



Report of the Director of Corporate Services

Executive Board

Date: 9th February 2007

Subject: Revenue Budget and Council Tax 2007/08

Electoral wards affected:

Specific implications for:

Equality and Diversity

Community Cohesion

Narrowing the gap

Eligible for call In

Not eligible for call in
(details contained in the report)

Executive Summary

1. This report seeks the approval of the Executive Board in recommending to Council a budget and Council Tax for 2007/08. The report sets out the framework for compiling the 2007/08 budget including the implications of the Local Government Finance settlement, as well as the factors that have had to be taken into consideration.
2. The report asks Executive Board to recommend to Council a budget totalling £505.223m, which would result in the Leeds element of the Council Tax increasing by 4.5%. This excludes Police and Fire precepts which will be incorporated into the report to be submitted to Council on the 21st February 2007.

1 **INTRODUCTION**

- 1.1. This report sets out the Council's budget for 2007/08 following detailed consideration of service requirements and taking account of the Local Government Finance settlement.
- 1.2. For 2006/07 the Council's net budget is £486.5m, with a Band D Council Tax of £971.99 for the Leeds element. With effect from the 1st April 2006, Local Authorities received the Dedicated Schools' Grant (DSG) which replaced the current Education Formula Spending share system.
- 1.3. This report seeks approval from the Executive Board to recommend to Council that the City Council's Revenue Budget for 2007/08 be approved at £505.2m. This results in a Band D Council Tax of £1,016.16 which represents an increase of 4.5% for the Leeds element above the Council Tax for 2006/07.
- 1.4. Detailed budget proposals for each service are set out in the departmental budget documents attached to this report. This information will be consolidated into the Annual Financial Plan and the Budget Book;
 - ◆ The Annual Financial Plan - This document brings together the revenue budget, capital programme and performance indicators for 2007/08 providing a clear link between spending plans and performance, at departmental level. The relevant summary information and individual departmental financial plans for the 2007/08 revenue budget are attached to this report.
 - ◆ The Budget Book – This is intended for budgetary control purposes and contains detailed budgets for each department at both functional heading (objective) and budget heading level (subjective). Copies of this document are available to members on request and via the intranet.
- 1.5. All departmental estimates have been prepared in accordance with proper accounting practice at outturn prices. Under new accounting requirements introduced in 2006/07, the departmental revenue charge for the use of assets will continue to include a charge for depreciation but will now no longer include a capital financing charge. There is no impact on the overall budget or Council Tax levels but it does have an impact on individual departmental budgets when compared to the Original Estimate 2006/07.
- 1.6. The budget for 2007/08 has been prepared at service level based on the current organisational structure. Under the Council's change programme there are a number of changes intended to be implemented from 1st April 2007, which are subject to a separate report on this agenda. It is proposed that adjustments are made to the budget during the new financial year as and when decisions are made on the change programme. In terms of Children's Services, a memorandum budget bringing together the net cost of all the Children's Services has been included in the Budget Book.
- 1.7. In accordance with the Council's Budget and Policy Framework, decisions as to the Council's budget and Council Tax are reserved to Council. As such the purpose of this report is to propose a budget to Council, and thus the decisions recommended by this report are not eligible for call in.

2. 2006/07 LATEST ESTIMATE

2.1 The 2006/07 budget was set as follows:

	£m
Departmental Spending	486.2
Contribution to Reserves	0.3
Net Revenue Expenditure	486.5
Reserves	
- Estimated 31/3/06	12.0
- Budgeted contribution in 2006/07	0.3
- Estimated 31/3/07	12.3

2.2 During 2006/07, quarterly Financial Health monitoring reports have been presented to Executive Board. The third quarter report is elsewhere on this agenda and gives details of variations in projected spend. In summary, the report highlights projected departmental pressures of £10.1m, offset by additional resources of £15.1m, resulting in a projected underspend of £5.0m. This sum will be added to general reserves to be carried forward to 2007/08.

2.3 Taking account of the above, the General Fund Reserves position to the 31st March 2007 is forecast as follows:

GENERAL FUND RESERVES	£m
Estimated reserve at 31/03/06	12.0
Actual balance at 01/04/06	12.0
Budgeted contribution 2006/07	0.3
Additional contribution	5.0
Estimated reserves 31/3/07	17.3

2.4 In addition to the General Fund Reserves, school balances of £6.8m were brought forward from 2005/06 relating to the Local Management of Schools. These are specifically earmarked for schools and do not form part of the Council's General Fund Reserves. To this effect, any under or over spending by the schools does not impact on the General Fund. The latest indicative assessment by Education Leeds would suggest that schools' overall reserves at 31st March 2007 for carry forward into the 2007/08 financial year are likely to be in the region of £4m - £5m. Additionally, schools are expected to carry forward some Standards Fund allocations that can be spent up to 5 months after the financial year end.

