

## Report of the Deputy Chief Executive

### Report to Executive Board

**Date: 8<sup>th</sup> February 2017**

**Subject: 2017/18 Revenue Budget and Council Tax**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for call-In? (except recommendation 1 (i to iv))	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### Summary of main issues

1. This report seeks the approval of the Executive Board in recommending to Council a revenue budget and council tax for the 2017/18 financial year. The report sets out the framework for compiling the 2017/18 budget, taking into account the provisional local government finance settlement, the initial budget proposals that were agreed by the Executive Board in December 2016, the results of budget consultation and other factors that have influenced the budget. The report also provides an update to the equality impact assessment that was developed as part of the initial budget proposals.
2. The 2017/18 budget now being proposed supports the council's Best City/Best Council ambitions, policies and priorities aimed at tackling poverty and reducing inequalities (please refer to the Best Council Plan 2017/18 proposals report which is on today's agenda).
3. The provisional local government finance settlement was announced on the 15<sup>th</sup> December 2016. The provisional settlement confirmed the reduction of £25.1m to the council's settlement funding assessment which is in line with the multi-year funding settlement and the initial budget proposals. The final settlement is expected in early February 2017.
4. The 2017/18 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, the provisional local government finance

settlement and further savings proposals to bridge the previously identified budget gap.

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 funding from government, and have avoided large scale compulsory redundancies, it is clear that the position is becoming more challenging to manage. It will be increasingly difficult over the coming years to maintain current levels of service provision without further changes in the way the council operates. Section 12 of this report presents a summary update to the 2017 /18 – 2019/20 financial strategy and the intention is to fully update the financial strategy for presentation to this Board in July 2017.
6. The headlines from the 2017/18 budget proposals, when compared to the 2016/17 budget, are as follows:
  - A reduction in revenue support grant from government of £28m (30.1%).
  - A reduction in the settlement funding assessment of £25.1m (10.5%).
  - A reduction in the net revenue budget of £3.7m.
  - An increase in the general council tax of 1.99% together with a further 3% in respect of the adult social care precept generating an additional £13.5m of local funding.
  - A combination of reduced funding and cost pressures means that the council will need to deliver £81.8m of savings by March 2018.
  - A further net reduction in staffing of 484 full-time equivalent posts.
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.

## **Recommendations**

1. To recommend to Council the adoption of the following resolutions;
  - i. That the revenue budget for 2017/18 totalling £492.67m be approved. This means that the Leeds element of the council tax for 2017/18 will increase by 1.99% plus the adult social care precept of 3%. This excludes the police and fire precepts which will be incorporated into the report to be submitted to Council on the 22<sup>nd</sup> February 2017.
  - ii. Grants totalling £75k be allocated to parishes.
  - iii. Approval of the strategy at appendix 9 in respect of the flexible use of capital receipts.

- iv) In respect of the Housing Revenue Account, that the budget be approved with:
- A reduction of 1% in dwelling rents in non-Private Finance Initiative areas.
  - An increase of 2% in dwelling rents in PFI areas.
  - A 5% increase in garage rents.
  - A 2% increase in district heating charges.
  - That service charges for multi-storey flats are increased by £2 per week.
  - That service charges for low/medium rise properties are increased by £1 per week.
  - That the charge for tenants who benefit from the sheltered support service currently paying £2 a week be increased to £4 per week.
2. To authorise officers to begin consultations without delay on the proposals to introduce new fees and charges and increases to existing fees and charges.
3. That Executive Board thanks Scrutiny Boards for their comments and in consideration of the specific recommendations made:
- i) Agrees that, during 2017/18, there should be further review of fees and charges, including revisiting the previous report and recommendations from Scrutiny Board (Strategy and Resources) to help ensure the council maximises its income streams.
  - ii) Agrees that, as part of the development of the 'Leeds £' approach, there should be a review of joint funding arrangements in order to help ensure a consistent and strategic approach that is fair and equitable to all partners involved.
  - iii) Agrees that, where any directorate is anticipating a significant budget overspend, the Executive Board supports the need for the section 151 officer and the relevant director to work closely and proactively with the relevant scrutiny board to provide suitable assurance that there is robust financial risk management and transition planning in place.
  - iv) Agrees that that for all proposed budget savings, there is a clear narrative that explains how the savings will be achieved, including (but not limited to) service redesign and service commissioning/ decommissioning.
  - v) Notes the comments Scrutiny Board (Adult Social Services, Public Health, NHS) in respect of the Adult Social Care precept and the assurances provided through this report on the justification and how the additional funding will be utilised.

4. Note the update to the 2017/18 to 2019/20 medium-term financial strategy and the intention to present a fully updated financial strategy to the Board at its meeting in July 2017.

## **1. Purpose of report**

- 1.1 This report sets out the council's budget for 2017/18. It has been prepared in the context of the council's initial budget proposals which were agreed by the Executive Board in December 2016 and also the provisional local government finance settlement in accordance with the council's budget and policy framework. As agreed by Executive Board, the initial budget proposals have been submitted to scrutiny for review and consideration, and also have been used as the basis for wider consultation.
- 1.2 This report seeks approval from the Executive Board to recommend to Council the revenue budget for 2017/18 be approved at £492.67m. This results in an increase of 4.99% in the Leeds element of council tax, which for a band D property is an increase of £60.66 to £1,276.20 for 2017/18.
- 1.3 Detailed budget proposals for each service are set out in the directorate budget reports attached at appendix 8. 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 2017/18 providing a clear link between spending plans and performance at directorate level.
  - The budget book – this contains detailed budgets for each directorate at both service level and by type of expenditure/income.
- 1.4 In addition, as part of the Best Council Plan 2017/18 suite of documents, a graphical design summary will be produced to show how the 2017/18 budget supports delivery of the council's priorities. This will again provide a useful overview for staff, partners and the public.
- 1.5 In accordance with the council's budget and policy framework, decisions as to the council's budget and council tax are reserved to Council.
- 1.6 The budget proposals contained within this report have, where appropriate, been the subject of the council's equality impact assessment process and mitigating measures have been put in place or are planned where appropriate.

## **2. The national economic context**

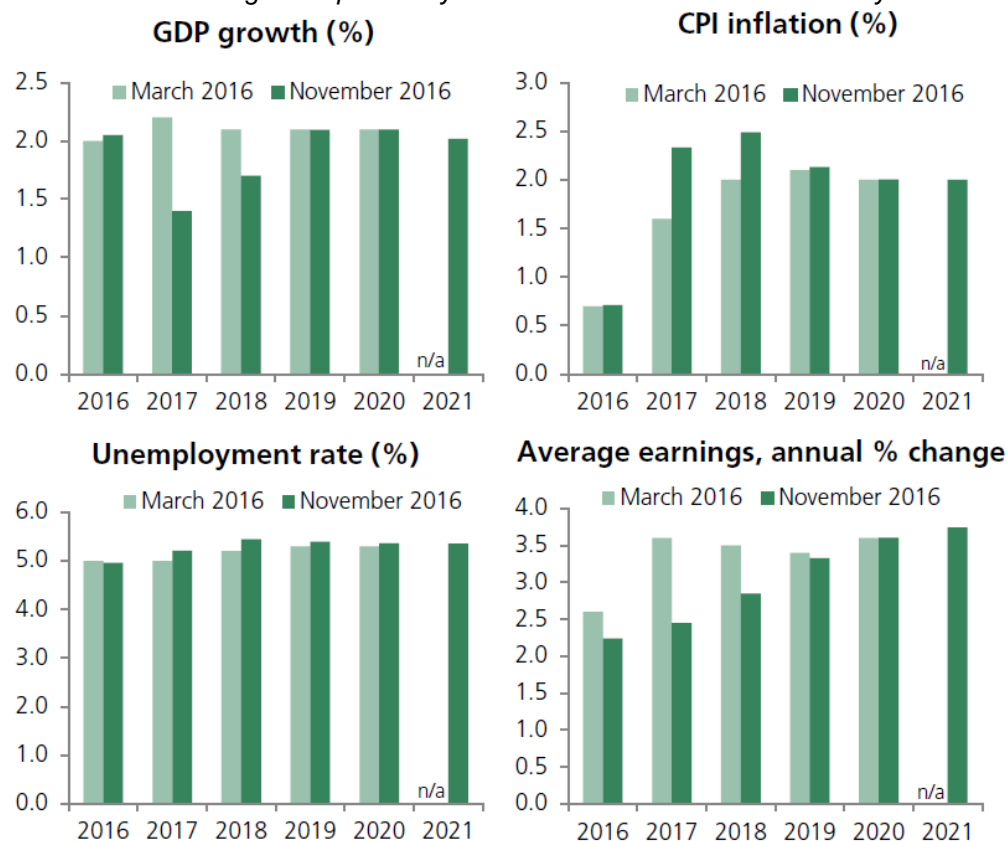
### **2.1 The Autumn Statement and the Office of Budget Responsibility's updated forecasts**

2.1.1 The economic context in which public spending has to be seen within is strongly influenced by the strength and resilience of the national economy and the ongoing debate as to the potential impact of the EU referendum.

2.1.2 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
<b>GDP growth (%)</b>							
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
<b>CPI inflation (%)</b>							
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
<b>ILO unemployment rate, %</b>							
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
<b>Average earnings, % change on previous year</b>							
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

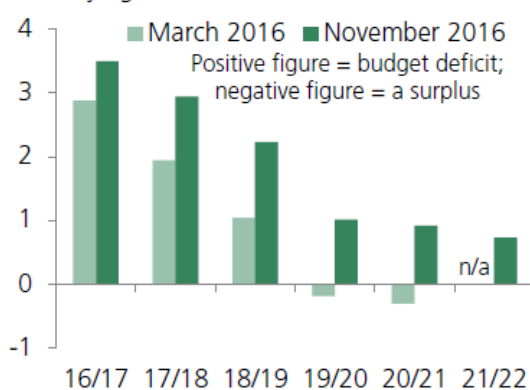
2.1.3 The OBR also updated its forecasts for the public finances. In summary the November 2016 forecasts compared with its March 2016 forecasts:

- 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

### Public sector net borrowing, % of GDP

Underlying basis, see table below



### Public sector net debt, % of GDP

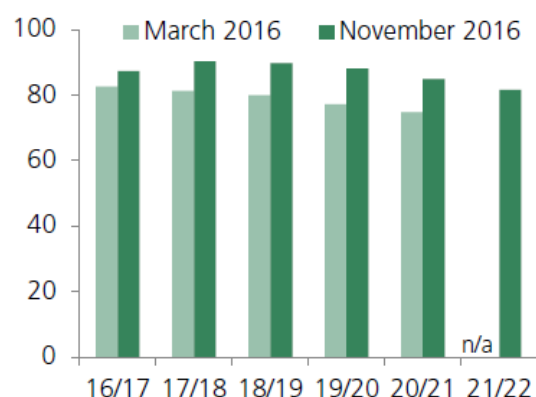


Table 2 Office of Budget Responsibility's forecasts for public finances

**OBR forecasts: public finances**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Net borrowing**, £ billion</b>							
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
<b>Net borrowing**, % of GDP</b>							
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
<b>Cyclically adjusted net borrowing, % of GDP</b>							
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
<b>Net debt, £ trillion</b>							
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
<b>Net debt, % of GDP</b>							
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

- 2.1.4 The office of budget responsibility 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.

## 2.2 2017/18 Provisional Local Government Finance Settlement

- 2.2.1 The Secretary of State for Communities and Local Government on the 15<sup>th</sup> December 2016 presented to the House of Commons a statement on the provisional local government finance settlement. This covered the provisional local government finance settlement for 2017/18, the key headlines were:

- Confirmation of the multi-year settlement and the settlement funding assessments.
- Councils will receive £2.2 billion (30.6%) less Revenue Support Grant to run local services in 2017/18 than last year.
- All councils will be able to raise general council tax by up to 1.99% in 2017/18 to fund local services without the need for a referendum.
- England's 152 social care authorities will be able to increase council tax by up to a further 3% in total in 2017/18 in respect of the adult social care precept. The total social care precept increase allowed across the next three years remains unchanged at 6%.
- This means the maximum social care authorities can increase overall council tax in 2017/18 is 4.99% – this is an increase of 1% above already promised powers. Nationally, it is estimated that this

1% increase above the previously announced social care precept limit next year will raise an extra £208m from local taxation.

- In 2017/18, social care authorities will receive the first payment of £105m from the additional funding for social care in the improved Better Care Fund announced in the 2015 Spending Review that will rise to £1.5 billion by 2019/20.
- Government confirmed New Homes Bonus payments to councils will be reduced from six years to five years in 2017/18, and will introduce a 0.4% baseline so that local authorities will need to achieve growth of greater than 0.4% before they receive any New Homes Bonus funding. This is expected to reduce the income of councils in receipt of the New Homes Bonus by £241m next year in comparison to indicative figures released in February 2016. Government announced that this will be used to support councils providing social care as a one-off measure in the 2017/18 financial year.

### **3. Developing the 2017/18 budget with the proposed Best Council plan 2017/18**

- 3.1 Between the 2010/11 and 2016/17 budgets, the council's core funding from government reduced by around £214m with a further reduction of £25.1m in the 2017/18 financial year. 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 with a further £64m of savings in the proposed 2017/18 budget. To date, the council has responded 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 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 paper on today's agenda, 'Best Council Plan 2017/18 Proposals', seeks the approval of this Board in recommending to Council a refreshed Best Council Plan. The refreshed Plan maintains the clear, strategic ambition to be the Best City and Best Council – articulated around Leeds having a strong economy and being a compassionate city and the council being an efficient and enterprising organisation. It also retains the focus of the Best Council Plan as centred on tackling poverty and reducing inequalities, recognising the challenges across the city for many communities and residents. This overall focus and Best City/Best Council ambitions underpin the 2017/18 budget proposals set out in this report.
- 3.3 Implementation of the Best Council Plan will continue to inform, and be informed by, the council's funding envelope and staffing and other resources. Reductions in core funding and significant demand-led cost



pressures in recent years have meant the council has had to make some difficult decisions around the level and quality of services and this will continue into the future. As signposted in the medium-term financial strategy, in order to tackle poverty and reduce 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 ongoing consultation and engagement and a process of policy and service reviews across the council's functions, a continuation of those set out in section 8 that have informed the 2017/18 budget proposals.

#### **4. Estimating the net revenue budget for 2017/18**

##### **4.1 Settlement funding assessment – reduction of £25.1m**

- 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 16<sup>th</sup> 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 reiterated 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 as confirmed in the provisional settlement and which is in line with the multi-year settlement. For 2017/18, this represents a reduction of £25.1m compared to 2016/17, equivalent to a 10.5% reduction.

*Table 3 – Settlement funding assessment*

	2016/17 £m	2017/18 £m	Change £m	%
Revenue Support Grant	93.0	65.0	(28.0)	30.13
Business Rates Baseline Funding	145.0	148.0	3.0	2.04
<b>Settlement Funding Assessment</b>	<b>238.0</b>	<b>213.0</b>	<b>(25.1)</b>	<b>10.53</b>

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 £147.96m which is net of the estimated tariff adjustment of £13.39m.

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 4 below, 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 £m	2017/18 £m	Change £m
Formula Grant	192.31	167.66	(24.65)
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
<b>Settlement Funding Assessment</b>	<b>238.05</b>	<b>212.97</b>	<b>(25.08)</b>

## 4.2 Business rates retention

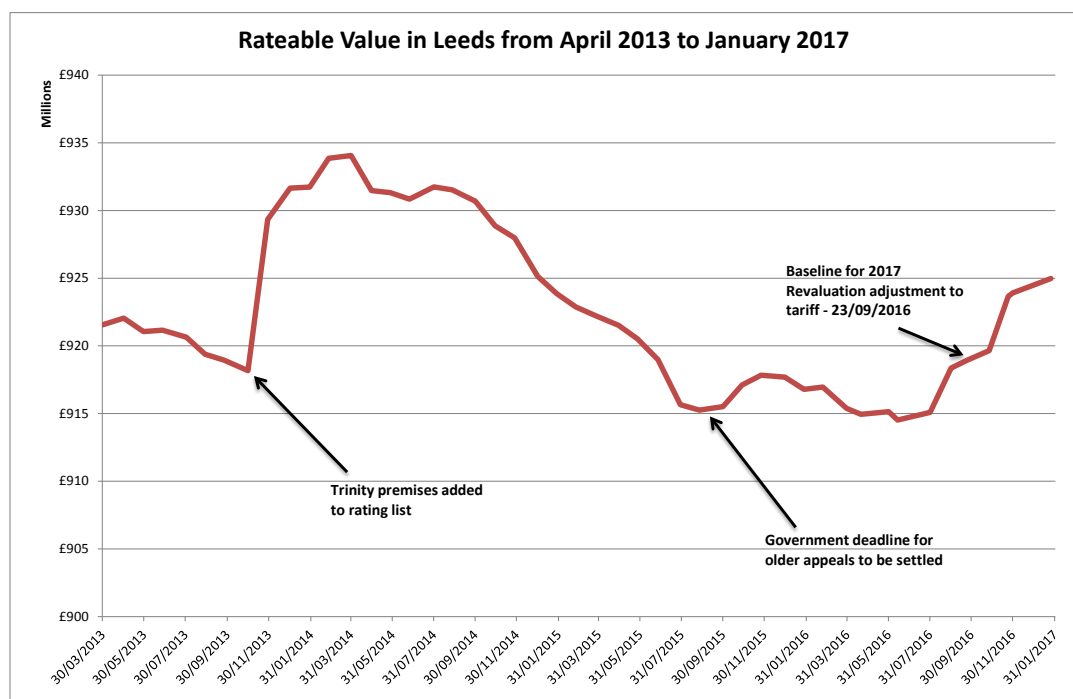
4.2.1 Leeds has the most diverse economy of all the UK's main employment centres and has seen the fastest rate of private sector jobs growth of any UK city in recent years. Yet this apparent growth in the economy is not being translated into business rates growth; in fact the council's business rates 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 January 2017 there were around 5,400 appeals outstanding in Leeds.
- 4.2.4. The cost of appeals in Leeds since the system started in 2013/14 is over £137m. 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 budget proposals provide for a £21.76m 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 1<sup>st</sup> 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	Percentage change in rateable value by Region and Sector				
	Retail	Industry	Office	Other	All
<b>England</b>	<b>4.7%</b>	<b>4.0%</b>	<b>11.3%</b>	<b>15.5%</b>	<b>9.1%</b>
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%
<b>Wales</b>	<b>-8.8%</b>	<b>-4.0%</b>	<b>-7.0%</b>	<b>4.7%</b>	<b>-2.9%</b>

- 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%. Government will introduce transitional arrangements from April 2017 to limit how much a property's rateable value can be increased each year and likewise how much it can be reduced for those properties that will see a reduction. The estimated cost of this transitional relief for Leeds in 2017/18 is £21.1m.

- 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 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 £178.1m. 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 budget proposals recognise business rate growth above the baseline of £16.7m which is an increase of £2.5m 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	192.4	178.1	(14.3)
Less: business rates baseline	178.1	161.3	(16.8)
Growth above baseline	14.2	16.7	2.5

- 4.2.13 The £178.1m local share of business rates funding is then reduced by the £13.39m tariff payment and the £21.76m contribution to the collection fund to give the £142.9m estimated business rates funding shown in table 7.
- 4.2.14 Comparing the £142.9m of business rates funding against the £148.0m business rates baseline produces a shortfall of £5.04m which is a £3.76m improvement against the budgeted shortfall in the 2016/17 financial year.
- 4.2.15 It should be noted that the £21.76m 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
<b>Business rates baseline (including tariff)</b>	<b>145.00</b>	<b>147.96</b>
Projected growth above the baseline to March	5.70	13.57
Estimated growth in the year	6.40	3.15
Additional income from ending of Retail Relief	2.10	0.00
<b>Total estimated growth</b>	<b>14.20</b>	<b>16.72</b>
Estimated provision for appeals	(22.10)	(22.36)
Additional cost of transitional arrangements and provision for bad debts	(0.90)	0.60
<b>Estimated year-end Collection Fund deficit (Leeds Share)</b>	<b>(23.00)</b>	<b>(21.76)</b>
<b>Estimated Business Rates Funding</b>	<b>136.20</b>	<b>142.91</b>
<b>Increase/(reduction) against the Business Rates baseline</b>	<b>(8.80)</b>	<b>(5.04)</b>
<b>Business rates retention - net general fund saving</b>		<b>3.76</b>

- 4.2.16 The proposed 2017/18 budget assumes £8.5m of section 31 grant income to reflect estimated sums due from government to compensate the council for the cost of changes to the business system announced in the 2013, 2014 and 2015 autumn statements. This includes the impact of the 2015/16 multiplier cap, the effect of small business rate relief, 'new empty' property relief, 'long-term property relief' and rural rate relief.
- 4.2.17 The estimate of business rates income for 2017/18 assumes mandatory reliefs of some £60.86m which is an increase of £9.6m compared to the 2016/17 financial year. This increase reflects that there are a number of large properties in Leeds, for example education establishments, that are in receipt of mandatory charitable relief which will see their rateable values increase significantly and against which they are then able to claim 80% charitable relief. As a result of the methodology being used by government to reset top-ups and tariffs following the 2017 revaluation authorities like Leeds, where there are a higher proportion of properties which attract mandatory charitable relief, are being impacted disproportionately. The impact is to generate less retained business rates income and thereby reduce our local share. Local authorities have made government aware of these concerns and government has committed to reviewing the revaluation methodology.
- 4.2.18 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 and 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 £1.7m.

#### 4.3 Council Tax

- 4.3.1 The 2017/18 budget proposals recognise an additional £4.5m of income from increases to the council tax base (3,000 band D equivalent properties) together with an decrease in the contribution from the collection fund of £0.3m (a budgeted £1.8m surplus on the collection fund in 2016/17 reducing to an estimated surplus on the collection fund of £1.5m in 2017/18).
- 4.3.2 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.
- 4.3.3 In the 2017/18 provisional local government finance settlement, the Secretary of State for Communities and Local Government announced additional flexibility for local authorities with social services responsibility to increase council tax by up to a further 3% in total in 2017/18 for an 'adult social care precept' on the basis that this additional funding from this precept should be spent on adult social care services. The total adult social care precept increase allowed across the 3 years (2017/18, 2018/19 & 2019/20) remains unchanged at 6%.
- 4.3.4 In addition to the 1.99% increase in the general council tax proposed in the initial budget proposals it is now proposed that the council utilises the flexibility for the adult social care precept to be increased by the equivalent of a 3% increase in the council tax which is estimated to generate an additional £8.1m in 2017/18.
- 4.3.5 The proposed increase of £9.2m in the Adults & Health net managed budget will give some assurance to the board that this funding is being used appropriately to protect adult social care services. Table 8 below sets out the budget for Adults & Health for 2016/17 and 2017/18 and compares them to the rest of the council. The table shows that budget for Adults & Health has increased by 4.62% compared to the 2016/17 budget whilst the budget for the rest of the council has decreased by 4.33%. Annex 2 and the Adults & Health directorate report at appendix 8 provide further more detailed information on the £21m of pressures and £12m of proposed savings in the 2017/18 budget. Following approval of the budget, the council is also required to provide details about the authority's budget and council tax levels for 2017/18 and assurances that the additional adult social care precept will be used to improve the way social care services are delivered.



Table 8 – adult social care budget compared to other services

	2016/17		2017/18		Difference	
	Net managed budget £m	% of Net revenue budget	Net managed budget £m	% of Net revenue budget	£m	%
Adults & Health	198.54	40.0	207.72	42.2	9.18	4.62
Budget for other services	297.84	60.0	284.94	57.8	(12.9)	(4.33)
<b>Total</b>	<b>496.38</b>	<b>100.0</b>	<b>492.66</b>	<b>100.0</b>	<b>(3.6)</b>	<b>(0.01)</b>

- 4.3.6 Table 9 below sets out the £284.8m total estimated funding from council tax in 2017/18. This estimate recognises the proposal to increase the general council tax by 1.99% with a further 3% increase in relation to the adult social care precept and also the estimated £4.5m from the increase in the council tax base and the £1.5m surplus on the collection fund.

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)	(0.3)
Change in tax base - increase/(decrease)	5.2	4.5
Increase in council tax level	5.1	5.4
Adult Social Care precept	5.1	8.1
<b>Total - Council Tax Funding</b>	<b>267.1</b>	<b>284.8</b>
Increase from previous year		17.7

- 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. Appendix 5 provides a breakdown by parish/town council.

