet	Combination of attempting to maximise existing income streams whilst developing new ones together with the aim of reducing costs.	(0.1)		N
Commercial Catering	Based on internalising commercial catering for some of the services within the Civic quarter and expanding retail offer.	(0.1)		N
Sub-Total Additional Income (Traded Services, Partner and Other Income)		**(0.2)**	**0.0**	
Total Savings Options - Civic Enterprise Leeds		**(1.0)**	**0.0**	

Public Health - savings options 2017/18

Savings Proposal	Comments	2017/18 £m	2018/19 fye £m	Is this relevant to Equality & Diversity?
A) Changes to Service				
Third sector commissioned service	Recommissioning new services with a 5% reduction for contracts in scope. Integrated Healthy Living Service (October 2017), Community Health Development & Improvement (April 2017) and Cancer Screening (April 2017).	(0.1)	0.0	Y
Third sector/statutory drugs and alcohol services	8% reduction in drug and alcohol treatment contract, work is underway with provider to develop options to achieve the saving	(0.7)	0.0	Y
NHS Healthy Lifestyle services	Recommissioning new Integrated Healthy Living Service due to start October 2017, 5% reduction in contracts in scope.	(0.3)	0.0	Y
Family Nursing Partnership	Family Nurse Partnership contract will not be extended beyond March 2017	(0.8)	0.0	Y
School Nursing and Health Visiting	Reduction in contract values for 0-19 services - School Nursing and Health visiting	(0.4)	0.0	Y
Children's Centres	Reduction in funding contribution to Children's Centres	(0.5)	0.0	Y
Joint commissioning with other directorates	Reduction in funding to other Council directorates for joint commissioning including HIV social care, Neighbourhood Networks, Advice Services, Luncheon Clubs and Home adaptations	(0.1)	0.0	Y
Sub-Total Service Changes		**(2.9)**	**0.0**	**0.0**
Total Savings Options - Public Health		**(2.9)**	**0.0**	**0.0**