- 2.5 The above level of school reserves does not take account of the budget assumptions in the Education non ISB estimates that an element of school reserves are to be used to fund the cost of Voluntary Early Retirement in accordance with the agreement of Executive Board on 7th March 2001. This is borrowing, not from individual schools but rather from overall net balances. The school reserves will be paid back over 5 years from Council resources other than those available for schools. It is also planned to fund an element of Building Schools for the Future (BSF) development costs in 2006/07 by borrowing from overall school balances, with repayment being made over the life of the BSF contract. An alternative means of funding such BSF development costs has been identified for future years, using a combination of capitalisation and borrowing from PFI sinking fund reserves.

3. THE COUNCIL'S FINANCIAL PLAN

- 3.1 The Financial Plan is designed to provide a financial strategy to underpin the Council's Corporate Plan and covers the three financial years 2005-2008. It sets out a framework for the preparation of the Council's annual revenue budget over the planning period by determining how available resources will be allocated between services, whilst also supporting the delivery of Council priorities.
- 3.2 The plan was reviewed and updated in November 2006, and forwarded to the Overview and Scrutiny Committee in accordance with the Council's Constitution, for consultation (see Section 5 below).
- 3.3 In addition to these national issues, the opportunity was taken to review a number of new and ongoing developments and pressures at a local level, taking account of the need to improve resource prioritisation to the Council's key priorities.
- 3.4 Executive Board approved the update of the Financial Plan and requested departments to prepare budget plans for 2007/08 in line with the overall strategy which was to ensure that resources are directed towards maintaining existing levels of service and reflecting unavoidable increases as follows:-
- The effect of pay awards
 - Increases in employers' superannuation rates
 - Other inflation
 - Full year effect of approved developments
 - Support to the Council's Corporate Plan priorities
 - Savings to reflect the efficiency agenda
- 3.5 It was recognised that this approach to budget planning would form the basis of the detailed budget preparation for 2007/08 and, as part of an ongoing process of reviewing services, a service prioritisation model would be developed and used to inform the new medium term financial plan to be developed in conjunction with the next Corporate Plan covering the period 2008-2011.

4 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 4.1 In December 2004 the Government issued a consultation paper proposing the introduction of three year settlements, whereby they would notify authorities their formula grant figures for three years rather than just one year at a time. In 2006/07, as a first step towards that, they announced figures for the two years 2006/07 and 2007/08. The figures for 2007/08 at that time were described as provisional, although it was indicated that they were unlikely to change. On 28th November 2006 the Government re-announced figures for 2007/08 which were the same as those

announced a year previously, although they would still remain provisional until approved by Parliament. A report which provided full details was submitted to Executive Board on the 13th December 2006.

- 4.2 The final settlement received on 18th January 2007 confirmed the provisional figures. It provides for an increase in formula grant for 2007/08 of £7.651m (2.9%) over 2006/07, after adjusting for changes in the funding arrangements of specific functions. As can be seen from below, Leeds' formula grant increase for 2007/08 is less than the national average and also that of other similar authorities:

Average increase – All England	3.7%
Core Cities	4.0%
West Yorkshire	3.3%

If Leeds had received the average increase, additional grant of £2.2m would have been received, whilst the Core City average would have provided additional grant of £2.8m.

- 4.3. As previously reported to Executive Board, the way the Government allocates formula grant to authorities is no longer based on Formula Spending Shares. As such it is no longer possible to compare our own spending, either overall or on particular services, with a central government benchmark. Similarly, the previous notional Assumed National Council Tax (ANCT), which was often used as a benchmark for actual council taxes, no longer exists.
- 4.4. As has occurred on a number of occasions, the Government has made changes to the funding of a number of specific services. Further funding for Preserved Rights within community care has been transferred into formula grant. Offsetting that is a reduction in respect of the EU WEEE directive (Waste Electrical and Electronic Equipment) where responsibility is being transferred to producers and in respect of some capital schemes where funding is being transferred to specific grant. The net effect of all of these adjustments is a reduction in the Council's formula grant of £0.8m.
- 4.5. The Government is continuing the scheme of 'floors' which guarantees a minimum increase in Central Government Support (formula grant). For authorities such as Leeds, the minimum increase for 2007/08 is 2.7%. As in previous years, Leeds is above the floor for 2007/08 at 2.9%. Authorities in this position have had their formula grant reduced to help pay for those authorities below the floor and Leeds' grant in 2007/08 has been reduced by £1.2m as a result.
- 4.6. For the current year, the Council's Band D Council Tax (including Police and Fire) is £1,130.23 of which the Leeds element is £971.99. The government have stated that for 2007/08 they expect increases in Council Tax on average to be below 5% and they have reserve powers to cap authorities whose Council Tax increase is considered excessive. The level of Council Tax remains, however, a local decision.
- 4.7 Following the 2007 Comprehensive Spending Review, the Government intends to announce local government grant allocations for three years – for 2008/09, 2009/10 and 2010/11.
- 4.8 Specific Government grants continue to provide important sources of funding for many of the council's services, and a number of these have been subject to variation as part of the 2007/08 Local Government Finance settlement. Much of the detail in respect to

specific grants is provided in the departmental briefing reports, but some of the more significant changes are discussed below.