#### 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 proposed increases in council tax, the council's overall net revenue budget will reduce by £3.7m from £496.4m to £492.67m, as detailed in table 10 below:



Table 10 – estimated net revenue budget 2017/18 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	148.0	3.0
<b>Settlement Funding Assessment</b>	<b>238.0</b>	<b>213.0</b>	<b>(25.1)</b>
Business Rates Growth	14.2	9.0	(5.2)
National Appeals Adjustment	0.0	7.7	7.7
Business Rates Deficit	(23.0)	(21.8)	1.2
Council Tax (incl. Adult Social Care Precept)	265.3	283.2	17.9
Council Tax surplus/(deficit)	1.8	1.5	(0.3)
<b>Net Revenue Budget</b>	<b>496.4</b>	<b>492.7</b>	<b>(3.7)</b>

- 4.4.2 Table 11 below analyses the £3.7m 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	(25.1)
<b>Sub-total government funding</b>	<b>(25.1)</b>
Locally determined funding	
Council tax (incl tax base growth)	17.7
Business rates	3.8
<b>Sub-total locally determined funding</b>	<b>21.4</b>
<b>Increase/(decrease) in the net revenue budget</b>	<b>(3.7)</b>

## 5. Consultation

- 5.1 The financial strategy and budget proposals have been driven by the Best Council Plan ambitions and priorities. These have been shaped through past and ongoing consultations and stakeholder engagement, including significant consultations to help develop a new Transport Strategy for the city, for new developments such as the South Bank and the Housing Site Allocations Plan that have involved many thousands of Leeds residents. The council also recently concluded a call for evidence for the emerging Leeds Growth Strategy and continues to engage with residents as services for older and vulnerable people change. The Best Council Plan priority areas of work have been developed through consultation with officers and members, including Scrutiny Board (Strategy and Resources)

- 5.2 Evidence from public perception that services and localities already hold with regard to people's priorities also supported the preparation of the initial budget proposals for 2017/18 considered by the Executive Board in December 2016.
- 5.3 As in previous years, residents and wider stakeholders are given the opportunity to comment on the initial budget proposals in a variety of ways. The approach to this year's budget consultation took account of the wealth of consultation evidence gathered in recent years on residents' budget priorities; the low level of change in those priorities over time; and the significant involvement of residents and service users in ongoing service-led change projects. It also recognised the ongoing uncertainty over the exact level of financial settlement the council would receive, which was not resolved by the consultation start date.
- 5.4 Public consultation on the council's 2017/18 initial budget proposals ran from 15<sup>th</sup> December 2016 to 31<sup>st</sup> January 2017. The consultation took the form of a brief online summary of the proposals at [www.leeds.gov.uk/budget](http://www.leeds.gov.uk/budget) which was supported by the full Executive Board report. There was a response form allowing participants to navigate the different report sections, learn about and then comment on the budget proposals. Paper equivalents were promoted in public council buildings to ensure wider responses and the full Leeds Citizens' Panel was also invited to comment (followed with reminder messages during the consultation period). The council social media channels were also used to promote the consultation opportunity.
- 5.5 An open-response format was chosen for the response form to give participants flexibility to share any views they wished. At the point of reporting, over 450 comments had been submitted by 61 respondents. A full report on the findings is attached at appendix 1.
- 5.6 The initial budget proposals were submitted to the Scrutiny Boards following their approval by Executive Board on the 14<sup>th</sup> December 2016. A summary of their views are attached at appendix 2.
- 5.7 The council remains committed to working with the partners to ensure the best possible outcomes for communities in Leeds. At both a corporate and directorate level discussions will continue through 2017/18 around the city's ambitions and challenges and how the council and partners can work together with communities to deliver the Best Council Plan 2017/18 outcomes. Appendix 3 includes comments received from other organisations on the initial budget proposals.

## **6. Changes from the initial budget proposals**

- 6.1 Section 7 describes the proposed budget for 2017/18.
- 6.2 The budget proposals are largely in line with the initial budget proposals approved by Executive Board on 14<sup>th</sup> December 2016. However, there are

a number of changes which have been incorporated into the budget proposals.

The key headline changes can be summarised as:

- An additional 1% increase in council tax in respect of the adult social care precept generating an additional £2.7m of funding.
- A reduction in the estimated council tax collection fund surplus of £0.7m, from £2.2m to £1.5m.
- An increase in the net revenue budget of £0.3m which reflects the additional 1% increase in council tax in respect of the adult social care precept, less the change to the council tax surplus and less changes to the estimated business rates funding.
- A new one-off Adult Social Care Support grant of £3.3m.
- Additional investment into preventative and early intervention services in Adults & Health.
- The creation of £3.3m earmarked reserves for adult social care resilience, demand and transformation.
- Removal of the £2.7m contribution to the general reserve.
- An increase of £1.2m to the estimated employers LGPS pension contributions following receipt of the actuarial review.
- An increase of £2.7m to the estimated costs of inflation, including £0.8m in respect of increasing energy and fuel costs.
- A marginal increase in the savings from directorates of £1.1m from £51.1m to £52.2m
- The budget is presented in the new organisational shape to recognise the new directorate structure.

## **7. Budget proposals 2017/18**

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

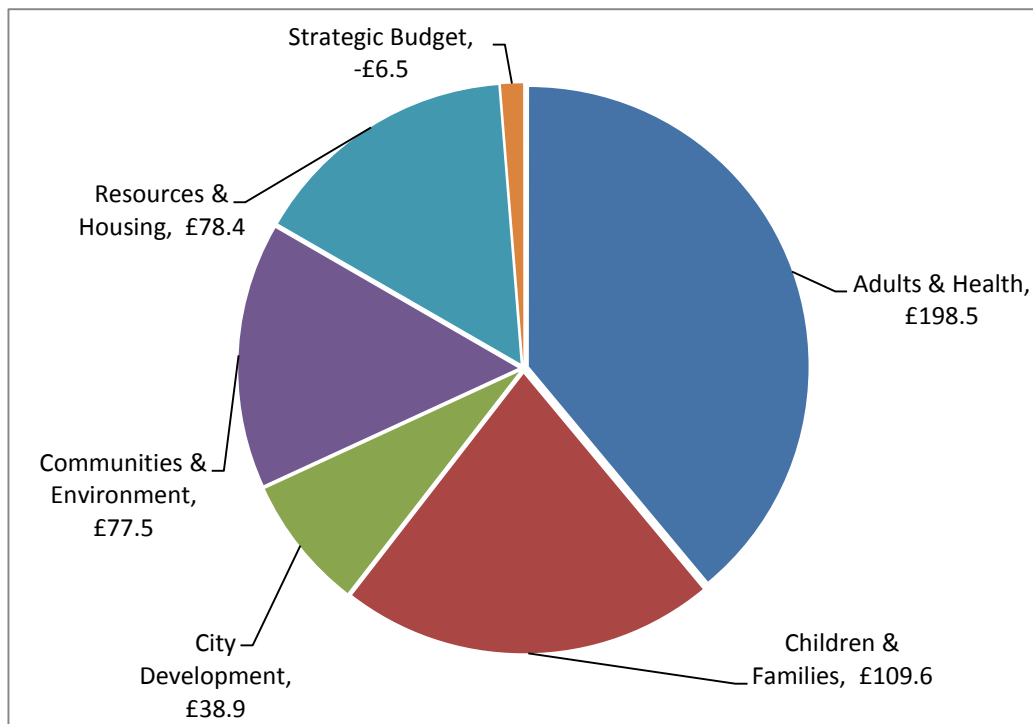
*Table 12 Budget Proposals 2017/18*

	£m
Reduction in settlement funding assessment	25.1
Inflation	9.1
Energy and Fuel	0.8
Employers LGPS pension contributions	2.7
Apprentice levy	1.4
Leeds CC minimum pay rate	0.4
National living wage - commissioned services	3.1
Demand & demography - mainly Adults and Health and Children and Families	10.3
Debt - external interest	2.8
New homes bonus - reduction in funding	5.9
Improved Better Care fund & Housing Benefit Admin grant	(1.2)
Education Services Grant - reduction in funding	4.3
Estimated reduction in ring-fenced Public Health grant	1.2
Estimated reduction in partner funding	10.0
West Yorkshire transport fund	0.0
Adult social care resilience, transformation and demand earmarked reserves	3.3
Adult social care support grant	(3.3)
Adult social care charging review (full year effect)	(2.0)
Other corporate and directorate budget pressures:	
Adults & Health	4.5
Children and Families	0.7
City Development	0.4
Communities & Environment	0.7
Resources & Housing	1.8
Strategic and Central Budgets	(0.2)
<b>Cost &amp; funding changes</b>	<b>81.8</b>
General reserve	3.5
Earmarked reserves	2.1
Increase in council tax base, rate and adult social care precept	(17.7)
Business rates - potential growth offset by impact of backdated appeals	(3.8)
Business rates - variation in section 31 grants	(2.1)
<b>Sub total - reserves, council tax and business rates</b>	<b>(18.0)</b>
Re-profiling the repayment of long-term debt	(9.6)
Additional capitalisation	(2.0)
Directorate Savings	(52.2)
<b>Sub total - savings proposals</b>	<b>(63.8)</b>
<b>Total</b>	<b>(81.8)</b>

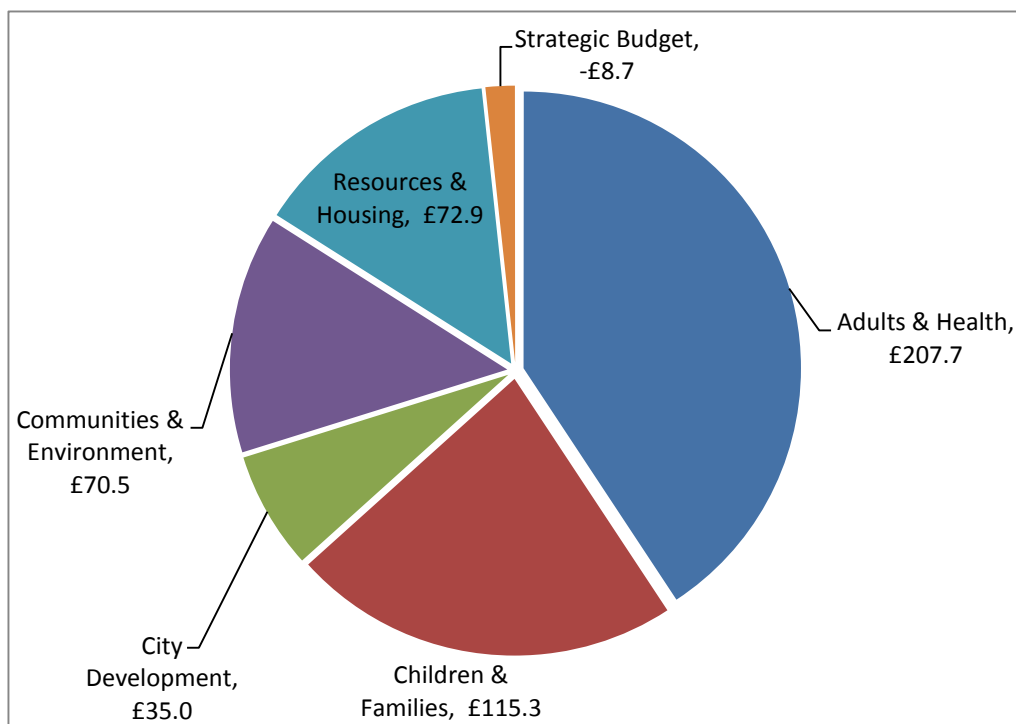
7.1.1 The pie charts below show the share of the council's net managed expenditure between directorates for 2016/17 and the proposed allocations for 2017/18 based on the budget proposals. Net managed expenditure represents the budgets under the control of individual directorates and excludes items such as capital charges and pensions adjustments.

7.1.2 The budget proposals would mean that on a like for like basis, the council's spend on Children's Services and Adult Social Care will increase from 62.1% in 2016/17 to 65.6% in 2017/18 which reflects our Best Council Plan 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



## 7.2 Changes in costs

- 7.2.1 **Inflation** - the budget proposals include allowance for £9.1m of net inflation in 2017/18. This includes provision of 1% for a pay award. 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. In addition, the budget proposals also provide for a £0.8m increase in the cost of fuel and energy.

- 7.2.2 **Local government pensions** – although the 2016 actuarial valuation to be implemented in April 2017 has not yet been finalised, based on discussions with the West Yorkshire Pension Fund and its actuary, the 2017/18 proposed budget assumes an employer contribution rate of 15.6%, the current rate being the equivalent of 14.65%. This increase is estimated to cost an additional £2.7m in 2017/18.
- 7.2.3 **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, and potentially 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 budget proposals provide £3.1m to recognise the increased cost pressure on commissioned services.
- 7.2.4 **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 budget proposals include provision of £0.4m in order to fund this agreed increase.
- 7.2.5 **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 £2.3m in total of which £0.8m and £0.1m relate to schools and the housing revenue account. The budget proposals therefore include provision of £1.4m in 2017/18 for the general fund services
- 7.2.6 **Demand and Demography** – the budget proposals recognise the increasing demography and consequential demand pressures for services in Adult Social Care and Children's Services with provision of £10.3m. Additional provision of £4.43m has been included in the Adults & Health budget to reflect the demand and demographic pressures experienced during 2016/17 and forecast for 2017/18.

The Children's & Families budget continues to face demographic and demand pressures with provision of £5.8m included in the 2017/18 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.

**7.2.7 Debt (external interest)** – the budget proposals include provision for an increase in the council's estimated corporate debt costs in 2017/18 of £2.8m. 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.

**7.2.8 West Yorkshire Transport Fund** – From the 1<sup>st</sup> 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 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. However, the Combined Authority have advised that an increase will now not be needed in 2017/18 and therefore the £0.2m included in the initial budget proposals has been taken out for the final budget proposals.

### **7.3 Grant & other funding**

**7.3.1 Education services grant** – the council and academies in the city are allocated an education services grant on a per pupil basis according to the number of pupils for whom they are responsible. The proposed budget reflects a grant reduction of £4.3m for 2017/18 (equivalent to a 49% reduction on the 2016/17 grant allocation of £8.5m). An estimated £1.7m of the current education services grant in relation to what the government determines to be retained duties will be included as part of Dedicated Schools Grant (DSG) in 2017/18. School Forum approval will be required for this element of the DSG to be available to fund the retained duties within the Children and Families directorate.

**7.3.2 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 did not confirm the revised figures until the provisional local government finance settlement in December 2016. In line with the provisional settlement the budget proposals recognise a reduction of £5.9m in 2017/18.

- 7.3.3 **Public health grant**– on the 4<sup>th</sup> November 2015, government announced the outcome of the consultation on the implementation of a £200m national in-year cut to the 2015/16 ring-fenced Public Health grant allocation. This confirmed the Department of Health's preferred option of reducing each local authority's allocation by 6.2%, which resulted in a reduction of £2.82m for Leeds in 2015/16.
- 7.3.4 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 11<sup>th</sup> 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.
- 7.3.5 The 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.
- 7.3.6 **Adult Social Care Support grant** – through the provisional local government finance settlement in December 2016, government announced a new non-recurrent £240m Adult Social Care grant for 2017/18. For Leeds, the grant is £3.3m.
- 7.3.7 **Improved Better Care Fund** – the 2015 Spending Review made available additional social care funds for local government for 2017/20 to be included in an improved Better Care Fund. It is intended that this will support councils to continue to focus on core services and to increase the prices they pay for care, including to cover the costs of the National Living Wage. The figure for Leeds in 2017/18 is expected to be £1.5m.
- 7.3.8 **Homelessness Reduction** – on the 17<sup>th</sup> January 2017 the Minister for local government announced that local authorities will receive a further £48m in funding to help deliver new and expanded services to prevent and reduce homelessness. Following determination of the amount to be received by each local authority the funding receivable by the council will be incorporated into the Resources and Housing directorate budget.



- 7.3.9 **Partner funding** – the 2016/17 budget for Adult Social Care included financial support from health partners, recognising that without adequately resourced social care, timely hospital discharges would be adversely affected and people's conditions could necessitate more emergency hospital admissions. A pressure of £4.7m is recognised in 2017/18 arises as a proportion of the budgeted funding in 2016/17 is not expected recurrently.

In Children's & Families, the 2016/17 budget included additional partner funding for a number of service areas. Some of this funding will not be available in 2017/18 and the budget proposals include an additional £5.1m to reflect this. A total of £3.4m is provided to offset the loss of funding for Life Ready for Learning from the surplus balances on the dedicated schools grant and £1.6m to offset funding for children centres that was budgeted for in 2016/17 but which will not be received in 2017/18.

## **8. Savings proposals – £63.8m**

- 8.1 After taking into account the impact of the anticipated changes in funding and spend, it is forecast that the council will need to generate savings, efficiencies and additional income to the order of £63.8m in 2017/18, in addition to an estimated £17.7m additional council tax income.
- 8.2 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.
- 8.3 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.

## **8.4 Efficiencies – savings of £19.9m**

- 8.4.1 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.

8.4.2 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:

- Staffing post reductions of 3,200 since 2010 without compulsory redundancy – saving £60m 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'.

8.4.3 The directorate reports at appendix 8 provide the detail of a range of proposed efficiency savings across all directorates which total some £19.9m 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 Adults & Health and Children's & Families.
- 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.

## **8.5 Fees & Charges – additional income of £7.96m**

8.5.1 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. The approved fees and charges policy also requires that any activities subsidised by the general fund are identified during the annual budget process and appendix 10 to this report provides this information.

- 8.5.2 The 2017/18 budget proposals assume a general increase in fees and charges of 3%. In addition, there are a number of specific proposals to increase fees and charges detailed in the directorate pages where further increases are proposed which in total would generate an additional £7.96m of income by March 2018 over and above inflation. These proposals are set out in the directorate reports at appendix 8.

## **8.6 Traded Services, partner income & other income – additional income of £8.78m**

- 8.6.1 The 2017/18 budget recognises the Best Council ambition of becoming a more enterprising organisation and includes a range of proposals around securing additional income from commercial activities and traded services. In addition, the budget includes income from partner organisations and other income opportunities which are detailed in the directorate reports. These proposals are set out in the directorate reports at appendix 8.

## **8.7 Changes to service – savings of £15.56m**

- 8.7.1 By necessity, managing a reduction of £25.1m in government funding in addition to a range of cost pressures means that the council will have to make some difficult decisions around the level and quality of services that it provides and whether these services should be increasingly targeted toward need.
- 8.7.2 Detailed service change proposals which together total savings of £15.56m by March 2018 are set out in the directorate reports at appendix 8.

## **8.8 Minimum revenue provision – savings of £9.6m**

- 8.8.1 The Minimum Revenue Provision (MRP) is an annual revenue charge for the repayment of borrowing and other capital financing liabilities. Local authorities are required by statute to determine each financial year what they consider to be a prudent amount of MRP, and are required by statutory guidance to approve an annual statement setting out their MRP policy. The policy should be approved by full council, and any subsequent revisions which are proposed to the approved policy should also be approved by full council.
- 8.8.2 In determining the level of a prudent MRP, local authorities are required to 'have regard' to statutory guidance issued by the government. This means that local authorities should not take a substantially different course from that set out in the guidance, but may deviate from its detailed requirements where they determine there is good reason to do so. The statutory

guidance sets out that the broad aims of a prudent MRP policy should be to ensure that borrowing is repaid either over the life of the asset which the capital expenditure related to or, for supported borrowing, the period assumed in the original grant determination. The guidance identifies four options for calculating MRP which would result in a prudent provision, but states that other approaches are not ruled out.

- 8.8.3 Local authorities therefore have a level of freedom in determining their MRP policies, provided that they are in line with the broad aims set out in the statutory guidance. It is proposed that the council makes changes to its MRP policy for 2017/18 and succeeding years.
- 8.8.4 Recent years have seen many local authorities across the country revising their MRP policies, in particular to move away from the use of the old statutory calculation method for MRP on debt incurred up to 2007/08. The council made this change in its 2015/16 MRP policy, moving to an annuity based asset life method using an average asset life based on data from more recent years. If it had wished to, the council would first have been permitted to make this change when the current MRP requirements were introduced in 2008/09. If the policy had changed in 2008/09, the MRP on this tranche of debt would have been lower than was actually charged during the years between 2008/09 and 2014/15, but would now be at a higher level than currently and would be fully repaid seven years earlier than under the current MRP policy. Such an earlier repayment date would more closely reflect the principle set out in the statutory guidance that borrowing should be repaid over the life of the assets which it has funded, as it takes into account that this tranche of borrowing originated in 2007/08 or earlier. It is therefore proposed that for its 2017/18 MRP policy the council calculates the MRP due on its pre 2007/08 debt on the basis of an annuity based asset life calculation applying from 2008/09, and treats the additional MRP set aside since 2008/09 as an overprovision. Under the current MRP policy, by the end of 2016/17 the overprovision of MRP set aside on this basis would be £92.3m.
- 8.8.5 It is proposed that the overprovision would firstly be applied over a three year period in a way which would smooth the impact of any timing variations in the availability of capital receipts and reduces the MRP charge to revenue by £9.6m. The remaining cumulative overprovision would then be applied evenly over the following three years.
- 8.8.6 It should be recognised that this change would reduce the rate of repayments of borrowing over the period during which the overprovision is being applied, which will lead to the council incurring additional interest costs in the meantime. However, in the current climate of low interest rates it is considered that this would be an acceptable cost given the benefits to be gained from the change.
- 8.8.7 The council has obtained counsel's advice confirming that the proposed change to its MRP policy is lawful. It is recommended that council approves the proposed revised MRP policy as prudent, on the grounds that:

- There would be no departure from the principles set out in the statutory guidance.
- Pre 2007/08 debt would be fully provided for seven years earlier than is currently expected.
- The initial three year period of low MRP charges to revenue, after taking account of the overprovision in previous years, would allow the council the time needed to reconfigure services over the medium term taking account of its reducing funding envelope.
- Projections indicate that the forecast gradual MRP increases over subsequent years would be affordable.

8.8.8 It is not proposed to make any changes to the council's MRP policy for 2016/17. However, within the existing policy the MRP schedules for borrowing originating from 2008/09 to 2014/15 and prudential borrowing for 2007/08 have been recalculated, following an exercise to update the expected asset lives for the council's asset portfolio. This recalculation results in no further MRP being due in 2016/17 on borrowing originating from 2008/09, 2009/10 and on the 2007/08 prudential borrowing, with reductions on the MRP due in relation to borrowing from later years. At the end of 2016/17 there will be a remaining overprovision of £3.2m on 2008/09 borrowing and 2007/08 prudential borrowing.

8.8.9 Further information regarding minimum revenue provision is included in the Capital Programme 2017/20 report which is on today's agenda including the proposed policy for 2017/18. In line with the proposals outlined above, the proposed budget for 2017/18 includes savings of £9.6m to the minimum revenue provision budget.

## **8.9 Flexible use of capital receipts**

8.9.1 Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not permitted by the regulations.

8.9.2 The Secretary of State is empowered to issue directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.

8.9.3 The Secretary of State for Communities and Local Government issued guidance in March 2016, giving local authorities greater freedoms with how capital receipts could be utilised. This Direction allows for the following expenditure to be treated as capital:

*“expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery*

*to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.”*

- 8.9.4 In order to take advantage of this freedom, the council must act in accordance with the Statutory Guidance issued by the Secretary of State. This Guidance requires the council to prepare, publish and maintain a flexible use of capital receipts strategy, with the initial strategy being effective from 1st April 2016 with future strategies included within future annual budget documents.
- 8.9.5 The proposed strategy at appendix 9 reflects the proposal to use capital receipts in the 2016/17 and 2017/18 financial years to fund the severance/redundancy costs associated with the transformation of the council implemented through the policy and service programme. If approved, this strategy would release a £2m earmarked reserve in 2016/17 to carry-forward to support the 2017/18 budget, avoid a potential £0.8m pressure on the 2016/17 revenue budget and also provide a £3m budget to support service transformation and fund severance/redundancy costs in the 2017/18 financial year.

## **8.10 Full year effects**

- 8.10.1 In relation to Adults & Health, in February 2016, the Executive Board approved changes to the way income and allowances are taken into account when undertaking a financial assessment and to the maximum weekly charge. Though implemented in 2016/17, the full year effect is expected to deliver an extra £2m of client contributions to the budget in 2017/18.
- 8.10.2 The Leeds South & East Clinical Commissioning Group (CCG) provided an initial £3m health inequalities fund which will be managed by the council to commission additional targeted public health services and related programmes in the South and East. Since then, a further £1m has been allocated by the clinical commissioning group. The expenditure on this project in the 2017/18 financial year is expected to be £1.05m which is an increase of £0.55m when compared to 2016/17. The increased expenditure will be fully funded by this income.

## **8.11 Impact of proposals on employees**

- 8.11.1 Following the 2015 spending review it became clear that the council's funding position would give rise to the need for further reductions in staff. At that time it was estimated that the council would need to downsize by between 1,000 and 2,000 full time equivalent posts by the end of March 2020. Accordingly the council re-issued a section 188 notice (notice to collectively consult to avoid redundancies issued under s.188 TULRCA 1992)
- 8.11.2 Given the scale of this challenge, it was the council's view that this level of reduction could not easily be achieved without compulsory redundancies.

Since May 2016, the council has held extensive discussions with Trade Unions. This engagement has been both positive and constructive and has collectively explored opportunities to manage staff reductions down in a way that avoids compulsory redundancies. As a result, through a combination of normal turnover, voluntary retirement and severance, and through greater staff flexibility, it is felt more likely now that the required reductions in staff can be achieved without the need for compulsory means. Whilst it still may be necessary in some circumstances, the council will continue to strive to avoid compulsory redundancies.

- 8.11.3 The council has operated a voluntary retirement and severance scheme since 2010/11 which has already contributed significantly to the reduction in the staffing posts of around 3,200 ftes to March 2017, generating savings of £60m per year.
- 8.11.4 Furthermore the numbers of staff reductions required are now estimated to be at the lower end of the scale first envisaged. Table 13 below demonstrates that the budget proposals provide for an estimated gross reduction up to 598 in budgeted posts (full-time equivalents) by 31<sup>st</sup> March 2018, offset by increases in some services which amount to 114, giving an overall net reduction of 484 fte staff.

*Table 13 estimated staffing implications*

Full-time Equivalents	Increases	Decreases	Net Movement
Adults & Health	26	(162)	(136)
Children & Families	58	(63)	(5)
City Development	28	(12)	16
Communities & Environment	0	(113)	(113)
Resources & Housing	0	(214)	(214)
<b>Total - General Fund</b>	<b>112</b>	<b>(565)</b>	<b>(453)</b>
Housing Revenue Account	2	(33)	(32)
<b>Total - General Fund and HRA</b>	<b>114</b>	<b>(598)</b>	<b>(484)</b>

## 9. Breakdown of the 2017/18 Budget

- 9.1 The 2017/18 budget has been prepared on the basis of the council's new organisational shape. Annex 1 to this report provides a statement which sets out the original 2016/17 budget in the previous directorate format and the functional/organisational changes to restate the budget in the new directorate structure. These changes include the centralisation of support services functions including specialist administration, information management & technology, intelligence, etc.
- 9.2 Annex 2 to this report provides a summary of the budget changes by directorate and in total.

- 9.3 Annex 3 provides a detailed analysis at directorate level.
- 9.4 Annex 4 provides a subjective summary of the city budget.

## **10. Reserves strategy and general reserve**

- 10.1 General and useable reserves are a key measure of the financial resilience of the council, allowing the authority to address unexpected and unplanned financial pressures.

It is important to note that despite the significant challenges to the council's budget, and although the general reserve level has reduced from £29.6m in 2010/11 down to a forecast £18.1m at April 2017, there has not been an unplanned call on the general reserve during this period.

- 10.2 Under the 2003 Local Government Act, the council's statutory finance officer is required to make a statement to Council on the adequacy of reserves. In addition, it is good practice for the authority to have a strategy on the level and nature of its reserves and ensure these are monitored and maintained within the range determined by its agreed strategy. The purpose of a reserves strategy is:

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

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

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

- 10.5 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 9) indicates a potential pressure of £0.9m. The expectation is that measures will be put in place to bring the council's budget into balance by March 2017.

- 10.6 The budget proposes no change in the general reserves in 2017/18 and therefore the estimated level of the general reserves at March 2018 is £18.1m as set out in the table below:



Table 14 – 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)	0.0
Carried Forward 31st March	18.1	18.1

- 10.7 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.

## 11. Robustness of the budget and the adequacy of reserves

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

- 11.2 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's service and organisational priorities.
- A review of the major risks associated with the budget.
- The availability of un-earmarked reserves to meet unforeseen cost pressures.
- The strength of the financial management and reporting arrangements.

- 11.3 In coming to a view as to the robustness of the 2017/18 budget, the Deputy Chief Executive has taken account of the following issues:

- Detailed estimates are prepared by directorates in accordance with principles laid down by the Deputy Chief Executive based upon the current agreed level of service. Service changes are separately identified and plans are in place for them to be managed.
- Estimate submissions have been subject to rigorous review throughout the budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet

increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the council.

- Significant financial pressures experienced in 2016/17 have, where appropriate, been recognised in preparing the 2016/17 budget, or are subject to further actions to enable them to be delivered.
- As part of the budget process, directorates have undertaken a risk assessment of their key budgets, and provided a summary of major risks within the directorate budget documents, many of which are significant. All directorate budgets contain efficiencies, income generation and service reviews which will require actions to deliver, and any delay in taking decisions may have significant financial implications. The overall level of risk within the 2017/18 budgets of directorates is considered to remain relatively high. Whilst this level of risk can be considered manageable, it must be on the understanding that key decisions are taken and that where identified savings are not delivered alternative savings options will be needed. This is all the more important given that the council will face further financial challenges over the years beyond 2017/18.
- In addition to specific directorate/service risks, the collection of council tax and generation of business rates yields are two key risks which need to be closely monitored.
- The introduction from April 2013 of a scheme of council tax discounts does raise additional risks as to collection. Overall, the assumed collection rate for council tax was previously reduced from 99.2% to 99% to reflect this additional risk. The in-year and ultimate collection rates have been reviewed as part of the budget process and judged to be realistic.
- Under the business rates retention scheme, the council's local share of business rates is exposed to risks from both collection and reductions in rateable values. Since 2013 two trends have become clear: firstly that gradual economic recovery is not resulting in significant volumes of new-builds in Leeds and secondly that growth that does occur is being largely offset by the effect of successful appeals and other reductions to the rating list; either through closure or Valuation Office reviews. Business rates income is therefore still a significant risk, however, as in the case of council tax, any losses greater than those assumed in setting the budget will materialise through a collection fund and will not impact in the current year.

11.4 The council's financial controls are set out in the council's financial regulations. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the council. The council has a well-established framework for financial reporting at directorate and corporate levels. Each month Executive Board receives a risk-based financial health report from each directorate and action plans are

utilised to manage and minimise any significant variations to approved budgets.

11.5 The council's reserves strategy, as set out in section 10, requires directorates to prepare budget action plans to deal with spending variations on budgets controlled by directorates during the year.

11.6 In the context of the above, the Deputy Chief Executive considers the proposed budget for 2017/18 as robust and that the level of reserves are adequate given a clear understanding by members and senior management of the following:

- The level of reserves is in line with the risk based reserves strategy but their enhancement will be a prime consideration for the use of any fortuitous in-year saving.
- Risk-based budget monitoring and scrutiny arrangements are in place which include arrangements for the identification of remedial action.
- The budget contains a number of challenging targets and other actions, these are clearly identified, and will be subject to specific monitoring by the council's Corporate Leadership Team, and as such, are at this time considered reasonable and achievable.
- Monthly risk-based budget reporting to members will continue in 2017/18.
- Budget risks are identified and recorded and will be subject to focussed control and management.
- As part of the council's reserves strategy directorates are required to have in place budget action plans which sets out how they will deal with variations during the year.
- Risks associated with council tax and business rates, although potentially significant, will feed into the budget via a Collection Fund and will therefore not impact on the 2017/18 budget.
- There is a clear understanding of the duties of the council's statutory financial officer and that the service implications of them being exercised are fully understood by members and senior management alike.

## **12. Medium-term financial strategy update**

12.1 At its meeting in September 2016, the Executive Board approved the 2017/18 – 2019/20 financial strategy which incorporates the council's efficiency plan. The Board also agreed to accept the government's offer of a multi-year funding settlement.

- 12.2 The agreed financial strategy identified a headline budget gap of £109.5m in 2019/20 when compared to the 2016/17 budget, requiring savings of some £290m over the 3-year planning period.
- 12.3 The financial strategy also identified potential savings from service reviews, efficiencies and additional income from fees and charges totalling some £235m leaving a shortfall of some £55m.
- 12.4 Through the provisional local government finance settlement for 2017/18 the Secretary of State again took the opportunity to confirm the move to 100% business rates retention and self-sufficient councils by 2020. In addition, indicative settlement funding allocations and assessment of core spending power for future years were provided and are shown at table 16 below. As well as the year on year reductions in the council's settlement funding assessment, this assessment of core spending power makes assumptions as to increases in the council tax base and also assumes that council will increase its council tax by 1.99% and by 2% for the adult social care precept each year. Government have taken the opportunity to update and increase council tax funding in the 2016/17 financial year and reflected this into future years.

*Table 15 – Leeds core spending power – updated 2017/18 provisional local government settlement.*

Core Spending Power - Leeds City Council	2015/16 adjusted	2016/17 adjusted	2017/18 indicative	2018/19 indicative	2019/20 indicative	2015/20 increase / (decrease)
	£m	£m	£m	£m	£m	£m
Settlement Funding Assessment	272.2	238.0	212.9	199.2	185.9	(86.3)
Council Tax	249.9	260.2	268.9	279.1	289.0	39.1
Adult Social Care precept	0	5.1	10.5	16.7	23.3	23.3
Improved Better Care Funding	0	0.0	1.5	12.6	22.7	22.7
New Homes Bonus & Returned Funding	14.1	17.4	14.5	10.8	10.4	(3.7)
2017/18 Adult Social Care Support Grant	0	0	3.3	0.0	0.0	0.0
<b>Core Spending Power</b>	<b>536.2</b>	<b>520.7</b>	<b>511.6</b>	<b>518.4</b>	<b>531.3</b>	<b>(4.8)</b>

- 12.5 Since the medium-term financial strategy was approved in September 2016, work has continued, including preparation of the 2017/18 budget proposals, to identify further potential cost reductions and additional income opportunities in order to bridge the £54m identified shortfall.
- 12.6 Table 16 below provides an updated summary of the cost pressures which reflects the 2017/18 proposed budget and any consequential impact into the 2018/19 and 2019/20 financial years. The estimated funding within this updated financial strategy assumes, for planning purposes, that the Leeds element of the council tax will rise annually by 1.99% in 2018/19 and 2019/20 and by 3% in 2018/19 for the adult social care precept. However, it should be stressed that under the council's constitution, the decision to set the council tax base and the rate of council tax can only be taken by Full Council and therefore these decisions will continue to be made as part of the council's annual budget-setting process.

*Table 16 – updated summary 2017/18 – 2019/20 medium term financial strategy*

	2017/18 in-year £m	2018/19 in-year £m	2019/20 in-year £m
Reduction in settlement funding assessment	25.1	13.3	12.8
Changes to local funding	(21.3)	(26.2)	(17.2)
Other funding changes	23.6	2.6	(1.5)
Sub-total - funding changes	27.4	(10.2)	(5.9)
Add: Estimated cost changes	36.5	32.7	20.1
Minimum revenue provision	(9.6)	0.0	0.0
Additional capitalisation	(2.0)	0.0	3.5
<b>Total savings required from services</b>	<b>52.2</b>	<b>22.5</b>	<b>17.7</b>
Savings proposals	(52.2)	(22.5)	(17.7)
<b>Remaining budget gap</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

- 12.7 Following approval of the 2017/18 budget, the intention is to present a fully updated medium-term financial strategy to the Executive Board at its meeting in July 2017.

## 13. Corporate Considerations

### 13.1 Consultation and Engagement

- 13.1.1 As explained at section 5 above, the initial budget proposals were subject to consultation with key stakeholders prior to finalisation of the 2017/18 budget. Results from the public consultation are provided at appendix 1 together with comments from scrutiny boards at appendix 2 and comments from other organisations at appendix 3.

### 13.2 Equality and Diversity / Cohesion and Integration

- 13.2.1 The Equality Act 2010 requires the council to have 'due regard' to the need to eliminate unlawful discrimination and promote equality of opportunity. The law requires that the duty to pay 'due regard' be demonstrated in the decision-making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show 'due regard'. Equality impact assessments also ensure that we make well informed decisions based on robust evidence.
- 13.2.2 The council is fully committed to assessing and understanding the impact of its decisions on equality and diversity issues. In order to achieve this, the Council has an agreed process in place and has particularly promoted the importance of the process when taking forward key policy or budgetary changes.

- 13.2.3 A joint equality impact assessment of the proposed budget and Best Council Plan 2017/18 at a strategic level has been carried out and this is attached as Appendix 6.

### **13.3 Council Policies and Best Council Plan**

- 13.3.1 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.

### **13.4 Resources and Value for Money**

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

### **13.5 Legal Implications, Access to Information and Call In**

- 13.5.1 This report has been produced in compliance with the council's budget and policy framework.
- 13.5.2 The 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.
- 13.5.3 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 recommendations at 15.1 are 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 budget proposals two months prior to adoption. The recommendations at 15.2 and 15.3 are subject to call-in.

### **13.6 Risk Management**

- 13.6.1 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.

- 13.6.2 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.
- 13.6.3 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 Adults & Health and Children's & Families 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 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.
- 13.6.4 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.
- 14. Implications for Council Policy and Governance**
- 14.1 There are no proposed changes to delegations and limits which form part of the council's budget and financial control environment. The current limits are set out at appendix 7.

## **15. Recommendations**

15.1 To recommend to Council the adoption of the following resolutions;

- i) That the revenue budget for 2017/18 totalling £492.67m be approved. This means that the Leeds element of the council tax for 2017/18 will increase by 1.99% plus the adult social care precept of 3%. This excludes the police and fire precepts which will be incorporated into the report to be submitted to Council on the 22<sup>nd</sup> February 2017.
- ii) Grants totalling £75k be allocated to parishes.
- iii) Approval of the strategy at appendix 9 in respect of the flexible use of capital receipts.
- iv) In respect of the Housing Revenue Account, that the budget be approved with:
  - A reduction of 1% in dwelling rents in non-Private Finance Initiative areas.
  - An increase of 2% in dwelling rents in PFI areas.
  - A 5% increase in garage rents.
  - A 2% increase in district heating charges.
  - That service charges for multi-storey flats are increased by £2 per week.
  - That service charges for low/medium rise properties are increased by £1 per week.
  - That the charge for tenants who benefit from the sheltered support service currently paying £2 a week be increased to £4 per week.

15.2 To authorise officers to begin consultations without delay on the proposals to introduce new fees and charges and increases to existing fees and charges.

15.3 That Executive Board thanks Scrutiny Boards for their comments and in consideration of the specific recommendations made:

- i) Agrees that, during 2017/18, there should be further review of fees and charges, including revisiting the previous report and recommendations from Scrutiny Board (Strategy and Resources) to help ensure the council maximises its income streams.
- ii) Agrees that, as part of the development of the 'Leeds £' approach, there should be a review of joint funding arrangements in order to help ensure a consistent and strategic approach that is fair and equitable to all partners involved.
- iii) Agrees that, where any directorate is anticipating a significant budget overspend, the Executive Board supports the need for the



section 151 officer and the relevant director to work closely and proactively with the relevant scrutiny board to provide suitable assurance that there is robust financial risk management and transition planning in place..

- iv) Agrees that for all proposed budget savings, there is a clear narrative that explains how the savings will be achieved, including (but not limited to) service redesign and service commissioning/decommissioning.
- v) Notes the comments Scrutiny Board (Adult Social Services, Public Health, NHS) in respect of the Adult Social Care precept and the assurances provided through this report on the justification and how the additional funding will be utilised.

15.4 Note the update to the 2017/18 to 2019/20 medium-term financial strategy and the intention to present a fully updated financial strategy to the Board at its meeting in July 2017.

**16. Background documents<sup>1</sup>**

None

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<sup>1</sup> 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.

## 2016/17 Budget restated in the Council's new organisational shape

## Annex 1

	Adult Social Care £m	Children's Services £m	City Development £m	Environment & Housing £m	Citizens & Communities £m	Public Health £m	Strategy & Resources £m	Civic Enterprise Leeds £m	Strategic & Central £m	Total Net Revenue Budget £m
<b>2016/17 budget (2016/17 organisational shape)</b>	<b>201.34</b>	<b>120.45</b>	<b>42.99</b>	<b>53.90</b>	<b>24.58</b>	<b>0.35</b>	<b>35.41</b>	<b>23.37</b>	<b>(6.02)</b>	<b>496.38</b>
i) Employment & Skills		(2.07)	2.07							
ii) Public Health	0.35					(0.35)				
iii) Housing General Fund				(3.51)			3.51			
iv) Civic Enterprise Leeds							23.37	(23.37)		
v) Communities				24.58	(24.58)					
vi) Libraries			(5.11)	5.11						
<b>2016/17 budget (new organisational shape)</b>	<b>201.69</b>	<b>118.38</b>	<b>39.96</b>	<b>80.07</b>	<b>0.00</b>	<b>0.00</b>	<b>62.29</b>	<b>0.00</b>	<b>(6.02)</b>	<b>496.38</b>

	Adults & Health £m	Children & Families £m	City Development £m	Communities & Environment £m	£m	£m	Resources & Housing £m	£m	Strategic & Central £m	Total £m
<b>2016/17 budget (new organisational shape)</b>	<b>201.69</b>	<b>118.38</b>	<b>39.96</b>	<b>80.07</b>	<b>0.00</b>	<b>0.00</b>	<b>62.29</b>	<b>0.00</b>	<b>(6.02)</b>	<b>496.38</b>
i) Support Services - Specialist Administration	(2.35)	(5.50)	(0.41)	(1.86)			10.11			
ii) Support Services - Intelligence & Improvement	(0.43)	(1.12)	(0.10)	(0.16)			1.80			
iii) Support Services - IMT	(1.27)	(1.91)	(0.55)	(0.29)			4.02			
iv) Operational Finance teams	0.96		0.10				(1.06)			
v) Workforce Development staff transfer	0.22						(0.22)			
vi) Other minor transfers	(0.07)		0.10	(0.10)			0.07			
vii) Removal of PPPU recharges	(0.31)	(0.39)	(0.18)	(0.24)			1.62		(0.50)	
viii) Better Business Management	(0.03)	(0.28)	(0.02)				0.33			
ix) Records Management	(0.01)	(0.01)	(0.01)				0.03			
x) Other minor budget adjustments	0.02		(0.01)	0.08			(0.08)		(0.02)	
xi) Passengers	0.12	0.42					(0.54)			
<b>2016/17 budget (restated base budget)</b>	<b>198.54</b>	<b>109.59</b>	<b>38.88</b>	<b>77.50</b>	<b>0.00</b>	<b>0.00</b>	<b>78.38</b>	<b>0.00</b>	<b>(6.53)</b>	<b>496.38</b>

## 2017/18 Budget Proposals

	Adults & Health	Children & Families	City Development	Communities & Environment	Resources & Housing	Strategic & Central	Total Net Revenue Budget
	£m	£m	£m	£m	£m	£m	£m
<b>Net managed budget (2016/17 adjusted)</b>	<b>198.54</b>	<b>109.59</b>	<b>38.88</b>	<b>77.50</b>	<b>78.38</b>	<b>(6.53)</b>	<b>496.38</b>
Inflation (including energy and fuel)	4.66	0.62	2.02	1.17	1.39		9.86
Employer's LGPS contribution	0.35	0.55	0.37	0.56	0.87		2.70
Apprentice levy	0.20	0.34	0.20	0.31	0.57	(0.25)	1.37
Leeds CC minimum pay rate	0.02	0.02	0.04	0.08	0.26		0.42
National Living Wage	2.79	0.30					3.09
FYE of previous decisions			0.38	(0.12)			0.26
Demand and demography	4.43	5.80		0.10			10.33
New Homes Bonus						5.92	5.92
Specific grants	(2.15)	4.32		0.29		(3.58)	(1.12)
Partner funding	4.91	5.10					10.01
Adult Social Care - charging review (full-year effect)	(2.00)						(2.00)
Adult Social Care - resilience, demand & transformational reserves	3.30						3.30
Full-out of capitalised pension costs	(0.21)	(0.18)	(0.18)	(0.08)	(0.21)	(0.34)	(1.20)
Other pressures/savings	4.74	0.83	0.20	0.89	2.04	0.14	8.84
Debt - external interest						2.82	2.82
Reduction in the use of general reserve						3.45	3.45
Reduction in the use of earmarked reserve						2.08	2.08
<b>Total - cost and funding changes</b>	<b>21.04</b>	<b>17.70</b>	<b>3.02</b>	<b>3.20</b>	<b>4.92</b>	<b>10.24</b>	<b>60.13</b>
Budget savings proposals							
Accounting - additional capitalisation						(2.00)	(2.00)
Capital financing - Minimum revenue provision						(9.63)	(9.63)
Directorate budget savings proposals							
Changes to service	(9.22)	(2.47)	(1.52)	(1.79)	(0.56)		(15.56)
Efficiencies	(1.72)	(2.64)	(1.49)	(4.52)	(9.20)	(0.33)	(19.90)
Income - fees & charges	(0.77)	(1.50)	(3.65)	(2.04)			(7.96)
Income - traded services, partner & other income	(0.15)	(5.43)	(0.26)	(1.81)	(0.66)	(0.47)	(8.78)
<b>Total - Budget savings proposals</b>	<b>(11.86)</b>	<b>(12.04)</b>	<b>(6.92)</b>	<b>(10.16)</b>	<b>(10.42)</b>	<b>(12.43)</b>	<b>(63.83)</b>
<b>Proposed 2017/18 net revenue budget</b>	<b>207.72</b>	<b>115.25</b>	<b>34.99</b>	<b>70.54</b>	<b>72.88</b>	<b>(8.72)</b>	<b>492.67</b>
<b>Increase/(decrease) from 2016/17 £m</b>	<b>9.18</b>	<b>5.66</b>	<b>(3.90)</b>	<b>(6.96)</b>	<b>(5.50)</b>	<b>(2.19)</b>	<b>(3.70)</b>
<b>Increase/(decrease) from 2016/17</b>	<b>4.62%</b>	<b>5.16%</b>	<b>-10.02%</b>	<b>-8.98%</b>	<b>-7.02%</b>	<b>33.52%</b>	<b>-0.75%</b>

## Statement of 2016/17 and 2017/18 budgets

Directorate/Service	2016/17	2017/18	Movement
	Net managed budget £000s	Net managed budget £000s	
<b>Adults and Health</b>			
Health Partnerships	918	265	(653)
Access and Care	182,569	187,576	5,007
Strategic Commissioning	(11,791)	(4,855)	6,936
Resources & Strategy	5,370	4,684	(686)
Provider services	21,184	19,860	(1,324)
Leeds safeguarding Adults Board	267	169	(98)
Public Health	27	28	1
	<b>198,544</b>	<b>207,727</b>	<b>9,183</b>
<b>Children and Families</b>			
Partnership Development and Business Support	24,528	26,819	2,291
Learning, Skills and Universal Services	2,683	3,098	415
Safeguarding, Targeted and Specialist Services	85,328	83,520	(1,808)
Central overheads	(2,944)	1,819	4,763
	<b>109,595</b>	<b>115,256</b>	<b>5,661</b>
<b>City Development</b>			
Planning and Sustainable Development	2,839	2,409	(430)
Economic Development	848	560	(288)
Asset Management	854	(1,723)	(2,577)
Employment & Skills	2,002	1,749	(253)
Highways and Transportation	16,260	15,926	(334)
Arts and Heritage	9,733	9,524	(209)
Sport and Active Recreation	5,702	5,423	(279)
Resources and Strategy	642	1,121	479
	<b>38,880</b>	<b>34,989</b>	<b>(3,891)</b>
<b>Resources and Housing</b>			
Strategy and Improvement	5,169	5,129	(40)
Finance	7,784	7,239	(545)
Human Resources	6,412	5,753	(659)
Digital and Information Services	18,627	17,948	(679)
Public Private Partnership Unit	1,574	1,294	(280)
Legal Services	(2,179)	(2,214)	(35)
Democratic Services	4,918	4,926	8
General Fund Support Services	(191)	218	409
Leeds Building Services	(6,258)	(8,380)	(2,122)
Special Contracts & Secc	7,049	6,681	(368)
Strategic Housing Partnership	1,984	1,822	(162)
Corporate Property Management	5,622	5,289	(333)
Business Support Centre	20,178	19,576	(602)
Commercial Services	1,701	1,708	7
Facilities Management	5,996	5,892	(104)
	<b>78,386</b>	<b>72,881</b>	<b>(5,505)</b>
<b>Communities and Environment</b>			
Central Accounts	(959)	0	959
Communities	5,529	5,225	(304)
Customer Access	20,251	19,230	(1,021)
Elections, Licensing and Registration	477	(249)	(726)
Benefits, Welfare and Poverty	2,912	2,069	(843)
Car Parking Services	(7,802)	(8,473)	(671)
Community Safety	1,921	1,439	(482)
Waste Management	34,537	33,014	(1,523)
Parks & Countryside	7,871	6,584	(1,287)
Environmental Action - City Centre	2,364	2,346	(18)
Environmental Health	1,689	1,542	(147)
Cleaner Communities	8,714	7,811	(903)
	<b>77,504</b>	<b>70,538</b>	<b>(6,966)</b>
<b>Strategic and Central Accounts</b>			
Strategic and Central accounts	(3,081)	(8,723)	(5,642)
	<b>(3,081)</b>	<b>(8,723)</b>	<b>(5,642)</b>
<b>NET COST OF CITY COUNCIL SERVICES</b>	<b>499,828</b>	<b>492,668</b>	<b>(7,160)</b>
Contribution to/(from) General Fund Reserves	(3,450)	0	3,450
<b>NET REVENUE CHARGE</b>	<b>496,378</b>	<b>492,668</b>	<b>(3,710)</b>

# Summary of 2017/18 budget by type of spending and income

## Annex 4

	General Fund excluding Schools £000	Per Band D Property £	Schools £000	HRA £000	Total Budget £000	% of total
<b>Expenditure</b>						
Employees	467,025	2,104	340,857	27,192	835,074	42
Premises	51,682	233	33,736	51,573	136,991	7
Supplies and services	10,158	46	73,472	93,890	177,520	9
Transport	47,139	212	1,632	409	49,180	2
Capital costs	19,025	86	22,476	74,039	115,540	6
Transfer payments	296,934	1,338	0	0	296,934	15
Payments to external service providers	378,402	1,705	0	115	378,517	19
	1,270,365	5,724	472,173	247,218	1,989,756	100
<b>Income</b>						
Grants	(487,026)	(2,194)	(431,951)	(21,385)	(940,362)	65
Rents	(15,124)	(68)	0	(215,956)	(231,080)	16
Fees, charges & other income	(233,506)	(1,052)	(40,991)	(7,892)	(282,389)	19
	(735,656)	(3,315)	(472,942)	(245,233)	(1,453,831)	100
<b>Net budget</b>	534,709	2,409	(769)	1,985	535,925	100
Contribution to/(from) IAS19 Pensions reserve	(41,168)	(185)		(951)	(42,119)	
Contribution to/(from) other earmarked reserves	(873)	(4)	769	(1,034)	(1,138)	
Contribution to/(from) General reserves	0	0		0	0	
	(42,041)	(189)	769	(1,985)	(43,257)	
<b>Net revenue charge</b>	492,668	2,220	0	0	492,668	

Notes: The number of Band D equivalent properties is

221,938

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

### **Report on the consultation to inform the 2017/18 Leeds City Council Budget**

The financial strategy and budget proposals have been driven by the Best Council Plan ambitions and priorities. These have been shaped through past and ongoing consultations and stakeholder engagement, including significant consultations to help develop a new Transport Strategy for the city, for new developments such as the South Bank and the Housing Site Allocations Plan that have involved many thousands of Leeds residents. The council also recently concluded a call for evidence for the emerging Leeds Growth Strategy and continues to engage with residents as services for older and vulnerable people change. The Best Council Plan priority areas of work have been developed through consultation with officers and members, including Scrutiny Board (Strategy and Resources).