- 4.8.1 As part of the 2006/07 settlement, the Government removed the Schools' Budget from the general grants system and introduced the Dedicated Schools Grant (DSG). All expenditure previously within the Schools' budget has transferred into a grant. The anticipated allocation of DSG for 2007/08 is £380.1m which equates to a £16.2m (4.5%) increase and is lower than the 5.8% national average increase due to a combination of demographic and technical issues.
- 4.8.2 A two year NRF allocation was announced in November 2005, and Leeds will receive an additional £2.1m in 2007/08. However as part of the Local Area Agreement this money will form part of the pooled funding stream. A Memorandum of Understanding has now been adopted by all partners within the Leeds LAA. For 2007/08, it has been agreed that pooled funds other than the Neighbourhood Renewal Fund (NRF) should be allocated to the same partners and service areas as would have been the case outside the LAA. This is subject to block leads being satisfied that each fund is making a full contribution to the LAA programme. The NRF element will be determined by rolling forward existing projects where they are performing and contributing towards mandatory LAA targets or by commissioning through block leads to address gaps to achieve the mandatory targets. The 2007/08 programme was agreed by Executive Board on 24th January 2007. It is envisaged that funding for future years will be determined following a clear, robust and transparent commissioning process.
- 4.8.3 Supporting people grant remains at the 2007/08 level of £33.5m including administration grant and therefore further efficiencies will need to be achieved to maintain the level of service.
- 4.8.4 Leeds has been awarded £15.6 million funding over the next three years to help develop enterprise, create new jobs and boost prosperity in the city's most disadvantaged communities. The funding is part of the £300 million Local Enterprise Growth Initiative (LEGI), which aims to promote enterprise within disadvantaged communities, support the growth of locally owned business and attract investment into deprived areas. For 2007/08 the grant is £4.8m.
- 4.8.5 The General Sure Start Grant has increased by £1m. This funding supports the ongoing programme of providing additional Children's Centres.
- 4.8.6 Housing and Council Tax Benefit administration subsidy has reduced by £0.798m due to changes in the methodology used by the Department for Work and Pensions for allocating the subsidy. This represents a 11% reduction and Officers have lobbied the DWP on this issue, but as yet there has been no change to notified figure.

5. CONSULTATION

- 5.1 The Council's approach to consultation on the budget has been subject to continued development and has varied from year to year. Through this approach it has been possible to engage a wider spectrum of views and opinions.
- 5.2 The consultation process for the 2007/08 budget has included:-
- Overview and Scrutiny Committee – scrutiny of the updated financial plan
 - Ratepayers – budget consultation meeting to be held with the Chamber of Commerce

- Consultation with young people – to be carried out through the Leeds Youth Council

5.3 The Financial Plan Annual Review was considered by Overview and Scrutiny Committee on 4th December 2006. At their meeting held on 8th January 2007 members considered a report reviewing the Performance Management and Financial Health monitoring framework and agreed to submit the attached report at Appendix 1 to the Executive as part of the Council's budget and policy framework. The report details a new approach by the committee to the scrutiny of the Council's financial planning and management process.

5.4 At the Leeds Youth Council on the 16th December, members were given a presentation about the budget and asked for their views on

- things the Council should spend less on
- things the Council should spend more on

A summary of the issues raised by the Youth Council is set out in the attached Appendix 2.

5.5 A budget consultation meeting was held with representatives of the Chamber of Commerce on the 7th December 2006. A summary of the issues raised by the Chamber is attached as Appendix 3.

6. PROPOSED BUDGET 2007/08

6.1 In developing the 2007/08 budget, consideration has been given to the following issues:

- Impact of the 2007/08 Local Government Finance settlement
- Departmental budget submissions
- Consultation with a variety of stakeholders
- The Council's Reserves strategy
- The Council's spending priorities

6.2 The table below sets out a summary of the changes from the 2006/07 budget to 2007/08.

Budget 2006/07	£M 486.5
Effect of pay awards and inflation	18.2
Full Year effects	2.1
Income effects	8.9
Demography/volume changes	1.7
Other Pressures	7.0
Efficiency and other savings	-21.7
Additional support to Corporate Plan priorities	6.7
Change in contribution to general reserves	-4.6
Increase in contingency fund	0.4
Base Budget 2007/08	505.2
Increase from 2006/07	18.7 (3.8%)

6.3 Table 1 appended to this report provides an analysis of the budget by department; Table 2 shows a subjective summary of the City Budget; and Table 3 shows the projected staffing levels at 31st March 2008.