Evidence from public perception that services and localities already hold with regard to people's priorities also supported the preparation of the Initial Budget Proposals for 2017/18 considered by the Executive Board in December 2016.

As in previous years, residents and wider stakeholders are given the opportunity to comment on the Initial Budget Proposals in a variety of ways. The approach to this year's budget consultation took account of the wealth of consultation evidence gathered in recent years on residents' budget priorities; the low level of change in those priorities over time; and the significant involvement of residents and service users in ongoing service-led change projects. It also recognised the ongoing uncertainty over the exact level of financial settlement the council would receive, which was not resolved by the consultation start date.

Public consultation on the Council's 2017/18 Initial Budget Proposals ran from 15<sup>th</sup> December 2016 to 31<sup>st</sup> January 2017. The consultation took the form of a brief online summary of the proposals at [www.leeds.gov.uk/budget](http://www.leeds.gov.uk/budget) which was supported by the full Executive Board report. There was a response form allowing participants to navigate the different report sections, learn about and then comment on the budget proposals. Paper equivalents were promoted in public council buildings to ensure wider responses and the full Leeds Citizens' Panel was also invited to comment (followed with reminder messages during the consultation period). The council social media channels were also used to promote the consultation opportunity.

An open-response format was chosen for the response form to give participants flexibility to share any views they wished. At the point of reporting, over 450 comments had been submitted by 61 respondents.

Participants were asked to complete equality monitoring information and the following table, based on interim sets of results taken with two weeks of the consultation period remaining, shows the profile of the respondents. Note that not all respondents completed all parts of the equality monitoring, and that rounding up or down of figures may mean totals do not add up to 100%.

<b>Gender</b>	
Male	69%
Female	27%
Prefer not to say	4%

<b>Age</b>	
Under 18	0%
18-25	0%
26-35	7%
36-45	31%
46-55	18%
56-59	6%
60+	35%
Prefer not to say	4%

<b>Ethnicity</b>	
White British	93%
White Irish, BME, other ethnicities	0%
Prefer not to say	7%

<b>Self-declared disability</b>	
Yes	16%
No	76%
Prefer not to say	7%

<b>Religion</b>	
Buddhist	0%
Hindu	0%
Muslim	0%
Christian	38%
Jewish	4%
Sikh	0%
No religion	47%
Other	4%
Prefer not to say	7%

<b>Sexual orientation</b>	
Heterosexual/Straight	69%
Lesbian/Gay woman	0%
Gay man	9%
Bisexual	4%

Prefer not to say	18%
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The interim findings from the consultation are set out below.

Each question is followed by a table showing the main thematic groups of comments made, ranked by percentage of all comments made. Percentages have not been used where there were few comments for particular questions. Instead a general summary of themes is given.

**1. Comments on our overall budget approach.**

**Respondents were invited to comment on the overall approach to the 2017/18 budget**

Theme of comments made (% of all comments)	
Generally supportive	36%
Generally critical	31%
Encourage more people to take action and responsibility	7%
Concern at impact of changes on vulnerable people	12%
Other (wide range of specific points)	6%

**2. Additional ideas on efficiencies and income generation**

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

- Stop supporting free events / Christmas lights
- Reduction in number of elected members
- New and increased fines and charges, including parking

**3. Alternative priorities**

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

- Care for elderly people
- Improve transport infrastructure
- Education and preventative actions

**4. Comments on the proposals to save £24.9m by becoming more efficient**

Theme of comments made (% of all comments)	
General support for approach	16%
Critical of approach/sceptical	16%
Make most use of assets	9%
Encourage volunteering	6%
Concern over pressure on staff	6%
Only provide core services	6%
Other (includes range of specific suggestions)	31%



**5. Comments on the proposals to bring in £6m extra through an increase in some specific fees and charges**

Theme of comments made (% of all comments)	
Against parking charge rises	25%
General support for approach	16%
Concern at impact on vulnerable/low income	16%
Generally critical of approach	13%
Go further	13%
Other (wide range of specific points)	19%

**6. Comments on the proposals to bring in £8.9m extra through trading some of our services, and accessing funding from our partners**

Fewer comments were made on this issue, but common themes included:

- General support for the approach, and to go further if possible
- Concern as to how achievable the target is
- Feeling this is not the council's job

**7. Comments on any other proposals we are putting forward to make savings and bring more income (in section 6.3 of Initial Budget Proposals report)**

Again, a limited number of comments were made here, and those made were focussed on specific single local or policy issues.

**8. Comments on the proposals for Council Tax levels in 2017/18, including the proposal to raise funds specifically for adult social care services through an additional 2% rise in Council Tax (or greater should the government change the rules on this)**

Theme of comments made (% of all comments)	
Support full increase	39%
Against increases	22%
Would support even greater ASC precept increase	22%
Concern at impact on vulnerable/low income	11%
Other (wide range of specific points)	8%

**9. Directorate budget proposals**

Respondents could also give comments on the detailed Initial Budget Proposals report appendices setting out each council directorate's budget proposals for 2017/18. Fewer comments were made here, and the main emerging themes are briefly set out below.

**Adult Social Care**

- Around a third of comments show general support for the budget approach

- Another third show concern about the impact in on vulnerable groups in general, about day centre closures or for specific user groups

### **Children's Services**

There has been little consistency in comments received so far; however a number did suggest people should take more responsibility for themselves and their children

### **Citizens and Communities**

A limited number of comments were made, with a mix of views whether or not the council should be involved in supporting more deprived communities. A number of comments were supportive of efforts to boost voluntary action.

### **City Development**

Again a varied set of responses were received, although a number were generally supportive of infrastructure development, including transport, to help manage Leeds' growth.

### **Civic Enterprise Leeds**

Few respondents commented on this section, but a number had general concerns about private enterprise.

### **Environment and Housing**

Emerging themes included:

- Making better use of empty properties and making more homes available;
- Ensuring that charges don't stop people visiting attractions, or start fly-Tipping;
- Helping residents do more to recycle and keep places clean.

### **Public Health**

Comments tended to focus on concerns over reduced spending on important preventative services, and that people need to take greater responsibility themselves.

### **Strategy and Resources**

Few comments were made here, but a number suggested further cuts in this area were possible, while others suggested greater regional sharing of resources.

### **Initial 2017/18 budget proposals Summary of Scrutiny Board comments**

#### **Introduction**

At its meeting on 14<sup>th</sup> December 2016, the Executive Board set out, for consultation, its Initial Budget Proposals for 2017/18. In accordance with the Council's Budget and Policy Framework, the proposals were subsequently submitted to each of the Council's Scrutiny Board for consideration, review and comment.

Scrutiny Board's consideration took place over a series of meetings in December 2016 and January 2017, as follows:

- Adult Social Services, Public Health, NHS Scrutiny Board – 15 December 2016 (working group)
- Children's Services Scrutiny Board – 15 December 2016
- Citizens and Communities Scrutiny Board – 9 January 2017
- City Development Scrutiny Board – 21 December 2016
- Environment and Housing Scrutiny Board – 19 January 2017
- Strategy and Resources Scrutiny Board – 19 December 2016 and 16 January 2017

Examination of the initial budget proposals included input from Executive Board Members, Directors and other Senior Council Officers.

#### **Comments and observations from Scrutiny Boards**

All Board's recognised the significant budget pressures facing the Council and the difficult decisions that are required to be made. A summary of the main issues and areas highlighted by the Scrutiny Boards are detailed below:

##### Adult Social Services, Public Health, NHS Scrutiny Board

- The Scrutiny Board recognised the overall and specific budget pressures across the Council, with a continuing reduction in core funding across the Council – including the 10% reduction in Public Health funding, against a background of the Council already being below the nationally determined needs-based target budget allocation.
- The Scrutiny Board recognised the relatively low Council Tax base (historically) and the impact this had on 'percentage' increases.
- The Scrutiny Board supported the emphasis on preventative services across both budget areas, but recognised the short-term challenges around 'delivering / maintain services' balanced with the longer-term challenge of 'investing in preventative services' to minimise the impact of increases in demand in the future.
- The Scrutiny Board recognised attempts to deliver statutory and discretionary services across both service areas.

- The Scrutiny Board highlighted a particular concern in relation to the uncertainty around future health budgets/ funding and the associated impact on the delivery of current and future integrated services.
- The Scrutiny Board highlighted the potential impact of removing/ decommissioning services and the need for effective communication about the impact of proposals – with a focus on the impact to individuals – i.e. the ‘human impact’. The Scrutiny Board agreed it would undertake more work in this area during 2017/18.
- The Scrutiny Board agreed that the proposed level of additional ‘Social Care’ precept was justified and recommended it should be pledged, with clear communication on how any additional monies generated would be used.
- The Scrutiny Board highlighted the importance of reviewing / auditing the impact of previous budget decisions, and agreed to undertake some focused work in this area, in order to:
  - (a) Ensure any impacts were sufficiently highlighted in the equality impact assessments.
  - (b) Review the effectiveness of any proposed mitigating actions; and,
  - (c) Help ensure ‘intelligent’ commissioning / decommissioning decisions were made in the future.

#### Children’s Services Scrutiny Board

- The Scrutiny Board was concerned that £2.5m of income reflected in the draft budget, had not been secured from the Department for Education (Innovation Fund), and therefore represented a risk.
- The Scrutiny Board was concerned about the proposed reduction in learning improvement funding. While advised about the Council’s commitment to learning improvement through a range of measures, particularly children’s centre provision, the Scrutiny Board highlighted the proposed reduction in funding to Children’s Centres from the Public Health budget and believed this could negatively impact on early intervention.
- While acknowledging the initial proposals focused on efficiency savings without having a negative impact on children or strategy; the Scrutiny Board stated that staff welfare should also be a key consideration if efficiency savings are likely to result in increased responsibilities and workload.

#### Citizens and Communities Scrutiny Board

- Local Government Pensions – the Scrutiny Board acknowledged that whilst an increase of 0.5% on the employers’ contributions had been included in the proposed budget, this will need to be updated once the outcome of the 2017 actuarial valuation is known.
- Parish and Town Council Election costs – the Scrutiny Board sought clarification of the cost responsibilities linked to local Parish and Town Councils. It was noted that local Parish and Town Councils are responsible for covering their own election costs through their precept and that all local Councils have already been advised to plan ahead for the 2019 local elections.
- The Board acknowledged the proposed efficiency measures in relation to Communities Teams are primarily linked to a review of the management and leadership structures.

- The Board acknowledged the proposed saving linked to the reduction of service failure and the work already being undertaken by the Scrutiny Board this year to assist the directorate in achieving this target.
- Further to the recent work undertaken by the Scrutiny Board in developing a revised Council Tax Support Scheme, the Board acknowledged the potential impact of Council Tax increases on the scheme and therefore emphasised the importance of closely monitoring any impact.

#### City Development Scrutiny Board

- With a proposed net decrease of £4.8m in 2017/18 budget, the Scrutiny Board noted the key proposals for 2017/18, including planned efficiencies, changes to services and additional income targets.
- The Scrutiny Board acknowledged the proposed sources of additional income and the overall strategic approach which sought to minimise the impact on front line service delivery.
- The Scrutiny Board also acknowledged the recruitment of additional Highways Engineers to reduce external spend.

#### Environment and Housing Scrutiny Board

- The potential for significant cost savings arising from proposed efficiency measures within Leeds Building Services that would also help make this service more competitive.
- The Board was pleased to note the involvement of frontline staff to help inform proposed changes to routes for refuse collection and stressed the importance of engaging effectively with Elected Members too. The Scrutiny Board agreed to keep a watching brief on the implementation of the proposed changes.
- An acknowledgment that a number of proposed efficiencies were linked to the Council-wide review of Locality Working. The Scrutiny Board was keen to monitor the potential impacts of this review in relation to Environmental Action services and particularly street cleansing.
- In acknowledging the range of charging proposals being put forward, the Board emphasised the importance of maintaining some flexibility to be able to review and revisit such charges where appropriate.
- The Scrutiny Board specifically noted that discussions with the Police and Crime Commissioner (PCC) regarding future funding arrangements had not concluded and were still ongoing.

#### Strategy and Resources Scrutiny Board

- The Scrutiny Board identified some concerns around the assumed level of income, specifically in relation the Children's Services application for Department for Education 'Innovation Fund'.
- The potential generation of £6M additional income through fees and charges – reflecting the significant work undertaken by the Scrutiny Board in 2015/16.
- The Scrutiny Board also noted there was the opportunity to keep 'fees and charges' under review, in order to consider further options for income generation across the Council during 2017/18.
- The Scrutiny Board noted, with some concern, that a full response to its previous 'fees and charges' recommendations was not presented and therefore other

potential charges (e.g. levy's) were not considered as part of the 2017/18 budget proposals.

- The Scrutiny Board supported and reinforced the need to produce and take into account equality impact assessments when considering proposals in more detail.

As part of its further consideration, the Scrutiny Board noted a number of matters within the initial proposals, including:

- The potential impact / additional financial pressure of increased pension costs – with the West Yorkshire Pension Fund (WYPF) actuary now indicating an employer's contribution rate of 15.9%.
- Budgeted commissioning savings and the responsibility placed upon each directorate to effectively measure, monitor and report the impacts of these.
- Concern remained that the Council was still awaiting approval for the Children's Services application for Department for Education 'Innovation Fund' and, if unsuccessful, the shortfall would be funded through Council Reserves during 2017/18. Should the use of reserves become necessary, it was important to produce a detailed plan to show (a) how the reserves would be 'paid back'; and (b) how the shortfall would be addressed in the longer-term.
- Children's Services Dedicated Schools Grant Overspend and the potential impact on the general fund if the Schools Forum does not agree for the deficit to be carried forward into 2017/18 and in subsequent years until the deficit is eliminated. The Board stressed the need for a clear position / decision to be made before the Executive Board's February meeting.
- The Scrutiny Board also discussed key areas of Children's Services budget overspend in 2016/17 and the consequential impacts on the 2017/18 budget. Particular reference was made to the impact of the number of Children Looked After (CLA) and Transport Costs: The Board questioned why these budget pressures had not been anticipated earlier.
- The Scrutiny Board also reflected on its ongoing consideration of 'the Leeds £' and how this impacted on the Council's budget.

## **Recommendations**

The following recommendations were agreed for consideration by the Executive Board:

### Scrutiny Board (Strategy and Resources)

- (1) That for all proposed budget savings, the Executive Board ensures there is a clear narrative that explains how the savings will be achieved, including (but not limited to) service redesign and service commissioning/ decommissioning.
- (2) That, during 2017/18, the Executive Board supports a further review of Fees and Charges, including revisiting the previous report and recommendations from Scrutiny Board (Strategy and Resources) to help ensure the Council maximises its income streams.
- (3) That, as part of the development of the 'Leeds £' approach, Executive Board supports the need for a review of joint funding arrangements in order to help ensure a consistent and strategic approach that is fair and equitable to all partners involved.

- (4) That, where any directorate is anticipating a significant budget overspend, the Executive Board supports the need for the Section 151 Officer and the relevant director to work closely and proactively with the relevant Scrutiny Board to provide suitable assurance that there is robust financial risk management and transition planning in place.

Scrutiny Board (Adult Social Services, Public Health, NHS)

- (5) That the proposed level of additional 'Social Care' precept for 2017/18 is justified and should be included in Executive Board's final 2017/18 budget proposals to Council.
- (6) Alongside the additional 'Social Care' precept for 2017/18, there should be a clear communications plan, detailing how any additional monies generated will be used.

### INITIAL 2017/18 BUDGET PROPOSALS – COMMENTS FROM THE THIRD SECTOR

#### VITAL consultation response to Housing Leeds' 2017/18 budget

The Voice of Involved Tenants Across Leeds (VITAL) met on the 11 January 2017 to agree the following feedback having been previously consulted on the 17/18 budget proposals at their December meeting:

- a) VITAL support the proposal to direct resources to “improving estates to ensure they are safe and clean places to live”.
- b) Recognising the significant demand for affordable housing, VITAL support the proposal to “replace homes lost through Right to Buy” by investing in new homes.
- c) VITAL support the commitment to the Capital Programme Improvement Plans.
- d) VITAL are acutely aware of the implications of the rent reduction and the full implementation of Universal Credit on rental income. They would therefore request that resources are focused on effective arrears management and support for tenants with Welfare Changes.
- e) VITAL feel that savings could possibly be made on:
  - Environmental Improvements – for example by making more use of ‘Community Payback’ or by getting better value for money from our internal service providers
  - Additional Support – by strengthening partnership working to improve the quality and frequency of signposting to customers for support.
  - Lettable standard and Lettings – considering different lettable standards for different customers or property types to achieve cost savings.
- f) To a certain extent VITAL are uncomfortable with the increase in service charges due to the financial implications this will have on those who are not entitled to welfare benefits, however they understand the need to bring charges more in line with the cost of the services. For this reason VITAL requests that every effort is made in future to better communicate the need for the increase in charges, giving plenty of notice for tenants to plan for changes. VITAL also request that if service charges are increased then the service actively monitors the resulting increase in quality of the services provided.
- g) VITAL would ask LCC to consider the feasibility of bringing its contracts in-house, for example the repairs and maintenance contract. VITAL would support this approach if the change would demonstrate better value for money in the longer term.

#### Specific feedback regarding the proposed HAP budget:

**VITAL request that the Executive Board reconsider the proposed 2017/18 HAP Budget and look towards increasing the amount suggested to enable the good work to continue and grow, based on the following justifications:**

- a) The proposed reduction lessens the opportunity for HAPs to improve communities where tenants live. In particular, fewer large scale projects are likely to be funded, that often represent the most significant environmental issues for tenants such as communal area improvements around low and high rise flats or



parking improvements.

- b) A knock on effect for other LCC Services and voluntary partners:
  - HAPs have increasingly supported projects that help LCC deliver its priorities. Funding schemes that at other times would have been supported by Housing Services directly, either through Capital or Revenue budgets. For example, HAPs have helped fund garage improvements, security lighting, CCTV schemes, recycling and waste improvements, landscaping, signage, parking improvements, notice boards etc.
  - Other Council teams, especially Communities Teams, often apply to HAPs to seek a contribution to help fund local projects and activities – risk that less of these will be able to go ahead.
  - Internal Service Providers, especially Parks & Countryside are at risk of receiving less income/work from the HAPs and this may have an impact on their resources and ‘income’ assumptions.
  - A number of longstanding/respected voluntary partners have been able to apply for funding to carry out local projects in response to local needs, for example GIPSIL employment support projects, voluntary groups like Nerukas’ Kitchen helping people get online and South Leeds Health for All ‘Ministry and De’fence’ project, engaging with long term unemployed middle aged males in Middleton. HAPs being the funding catalyst to help tackle specific local issue, which make a positive contribution to communities and Council teams and services.
- c) Impact on communities and the environment:
  - Many activities supported by HAPs play a significant part in helping bring communities together, especially those in more diverse areas. For example, funding community galas and local projects with local volunteers e.g. Money Buddies, Love Your Garden schemes etc. that all help build stronger communities.
  - Elderly residents have benefitted greatly from HAP funded activities, especially in sheltered housing schemes through a range of projects and improvements, in particular helping tackle social isolation and improve overall health and well-being.
  - HAP budgets are also a way of getting small/modest things done to improve the environment that are noticeable to tenants, that can be raised by tenants themselves or are generated from wider tenant engagement activity like estate walkabouts.
- d) Whilst the HAPs acknowledge the need to reduce overall costs, a **clear proposal from the Chairs group is that they be permitted to carry over any uncommitted funds from the 2016/17** and any future year’s budget. Chairs/ Vice Chairs are able to give examples of having to defer applications through the year whilst being finalised, especially for more complex projects or when funding is being sourced from multiple sources. Whilst HAPs are forecast to commit 100% of this year’s budget allocation, this would remove the risk of specific/more complex projects that take longer to develop being disadvantaged (and ultimately the benefit to tenants not being realised)
- e) The HAP Chairs wish to take a flexible approach to how HAP budgets are used to best effect, for example, pooling uncommitted HAP budgets at the end of the year for a particular tenant priority, or using uncommitted funds from 16/17 to help pay for the 17/18 partnership agreement with Community Payback that provides an additional environmental service to tenants.
- f) The HAP Chairs are fully supportive of the ambition to continue to increase the amount of additional/match funding that is utilised on local community and environmental projects and to work with local teams to think more broadly in this area. Continuing to get VFM is paramount, supporting the best projects that are in line with local needs

## Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2017/18 Budget Amount £	Decision Maker
Assessment and Care Management Efficiencies: review of business processes and staff skills mix	Seeking a more cost effective delivery	None identified at this stage	Consulting with unions, staff	To be undertaken	February 2017	£0.5m cost reductions	Director of Adult Social Care
Remodel Social Work Practice	Reduced agency spend in Children's Social Work Service, and also reduce non-front line staffing in Children's Social Work. It is considered that the proposals can be achieved by managing vacant posts.	This may lead to an increase in caseloads for Social Workers which in turn may then impact on the quality of service.	Executive Member, Staff, unions	To be undertaken as a part of the decision process.	February/ March 2017	£0.93m cost reductions	Director of Children Services
Additional DfE Innovations Funding	Subject to agreed funding from DfE - various	There is a risk that some or all of the anticipated	Executive Member, Staff, unions, DfE	To be undertaken as a part of the decision	March 2017	£2.5m additional income	Executive Board

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality Impact assessment</b>	<b>Expected decision date</b>	<b>2017/18 Budget Amount £</b>	<b>Decision Maker</b>
	decisions in respect of additional staffing to deliver the bid	funding is not approved by the DfE.		process.			
Additional income from top slice Free Early Education Entitlement (FEEE) Payments	New ability to top slice 5% from FEEE payments to nursery providers	The proposals are not acceptable to Schools Forum. Also a fall in demand across the City will reduce the overall level of FEEE income	Executive Member, Schools Forum and providers	To be undertaken as a part of the decision process.	February 2017	£1.0m additional income	Director of Children's Services / Schools Forum
Commissioned Services Savings Targets	Review of Commissioned Services in Complex Needs; Youth Work; Youth Offending Service; Families First; Early Help	The risk is that the level of savings required cannot be achieved, or that quality of service is adversely impacted	Executive Member, Providers	To be undertaken as a part of the decision process.	March 2017	£1.15m cost reductions	Director of Children's Services
Children's Centre Family Services and	Reshape of Family Services	Partner funding may reduce or	Executive Member, Staff,	To be undertaken as a	February/March 2017	£0.6m cost	Director of Children's

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality Impact assessment</b>	<b>Expected decision date</b>	<b>2017/18 Budget Amount £</b>	<b>Decision Maker</b>
Childcare	which will include a review of the core offer and additional services currently funded by partners	cease.	unions, schools	part of the decision process.		reductions	Services
Highways – additional fee income through retaining work in-house	Maintaining current arrangements of sub-contracting however this would not give rise to any savings or additional income.	Not being able to recruit suitably qualified personnel	N/A	N/A	February / March 2017	£0.7m additional income	Director of City Development
Highways – expenditure saving from extension of street lighting part night switch off	Maintaining current arrangements however this would not give rise to any savings.	Proposal deferred or rejected following consultation. Potential road safety issues.	To be undertaken	TBC	Summer 2017	£0.05m cost reductions	Executive Board
Introducing new charges for street naming and numbering	Maintaining current arrangements	Developers avoid costs by not following	N/A	N/A	March 2017	£0.075m additional income	Executive Board