6.4 Departments have drawn up detailed base budget submissions in accordance with guidelines laid down by the Director of Corporate Services. In drawing up these base budgets, account has been taken of the following:-

- Pay Awards and other inflation - the officers pay award is provided for at 2.5% from April 2007. The agreed teachers pay award is 2.5% from September 2007. In addition, an increase in the employer's contribution to the West Yorkshire Pension Fund of 0.8% has also had to be provided for in accordance with the last actuarial report.
- All other general running costs have been cash limited at their 2006/07 level, although 2% has been provided for grants to outside bodies and further provision made for specific contracts, such as Social Services care packages. Provision has also been made for the significant increase in the price of energy over the year and a further £3 per tonne increase in Landfill tax.
- The full year effects of developments built into the 2006/07 budget and other developments approved during the year.
- Income and grant effects - including loss of specific Government grants.
- The effect of demography and volume changes.
- Other pressures within the current level of service.
- Identification of efficiencies, income generation options and other savings in accordance with the Financial Plan categorised as follows:-
 - Review of service provision £5.6m
 - Changes to working practices £0.5m
 - Efficiency reviews £12.6m
 - Fees charges and income generation £2.8m
 - Cash management £0.2m.

6.5 The detailed preparation of departmental estimates resulted in the identification of significant cost pressures for 2007/08 by departments. Much work has been undertaken to review pressures and a number of efficiencies and proposals for policy review have been developed by departments to contain overall spending. These are further detailed in the reports on the departmental budgets, which are attached to this report.

6.6 In addition to specific savings and efficiencies built into departmental budget submissions, a number of short term funding sources have been identified corporately. These are:

- (a) The continued success of the Local Authority Business Growth Incentive Scheme has enabled an additional £5m to be brought into the 2007/08 budget. This brings the total to £10.5m which represents three quarters of the year as the scheme is due to end in December 2007.
- (b) Income derived from Section 278 schemes continues to support the budget at £4.5m. This represents a reduction of £0.5m from 2006/07.

- (c) The 2006/07 budget provided for costs to be charged to capital of £4.5m. This has been reassessed and reduced to £3.5m based on recent trends.
- (d) The 2007/08 budget is underpinned by the net use of £4.3m of general reserves. This level is due to specific actions taken in 2006/07 as detailed in the third quarter report.

6.7 The 2006/07 budget provided £5.4m for further support towards Corporate Plan Priorities. These have now been incorporated into the base budgets of the relevant departments and additional resources of £6.7m will be spent in the following priority areas:-

- Transforming services - £0.6m for improving the efficiency and effectiveness of service delivery
- All neighbourhoods are safe, clean, green and well maintained - £1.6m for improving the quality and safety of the environment
- Our children and young people are healthy, safe and successful - £0.65m for the children's agenda
- People are able to live healthy and fulfilling lives - £3.9m for improvements to the health and wellbeing of citizens of Leeds and reducing health inequalities

6.8 Contingency provisions have been included in the General Fund and within the DSG funded services. These provisions are for items not foreseen and for items where there is a risk of variation during the year. In the case of the schools contingency, this would include adjustments required in the application of formula funding, significant increases in pupil numbers, and additional statements of Special Education Needs or exceptional in year cost increases.

7. RESERVES POLICY

7.1 Under the 2003 Local Government Act, the Council's Statutory Financial Officer is required to make a statement to Council on the adequacy of reserves. In addition, the Comprehensive Performance Assessment framework requires the authority to have a policy on the level and nature of its reserves and ensure these are monitored and maintained within the range determined by its agreed policy. The purpose of a reserves policy is:

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

7.2 For 2006/07 the policy established in 2005/06 was developed to encompass an assessment of financial risks included in the budget. This exercise has been undertaken again as part of the 2007/08 budget preparation based on departmental budget risk registers. The risk registers identify areas of the budget which may be uncertain and the at risk element of each budget area has been quantified. This represents the scale of any likely overspend/shortfall in income and does not necessarily represent the whole of a particular budget heading. Each risk area has been scored in terms of the probability and impact on the budget.

- 7.3 The results of this exercise for 2007/08 indicate a minimum level of reserves of around £13m is required. Reserves at this level would represent 2.5% of net expenditure, excluding expenditure in the Dedicated Schools Budget. The balance carried forward at 31st March 2007 on the general reserve is forecast at £17.3m (see paragraph 2.3 above) and after the required support to the 2007/08 budget as outlined above, the balance carried forward into 2007/08 is estimated at £13.0m.
- 7.4 The policy also requires departments to prepare budget action plans to deal with spending variations on departmentally controlled budgets during the year up to a limit of 2% of net expenditure. Any budget variations above this amount would be dealt with corporately, using, where necessary, the General Fund reserve.