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality Impact assessment</b>	<b>Expected decision date</b>	<b>2017/18 Budget Amount £</b>	<b>Decision Maker</b>
	however this would not give rise to additional income.	proper protocols					
Rental income from asset purchases.	Purchasing assets to support the revenue budget, doing nothing would mean further savings would have to be identified.	No suitable investment opportunities arise	N/A	N/A	February 2017	£2.0m additional income	Executive Board
Increase car parking tariffs and permits.	The additional revenue generated will be used to fund Highways expenditure.	Price increases could lead to a reduction in demand	Statutory obligation to advertise increases. to tariff	To be undertaken when decision(s) are taken.	March 2017	£0.5m additional income	Chief Officer – Environmental Action
Development of parks estates and visitor attractions which will facilitate both price increases and increases in visitor numbers	Enhancement of the visitor facility will result in increased income.	That improvement to visitor attractions doesn't result in an increase in	As per the Parks and Countryside Attraction Development Plan report that was received at Executive Board	As per the Parks and Countryside Attraction Development Plan report that was received at Executive Board in October 2016.	tbc	£0.3m additional income (net of borrowing costs)	Chief Officer – Parks and Countryside

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality Impact assessment</b>	<b>Expected decision date</b>	<b>2017/18 Budget Amount £</b>	<b>Decision Maker</b>
		visitor numbers.	in October 2016.				
Increase in bereavement charges	The proposed price increase will help contribute towards reducing the public subsidy for this service	Price increases could lead to a reduction in demand	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process.	March 2017	£0.3m additional income	Chief Officer – Parks and Countryside
Implement charging arrangements for the collection of bulky waste	Implementation of charges for this service will contribute towards reducing the public subsidy for this service.	That there is a corresponding increase in fly tipping.	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2017	£0.15m additional income	Chief Officer – Environmental Action
Implement charging arrangements for the disposal of inert building waste, plasterboard and tyres at Household Waste Sites.	Implementation of the charge for this service will contribute towards reducing the public subsidy for this service	That there is a corresponding increase in fly tipping.	To be undertaken as a part of the decision process	To be taken as a part of the decision process.	March 2017	£0.1m additional income (net of costs of implementing)	Chief Officer – Waste Management
Implement charging arrangements for the	Implementation of the charge for	That the income assumptions	To be undertaken as a part of the	To be taken as a part of the	March 2017	£0.2m additional income and	Chief Officer – Waste

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality Impact assessment</b>	<b>Expected decision date</b>	<b>2017/18 Budget Amount £</b>	<b>Decision Maker</b>
replacement of wheeled bins.	this service will contribute towards reducing the public subsidy for this service.	aren't realised.	decision process.	decision process.		borrowing savings	Management
Implement charges for pest control	Implementation of the charge for this service will contribute towards reducing the public subsidy for this service.	Opposition to paying the charge for pest control could have public health implications.	To be undertaken as a part of the decision process.	To be undertaken as a part of the decision process.	March 2017	£0.1m additional income	Chief Officer – Environmental Action
Reduction in the level of grants to Third Sector organisations within the Parks and Countryside service.	Reductions are consistent with the reductions in grant income receivable by the Council.	Possible implications for service delivery from these organisations.	To be undertaken as a part of the decision process.	To be undertaken as a part of the decision process.	March 2017	£0.02m reduced costs	Chief Officer – Parks and Countryside
Reprovision of Mobile Library Service	Considered in wider context of Hub developments		Executive Members, Trade Unions, affected staff	To be undertaken as a part of the decision process.	February 2017	£0.12m reduced costs	Assistant Chief Executive
Discounted letting – Community Centres	Restrict free lets to 75% of current level	Community Groups unable to afford	Executive Members, Cabinet,	To be undertaken as a part of the	April 2017	£0.08m reduced costs/ additional	Director of Communities and

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality Impact assessment</b>	<b>Expected decision date</b>	<b>2017/18 Budget Amount £</b>	<b>Decision Maker</b>
		meeting space	Committee chairs, service budget holder affected	decision process.		income	Environment
Reduction to Wellbeing grants		Reduction funding of community projects	Exec Members, Community Committee chairs, Community Committees	To be undertaken as a part of the decision process.	February 2017	£0.18m reduced costs	Assistant Chief Executive
Reduce the Local Welfare Support Scheme budget	General reduction or just target the 'initiatives' element of the budget	Only reducing 'initiatives' element so funding of urgent crisis cases unaffected	Executive Members, Cabinet, Committee chairs	To be undertaken as a part of the decision process.	February 2017	£0.3m	Assistant Chief Executive
Reduce funding of Credit Union	Work with Credit Union so that the reduction has minimal impact on citizens		Executive Members, Credit Union	To be undertaken as a part of the decision process.	February 2017	0.05	Assistant Chief Executive
Implementation of a staffing restructure with Leeds Building Services	This forms part of the package of proposals that will deliver an increased	That staffing reductions impact upon the ability deliver the required	To be undertaken at the same time as the decision.	To be undertaken at the same time of the decision.	tbc	£0.6m cost reductions	Chief Officer – Property and Contracts



<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality Impact assessment</b>	<b>Expected decision date</b>	<b>2017/18 Budget Amount £</b>	<b>Decision Maker</b>
	contribution of £1.8m from Leeds Building Services in 2017/18.	level of financial contribution in 2017/18.					
Re-commissioning and re-tendering of Housing Related Support Contracts	Re-commissioning of Housing related Support contracts will realise economies and demonstrate VFM.	That the re-tendering of contracts does not deliver contract savings	To be undertaken at the same time as the decision to award a contract..	To be undertaken at the same time of the decision.	Various throughout 2017/18	£0.4m cost reductions	Director of Communities and Environment
The support services review is targeted to generate gross savings of £6.3m.		Reduce the capacity to support Members and managers within the Council	Executive Member, CLT	Ongoing	February 2017	Net budget reduction of £3.6m	Relevant Chief Officers

**Proposed Council Tax Support Payments to  
Parish/Town Councils**

	£
Aberford and District	389
Allerton Bywater	2,332
Alwoodley	902
Arthington	41
Bardsey cum Rigton	731
Barwick in Elmet and Scholes	1,456
Boston Spa	1,674
Bramham cum Oglethorpe	703
Bramhope and Carlton	913
Clifford	637
Collingham with Linton	863
Drighlington	1,290
East Keswick	327
Gildersome	1,568
Great and Little Preston	654
Harewood	22
Horsforth	5,308
Kippax	3,009
Ledsham	106
Ledston	144
Micklefield	4,039
Morley	14,431
Otley	17,581
Pool in Wharfedale	905
Rawdon	1,721
Scarcroft	162
Shadwell	367
Swillington	2,334
Thorner	910
Thorp Arch	262
Walton	88
Wetherby	9,111
<b>TOTAL</b>	<b>74,980</b>

### Equality Impact Assessment – Best Council Plan and Budget 2017/18

#### Introduction

This paper outlines the equality analysis and strategic equality assessment of the proposed Best Council Plan, Budget and Council Tax for 2017/2018 (as detailed in Executive Board reports 8th February 2017). The lead person for this equality impact assessment was Alan Gay, Deputy Chief Executive. Members of the Assessment Team were:

Neil Warren	Head of Finance
Coral Main	Head of Business Planning & Risk
Lelir Yeung	Head of Equality
Graham Sephton	Head of HR
Pauline Ellis	Senior Policy & Performance Officer
Tim Rollett	Senior Risk Management Officer
Matt Lund	Senior Policy & Performance Officer

#### Overview

The Best Council Plan is the council's strategic plan: it explains the environment in which the council operates and its strategic priorities, sitting at the top of a range of council and partnership plans. Aligned with the budget, it is updated annually.

The Best Council Plan 2017/18 has been developed in the context of the approach agreed by the Executive Board in December 2016: it maintains a strong focus on tackling poverty and inequalities through building a strong economy and being a compassionate city, the council supporting this by being an efficient and enterprising organisation. The seven priority areas of work set out in the Best Council Plan 2017/18 have been developed through ongoing consultation and engagement with members and officers and take into account local and national developments (such as November's Autumn Statement and policy changes), the latest socio-economic analysis, local and regional partnership plans and the council's budget-setting processes.

The 2017/18 budget supports delivery of the Best Council Plan 2017/18. This provides the strategic framework for the council's allocation of resources and how it responds to financial pressures to help deliver better outcomes for the people of Leeds.

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. Resource implications will impact on all communities but those who have been identified at being at the greatest potential risk of negative impact include:

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

The 2017/18 budget has been prepared in the context of the council's Initial Budget Proposals which were agreed by the Executive Board in December 2016 and also the provisional local government finance settlement in accordance with the council's budget and policy framework. As agreed by Executive Board, the Initial Budget Proposals have been submitted to Scrutiny for review and consideration, and have also been used as the basis for wider consultation

## **Scope**

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

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

### *Best Council Plan*

The Best Council Plan 2017/18 is intended to provide long-term strategic direction rather than being a detailed delivery or action plan. It includes a foreword from the Leader and Chief Executive, a 'plan on a page' and narrative for seven priority areas of work, each explaining the challenges from the lens of tackling poverty and inequality and what the council, often in partnership, is doing in response. It references the eight cross-cutting 'breakthrough projects'. In development at the time of writing is a set of key performance indicators that will be monitored and reported on to help measure progress in delivering the Best Council Plan priorities and, over time, to help assess whether any difference is being made towards the outcomes.

The council is committed to responding to the challenges of inequality in Leeds within the pressures of the financial context in which we are now operating. The Best Council ambition of being an efficient and enterprising organisation addresses this in two key ways:

- Firstly, by 'getting the basics right': the council needs to continue to deliver and commission good quality public services with our five values at the core of how we work; keep to budgets and deadlines; maintain assets effectively; and streamline internal processes and systems. Staff need to be engaged and motivated to do their best through a mixture of support and empowerment. We need to continue our drive for efficiencies that has helped Leeds manage the significant reduction in government funding at a time of increasing demand-led cost pressures.
- However, efficiencies alone will not be enough to bridge the potential funding gaps between now and 2020 identified in our Medium-Term Financial Strategy

and the proposed Budget for 2017/18. The council therefore needs to work differently, to keep evolving and innovating in terms of what it does and how it does it, exploring different service models and greater integration with other organisations and skilling up staff to grow their commercial and business acumen.

### *Budget*

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

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 £63.8m in 2017/18, in addition to an estimated £17.7m additional council tax income.

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.

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.

### Efficiencies – savings of £20.6m

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.

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:

- Staffing post reductions of 3,200 since 2010 without compulsory redundancy – saving £60m 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’.

The directorate reports at appendix 8 to the 2017/18 revenue budget report provide the detail of a range of proposed efficiency savings across all directorates which total some £20.6m 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 Adults & Health and Children’s & Families.
- 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.

#### Fees & Charges – additional income of £7.96m

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. The approved fees and charges policy also requires that any activities subsidised by the general fund are identified during the annual budget process and appendix 10 to this report provides this information.

The 2017/18 budget proposals assume a general increase in fees and charges of 3%. In addition, there are a number of specific proposals to increase fees and charges detailed in the directorate pages where further increases are proposed which in total would generate an additional £7.96m of income by March 2018 over and above inflation. These proposals are set out in the directorate reports at appendix 8 of the 2017/18 revenue budget report.

#### Traded Services, partner income & other income – additional income of £8.78m

The 2017/18 budget recognises the Best Council ambition of becoming a more enterprising organisation and includes a range of proposals around securing additional income from commercial activities and traded services. In addition, the budget includes income from partner organisations and other income opportunities which are detailed in the directorate reports. These proposals are set out in the directorate reports at appendix 8 of the 2017/18 revenue budget report.

### Changes to service – savings of £14.91m

By necessity, managing a reduction of £25.1m in government funding in addition to a range of cost pressures means that the council will have to make some difficult decisions around the level and quality of services that it provides and whether these services should be increasingly targeted toward need.

Detailed service change proposals which together total savings of £14.91m by March 2018 are set out in the directorate reports at appendix 8 to the 2017/18 revenue budget report.

### Minimum revenue provision – savings of £9.6m

Recent years have seen many local authorities across the country revising their MRP policies, in particular to move away from the use of the old statutory calculation method for MRP on debt incurred up to 2007/08. The council made this change in its 2015/16 MRP policy, moving to an annuity based asset life method using an average asset life based on data from more recent years. If it had wished to, the council would first have been permitted to make this change when the current MRP requirements were introduced in 2008/09. If the policy had changed in 2008/09, the MRP on this tranche of debt would have been lower than was actually charged during the years between 2008/09 and 2014/15, but would now be at a higher level than currently and would be fully repaid seven years earlier than under the current MRP policy. Such an earlier repayment date would more closely reflect the principle set out in the statutory guidance that borrowing should be repaid over the life of the assets which it has funded, as it takes into account that this tranche of borrowing originated in 2007/08 or earlier. It is therefore proposed that for its 2017/18 MRP policy the council calculates the MRP due on its pre 2007/08 debt on the basis of an annuity based asset life calculation applying from 2008/09, and treats the additional MRP set aside since 2008/09 as an overprovision. Under the current MRP policy, by the end of 2016/17 the overprovision of MRP set aside on this basis would be £92.3m.

It is proposed that the overprovision would firstly be applied over a three year period in a way which would smooth the impact of any timing variations in the availability of capital receipts and reduces the MRP charge to revenue by £9.6m. The remaining cumulative overprovision would then be applied evenly over the following three years.

Further information regarding minimum revenue provision is included in the Capital Programme 2017/20 report which is on today's agenda including the proposed policy for 2017/18. In line with the proposals outlined above, the proposed budget for 2017/18 includes savings of £9.6m to the minimum revenue provision budget.

### **Impact of proposals on employees**

Following the 2015 spending review it became clear that the council's funding position would give rise to the need for further reductions in staff. At that time it was estimated that the council would need to downsize by between 1,000 and 2,000 full time equivalent (fte) posts by the end of March 2020. Accordingly the council re-issued a section 188 notice (notice to collectively consult to avoid redundancies issued under s.188 TULRCA 1992)

Given the scale of this challenge, it was the council's view that this level of reduction could not easily be achieved without compulsory redundancies. Since May 2016, the council has held extensive discussions with Trade Unions. This engagement has been both positive and constructive and has collectively explored opportunities to manage staff reductions down in a way that avoids compulsory redundancies. As a result, through a combination of normal turnover, voluntary retirement and severance, and through greater staff flexibility, it is felt more likely now that the required reductions in staff can be achieved without the need for compulsory means. Whilst it still may be necessary in some circumstances, the council will continue to strive to avoid compulsory redundancies.

The council has operated a voluntary retirement and severance scheme since 2010/11 which has already contributed significantly to the reduction in the staffing posts of around 3,200 ftes to March 2017, generating savings of £60m per year.

Furthermore the numbers of staff reductions required are now estimated to be at the lower end of the scale first envisaged. The budget proposals provide for an estimated gross reduction up to 598 in budgeted posts (full-time equivalents) by 31<sup>st</sup> March 2018, offset by increases in some services which amount to 114, giving an overall net reduction of 484 fte staff.

## **Fact finding – what do we already know**

### ***Demographics: A Changing Population***

Based on the latest 2015 mid-year figures estimate published by the Office of National Statistics (ONS) <sup>1</sup>:

- The Leeds population is 774,100.
- While the population is growing, the percentage increase is less than for the UK as a whole. In the 10 years since 2005, the Leeds population increased by 39,000 people, an increase of 5.3% compared to the UK increase of 7.8%.
- The percentage increase in 0-15 year olds is greater in Leeds than for the UK as a whole:
  - In the 10 years since 2005 the Leeds 0-15 population has increased by 9.5% compared to a UK increase of 4.9%.
  - There are 145,900 children aged 0-15 in Leeds, 12,700 more than in 2005.
  - The proportion of 0-15 year olds in Leeds is 18.8% which is the same as for the UK as a whole.

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<sup>1</sup> Population figures are from the latest Statistical Bulletin from the Office of National Statistics (ONS)

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2015>



- Leeds has a larger than average proportion of 20-29 year olds at 17.7% (136,700 people) compared to the UK proportion of 13.4%
- The population of older people aged 65 and above is growing in Leeds. In the 10 years since 2005:
  - This population has increased by 9.4% compared to a UK increase of 20.8%.
  - Leeds has a smaller proportion of people aged 65 and above at 15.4% compared to a UK proportion of 17.8%
  - Although the percentage increase in Leeds is smaller than for the UK as a whole, it is important to note that there are 119,200 people aged 65 and over in Leeds -10,200 more than in 2005.
- The population of very old people also increasing. In the 10 years since 2005:
  - The population of those 85 years and over has increased by 14.0% compared to a UK increase of 31.1%.
  - Leeds has a similar proportion of people aged 85 and above as the UK at 2.0% compared to a UK proportion of 2.3%.
  - Although the percentage increase in Leeds is smaller than for the UK as a whole, it is important to note that there are 15,500 people aged 85 and over in Leeds which is 1,900 more than in 2005. The increase has been greater for males as there are now 1,200 more men aged 85 and above than in 2005. The number of women aged 85 and above has only increased by 700.

Based on analysis comparing the 2001 and 2011 censuses:

- Leeds is becoming increasingly diverse with the Black and Minority Ethnic (BME) population accounting for 18.9% of the resident population (up from 10.8% in 2001). In addition the school census from January 2016 shows that 31.1% of the school population are from Black and Minority Ethnic Groups.
- The number of Leeds residents born outside of the UK has increased from 47,636 (6.7% of the population) in 2001 to 86,144 (11.5%) in 2011, with just over 20,300 people being born in the EU (12,026 born in EU accession countries) and just over 61,000 born elsewhere.
- Of the 86,144 people born outside the UK, more than half arrived in the last 10 years, 67% were between the ages of 16 and 44 when they arrived in the UK, and 29.5% were aged 15 or younger.
- There is no direct count of disability, but the census collects information in relation to 'long term health problems or disability'. In Leeds 83.2% of people say that their day to day activities are not limited by long term health problems or disability, 7.9% say they are limited a lot and 8.9% say that they are limited a little.
- The proportion of people who say they are Christian is lower in Leeds (55.9%) than across the whole of England and Wales (59.3%), while the proportion of people who say they have no religion is higher (28.2% and 25.1% respectively).

- Compared to England and Wales, Leeds has higher than average proportions of people stating their religion as Jewish (0.9% compared to 0.5%), as Muslim (5.4% compared to 4.8%) and as Sikh (1.2% compared to 0.8%).

As a growing city, Leeds is seeing significant changes to its population make-up:

- The number of children and young people is projected to continue to rise. Up until now, the growth has been driven by Early Years (0-5 years old) and then primary school-aged children. However, from 2016 onwards, the majority of the growth is projected to be in the number of secondary school-aged pupils.
- The number of elderly people will continue to rise, as the baby-boomer generation grows older. This has implications not only in terms of public services, ensuring that older people get excellent care and support when they need it and are enabled to live independently, but also in terms of the labour market as we make the most of the skills and talents that everyone has to offer.
- In the 10 years between the 2001 Census and the 2011 Census, the BME population in the city increased from 10.8% to 18.9%, and the number of residents born outside the UK almost doubled. There have been very localised impacts across the city - with complex, related issues such as 'national identity', language proficiency, transient populations and variations in birth rates that in turn influence service provision and the wider interface between communities.
- In part linked to demographic change, in part linked to wider social change, patterns of faith have also changed across the city - different ethnic and religious groups have very different age profiles and understanding these differences is key to helping plan and deliver appropriate services.

## **Poverty and Inequality**

The key message in the 2016/17 Best Council Plan is that for Leeds to be the Best Council in the Best City, we need to tackle poverty and reduce inequalities. The council's approach to equality improvement recognises poverty as a barrier that limits what people can do and can be. The approach recognises that a number of protected characteristics are disproportionately represented in those people living in poverty.

Our latest socio-economic analysis (notably the 2015 Joint Strategic Needs Assessment, analysis based on the 2015 Index of Multiple Deprivation and the 2016 update of the council's Poverty Fact Book) show that a range of inequalities persist across the city and, linked with deprivation levels, are particularly concentrated in specific localities with long-term related challenges such as access to employment, housing, language and literacy, skills, health and care responsibilities. The slow economic recovery alongside reductions in public spending has significantly impacted the poorest members of society. The Indices of Multiple Deprivation shows the geographic concentration of deprivation in the communities of Inner East and Inner South, confirming the wider analysis of poverty and deprivation undertaken in the Joint Strategic Needs Assessment. Analysis of relative change in the city since the previous Index suggests that there has been some intensification of the concentration of our most deprived and least deprived neighbourhoods.

- A fifth of the Leeds population – around 155,000 people across the city are classified as being in 'absolute poverty'. (Absolute Poverty measures individuals

who have household incomes 60% below the median average in 2010/11, adjusted for inflation.)

- Over 26,000 (18.1%) Leeds children are in poverty, 67% (18,000) of whom are estimated to be from working families (2014/15).
- In recent years there has been an increase in the number of people in employment who are living in poverty. Nationally over 5 million people now live in households where at least one member of the household is in work, yet they live in poverty. This is symptomatic of a labour market which is characterised by low pay, temporary, part-time and zero hour contracts.
- During 2014/15, in-work poverty was estimated to affect 69,000 Leeds adults. Almost 28,000 Leeds residents in full-time work earn less than the Real Living Wage of 2015 and almost 9,500 Leeds workers are on zero hour contracts.
- Over 38,000 Leeds households were in fuel poverty and around 8,000 of these households were paying their fuel bills via prepayment meters during 2014.
- Leeds has 105 neighbourhoods in the most deprived 10% nationally. This is 22% of Leeds neighbourhoods. Leeds is ranked at 31 out of 326 local authorities on the proportion of neighbourhoods in the most deprived 10%. All the other Core Cities, apart from Bristol, have a higher proportion in the most deprived 10% (e.g. Liverpool has 45% and Manchester has 41%).
- However, if we look at the number of people experiencing deprivation, Leeds is ranked as the 3rd most deprived out of 326 local authorities. There are 2 local authority measures that are designed to help identify large deprived populations:
  - Income scale – this counts the number of individuals (adults and children) experiencing income deprivation in the local authority area. Leeds has the 3<sup>rd</sup> highest number at 120,622<sup>2</sup> (Birmingham has the highest number and Manchester the 2<sup>nd</sup> highest).
  - Employment scale - this counts the number of individuals experiencing employment deprivation in the local authority area. Leeds has the 3<sup>rd</sup> highest number at 59,553<sup>3</sup> (Birmingham has the highest number and Liverpool the 2<sup>nd</sup> highest).

### *Financial Hardship*

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

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<sup>2</sup> The definition of low income used includes both those people that are out-of-work, and those that are in work but who have low earnings (and who satisfy the respective means tests). Data is from 2012.

<sup>3</sup> A count of working age people who are involuntarily excluded from the labour market. This includes people who would like to work but are unable to do so due to unemployment, sickness or disability, or caring responsibilities. Data is from 2012

anxious (Living with Anxiety, 2014). Below we have provided statistics to show the scale of financial hardship across Leeds:

- The implementation of welfare changes from April 2013 has contributed to many families falling into rent and council tax arrears or further into arrears. As a result, in 2015/16 the council saw over 6,000 awards to people accessing its Local Welfare Support Scheme for both emergency (food and fuel) and basic needs provision (household goods), totalling over £685,000 in direct awards.
- Further welfare changes, including the new under occupancy charges, have affected almost 6,000 Leeds households. The Benefit Cap affected almost 260 households during 2016, and the Department for Work and Pensions estimates a further 1,250 households will be affected in 2017.
- Over 22,000 households in Leeds now have to pay 25% of their Council Tax due to changes to Council Tax Support.
- Mirroring national trends, the city has also seen the emergence and significant growth of foodbanks, supported by the establishment of the Leeds Food Aid Network to coordinate emergency food provision across the district. Over 25,000 people in Leeds have needed assistance with food via a food bank between April 2015 and March 2016.
- Access to credit and interest rates for those on low incomes or with poor credit histories also remains high. In Leeds it is estimated 103,000 payday loans were taken out between January 2014 and June 2015.

## **Consultation**

The financial strategy and budget proposals have been driven by the Best Council Plan ambitions and priorities. These have been shaped through past and ongoing consultations and stakeholder engagement, including significant consultations to help develop a new Transport Strategy for the city, for new developments such as the South Bank and the Housing Site Allocations Plan that have involved many thousands of Leeds residents. The council also recently concluded a call for evidence for the emerging Leeds Growth Strategy and continues to engage with residents as services for older and vulnerable people change. The Best Council Plan priority areas of work have been developed through consultation with officers and members, including Scrutiny Board (Strategy and Resources).

Evidence from public perception that services and localities already hold with regard to people's priorities also supported the preparation of the Initial Budget Proposals for 2017/18 considered by the Executive Board in December 2016.

As in previous years, residents and wider stakeholders are given the opportunity to comment on the Initial Budget Proposals in a variety of ways. The approach to this year's budget consultation took account of the wealth of consultation evidence gathered in recent years on residents' budget priorities; the low level of change in those priorities over time; and the significant involvement of residents and service users in ongoing service-led change projects. It also recognised the ongoing uncertainty over the exact level of financial settlement the council would receive, which was not resolved by the consultation start date.

Public consultation on the Council's 2017/18 Initial Budget Proposals ran from 15<sup>th</sup> December 2016 to 31<sup>st</sup> January 2017. The consultation took the form of a brief online summary of the proposals at [www.leeds.gov.uk/budget](http://www.leeds.gov.uk/budget) which was supported by the full Executive Board report. There was a response form allowing participants

to navigate the different report sections, learn about and then comment on the budget proposals. Paper equivalents were promoted in public council buildings to ensure wider responses and the full Leeds Citizens' Panel was also invited to comment (followed with reminder messages during the consultation period). The council social media channels were also used to promote the consultation opportunity.