8.0 CONTRIBUTIONS TO JOINT COMMITTEES AND OTHER BODIES

- 8.1 Total contributions to joint committees are £2.696m in the Original Estimate 2007/08, and are analysed below. The lead authorities for the joint committees are also shown:-

	Lead Authority	Leeds' Contribution			
		06/07 £m	07/08 £m	Increase £m	%
Pension Fund	Bradford	0.445	0.438	(0.007)	(1.6)
Joint Services	Wakefield	2.161	2.258	0.097	4.5

In approving these contributions, Members will note that they are not approving the individual budget of the joint committees, but the estimated effect on the City Council's budget. The joint services budget now includes the West Yorkshire Ecology Service, previously administered through Leeds City Council. The cost of the service to Leeds in 2007/08 is £22k which is offset by a corresponding reduction in costs in Development and Learning and Leisure department's budgets. The like for like increase excluding this transfer is 2.8%.

- 8.2 Contributions in 2007/08 to other bodies amounts to £29.719m

	Leeds' Contribution			
	06/07 £m	07/08 £m	Increase £m	%
Flood Defence Levy	0.075	0.078	0.003	3.5
Passenger Transport Authority (PTA)	28.097	28.715	0.618	2.2
Coroners	0.872	0.908	0.036	4.1
West Yorkshire Probation Service	0.026	0.018	(0.008)	(30.8)

The PTA levy has increased by 4% in line with the previously agreed three year strategy, including the statutory concessionary fares scheme introduced last year. However, the unwinding of Supertram funding arrangements has reduced the levy for Leeds by £515k, resulting in a net overall increase of 2.2%.

The increase in Coroners represents a 2.8% increase from the 2006/07 actual. The 4.1% increase shown above is due to the final notification of the 2006/07 budget being received after the LCC budget was approved.

Whilst the City Council no longer incurs expenditure in relation to the ongoing costs of the West Yorkshire Probation Committee, the Council is required to provide for the cost of loan charges in respect of the Probation Services post 1990 capital debt .

9. EFFICIENCIES

- 9.1 This is the third year of the Gershon efficiency target to deliver efficiencies of 2.5% per annum over the 3 years covered by the 2004 spending review which aims to deliver gains equivalent to £6.45bn for local authorities.
- 9.2 For 2007/08, the Council has a target to deliver efficiencies of approximately £33m representing the cumulative effect of the 2005/06 efficiency target of £15m plus a further £18m of new efficiencies to be delivered in 2006/07. Of these, at least 50% (£9.0m) must be cashable. The 2006/07 mid year update of the Annual Efficiency Statement projected £21.35m of in year efficiency gains plus £31.2m of gains from 2004/05 and 2005/06 which can be carried forward to future years to count towards the annual targets.
- 9.3 As part of the process for preparing the 2007/08 budget, departments were asked to identify efficiency gains and these are detailed in the attached departmental budget reports, and in total the cashable savings are £9.0m. This sum will be added to the efficiencies already achieved to date. The Council's Forward Looking Annual Efficiency statement for 2007/08 will also include non-cashable efficiencies, but these are subject to further work prior to submission of the statement in April 2007.

10. ROBUSTNESS OF THE BUDGET AND THE ADEQUACY OF RESERVES

- 10.1 The Local Government Act (Part II) 2003 placed a requirement upon the Council's statutory finance officer (The Director of Corporate Services) to report to members on the robustness of the budget estimates and the adequacy of the proposed financial reserves.
- 10.2 In considering the robustness of any estimates, the following criteria need to be considered:-
- the reasonableness of the underlying budget assumptions such as:
 - the reasonableness of provisions for inflationary pressures;
 - the extent to which known trends and pressures have been provided for;
 - the achievability of changes built into the budget;
 - the realism of income targets;
 - the alignment of resources with the Council service and organisational priorities.
 - a review of the major risks associated with the budget.
 - the availability of any contingency or unearmarked reserves to meet unforeseen cost pressures.
 - the strength of the financial management and reporting arrangements.

10.3 In coming to a view as to the robustness of the 2007/08 budget, the Director of Corporate Services has taken account of the following issues:-

- The Council has a well developed three year financial plan which provides an overall financial framework designed to underpin the Council's service and organisational priorities. A new plan will be developed following the publication of the Comprehensive Spending Review 2007.
- Detailed estimates are prepared by departments in accordance with principles laid down by the Director of Corporate Services based upon the current agreed level of service. Service changes are separately identified and plans are in place for them to be managed.
- Estimate submissions have been subject to rigorous review throughout the budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council.
- Significant financial pressures experienced in 2006/07 have, where appropriate, been recognised in preparing the 2007/08 budget.
- As part of the budget process, departments were asked to undertake a risk assessment of their key budgets, document this assessment in the form of a formal Risk Register, and provide a summary of major risks within the departmental budget documents. All departmental budgets contain efficiencies, service reviews and savings which are not secured and will require action to deliver but in overall terms the identified risks are regarded as manageable at this time. Some of the key ones are as follows:-
 - Council wide staffing efficiencies
 - Future delivery and make up of the Jobs and Skills service
 - Demand led expenditure especially within Community Care and Children's Services
 - Outside placements
 - Roseville Enterprises
 - Potential decline in external funding sources
 - Potential future equal pay liabilities

10.4 The Council's financial controls are set out in the Council's Financial Procedure Rules. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the Council. These governance arrangements have been enhanced through the ongoing development of procedures to support the annual Statement of Internal Control which is required to be published as part of the Council's annual accounts. The Council has a well established framework for financial reporting at departmental and corporate levels. Each month the Director of Corporate Services receives a report from each department setting out spending to date projected to the year-end. Action plans are utilised to manage and minimise any significant variations to approved budgets. These arrangements are supported by the arrangements for reporting to Members. Financial Health reports are submitted to the Executive Board and Overview and Scrutiny Committee on a quarterly basis.

- 10.5 The proposed budget provides for the net use of reserves of £4.3m, which will result in estimated reserves being at £13.0m at 31st March 2008. Section 7 sets out the Council's Reserves policy which requires departments to have in place action plans to deal with variations in departmental spending up to 2% with the potential for variations up to this level being carried forward. This policy continues to provide a sound basis for the Council to manage unexpected budget pressures in the future.
- 10.6 Looking beyond 2007/08, the base budget now includes substantial one off sources of income which are all not sustainable for more than one year beyond the next financial year. In order to reduce the reliance on short term funding sources and maintain the robustness of future budgets and the financial position of the Council, it is recommended that a number of reviews are undertaken as a matter of urgency to generate future savings. The reviews, listed in 10.7 below, will be undertaken using the principles of Delivering Successful Change (DSC), the Council's project management methodology. The methodology has been developed to provide a structured and consistent approach to the management, oversight, assurance and implementation of projects across the Council.
- 10.7 There are a number of areas which have been identified during the preparation of the 2007/08 budget with the potential to generate significant savings in the medium term. In order to realise these savings from 2008/09 onwards, Executive Board are requested to give approval to commence reviews of these areas as a matter of urgency. Areas for review include :-
- The method of provision of Home Care
 - The Council's future role in the provision of training and employment services
 - Roseville Enterprises – how best to provide meaningful employment for disabled people.
 - The ongoing Support Services review
 - The provision of more cost effective client transportation across the city
 - The consideration of the Council's policy to provide Home to College transport free of charge to certain client groups
 - Opportunities for maximising income through a review of fees and charges
 - Identifying methods of ensuring the more efficient use of energy within the Council
 - Collaboration with other organisations in the provision of services.
- 10.8 In summary, the Director of Corporate Services considers that the proposed budget for 2007/08 is robust and that the level of reserves are adequate because:-
- the level of reserves is above that indicated by the risk based reserves strategy.
 - budget monitoring and scrutiny arrangements are in place which include arrangements for the identification of remedial action.
 - cost pressures have been identified and resourced.
 - risks are identified, recorded in the budget risk register and will be subject to control and management.

- as part of the Council's reserves policy departments are required to have in place a budget action plan which sets out how they will deal with variations during the year up to 2%.
- the Council is putting in place arrangements to develop a new financial plan in conjunction with a new Corporate Plan to cover the period 2008/2011, and a number of budget reviews are being undertaken.

11. **SUMMARY OF THE PROPOSED BUDGET**

11.1 Taking account of all the above, the proposed budget for 2007/08 can be summarised as follows:–

	Original Budget 2006/07 £m	Latest Estimate 2006/07 £m	Proposed Budget 2007/08 £m
REVENUE EXPENDITURE	486.2	480.9	509.5
Less: contribution to(from) General Fund Reserve	0.3	5.3	(4.3)
Net Expenditure	486.5	486.5	505.2

11.2. **Impact on Council Tax**

The effect of a budget of £505.223m for 2007/08 will be a council tax increase of 4.5% which will give council tax figures for the Leeds City Council element only for each band as follows:

	2006/07 £	2007/08 £
Band A	647.99	677.44
Band B	755.99	790.35
Band C	863.99	903.25
Band D	971.99	1,016.16
Band E	1,187.99	1,241.97
Band F	1,403.99	1,467.79
Band G	1,619.98	1,693.60
Band H	1,943.98	2,032.32

To these will be added amounts for Police, Fire and, where appropriate, parishes. These additional amounts will be reported to Council on 21st February 2007 when all the information will be known and when the formal decisions about council tax will be taken.