An open-response format was chosen for the response form to give participants flexibility to share any views they wished. At the point of reporting, over 450 comments had been submitted by 61 respondents.

Participants were asked to complete equality monitoring information and the following table, based on interim sets of results taken with two weeks of the consultation period remaining, shows the profile of the respondents. Note that not all respondents completed all parts of the equality monitoring, and that rounding up or down of figures may mean totals do not add up to 100%.

<b>Gender</b>	
Male	69%
Female	27%
Prefer not to say	4%

<b>Age</b>	
Under 18	0%
18-25	0%
26-35	7%
36-45	31%
46-55	18%
56-59	6%
60+	35%
Prefer not to say	4%

<b>Ethnicity</b>	
White British	93%
White Irish, BME, other ethnicities	0%
Prefer not to say	7%

<b>Self-declared disability</b>	
Yes	16%
No	76%
Prefer not to say	7%

<b>Religion</b>	
Buddhist	0%
Hindu	0%
Muslim	0%

<b>Religion</b>	
Christian	38%
Jewish	4%
Sikh	0%
No religion	47%
Other	4%
Prefer not to say	7%

<b>Sexual orientation</b>	
Heterosexual/Straight	69%
Lesbian/Gay woman	0%
Gay man	9%
Bisexual	4%
Prefer not to say	18%

The interim findings from the consultation are set out below.

Each question is followed by a table showing the main thematic groups of comments made, ranked by percentage of all comments made. Percentages have not been used where there were few comments for particular questions. Instead a general summary of themes is given.

### 1. **Comments on our overall budget approach.**

**Respondents were invited to comment on the overall approach to the 2017/18 budget**

<b>Theme of comments made (% of all comments)</b>	
Generally supportive	36%
Generally critical	31%
Encourage more people to take action and responsibility	7%
Concern at impact of changes on vulnerable people	12%
Other (wide range of specific points)	6%

### 2. **Additional ideas on efficiencies and income generation**

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

- Stop supporting free events / Christmas lights
- Reduction in number of elected members
- New and increased fines and charges, including parking

### 3. **Alternative priorities**

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

- Care for elderly people
- Improve transport infrastructure
- Education and preventative actions

#### **4. Comments on the proposals to save £24.9m by becoming more efficient**

<b>Theme of comments made (% of all comments)</b>	
General support for approach	16%
Critical of approach/sceptical	16%
Make most use of assets	9%
Encourage volunteering	6%
Concern over pressure on staff	6%
Only provide core services	6%
Other (includes range of specific suggestions)	31%

#### **5. Comments on the proposals to bring in £6m extra through an increase in some specific fees and charges**

<b>Theme of comments made (% of all comments)</b>	
Against parking charge rises	25%
General support for approach	16%
Concern at impact on vulnerable/low income	16%
Generally critical of approach	13%
Go further	13%
Other (wide range of specific points)	19%

#### **6. Comments on the proposals to bring in £8.9m extra through trading some of our services, and accessing funding from our partners**

Fewer comments were made on this issue, but common themes included:

- General support for the approach, and to go further if possible
- Concern as to how achievable the target is
- Feeling this is not the council's job

#### **7. Comments on any other proposals we are putting forward to make savings and bring more income (in section 6.3 of Initial Budget Proposals report)**

Again, a limited number of comments were made here, and those made were focussed on specific single local or policy issues.

#### **8. Comments on the proposals for Council Tax levels in 2017/18, including the proposal to raise funds specifically for adult social care services through an additional 2% rise in Council Tax (or greater should the government change the rules on this)**

<b>Theme of comments made (% of all comments)</b>	
Support full increase	39%
Against increases	22%

Would support even greater ASC precept increase	22%
Concern at impact on vulnerable/low income	11%
Other (wide range of specific points)	8%

## 9. Directorate budget proposals

Respondents could also give comments on the detailed Initial Budget Proposals report appendices setting out each council directorate's budget proposals for 2017/18. Fewer comments were made here, and the main emerging themes are briefly set out below.

### Adult Social Care

- Around a third of comments show general support for the budget approach
- Another third show concern about the impact in on vulnerable groups in general, about day centre closures or for specific user groups

### Children's Services

There has been little consistency in comments received so far; however a number did suggest people should take more responsibility for themselves and their children

### Citizens and Communities

A limited number of comments were made, with a mix of views whether or not the council should be involved in supporting more deprived communities. A number of comments were supportive of efforts to boost voluntary action.

### City Development

Again a varied set of responses were received, although a number were generally supportive of infrastructure development, including transport, to help manage Leeds' growth.

### Civic Enterprise Leeds

Few respondents commented on this section, but a number had general concerns about private enterprise.

### Environment and Housing

Emerging themes included:

- Making better use of empty properties and making more homes available;
- Ensuring that charges don't stop people visiting attractions, or start fly-tipping;
- Helping residents do more to recycle and keep places clean.

### Public Health

Comments tended to focus on concerns over reduced spending on important preventative services, and that people need to take greater responsibility themselves.

### Strategy and Resources

Few comments were made here, but a number suggested further cuts in this area were possible, while others suggested greater regional sharing of resources.



### Third Sector

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

The third sector Partnership is the part of the city infrastructure where the third sector, the council and other public sector partners' work together to ensure that collectively the conditions for a thriving third sector are created so it is able to play its part in delivering partnership agendas and better outcomes for the people of Leeds.

The council has developed a framework in collaboration with the third sector which is used as a basis for an annual detailed analysis of third sector investment. This tool has its limitations but it is useful to track third sector investment trends year on year.

It shows that despite the significant reductions in the council's budget over the last 3 years, overall investment in the third sector has broadly been maintained. In fact even with the 'spin out' of former public services, such as Aspire in 2015/16, the actual investment figure into the sector in the last financial year has increased.

Year	Investment in £m	Increase / Decrease in £000	% increase / decrease
2015/16	127.1	15.1	13.5%
2015/16 (excluding Aspire)	109.3	-2.7	-2.4%
2014/15	112.0	2.8	2.6%
2013/14	109.2	0.6	0.6%
2012/13	108.6	-0.8	-0.7%
2011/12	109.4	-10.5	-8.8%
2010/11	119.9	-3.5	-2.8%
2009/10	123.4	N/A	N/A

The number of individual organisations that the council has contracts with has also remained broadly static. The number of individual third sector bodies the council did business with in 2015/16 amounted to 1,860 compared with just over 2,000 in the previous year (and similar numbers in prior years). These transactions include major social care contracts with a small number of organisations and small scale but important investment in hundreds of very small grassroots groups.

- 27 organisations received total payments of £1m or more which equates to 58.3% of business with the third sector
- 902 organisations received less than £1,000 each which equates to 0.24% of the council's business with the third sector

The council continues to invest in third sector infrastructure, including Third Sector Leeds, (the sectors' voice and influence body) and a network of third sector forums. This facilitates strategic engagement with the sector and dialogue between the sector, the council and range of partnerships across the city. The council also provides funding to enable individual organisations to start up, develop and grow to help them deliver maximum impact for the benefit of the citizens of Leeds.

The council has been a leading partner in the development of the Leeds Social Value Charter which was launched in May 2016 to deliver benefits for all sectors and the city. The Charter was initiated by the Third Sector Partnership to help ensure that social, environmental and economic added value can be recognised in contracts and so that the third sector can benefit from private and public sector community investment and social value commitment.

There has been continued dialogue with the third sector over the last 12 months regarding the continued budget challenges. This includes:

- Discussions at the Third Sector Partnership which is chaired by the Executive Member with responsibilities for Communities and attended by the Assistant Chief Executive (Citizens and Communities). They have provided regular budget updates and, at the time of writing, will be discussing this further at a Partnership meeting on 30 January 2017.
- Council directorates also have well established on-going arrangements and dialogue with their third sector partners and other interested third sector stakeholders which shapes and informs their approach to the budget challenges. They are also in regular detailed discussions with organisations that will be impacted by any budget reductions.

The third sector has also been invited by the council to lead innovation and engage in discussions about new ways of working in response to the budget challenge, changing demographics and demands on services, which is a demonstration of the relationship between the council and the sector.

The council has once again made resources available, to encourage innovation, maximise access to external funding and to support new ways of working in the third sector, for example through the Third Sector Innovation Fund, which because of the budget pressures was reduced by £50k to £100k for 2015/16. This will be the final year the fund will be available. Other resources, like the Adult Social Care Better Lives Fund have also been made available to encourage innovation and new ways of working.

In spring 2015 a cross-sector task group was established to explore opportunities to maximise external funding into Leeds and specifically into the third sector. This work continues. Relationships with major external investors like the Big Lottery have emerged strengthening funding information and support arrangements. This has resulted in third sector organisations and consortiums securing significant external resources.

The recently established People's Commissioning arrangements provide a forum to ensure that the impact of any third sector disinvestment is in line with established best practice protocols and that individual decisions of directorates do not result in collective unintended consequences on individual organisations or parts of the sector.

The Third Sector Partnership continues to drive forward a strategic and considered focus on the third sector and will broker further necessary discussions on the budget challenges and new ways of working, contributing to the delivery of the Best Council Plan.

## Workforce Profile

In response to the financial challenges we are facing, the council recognises the need to significantly reduce its workforce. Working closely with the trade unions and with the take-up of our voluntary leaver scheme we have managed to reduce staffing with relatively few compulsory redundancies. Reducing agency staff costs, overtime, sickness and introducing working from different locations has also brought costs down significantly. Reskilling and redeploying people whose roles are at risk is creating a more flexible and responsive workforce and avoiding the need for as many redundancies as initially estimated.

In-work poverty and low pay remain issues of national concern. In Leeds action has been taken to tackle this, as reported to the Executive Board in September 2015. These actions reflect the commitments in the Low Pay Charter which was adopted by the council in April 2015.

In April 2016 the council's minimum hourly rate was increased to £8.01 with a commitment to review this annually in the overall context of the budget strategy. Increases are considered in terms of affordability, impact on pay structures and national pay settlements. A further increase to £8.25 was set out in the Pay Policy Statement also agreed in 2016. These changes have a positive impact on in-work poverty, women, under 25s and part time workers.

In December 2015 there were 15,084 people employed in the council (excluding schools and casual staff). In December 2016 this figure was 14,693, a reduction of 391 members of staff. The workforce profile of all employees is shown below.

Gender	Number	%
Male	5758	39%
Female	8935	61%
Total	14693	100.0%

Disability	Number	%
Not disabled	12563	86%
Disabled	803	5%
Not specified	1327	9%
Total	14,696	100%

Ethnic Origin	Number	%
Non BME	10979	74.7%
BME	1906	13%
Not specified	1811	12.3%
Total	14693	100.00%

Sexual Orientation	Number	%
Heterosexual	7121	48%
Lesbian, gay or bisexual	281	2%
Not specified	7291	50%
Total	14693	100.00%

<b>Religion or belief</b>	<b>Number</b>	<b>%</b>
Religion	8431	57%
Not specified	6262	43%
<b>Total</b>	<b>14693</b>	<b>100.00%</b>

<b>Age</b>	<b>Number</b>	<b>%</b>
16 –25	947	6%
26 - 64	13464	92%
65 +	282	2%
<b>Total</b>	<b>14693</b>	<b>100.00%</b>

To date the number of people leaving through turnover and the voluntary early retirement and severance scheme is not adversely affecting the workforce equality profile. However, the reducing workforce, coupled with reduced external recruitment, is affecting our ability to improve the workforce profile to reflect the city population (based on 2011 census data). We are working hard to improve this and although long-term in nature, this work is deemed high priority. The council promotes equality and diversity and is committed to creating a representative organisation with an inclusive culture. All members of the Corporate Leadership Team and the Chief Officers have a specific inclusion objective in their appraisals, political support is strong and a comprehensive programme of work is in place, with strong links to our Staff Network groups. Additionally a new Disclosure Audit is ongoing to produce a more up to date profile of the workforce. Due regard continues to be given to all key and major decisions which may impact on the workforce.

Our staff engagement results are very positive, with three year trends showing improvement across all areas linked to our workplace culture and values.

### **Overview of Fact Finding**

This is a high-level strategic analysis and equality impact assessment of the proposed Best Council Plan, Budget and Council Tax for 2017/18. It has not identified any specific gaps in the equality and diversity information used to carry it out.

Specific equality impact assessments will continue to be carried out on specific proposals in relation to implementing the Best Council Plan and Budget during 2017/18 through the council's decision-making processes.

### **Equality Considerations**

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

<b>Protected characteristics</b>		
<input checked="" type="checkbox"/> Age	<input checked="" type="checkbox"/> Carers	<input checked="" type="checkbox"/> Disability
<input checked="" type="checkbox"/> Gender reassignment	<input checked="" type="checkbox"/> Race	<input checked="" type="checkbox"/> Religion or Belief
<input checked="" type="checkbox"/> Sex (male or female)	<input checked="" type="checkbox"/> Sexual orientation	
<input checked="" type="checkbox"/> Other	This includes marriage and civil partnership, pregnancy and maternity and those areas that impact on or relate to equality: tackling poverty and improving health and well-being.	
<b>Stakeholders</b>		
<input checked="" type="checkbox"/> Service users	<input checked="" type="checkbox"/> Employees	<input checked="" type="checkbox"/> Trade Unions
<input checked="" type="checkbox"/> Partners	<input checked="" type="checkbox"/> Members	<input checked="" type="checkbox"/> Suppliers
<b>Potential barriers</b>		
<input checked="" type="checkbox"/> Built environment	<input checked="" type="checkbox"/> Location of premise and services	<input checked="" type="checkbox"/> Information and communication
<input checked="" type="checkbox"/> Customer care	<input checked="" type="checkbox"/> Timing	<input checked="" type="checkbox"/> Stereotypes and assumptions
<input checked="" type="checkbox"/> Cost	<input checked="" type="checkbox"/> Consultation and involvement	<input checked="" type="checkbox"/> Financial exclusion
<input checked="" type="checkbox"/> Employment and training		

## Equality Impacts Identified

The 2017/18 revenue budget and council tax support the council's ambitions, policies and priorities as set out in the Best Council Plan which are aimed at tackling inequalities and ensures budget cuts are managed sensitively. This requires an understanding of potential negative impact on groups and protected characteristics and action identified and taken to mitigate against these. The revenue budget will impact on all communities but those who have been identified at being at the greatest potential risk of negative impact include:

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

## **Equality Improvement Work**

Our vision is for Leeds to be the best city in the UK: one that is compassionate with a strong economy that tackles poverty and reduces the inequalities that still exist.

Equality analysis used to set the council equality improvement priorities has also been used to inform the 2017/18 Best Council Plan priorities and budget proposals and highlights the challenges the city will have to address to tackle inequality and help people out of poverty. The Equality Improvement Priorities recognise that there are currently different outcomes and experiences for different groups and communities and progress against them are reported annually. The Annual Equality Progress Report can be accessed [here](#).

Below is a sample of progress that has taken place over the last 12 months to help improve outcomes and reduce inequalities.

## ***Domestic Violence***

The council recognises that domestic violence has a significant impact on the lives of many individuals, families and children in the city with over 14,500 incidents of domestic violence reported to the police every year in Leeds. In addition to the human impact on the health and wellbeing and life chances of individuals there is also a substantial financial impact to the city in terms of the costs of services and lost economic output.

Domestic violence has been identified as one of the council's 8 cross-cutting 'breakthrough projects'. The aim of the breakthrough projects is to bring council directorates, partner organisations, communities and individuals together to tackle issues that will have the biggest impact on the people of Leeds.

Over the last 12 months significant work has been undertaken under the following 4 priority areas:-

- Changing attitudes and perceptions (individuals and communities)
- Supporting victims (adults, children and families)
- Challenging behaviours (working with perpetrators)
- Enabling Effective Change (workforce and organisational response)

Specific improvement work has included:

- **Front Door Safeguarding Hub** - this has been established to provide a real time multi-agency response which happens daily to high risk and medium risk (with crime) domestic violence incidents reported to the police within a given 24-hour period.
- **School Domestic Violence Notification** - a process has been developed to inform schools within 24 hours when their pupils have been present at an incident of domestic violence where the police have attended. This allows them to better look after children the day after the incident.

- **GP Pilot** - A new approach to promote routine enquiries among GPs. Health workers and in particular, GPs, are particularly accessible to marginalized groups. Four practices are running a 6 month pilot which involves GPs asking every woman they see if she is experiencing abuse. A domestic violence lead in each practice is trained to speak to those women who answer 'yes' to the GP and a Women's Aid Support Worker is on site on a sessional basis at each practice to see women.
- **Domestic Violence Ambassadors and Human Resources Champions** - A group of Ambassadors is being established across the council. The Ambassadors are offered training courses, as available, to give them grounding in domestic violence and abuse issues to allow them to answer basic questions from team mates and promote good practice within their teams. The Human Resources Champions are a complimentary scheme established as part of the council's new Domestic Violence and Abuse Policy. They are trained to a greater depth of understanding and are able to offer support and guidance to colleagues experiencing domestic violence
- **Perpetrator Responses** - New ways to engage with perpetrators are being explored. The city's Integrated Offender Management programme is being reshaped to respond to domestic violence perpetrators. A parenting programme, Caring Dads, has been successfully piloted by Safer Leeds. This programme offers a 17 week course for men who would like to become better fathers by recognising and changing their abusive behaviour.
- **Disseminated Lessons Learned from Domestic Homicide Reviews** - To promote good practice and prevent future homicide. Around 500 practitioners have attended 2 hour multi-agency briefings on practice issues.

In addition, the council's breakthrough project has also undertaken work to increase awareness and work with partners to tackle domestic violence.

### ***Private Sector Housing***

The majority of people in Leeds (approximately 78%) live in privately owned or rented housing. There are more privately rented properties in the city (approximately 60,000) than council houses. The private rented sector makes a significant contribution to meeting housing need both as a long-term tenure of choice and as a 'stepping stone' to other housing options/tenures.

However, the most disadvantaged in society are more likely to live in poor standards of housing and there is a high concentration of poor housing in the private rented sector. As a result of work undertaken:-

- The number of long term empty homes (empty for longer than 6 months) has been reduced from 5,776 in March 2012 to 3,777 in March 2016;
- A five-year target of having a net reduction of 400 long-term empty properties per year was set in April 2012. The net reduction of 1,999 by the end of March 2016 means the council has almost met the target a year ahead of schedule;
- A target of bringing 3,200 properties back into use was set for 2015/2016 and performance for the year was 3,312;
- 65 long-term empties were returned to use in the Leeds Neighbourhood Approach areas;
- 2,763 property inspections and re-inspections were carried out in 2015/2016;

- 1,252 hazards were removed or reduced in 2015/16 as a result of service interventions;
- A total of 5,508 people benefitted from our interventions in the year;
- In 2015/16 a total of 191 substantive legal Notices were served as well as 318 Power of Entry Notices to allow investigations of poor housing. In addition, over 700 HMO (Houses of Multiple Occupation) licenses or variations were also issued; and a total of 3 prosecutions were completed in the year.

### ***Fuel Poverty***

The Department of Energy and Climate Change fuel poverty statistics estimated that approximately 11.6% (38,000) of Leeds households are classed as being in fuel poverty, according to the new low income/high costs definition.

Reducing fuel poverty increases life expectancy, improves mental health and wellbeing and reduces health inequalities. In addition, it improves children's educational achievements and school attendance. Supporting tenants to maximise income will result in them having more disposable income for rent and food, which will lead to an improved quality of life for vulnerable tenants who are elderly and disabled. The council's Affordable Warmth Strategy was developed with the aim of reducing fuel costs across the whole housing stock to prevent any household from falling into fuel poverty.

In 2015 the council's Executive Board approved an investment programme to install 1,000 solar panels to council properties. The council prioritised the installation of solar panels in the Inner East and Inner South areas of Leeds which have high levels of poverty and deprivation. In addition, support and training was provided to tenants on energy efficiency. As result, tenants have benefited from:

- Free electricity generated by the solar PV systems.
- Average electricity generated per home of 521.87Kwh (during winter/spring) which equates to an average savings per household of £67.84
- Total carbon emissions prevented is 285.39t which equates to taking 159 cars off the road.
- The generation rates, financial savings and CO2 reductions will increase during the summer period.

The investment of £3.8m is expected to save tenants experiencing fuel poverty over £4.4m in electricity costs over 20 years. Installing solar panels to council homes contributes to numerous city wide priorities and is a specific action within the council's Low Carbon breakthrough project. Carbon emissions will reduce by around 862 tonnes per annum, equivalent to taking approximately 452 cars off the road.

### ***Hate Crime***

The key objectives of the Hate Crime Strategy for Leeds are to raise awareness of what constitutes a hate incident/crime and increase the confidence of victims to report their concerns.

One area of hate crime that partners have been concerned about for some time is the low level of reports received within the Religion/Faith strand, particularly in light of global, national and regional events, tensions and the reported rise of Islamophobia. There has also been a concern that some faith reports are being



incorrectly categorised as race hate reports due to a lack of understanding of the motivations.

Working in partnership with Stop Hate UK, the Leeds Anti-Social Behaviour Unit Team secured funding through the West Yorkshire Police and Crime Commissioners Office to develop a programme to engage with community representatives across Leeds, to identify and train new advocates and promote awareness of faith issues. The funding secured paid for five bespoke training sessions and a promotional campaign to improve information available to faith communities through the use of posters, improved advocacy and media opportunities.

Delivery of the project has highlighted the difficulties in connecting with some of the diverse groups and organisations in the City. Work has included working with the Leeds Faith Covenant Partnership and identified key contacts from Muslim, Jewish, Christian and Sikh groups across the city informing them of the opportunities available through the project. The response has not been as successful as anticipated.

However, there has been some progress with smaller groups across the City through the West Yorkshire Police Hate Crime coordinators and established links with an Afghan Women's group and the Syrian Sisters group. Representatives have come forward to attend training alongside partner agency staff to raise awareness of what constitutes a faith hate incident and enable those advocates to encourage victims within their groups to report through the appropriate channels. The project has already built some new bridges into community groups that were previously unknown to the partners and other links are still being progressed. Over the longer term it is hoped that the project will improve both victims' confidence to report and partner organisations' understanding of how to distinguish between faith and race hate incidents.

### ***Health Improvement***

Many disadvantaged parents-to-be, who are most likely to need support, are less likely to access perinatal education or support over and above their standard midwife care. The Leeds Maternity Health Needs assessment (2014) reports that 30% of births in Leeds occur to families living in the 10% most deprived Lower Super Output areas (approximately 3,150 births per annum) and sets out the considerable inequalities that exist with regard to maternal and infant health.

The Leeds targeted Perinatal Education programme was developed with the aim of improving birth outcomes and longer term development opportunities for babies from families with more complex needs. These targeted programmes have been developed and commissioned to more specifically meet their needs and reduce inequalities in health and wider outcomes. Key benefits reported from clients include support to access safe affordable housing, increased feelings of self-confidence and self-esteem, reduction in social isolation, increased ability to navigate health care system, improved birth outcomes and satisfaction with the birth experience, high breast feeding rates and opportunities to gain work experience and employment.

### ***BME Support Services***

Under representation of black and minority ethnic (BME) and especially those from new and emerging communities who use Adult Social Care services and

Safeguarding was highlighted as a concern. These groups are underrepresented when compared with the whole population profile.

New migrant communities hold a number of preconceptions about Adult Social Care ranging from 'I don't know what Adult Social Care do' to 'Adult Social Care will take away your children, stay away from them.' The Migrant Access Project has been working on identifying and understanding what the barriers are to new and emerging communities accessing Adult Social Care services and Safeguarding. It is recognised that these issues affect all BME groups but new migrant communities have a range of additional issues and barriers that require a greater degree of understanding. As a result additional work was needed to breakdown these barriers and to develop and deliver appropriate and useful services.

This links into the development across Adult Social Care of the asset-based community development model based on the strengths and abilities of individuals and communities to develop services that are appropriate to the needs of that community.

Based around the asset based community development model the Migrant Access Project developed a training programme covering key areas including education, housing and social care. Under Social Care the areas that were looked at included carers, disabilities, residential, older people and day centres to ensure that Migrant Community Networks could take accurate and relevant information back to their communities.

One undertaking was the use of a buffer organisation where individuals or groups from the community could go and discuss issues around Safeguarding or other concerns. Such buffer organisations allow open discussion before or instead recourse to formal government bodies something many communities feel uncomfortable about due to previous experiences. The body who undertook this buffer role is VAL (Voluntary Action Leeds).

### ***Improving Access***

In March 2016 Leeds City Council received the gold award of Attitude is Everything's Charter of Best Practice for showing continuing commitment to venue access to customers and performers for the council's outdoor venue, Victoria Gardens. Victoria Gardens hosts a number of events throughout the year including the annual Leeds Christmas Lights Switch On. Victoria Gardens is the first permanent local authority-run events space to receive the Gold award in the country.

The council's Events team will continue to work with Attitude is Everything to ensure its venues and events are as accessible and usable as possible for as many people, striving to improve disabled customers experience year on year, exceeding expectations, removing barriers which may prevent people from participating in/ experiencing events, and actively promoting an inclusive approach

### ***Health Inequalities***

Leeds Let's Get Active was launched in 2013 to explore barriers to physical activity and support the most inactive to participate in 30 minutes of moderate intensity physical activity per week. This is aimed at reducing health inequalities across the city. Inactivity costs the city around £10.4m each year. The project is funded by Sport England (£500k) and the council through its Public Health role (£500k) with in kind and staffing support from the council's Sport and Active Lifestyles service which

developed and now manages the project. It provides a universal free offer of gym, swim, classes, walking, running and family activities in 17 leisure centres and a variety of community venues and parks across the city. Leeds Let's Get Active works in partnership with a variety of organisations.

The project which is continuing into 2017/18 has resulted in the following:-

- Nearly 75,000 people have registered to take part in Leeds Let's Get Active
- 48% of registered individuals were classed as inactive at baseline (less than 30 minutes per week)
- 86.9% did not meet the Chief Medical Officers recommendations of 150 minutes of physical activity per week
- There have been 348,128 visits to Leeds Let's Get Active sessions. 45% of these visits were made by participants classified as inactive at baseline and 85% of visits were made by participants reporting lifestyle risk factors in combination (2 or more)
- 17.9% of participants that have registered since April 2015 have been diagnosed with a Long-term condition in the last 12 months
- 16,194 registered participants are from deprived areas
- At follow up 80% of inactive participants base-lined as inactive were now classed as active (more than 30 minutes per week)

### ***Apprenticeships***

The number of apprenticeship starts by Black and Minority Ethnic (BME) residents of Leeds stood at just over 10% of all starts in the 2013/14 academic year. This does not compare favorably with BME participation rates across adult learning programmes in England as a whole which is 19%. Locally the Leeds Community Learning programme (15,000 learners) has a BME participation rate of 34% and there is a school BME population of 31.1%.

The Skills Funding Agency released Local Education Authority ethnicity data for the first time in 2015 which evidenced the under-representation of BME apprenticeship starts (relating to the 2013/14 academic year). As a result the council's Employment and Skills Service has proposed a range of potential measures, underpinned by a commissioned programme of research with young people in BME communities. Agreement was also sought to co-commission research with Bradford Council in April 2016.

In addition there are a range of activities that have been undertaken or are underway which include:

- A promotional campaign to raise awareness through specific media channels (Fever FM which is now commissioned for a 12-month period);
- Promoting apprenticeships to key contacts in the BME community (youth groups, sports clubs etc) through the distribution of vacancy information; and
- Promoting the Leeds Apprenticeship Recruitment Fair (March 2106) to BME communities.

Quantitative data on BME apprenticeship starts in the 2016/17 academic year will be released by the Skills Funding Agency in September 2017. Further work will be carried out in 2017 including research with the BME community.

## ***Mental Health***

The most recent data (May 2015) available from Job Centre Plus (JCP) indicates that of those people claiming a health related out-of-work benefit, Employment Support Allowance (ESA) over 40% report mental ill health as a single diagnosis alongside a physical one. In the City this equates to approximately 15,000 claimants with the highest concentrations living in the wards with the highest rates of deprivation.

Although levels of unemployment have been falling significantly amongst people claiming Job Seekers Allowance the number of people claiming ESA has remained static over time.

For those with severe or significantly moderate mental health needs there are a range of health interventions available. However, for claimants who have mild to moderate mental ill health the city's picture can be fragmented and lack coherence.

Anecdotally, managers and frontline Job Shop staff report an increasing number of customers presenting with what may be termed as low level mental ill health, for example, low mood, poor self-confidence etc. This is a significant barrier to effective job seeking and impacts their employability potential in a competitive market. Elected members have also reported a changing and increasing profile of residents actively seeking support with or presenting mental ill health.

Mental health issues are regularly cited as a key barrier by a range of delivery partners engaged in employability and job search support and feature in the city's Employment and Skills Board priority plans. JCP has evolved its services to more effectively meet the needs of this customer group which takes into account the number of people affected and the enduring nature of the issue.

There are a number of services offering support to those experiencing low level mental ill health and those looking to gain employment which compliments the services available from JCP. However, there are few examples of effective integration.

The Employment and Skills Service explored a variety of possible delivery models to pilot an effective response to these needs. This was during an extended period of consultation with stakeholders including mental health specialists. As a result, the council has selected a model which integrates mental health support into existing services, notably Job Shops in Community Hubs. The Employment and Skills Service procured specialists with a track record of supporting those with mental ill health back into employment to deliver services within Job Shops.

This model also includes an extensive staff development programme for Job Shop staff in the first instance initially and ultimately the wider Hub staff resource. This will enable us to build the capacity of Hubs to continue to develop the provision sustainably, beyond the pilot which commenced on 4 April 2016.

## ***Children and Young People***

Nationally, children who have experienced care do not do as well in their learning as their non-looked after peers and this is the case at all stages of learning from the early years to higher education.

Leeds has the highest aspirations for children and young people who are looked after and addressing this 'gap' in attainment and achievement is a key priority in the Children and Young People's Plan and overarching Best Council Plan.

Although in Leeds, 13% of care leavers are in higher education compared to about 11% of care leavers nationally, this compares to about 38% of the general population. Care leavers are more likely to not make successful transitions into education, employment and training and this is impacted on as they are less likely to achieve five good GCSE passes.

Leeds has a statutory duty to promote the educational achievement of children looked after and these duties are discharged through our Corporate Parenting responsibilities via the Corporate Parenting Board, the Multi-Agency Looked After Partnership and the Virtual School.

All of these partnerships contribute to continuous improvements in outcomes for children looked after and care leavers and include services such as Learning Improvement, Educational Psychologists and Complex Needs Services, Youth Offending Service and Health.

There is a robust training offer through the Workforce Development service and the Virtual School provides a comprehensive programme of training and development across all corporate parenting roles including designated teachers and governors, social workers, foster carers and other services who contribute to the educational achievement of children looked after and care leavers.

All first time entrants to care have their very first Personal Education Plan and first review quality assured by the Virtual School to ensure that there are SMART targets and the pupil premium is being spent effectively and is impacting positively on children's progress in their learning.

Across the whole Multi-Agency Looked After Partnership, some of the key outcomes include:

- Increased number of children with an up-to-date quality personal education plan
- Reduced number of potential permanent exclusions
- A number of young people supported to remain in mainstream education
- Increased attendance
- Increased number of children looked after in education settings that are deemed good or outstanding by Ofsted
- In a range of primary education performance measures, the gap has been closed more quickly than other local authorities
- Increased number of young people in education, employment and training through the "Ready to Work" scheme
- Increased number of children in stable placements

## **Next Steps**

The proposed Best Council Plan and Budget for 2017/18 recognise the challenges that the city and the council are facing: 2017/18 will bring continued reductions in our funding while demand on public services is increasing; some communities in Leeds are not benefiting from the economic growth the city has experienced with inequalities impacting upon people's educational attainment, health and

employment. Having a clear, strategic vision centred firmly on tackling poverty and inequalities with a budget that supports this will help tackle these challenges.

During 2017/18 more detailed and specific work will continue to take place to ensure that further consideration is given to equality. Where any negative or disproportionate impacts on protected characteristics are identified appropriate and relevant action to mitigate these will be considered and implemented.

### **Equality Impact Assessment Action Plan**

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

### FINANCIAL REGULATIONS

#### Supplementary Votes

Supplementary votes, the release of general fund reserves, will only be considered in exceptional circumstances. The following approvals are required:

Up to £100,000	Chief Finance Officer <sup>(1)</sup>
Up to £5m	Executive Board
No specific limit	Council

#### Delegated Virements

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

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

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

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

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

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

- 3 Where *fortuitous savings* have arisen in any budget head, these should be notified to the Chief Finance Officer immediately they are known. Fortuitous savings are defined as those savings where their achievement has not been actively managed and may include, for example, savings in business rates or lower than anticipated pay awards. Any fortuitous saving in excess of £100k will not be available for use as a source of virement without the prior approval of the Chief Finance Officer.
- 4 Any decision to vire must comply with the constitutional requirements for decision making.

The delegated limits outlined in the attached table do not operate independently from the requirements within the council's constitution in respect of key decisions (as from time to time updated). All key decisions which result in the need to operate these delegated limits must first comply with the constitutional requirements, in respect of such decisions, prior to being put forward for virement.
- 5 Where wholly self-financing virements are sought to inject both income and expenditure in respect of approved external funding bids, there is no specific limit to the amount which can be approved by directors where it is clear that this would not represent a change to existing council policy, or form a new policy where one does not already exist. In all other cases, approval must be sought from council in accordance with the requirements of the council's constitution
- 6 All virements requiring approval shall be submitted in a standard format. Sufficient details shall be given to allow the decision to be made and recorded within the council's financial records.
- 7 All virement and other budget adjustment schedules should be submitted to the Chief Finance Officer for information.
- 8 The Chief Finance Officer reserves the right to refer any virement to members where there may be policy issues.

### **Other Budget Adjustments**

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



- (1) The role of the Chief Finance Officer (section 151 officer) is fulfilled by the Chief Officer Financial Services

Table 1

### Maximum delegated limits for revenue virements

Approval Type	Full Council	Executive Board	Chief Finance Officer*	Directors**
	£	£	£	£
A) Supplementary Votes (i.e. release of general fund reserve)	No specific limit	5,000,000	100,000	None
B) Virements of the net managed budget into or out of budget book service headings:				
1. Within a directorate	No specific limit	5,000,000	750,000	125,000
2. Between directorates	No specific limit	5,000,000	750,000	None
C) Self-financing virements of the net managed budget (from External Funding)				
- policy change	No specific limit	5,000,000	None	None
- within current policy	No specific limit	No specific limit	No specific limit	No specific limit

\* With the support of directors

\*\* Any reference to a director within the constitution shall be deemed to include reference to all officers listed in article 12 of the constitution.

### **Executive Board papers 8<sup>th</sup> February 2017 – directorate budget reports**

The following pages provide supporting information to the main budget report

# LEEDS CITY COUNCIL

## 2017/18 BUDGET REPORT

### Directorate: Adults and Health

#### 1 Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the directorate's budget for the 2017/18 financial year.

#### 2 Service Context

- 2.1 The national context for Adult Social Care continues to be one of demographic increases, increased life expectancy, increasing complexity of need and service user expectations, greater support for people to remain living independently in their own homes for as long as possible, a national drive to improve the quality of social care services and an increasing focus on the integration of health and social care services. These national trends, which are leading to increased cost pressures, have been evident for many years, but the economic climate is putting increasing pressure on public finances and the reductions in public spending have added to the financial challenges faced by Adult Social Care.
- 2.2 As covered elsewhere in the report the 2016 Spending Review gave councils the option of a 3% increase in Council Tax earmarked wholly for Adult Social Care. In addition a new one year Social Care Grant has been introduced for 2017/18. Additional funding for local authorities has been made available through the Better Care Fund. However, given the scale of demand and cost pressures on Adult Social Care this additional funding in itself will not address our financial challenges, particularly within the context of continuing funding reductions for the Council as a whole.
- 2.3 Over the last five years Adult Social Care has implemented its Better Lives service transformation programme, which aims to enhance the range, amount and quality of adult social care services available and deliver efficiencies within existing services. These efficiencies have included a reduction in the level of directly provided services where independent sector provision has been shown to be more cost effective. This service transformation programme will continue into 2018/19 (see separate agenda item), with a focus on service improvement running alongside financial efficiencies. This will include the further development of our approach to design care and support arrangements around the strengths of individual service users and carers, and the assets available within their communities empowering them to live the 'Better Life' that they want for themselves.
- 2.4 There are around 48 service contracts Public Health directly commission valued at approximately £29.5m. Public Health commissions a wide range of providers to deliver Public Health services, these include 3rd sector providers, GPs, Pharmacists, Leeds Community Healthcare and Leeds Teaching Hospitals Trust.
- 2.5 In April 2017 a newly commissioned service for locality community health development and improvement will start, this new service was commissioned to 3rd sector providers.
- 2.6 A review, re-commissioning and procurement are well underway to award a contract for an Integrated Healthy Lifestyles service; this will incorporate Smoking Cessation, Healthy Weight, Healthy Lifestyles, Health Trainers and Physical Activity.
- 2.7 2017 will see the start of the review of the Healthy Child pathway incorporating Health Visiting and School Nursing and NHS Health checks as part of the public health strategic commissioning priorities.

### **3 Budget Proposals**

- 3.1.1 This budget represents an increase of £9,182k (4.62%) when compared to the adjusted 2016/17 budget, summarised in the table attached to this report.
- 3.1.2 The Public Health budgets have been set in response to continuing grant reductions notified in the 2015 Spending Review and Autumn Statement. In order to mitigate the immediate impact of the grant reduction in 2016/17, there was a contribution of £1,326k from Leeds City Council reserves to allow the cuts to be phased in over a period of time. This budget takes into account the requirement to repay those reserves. A further grant reduction of £1,149k has been confirmed for 2017/18.
- 3.2 Changes in prices – pressure of £4,660k**
- 3.2.1 The budget proposals include allowance of £760k for the 2017/18 pay award.
- 3.2.2 No provision has been made for inflation on running cost budgets other than where there are specific contractual commitments and on utilities. The main provision for price inflation is £3,942k for care packages.
- 3.2.3 Inflationary increases in the level of fees, charges and income from other organisations are estimated to generate additional income of £40k. Many Adult Social Care fees and charges are related to Department for Works and Pensions benefits rates and will be uplifted accordingly from April 2017. Those charges not linked to benefits rates have been budgeted to increase by 3%. An increase in the charges for services does not generate a proportionate increase in income as the amount people pay for most services is determined by individual financial circumstances.
- 3.3 Leeds City Council Minimum Pay Rate – pressure of £15k**
- 3.3.1 Executive Board reaffirmed its commitment to becoming a real Living Wage employer by implementing a minimum rate of £8.25 per hour from January 2017. A provision of £15k has been made for this.
- 3.4 National Living Wage – pressure of £2,792k**
- 3.4.1 The Government announced the increase to the National Living Wage from £7.20 per hour to £7.50 from April 2017 for all employees aged over 25. The budget makes allowance for implementing the cost of the National Living Wage for commissioned services within Adult Social Care. The impact in 2017/18 is estimated at £2,792k.
- 3.5 Actuarial Review – pressure of £350k**
- 3.5.1 The triennial review of the West Yorkshire Pension Fund has been undertaken. The actuary has advised that councils in the scheme should budget for an employers' contribution rate of 15.9%, currently 14.65%. This increase is estimated to cost £350k
- 3.6 Apprentice Levy – pressure of £201k**
- 3.6.1 The Government has introduced a new apprentice levy, based on 0.5% of payroll costs. This is estimated to cost £201k in 2017/18.
- 3.6.2 The levy is paid over to Government and the Council will be able to access its contribution, via a digital account, which will enable it to fund the costs of apprentice training.

### **3.7 Full Year Effects – saving of £2,000k**

- 3.7.1 The February 2016 Executive board approved changes to the way income and allowances are taken into account when undertaking a financial assessment and to the maximum weekly charge. Though implemented in 2016/17, the full year effect is expected to deliver an extra £2,000k of client contributions.
- 3.7.2 The Leeds South & East Clinical Commissioning Group (CCG) provided an initial £3,000k Health Inequalities Fund which will be managed by LCC to commission additional targeted Public Health services and related programmes in the South and East. Since then, a further £1,000k has been allocated by the CCG. The expenditure on this project in 2017/18 is expected to be £1,050k which is an increase of £550k compared to 2016/17. The increased expenditure is fully funded by this income.

### **3.8 Demography and Demand - pressure of £7,133k**

- 3.8.1 Additional provision of £4,433k has been made to reflect the demand and demographic pressures experienced during 2016/17 and forecast for 2017/18. In recognition of the financial challenges facing the council the directorate intends to put measures in place to manage this demand and reduce the costs of care packages. Savings of £3,750k are included under the service changes heading for the estimated financial impact of service reviews across learning disability, mental health and physical impairment services based on a review of Leeds spend against the averages for comparator authorities. These savings are outlined in more detail in section 3.11.2. Whilst the additional provision has been allocated across placements, domiciliary care, direct payments and the learning disability pooled budget, the type of service will reflect client needs and choices so each element of the community care packages budget cannot be predicted with absolute accuracy.
- 3.8.2 Recognising the volatility of demand over the winter period a Resilience Reserve will be set up with a value of £1,000k. Under the national banner of Transforming Care, NHS England is working with local authorities and CCGs to ensure that people with a learning disability and/or autism currently in hospital who could be supported in the community are discharged into a community setting as soon as possible. It is anticipated that costs will increase over the next few years and is therefore prudent to provide £1,700k to meet this pressure.

### **3.9 Grant Changes - £2,151k**

- 3.9.1 The Public Health grant allocation for 2017/18 has now been confirmed at £45,481k, a reduction of £1,149k which is a reduction of 2.46% compared to the 2016/17 grant allocation.
- 3.9.2 The Government has introduced a one year Adult Social Care Support Grant; the figure for Leeds is £3,300k.

### **3.10 Other Budget pressures - £10,041k**

- 3.10.1 The fall out of pension contributions for staff that has left the authority in previous years will save £209k.
- 3.10.2 The additional 1% Social Care precept will fund additional Occupational Therapists, Quality of Care Officers and help to protect the third sector, as well as address elements of the increased transport costs. £1,722k has been provided for these costs.
- 3.10.3 The 2016/17 budget included financial support from health partners, recognising that without adequately resourced social care, timely hospital discharges will be adversely affected and people's conditions could necessitate more emergency hospital admissions. A pressure of

£4,700k in 2017/18 arises as a proportion of the budgeted funding in 2016/17 is not expected recurrently. £212k is no longer available to support social work staff based in hospitals.

- 3.10.4 Grant income of £1,426k is no longer receivable within Adult Social Care. However, the impact of the additional 1% precept has allowed services such as Neighbourhood Networks previously funded through grant income, to be funded on a more sustainable basis.
- 3.10.5 Along with Health Partners, Adult Social Care are developing a Recovery Model of Care; looking to deliver a more joined up and appropriate level of care for patients ready to leave hospital but not yet ready to go home. A Social Care Development reserve of £600k will be set up to mitigate set-up costs.
- 3.10.6 To ease the severity of the impact of the 2016/17 reduction in Public Health Grant, some services were funded from general fund reserves. These budgets now need to be reinstated at a cost of £1,326k.
- 3.10.7 In addition, Public Health is to repay the reserves used, over the next 2 years. For 2017/18, this means an additional cost of £330k. Monitoring of the 2016/17 budget is currently projecting an underspend which means that less funding will be required from Leeds City Council reserves in 2016/17. This will have a beneficial impact in 2018/19 when a smaller balance will be required to fully refund reserves.
- 3.10.8 The net effect of all other minor pressures identified is £56k.
- 3.11 **Savings and Funding £11,860k**
  - 3.11.1 **Efficiencies – £1,720k**
  - 3.11.2 Proposals are included to save £500k through efficiencies within the assessment and care management function. These will include a review of the staffing skills mix and business processes. Savings of £600k are included for vacancy management across Adult Social Care, which will be managed so as not to impact on front-line assessments, support and care delivery. Continued efforts have been made to reduce expenditure on general running expenses, including cash limiting, giving rise to a saving of £620k.
- 3.12 **Service Changes - £9,220k**
  - 3.12.1 Community Support Service - £900k
  - 3.12.2 Executive Board approved the cessation of the in-house Community Support Service. This is expected to deliver a saving of £900k after increasing the provision for externally commissioned community support.
  - 3.12.3 Client Group Service Reviews - £5,000k
  - 3.12.4 A review of the costs of services has identified that spend in Leeds is significantly higher than in comparator authorities on mental health services and to a lesser extent on services for people with physical impairment and learning disabilities. Along with encompassing the strengths-based approach to providing support, ASC are working to ensure that, in meeting client needs, the most cost effective package of care is in place. Based on this analysis and the current level of spend on these services, savings of £2,500k are included for learning disability services, £750k for mental health services and £500k for physical impairment services. A target of reducing the numbers of older people going into residential care through increased use of reablement, telecare and recovery services is expected to save £1,250k. The impact of these reviews may include some customers being transferred to different

services and some reduction in the level of care provided, but eligible social care needs will continue to be met. Some of these savings may impact on third sector services.

3.12.5 Older People's Residential and Day Care Services - £440k

3.12.6 Following a consultation and engagement process plans have been approved by Executive Board to reduce the number of council-run residential homes and day centres. Savings of £440k are included in the 2017/18 budget for a part-year effect of these proposals.

3.12.7 Public Health – £2,880k

3.12.8 A re-commissioning of third sector services with a 5% reduction for contracts in scope is expected to save £140k. An 8% reduction in the existing drugs and alcohol treatment contract will achieve savings of £670k; a re-commissioning of the NHS Healthy Lifestyles contract which is due to start in October 2017 will have a reduction of 5% on the contracts in scope and will save £260k.

3.12.9 The Family Nurse Partnership contract will not be extended beyond March 2017 and will result in reduced costs of £810k.

3.12.10 There is a reduction in the contract value for the School Nursing and Health Visiting service which will save £400k and the Public Health contribution to Children's centres will reduce by £500k.

3.12.11 All other services jointly commissioned with other directorates will be reduced by £100k.

3.13 **Income – Fees and Charges £770k**

3.13.1 ASC has identified that its fee income is lower than comparator authorities and yet has similar charging policies. A review of income collection procedures has identified some opportunities for improved collection and a £500k target has been set for this.

3.13.2 In recognising the increasing number of Direct Payments and backlog in the DP audit, the directorate's Direct Payment Audit Team will take on additional staff, with a target recovery of £200k in excess of their cost.

3.13.3 £70k of additional grant income from the Local Reform and Community Voices will be receivable.

3.14 **Income – Other Income £150k**

3.14.1 In addition £150k of additional income is targeted from the Better Care Fund

4 **Risk Assessment**

4.1 In determining the 2017/18 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2017/18 budget for this directorate are as follows.

4.2 A significant risk relates to the demand led nature of the services provided, together with our statutory responsibility to ensure that all assessed eligible needs are met, which means that the expenditure requirements to be met from the Adult Social Care budget cannot be predicted with absolute certainty. The budget is based on realistic demographic information using trends experienced in Leeds and national and local indicators that are available to the Council. However, the nature of demand for these services can be somewhat volatile and



subject to demand factors that Adult Social Care cannot directly control. The numbers of service users and the complexity of their needs may exceed the provision made within the budget. With approximately 3,500 placements in total a relatively modest percentage variance in numbers can give rise to a substantial cash variance. These variations could affect community care packages for adults, including those commissioned within the pooled budget for people with learning disabilities. In this context, delivering the service review savings included within the 2017/18 budget as set out in section 3.10.2 carries some risk.

- 4.3 There are some risks associated with the targeted income from the CCGs; these are centred on proposed changes in their commissioning model and pressures associated with the relationship between them and the Health Provider Trusts.
- 4.4 With specific reference to Public Health; there is risk of harm to health and increase in health inequalities due to the impact of the Public Health cuts on commissioned services and programme budgets. There is a risk of unanticipated emergency situations and health protection issues, for example flu pandemic and outbreaks of infectious diseases, in terms of costs that would have to be met by the council. There is a risk of unanticipated costs in relation to two newly commissioned services; Integrated Healthy Lifestyles Service, Locality Community Health Development and Improvement services.
- 4.5 A risk of newly endorsed NICE treatments becoming a cost pressure due to the Council's Public Health responsibilities. Following recent legislation changes, the Office of the Director of Public Health is responsible for 24 contracts which are activity based; there is a risk, based on the possibility of fluctuation, in particular an increase in demand, some of which funding is determined by NHS tariff.

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**Directorate - Adults and Health**

	2017/18 £m	FTEs
<b>2016/17 Adjusted net managed budget (New Organisational Shape)</b>	<b>198.54</b>	
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	0.76	
Price	3.94	
Income	-0.04	
<b>Employers Pension</b>	0.35	
<b>Leeds CC minimum pay rate</b>	0.02	
<b>National Living Wage - commissioned services</b>	2.79	
<b>Apprentice Levy</b>	0.20	
<b>Full Year Effects of previous decisions</b>		
Charging Review	-2.00	
Health Inequalities Fund		
- increase in expenditure	0.55	
- increase in income to fund expenditure	-0.55	
<b>Demographic and demand pressures</b>		
Demography and demand	4.18	
Resilience - earmarked reserve	1.00	
Transforming Care - earmarked reserve	1.70	
Leeds Equipment Service - equipment	0.25	
<b>Grant Changes</b>		
Public Health grant	1.15	
Adult Social Care Support Grant	-3.30	
<b>Other</b>		
Fall Out of Capitalised Pensions	-0.21	
Partnership Funding fall out	4.91	
Social Care Development - earmarked reserve	0.60	
Protection of Third Sector	0.30	
Quality of Care Officers	0.30	6.00
Additional Occupational Therapists	0.20	4.00
Passenger Transport - equal pay	0.30	
Passenger Transport - trend	0.50	
Reinstate budget for services funded by reserve in 2016/17	1.33	
Start to repay LCC general fund reserves	0.33	
Other funding adjustments	1.43	
Net effect of all other minor pressures	0.05	10.06
<b>Total Pressures</b>	<b>21.04</b>	<b>20.06</b>
<b>Savings Proposals:</b>		
<b>Efficiencies</b>		
Assessment and Care Management: review of business processes and staff skills mix.	-0.50	-11.59
Review and top-slicing of non-essential spend	-0.10	
Reduction in in-house legal fees	-0.30	
Staffing - vacancy management (non-front line)	-0.60	-5.44
Buildings	-0.12	
Business Rates	-0.10	-1.37
Absorb pay cost increases within existing budgets		
<b>Service Changes</b>		
Community Support Service (in-house)	-0.90	-50.89
Older People: residential & day support	-0.44	-93.01
Older People: reduction in the number of customers going into residential care	-1.25	
Physical Impairment: ensure most cost effective way of meeting people's needs	-0.50	
Mental Health: ensure most cost effective way of meeting people's needs	-0.75	
Learning Disabilities: ensure most cost-effective way of meeting people's needs incl review of ILP	-2.50	
Third sector commissioned service	-0.14	
Third sector/statutory drugs and alcohol services	-0.67	
NHS Healthy Lifestyle services	-0.26	
Family Nursing Partnership - contract not extended	-0.81	
School Nursing and Health Visiting	-0.40	
Children's Centres - reduction of contribution	-0.50	
Joint commissioning with other Directorates	-0.10	
<b>Income - Fees &amp; Charges</b>		
Direct Payment Audit	-0.20	2.00
Improved income collection	-0.50	
Additional grant	-0.07	
<b>Income - Traded Services, Partner and Other Income</b>		
Additional partner income	-0.15	4.00
<b>Total Savings</b>	<b>-11.86</b>	<b>-156.30</b>
<b>Net Managed Budget 2017/18</b>	<b>207.73</b>	<b>-136.24</b>

# LEEDS CITY COUNCIL

## 2017/18 BUDGET REPORT

### Directorate: Children and Families

#### 1 Introduction

1.1 This report has been produced in order to inform members of the main variations and factors influencing the directorate's budget for the 2017/18 financial year.