12. **IMPLICATIONS FOR THE FINANCIAL PLAN**

12.1 Following the publication of the CSR 2007, a new Financial Plan will be developed during 2007/08 to cover the years 2008 to 2011. It is apparent that the level of resources available to the Council in the years beyond 2007/08 will be limited. It is recognised that there is a need to strengthen the links between service planning and financial planning to ensure the realignment of resources to priorities, and it is

proposed to develop the Financial Plan as a key element of the new Corporate Plan which will also be published during 2007.

- 12.2 It is also clear that service prioritisation needs to be further embedded at a cross-departmental level in order to better inform the decisions regarding the allocation of resources.
- 12.3 In order to facilitate improved monitoring of the plan, it is proposed that a series of milestones are incorporated into the new Financial Plan and to develop an approach to medium term planning which will encompass a rolling three year projection of resources and pressures. This will also provide a better framework for decision making requiring greater clarity as to the impact upon resources in future years as well as the current.

13. IMPLICATIONS FOR COUNCIL POLICY AND GOVERNANCE

- 13.1 In accordance with the Budget and Policy Framework rules, it is proposed to Council that the extent of virements and the degree of in year changes which may be undertaken by the Executive remain unchanged, with limits as set out in Financial Procedure Rules.

14. RECOMMENDATIONS

- 14.1 The Executive Board is asked to recommend to the Council the adoption of the resolution below:
- (i) That the Revenue Estimates for 2007/08 totalling £505.223m, as detailed and explained in this report and accompanying papers be approved, including a 4.5% increase in the Leeds' element of the Council Tax.
- 14.2 The Executive Board is also asked to approve the development of medium term realignment proposals as detailed in paragraph 10.7 above.

Performance Management and Financial Health Monitoring - Report to Executive Board from Overview and Scrutiny Committee

- 1.1 It is the view of the Overview and Scrutiny Committee that budget making should be within a strong, policy-led rather than finance-led, corporate planning framework, which draws on other processes within the council, i.e. corporate planning and performance management arrangements
- 1.2 Best practice guidance from the Audit Commission advises that policy led budgeting is the route to ensuring that financial resources are directed towards organisational goals. One of the potential roles for an overview and scrutiny committee is to ensure that, once priorities have been set, they are provided with adequate levels of funding. To this end the Overview and Scrutiny Committee considers that it would be advantageous to undertake coterminous scrutiny of the corporate plan and budget strategy in order to make a constructive input.
- 1.3 The redrafting of the Corporate Plan and the development of a three year financial plan affords scrutiny the opportunity to have an overview of developments at every stage of the corporate planning cycle to ensure it remains a coherent and constructive process.
- 1.4 It is the committee's view that Overview and Scrutiny Committee can be most effective if rather than undertake a line by line analysis of departmental budgets, it tests and challenges the council's ability to adopt a budget process that directs resources to its corporate priorities and has the ability to make early identification of future savings, growth and funding shortfalls. The Committee is also of the view that it can challenge some established assumptions. For example that budgets should automatically be rolled forward without the need for greater challenge to the base budget.
- 1.5 Another important function for scrutiny is to assist the organisation in identifying opportunities to optimise existing resources and to channel in external funds. Such areas could include Section 106 agreements, prudential borrowing and trading and charging opportunities. It is the Committee's view that this approach requires scrutiny of the budget and Corporate Plan throughout the year.
- 1.6 The CPA – Harder Test focuses on Performance Management and the involvement of Members. The council will have to meet the Audit Commission's criteria for judgment to maintain a score of 3 for Performance Management in the December 2007 Corporate Assessment. The criteria include:
 - Councillors have a record of focused involvement in performance management, through executive, scrutiny or council meetings. Executive and scrutiny members make use of information to manage continuous improvement. Scrutiny is outcome-focused, working within the framework of agreed community and corporate plans. The executive and full council have clearly defined roles in performance management;

- The council sets realistic but challenging targets for improvement in performance, linked to the management of resources. The council allows time to monitor and compare performance information. The council uses performance information to focus on priorities and takes effective action to address areas of identified under-performance; and
- The council uses its knowledge about performance to solve performance problems at an early stage and this is widespread and systematic. Information about poor performance and problems is used to inform decision making. The council has a good understanding of the drivers of performance in all areas of activity to support this.

1.7 Under previous arrangements Overview and Scrutiny Committee received performance management information twice a year and budget information once a year, the latter being part of the Council's Budget and Policy Framework. Overview and Scrutiny Members have concerns that this is not frequent enough to pick up early signs of under-performance. Therefore at its November meeting Members agreed to change its performance management and financial health monitoring arrangements to allow:

- Presentation of more timely and more detailed information;
- The opportunity for performance issues to be examined in more detail throughout the year
- The opportunity for service performance data to influence budget setting decisions
- The opportunity to consider whether sufficient challenge has been given to existing base budgets
- Consider whether specific funding is being directed at corporate priorities as specified in the corporate plan
- Test the continuing viability of the corporate plan through the identification of budgetary pressures that may hinder its delivery
- Question whether large amounts being spent are justified with respect to the corporate plan, if so, how they are being justified
- Challenge how successful the authority is in optimising existing resources and generating external income
- The opportunity for performance and budget data to influence Scrutiny Board work programmes

1.8 Overview and Scrutiny Committee will receive key performance and budget information on a quarterly basis. The role of Overview and Scrutiny Committee will be to consider overall council performance. Whilst scrutiny of the budget and the corporate plan would primarily be undertaken by Overview and Scrutiny Committee, it is envisaged that the process would be supplemented by the work of individual boards. *In addition*, individual scrutiny boards will receive departmental performance information on a quarterly basis and may wish to look in more depth at specific performance issues relating to their own board.

1.9 The culmination of this activity would be a report in December/January to the Executive to feed into the annual budget debate, in line with the Council's budget and policy framework.

Consultation with the Leeds Youth Council

1.1 Discussion

The Youth Council discussed waste and recycling, raising matters such as the need for more frequent emptying of green bins (possibly fortnightly), spending more on educating people about waste, providing incentives for people to recycle, for example charging for waste collection or issuing penalties for not recycling, or alternatively the idea of giving people a credit on their council tax in contrast to charging people extra for not recycling.

1.2 Questionnaires – spend less on

Under the question about things that less money should be spent on, only three areas were mentioned on more than one questionnaire, as indicated in the list below:

- Council housing (four questionnaires)
- Illegal immigrants (two questionnaires)
- Benefits (two questionnaires)

Other items that were mentioned once were

- Roads
- Streetscene
- Black bin collection
- Media persons
- Alcoholics
- “Conners”
- Prisoners

1.3 Questionnaires – spend more on

Items mentioned under this question were as follows:

- Travel for young people (eight questionnaires)
- Parks, social areas, sports activities, sports centres (eight)
- Recycling (seven)
- Education (four)
- Child and youth services (four)
- Roads (three)
- Litter (two)

Other items that were mentioned once were

- Streetscene
- School meals
- Benefits
- Improving rundown areas
- Training for young people
- Self defence classes
- Hospitals
- Leeds Youth Council Working Groups

1.4 Questionnaires - Specific Comments

Specific ideas and suggestions put forward have been collated below.

Transport

- Free buses for young people, even half fares still expensive considering lack of income for children.
- Elderly people receive bus passes but young people do not even when not earning, so often have no means of getting to clubs/activities.
- Cleaner, safer, and more importantly cheaper buses.

- Roads in general need to be improved, specifically fixing the road past Intake school.

Waste Management/Recycling

- Having to use cars to get to some recycling facilities to dispose of certain materials e.g. bottles to bottle banks, actually increases pollution.
- Spend money on training the public how to dispose of rubbish more efficiently.
- Empty black bins less often and green bins more often.
- Instigate a recycling credit system.
- Fines for not recycling
- Look into alternatives to landfill.

Sports/Youth Clubs

- Could be more local, making them easier to get to, e.g. East Leeds.

Youth

- Improve communication between Council & youths
- Publicise the work of youths.

Council Housing

- Some people who can't be bothered to work get houses but others who do work and struggle don't have this advantage

Education

- More funding for school councils.
- School food facilities. Some schools 'running out of food'
- More training for unemployed.
- Extra funding for extra school activities to try and improve numbers involved.

Other Comments

- Become more ethical
- Reward Good Citizens
- Why do people have to pay for things they don't want? (not specific)
- The more money you have, the more is taken off you via council tax.
- Decisions on spending should be by public votes as well as by government.
- The council should spend less money on "making their own toilets comfy with sofas"

Consultation with Leeds Chamber of Commerce

A summary of the issues raised by the Chamber of Commerce at the budget consultation meeting of the 7th December 2006 is as follows:

- The Council should continue to lobby government through the appropriate channels for a fairer share of resources for the city compared to others, recognising the relatively low level of council tax.
- The Council should continue to focus on improving the efficiency of services, and it should be open to engage the private sector in the provision of services.
- There is a need to invest in infrastructure in the city and the Council should focus capital resources in this way.
- The Council should review the extent of its land holdings within the city, particularly with regard to the need for infrastructure investment.
- The Council can only optimise its budget by working effectively with partners and this must include the private sector.