1.2 As a result of the Council's new organisational shape with fewer Directorates taking effect from April 2017, the 2016/17 budget has been restated to allow for a more meaningful comparison of the year on year changes.

#### 2 Service Context

2.1 The Council has a statutory duty and responsibility to safeguard and promote the welfare of the over 188,000 children & young people across Leeds and has set out a bold ambition to be the best city and best council in the UK. In order to achieve this ambition the Council acknowledges that Leeds must also be the best place for children and young people to grow up in. The Directorate is still committed to the Children and Young People Plan (CYPP) and this budget reaffirms the Council's commitment to the plan.

2.2 Restorative Practice continues to underpin the Directorate's ambition to be a truly Child Friendly city and is the single most important element of the directorate's strategy for managing increasing demographic and demand pressures that are often a by-product of a city with a strong economy. The restorative approach requires professionals/practitioners to work *with* children and families as opposed to doing things for them or to them, providing high support and high challenge and empowering children and families to make positive decisions about their lives.

2.3 The strategy is based on strong local partnership working built around clusters of schools multi-disciplinary teams working closely with schools and in some areas co-located with schools as part of the "readiness for learning" agenda launched in 2015.

2.4 This approach has already had a significant impact on both outcomes for children, young people and families and on service delivery in Leeds.

2.5 At a time when the number of looked after children nationally has risen by 6% between April 2011 and March 2015, the number in Leeds has fallen by 14%. Numbers fell by a further 1.7% during 2016/17. This has been achieved through the use of evidence based interventions underpinned by a restorative approach which works *with* families to achieve good outcomes for children and young people.

2.6 Leeds is nationally recognised as a sector leader in Children and Families. It is the only core city to be rated as good overall, and one of only eight authorities to be rated as outstanding for leadership, management and governance. This success has been recognised and Leeds Children's Services have received a number of national awards:

- Local Government Chronicle – Children and Families of the Year 2015
- Restorative Practice Awards – the Cutting Edge award for Leeds' Family Valued programme, and the Young Heroes award for Carr Manor Community School

- Municipal Journal – Impact and Innovation in Children and Families

2.7 Whilst the Directorate has made good progress in implementing the Children and Young People's Plan (CYPP) achieving the assumptions included in recent budgets has proved an ongoing challenge. The Directorate has faced significant budget pressures on demand-led budgets, notably around transport and Children Looked After (CLA). In terms of Children Looked After the 2015/16 and 2016/17 budgets reflected the strategy at the time that additional investment in restorative practice and other service innovations would lead to significant reductions in the number of looked after children. Whilst numbers have reduced year on year, within a context of demographic pressures and national increasing numbers, the reduction has not been to the level used as a basis for determining the budget requirement in those years. This has resulted in significant pressure on the 2015/16 and 2016/17 budgets.

2.8 As part of the 2017/18 budget proposals the Directorate has made rebalancing the base budget to address these areas, a key element of the budget strategy, so that there is a sustainable budget moving forward. The detailed proposals are outlined below but these proposals include additional resources of £8.73m to address the key budget pressures that have emerged over the last two years including the demand-led pressures and loss of partner income.

### 3 **Budget Proposals**

3.1 This budget represents an increase of £5,660k (5.2%) when compared to the adjusted budget for 2016/17. The variations are summarised in the table attached to this report.

#### 3.2 **Changes in prices – pressure of £621k**

3.2.1 The budget proposals include allowance of £963k for the 2017/18 pay award.

3.2.2 No provision has been made for inflation on running cost budgets other than where there are specific contractual commitments and on utilities, the provision for price inflation is £23k.

3.2.3 Inflationary increases in the level of fees, charges and income from other organisations are estimated to generate additional income of £365k.

#### 3.3 **Leeds CC minimum pay rate – pressure of £18k**

3.3.1 At its October 2016 meeting, the Executive Board agreed that the council would increase the minimum rate that all staff would be paid to £8.25 per hour (previously £8.01 per hour) from January 2017. Provision of £18k has been made for this in the budget.

#### 3.4 **National Living Wage – pressure of £300k**

3.4.1 As part of the autumn statement in November 2016, the Government announced an increase in the National Living Wage from £7.20 to £7.50 per hour from April 2017 for all employees aged over 25, rising to an estimated £9 per hour by 2020. The budget makes allowance for implementing the cost of the National Living Wage for commissioned services. The impact in 2017/18 is estimated at an additional cost of £300k and is largely in relation to contracts for external placements for CLA.

### **3.5 Actuarial Review – Pressure of £547k**

- 3.5.1 The triennial review of the West Yorkshire Pension Fund has been undertaken. The actuary has advised that councils in the scheme should budget for an employers' contribution rate of 15.6%, currently 14.65%. This increase is estimated to cost £547k.

### **3.6 Apprentice Levy – Pressure of £334k**

- 3.6.1 The Government has introduced a new apprentice levy, based on 0.5% of payroll costs. This is estimated to cost £334k in 2017/18.
- 3.6.2 The levy is paid over to the Government and the Council will be able to access its contribution, via a digital account, which will enable it to fund the costs of apprentice training.

### **3.7 Full year effects – £0k**

- 3.7.1 There are no full year effects of previous budget decisions included in these proposals.

### **3.8 Demography and demand - pressure of £5,800k**

- 3.8.1 These budget proposals include a significant increase to key demand-led budgets within Children and Families. The proposals take into account the financial pressures experienced during 2016/17 together with an assessment of the factors that will influence demand in 2017/18. It is proposed that the transport budget is increased by £2,800 to £8,000k. This budget increase should be sufficient to address the rise in numbers and increase in transport requirements outside the city.
- 3.8.2 The Directorate's strategy for Children Looked After has been a key factor in the setting of previous budgets, taking into account progress to date it is proposed that the budget for CLA is increased by £3,000k in 2017/18; an increase of 9% to the 2016/17 budget for looked after children, which was set based on forecast reductions. The main areas where anticipated reductions have not been achieved have been on external residential and independent fostering agency placements although smaller overspends have also occurred on other areas of the budget. The number of both placements has reduced significantly since a peak in 2011/12 but whilst the numbers have reduced year on year there have been periods when numbers have increased and the reduction has not been in line with the forecasts used to set previous budgets. The ongoing commitment to the CYPF and the additional investment, secured through the new innovations Bid, means that there should be a continued reduction in these placements. The proposed increase in the CLA budget in 2017/18 takes account of the current position but is based on numbers continuing to reduce during 2017/18 though at a reduced rate to that assumed in previous budgets. This will remain a key budget risk in 2017/18.

### **3.9 Grant Fallout - £4,318k**

- 3.9.1 The budget fully recognises the impact of changes to the Education Services Grant (ESG). ESG had already been reduced in 2016/17 and will be further reduced in 2017/18 and will cease to be paid in 2018/19. The reduction in 2017/18 is expected to be £4,318k. An estimated £1,700k of current ESG in relation to what the Government determines to be retained duties will be included as part of Dedicated Schools Grant (DSG) in 2017/18. School Forum approval will be required for this element of the DSG to be available to fund the retained duties within Children and Families.

### **3.10 Other budget pressures - £5,762k**

- 3.10.1 The 2016/17 budget included additional partner funding for a number of service areas. Some of this funding will not be available in 2017/18 and the budget proposals include an additional £5,100k to cover this. A total of £3,400k is provided to offset the loss of funding for Life Ready for Learning from the DSG surplus balances and £1,600k to offset funding for Children Centres that was budgeted for in 2016/17 but which will not be received in 2017/18. Loss of funding for Leeds Pathway is £100k
- 3.10.2 Other funded pressures include £925k for staff savings across the Directorate included in the 2016/17 budget that have not been realised.
- 3.10.3 The budget also includes a reduction of £179k for historical pension costs which from 2016/17 savings from the fall out of costs have been accounted for corporately.
- 3.10.4 Anticipated savings in insurance charges in 2017/18 are also to be accounted for corporately, for Children and Families this amounts to a reduction of £17k.
- 3.10.5 The national revaluation of National Non Domestic Rates (NNDR) has resulted in savings to some Directorates and increased costs to others. Children and Families are expected to have a net saving of £86k and it is proposed that budgets for NNDR are realigned to help fund Directorates with an increase in charges.
- 3.10.6 It is proposed to transfer the budget for school admission appeals from Resourcing and Housing to Children and Families resulting in a net increase of £18k to this Directorate.

### **3.11 Savings and funding £12,038k**

#### **3.11.1 Efficiencies – £2,636k**

- 3.11.2 The 2017/18 proposals include £124k in directorate running cost savings, £983k in net staff savings from ELI and through the management of vacant posts. A saving of £929k in social work staffing is proposed which will be achieved principally through a reduction in agency spend and also by a reduction in non-front line staffing.
- 3.11.3 In 2017/18 the proposals also anticipate a one-off benefit of £600k from retaining a proportion of the current reserves held by school-led children centres.

### **3.12 Service Changes - £2,470k**

- 3.12.1 The valuable services provided by children centres are recognised and the loss of various partner funding for this service as outlined in paragraph 3.10.1 has been fully funded in the proposals. Proposed service changes do include a reduction of £600k to the Children Centre Family Services budget. Whilst this will mean a reduction to the operational budget of individual children centres which will have an impact on the level of services provided, the remaining budget in 2017/18 is sufficient to ensure that all children centres remain open and viable and the impact of the reduction on vulnerable children will be minimised.
- 3.12.2 A review of all commissioned contracts in the Directorate has identified proposed savings of £901k. The savings include £252k from the short breaks contract; these savings are already being achieved in 2016/17. There has been ongoing consultation with affected organisations.

3.12.3 As outlined in paragraph 3.9.1, the Government is phasing out ESG over the next two years. As a result of this, a number of savings are proposed in services that have been previously funded by ESG. Savings of £969k are proposed and include £539k of running cost savings in Information Management and Technology, Learning Improvement and Information Management and £353k of staff savings across a number of services.

### 3.13 **Income – Fees and Charges £1,500k**

3.13.1 Additional income of £200k is anticipated from Adel Beck Secure Children's Home as the Directorate is able to maximise income from the provision of secure welfare beds for other local authorities.

3.13.2 Income from children centres is expected to increase by £300k from the increases in nursery fees in January 2017 and September 2017 and from the new Free Early Education Entitlement (FEEE) hourly rates.

3.13.3 The Government has announced new regulations for Childcare; this includes the setting of new rates for nursery providers which will see an increase and also the guarantee of a minimum of 30 hours free childcare. The regulations also include the ability of top slice from the Early Years Block in the Dedicated Schools Grant up to 7% from the nursery fee. It is proposed that 5% will be top sliced providing £1,000k of funding for Children and Families.

### 3.14 **Income - Other £5,432k**

3.14.1 The Directorate has previously been successful in securing funding from the DfE through the Innovations Bid and an additional bid has recently been approved. It is estimated that some £2,500k will contribute to the 2017/18 Children and Families budget.

3.14.2 Additional Public Health funding of £820k is being used to support services within the Directorate.

3.14.3 An additional £330k has been secured from South and East Clinical Commissioning Group towards the Family Services Best Start.

3.14.4 A key part of the Directorate's savings proposals is to increase traded income and reduce the level of subsidy on traded services. Additional resources have been committed in 2016/17 to provide the capacity to develop a strategy and implement the proposals. Additional traded income of £1,250k has been included in the 2017/18 budget, including increased income from the Activity Centres and in Complex Needs, Early Years Improvement, Attendance Strategy and a range of other services provided to schools. If additional income is not deliverable then it will be necessary to also review spend in these areas.

3.14.5 Additional income of £500k is anticipated from the Families First funded from the Troubled Families grant.

3.14.6 Other income increases amount to £32k.

## 4 **Risk Assessment**

4.1 In determining the 2017/18 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore

requiring careful and regular monitoring has been prepared. The key risks in the 2017/18 budget for Children and Families are as follows:

- 4.2 Demand Led Budgets – Leeds is growing as a city and as well as rising birth rates more families are choosing to live and work here. It is projected that the number of children & young people will continue to increase in Leeds over the next few years.
- 4.3 This increasing demographic brings with it an increasing number of children with special and very complex needs. This impacts in particular on the Children and Families placements budget for Children Looked After and on the transport budget. As already mentioned in paragraphs 3.8.1 and 3.8.2, these budget proposals provide for an increase of £3m for the Children Looked After budget and £2.8m for the transport budget.
- 4.4 These pressures have also impacted on the High Needs budget in 2016/17 which is funded by the Dedicated Schools Grant. There is a projected overspend on the DSG of £5.6m with some of these pressures expected to recur in 2017/18. Although this budget sits outside the Children and Families budget decisions on spend are made by the Council. Schools and School Forum have been consulted on options to balance the High Needs budget in 2017/18 and to reduce any deficit balance from 2016/17. Any Council decisions required will be made in February or March 2017. School Forum approval is also required to carry forward any deficit on the DSG. Whilst School Forum is aware and is supportive of this there is a risk that ultimately a deficit on the DSG could become a liability to the Council.
- 4.5 Income – the Directorate's proposed budget includes significant income from partners and from other sources. Some income sources will not be available in 2017/18 and these budget proposals address this as outlined in paragraph 3.10.1. Additional income has now been secured from the DfE from a further Innovations BID but other income such as from additional trading activity needs to be secured. The budget proposals are also dependent on the approval of School Forum to the proposals around FEEE retention of £1m.
- 4.6 Other saving proposals depend on the implementation of a number of action plans. Proposals for savings on staffing have largely already been actioned through the Early Leaver Initiative and through the management of vacant posts.

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	2017/18 £m	FTEs
<b>2016/17 Adjusted net managed budget (New Organisational Shape)</b>	<b>109.60</b>	
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	0.96	
Price	0.02	
Income	-0.36	
<b>Employer's Pension</b>	0.55	
<b>Leeds CC minimum pay rate</b>	0.02	
<b>National Living Wage - commissioned services</b>	0.30	
<b>Apprentice Levy</b>	0.34	
<b>Full Year Effects of previous decisions</b>		
<b>Demographic and demand pressures</b>		
Children Looked After	3.00	
Transport	2.80	
<b>Grant Fallout</b>		
Reduction in Education Services Grant	4.32	
<b>Other</b>		
Reduction in budgeted funding for Children Centres	1.60	
Reduction in budgeted funding for 'Life Ready for Learning'	3.40	
Fallout of capitalised pensions	-0.18	
Funding for Leeds Pathways	0.10	
Net Staffing pressures in the 2016/17 budget	0.93	25.00
Business Rates	-0.09	
School Appeals team	0.02	1.00
Insurance Charges	-0.02	
<b>Total Pressures</b>	<b>17.71</b>	<b>26.00</b>
<b>Savings Proposals:</b>		
<b>Efficiencies</b>		
Running Cost savings	-0.12	
Net other staffing savings (ELIs and vacancies across the Directorate)	-0.98	-37.30
Social Work Services - agency staffing and non frontline staff	-0.93	-8.00
Accumulated Balances on School Led Children's Centres	-0.60	
<b>Service Changes</b>		
Remodelling of Children Centre Family Services	-0.60	-11.00
Commissioned Services - reduction in spend	-0.90	
Reductions in ESG funded activities - staffing and running cost expenditure	-0.97	-6.80
<b>Income - Fees &amp; Charges</b>		
Additional income Adel Beck	-0.20	
Children Centres additional income	-0.30	
5% retention of nursery Free Early Education Entitlement (FEEE) income	-1.00	
<b>Income - Traded Services, Partner and Other Income</b>		
Increase in traded services income or review spend	-1.25	
Additional public health grant funding	-0.82	
Clinical Commissioning Group funding re Incredible Babies	-0.33	
New Innovations bid (net income)	-2.50	32.40
Families First additional income	-0.50	
Other income	-0.03	
<b>Total Savings</b>	<b>-12.04</b>	<b>-30.70</b>
<b>Net Managed Budget 2017/18</b>	<b>115.26</b>	<b>-4.70</b>

# **LEEDS CITY COUNCIL 2017-18 BUDGET REPORT**

## **Directorate: Children and Families**

### **The Schools Budget 2017-18**

1. The schools budget is funded by the Dedicated Schools Grant (DSG). The DSG is a ring-fenced grant and may only be applied to meet costs that fall within the schools budget. Any under or over spend of grant from one year must be carried forward and applied to the schools budget in future years.
2. The schools budget comprises individual school budgets (ISB) delegated to schools; free early years education provision for 2, 3 and 4 year olds; the cost of supporting pupils with high needs and a number of prescribed services and costs in support of education in schools. Funding for post-16 provision remains as a separate post-16 grant and a small number of targeted grants remain, with the Pupil Premium being the largest of these.
3. As in previous years, the DSG for 2017-18 will be funded as three separate blocks known as the Early Years Block, the High Needs block and the Schools block.
4. The early years block will be used to fund free early education for 3 and 4 year olds and the early education of eligible vulnerable 2 year olds. Funding will be based on the number of pupils on the January 2017 and January 2018 census, multiplied by a figure of £4,570 per full time equivalent pupil for 3 & 4 year olds and £4,940 for 2 year olds. These per pupil rates have increased from the 2016-17 level as part of the government's revised early years funding strategy which will also see eligible working families of 3 & 4 year olds being able to access 15 additional hours of free childcare per week (30 hours per week in total) from 1<sup>st</sup> September 2017. The funding for the 2017/18 financial year will therefore not be finalised until the end of the year.
5. The Early Years Pupil Premium (EYPP) will continue to be paid as part of the DSG and will remain at £0.53 per pupil per hour for eligible pupils.
6. The high needs funding system is intended to support the most appropriate provision for pupils with special Educational needs (SEN), learning difficulties and disabilities from their early years to age 25. The most appropriate provision can include mainstream schools, Specialist Inclusive Learning Centres (SILC's) and settings provided by the independent sector including good quality alternative provision for pupils who cannot receive their education within schools.
7. The funding for high needs pupils has two aspects, place funding and top-up funding. Place funding is to provide a base level of funding for the institution for pupils' core education and basic programmes to meet additional support costs up to a specified threshold. Top-up funding is that which is required over and above the place funding, to enable a pupil with high needs to participate in education and learning.

8. The high needs block will be used to fund special schools (including academies and free schools), resourced SEN places in mainstream schools, pupil referral units and alternative provision. Published place numbers for the 2016/17 academic year have been used as the basis for estimating our 2017/18 allocation. Adjustments have been made for previously agreed place numbers and approved exceptional places.
9. 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 in Leeds (including those in academies and free schools) as at October 2016, multiplied by the schools block unit of funding. The 2017/18 rate is £4,565 which has been 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 within primary schools.
10. The delegated schools budget will be allocated to primary and secondary schools including academies through the school funding formula. The funding allocated to academies and free schools through the funding formula will be recouped from the schools block paid to the City Council.
11. In each year since 2012/13, the local authority (with the agreement of Schools Forum) has retained £5.2M of schools block funding centrally in order to support Clusters. From April 2017 this is no longer allowed and the Education Funding Agency (EFA) has stipulated that the funding must be delegated to schools. It is intended to distribute the £5.2M through an adjusted formula locally in order to limit the variations to schools and clusters.
12. As at January 2017, it is estimated that the total amount to be recouped from the schools block for academies will be £156m. Should any more schools convert to academy status during the year, then further adjustments will be made to the DSG received by the Council.
13. Funding for post-16 provision is allocated by the Education Funding Agency (EFA) through a national formula. No changes to the EFA's formula are expected for 2017/18 and it is understood that 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.
14. 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 unchanged (Primary £1,320, Secondary £935 and children looked after/adopted children £1,900).
15. The Primary PE grant will continue to be paid in the 2016/17 academic years to all primary schools at a rate of £8,000 plus £5 per pupil. The Year 7 catch-up premium will be paid in the 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.

16. 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 year.
17. The table below shows the latest estimated figures for the schools budget for 2016/17 and 2017/18:

	2016-17 £m	2017-18 £m	Yr on yr Change
DSG - schools block	466.32	482.07	15.75
DSG - high needs block	58.80	62.78	3.98
DSG - early years block	39.49	51.04	11.55
DSG - early years pupil premium	0.55	0.55	-
EFA Post 16 funding	33.26	33.26	-
Pupil premium grant	41.80	42.24	0.44
PE & sport grant	2.10	2.14	0.04
Yr 7 catch-up grant	0.84	0.85	0.01
Universal infant free school meals grant	9.59	9.82	0.23
<b>Total Schools Budget</b>	<b>652.75</b>	<b>677.72</b>	<b>32.00</b>

(figures include estimates for academies)

18. The DSG can only be applied to expenditure within the schools budget and unspent balances of the grant must be carried forward and applied to the schools budget in consultation with the Schools Forum. Underspends on de-delegated services in 2016/17 have to be ring-fenced within the DSG and must be applied to the following year.
19. Following a full consultation with maintained primary and secondary schools, Schools Forum have agreed to the central retention of approximately £4.90M of schools funding for a range of de-delegated services. These services include maternity and other staff cover (£1.87M) access to a schools contingency fund (£1.06M), trade union facilities time (£0.47M) and support for under-performing ethnic groups (£0.40M). A school library service (£0.30M) and school museums service (£0.23M) are also funded through this centrally retained pot along with the administration of free school meals eligibility checks (£0.18M), behavioural support services (£0.12M) and the cost of the Capita SIMS licences for administrative software purchased on behalf of primary schools.
20. The funding regulations also require that Schools Forum agree to the level of funding to be held centrally in 2017/18 for continuing commitments and responsibilities. These budgets can be no higher than the value retained in 2016/17.
21. At their meeting in January 2017, Schools Forum agreed to retain approximately £3.26M of funding for such ongoing commitments, including the repayment of historic capitalised equal pay costs (£1.04M), School Admissions Service (£1.04M), debt repayment under prudential borrowing (£0.52M), the DfE single national licence (£0.51M) and a contribution to combined budgets (£0.15M).

22. Schools Forum also agreed to retain a growth fund of £2.9M centrally in order to support those costs incurred by schools that are being newly established or extended to meet basic need and where admission numbers are increasing.
23. The Leeds Schools Forum were also consulted on a range of options intended to alleviate growing pressures on the DSG High Needs Block. A range of options intended to address a forecast deficit of approximately £5.6M for 2016/17 were considered and Schools Forum agreed to transfer £2m of DSG funding from the Schools Block into the High Needs Block in 2017/18 as part of an action plan to address the deficit going forward.
24. In addition to the centrally retained funding outlined above, the DfE also stipulate that from April 2017, funding previously allocated to local authorities directly through the Education Services Grant (ESG) retained duties rate will be transferred into the DSG schools block.. The Education Funding Agency suggest that each local authority seek to retain this funding centrally, with the approval of Schools Forum, in order to contribute to the cost of fulfilling their local authority statutory duties for schools and academies.
25. In recognition of this transfer of funding, in January 2017 Schools Forum agreed to top-slice and retain centrally a further £1.72M of former Retained Duties ESG from the DSG Schools Block. Services within the scope of the grant include:
- Strategic planning for the whole of the education service
  - Preparing the school funding formula and individual school/academy budget allocations and including income and expenditure pertaining to education within the Authority's annual statement of accounts
  - Performing internal audit and other tasks necessary for the discharge of the Chief Financial Officers responsibilities
  - Providing education-related information to the Secretary of State
  - Tracking children missing from education and where appropriate issuing penalty notices, school attendance orders etc
  - Managing the education capital programme, including preparation and review of an Asset Management Plan and negotiation and management of private finance initiatives
  - School improvement functions as set out within the 'Schools Causing Concern Statutory Guidance'
26. Including the growth fund, the total amount of DSG held centrally for 2017/18 will therefore be £7.9M
27. It should be noted that the arrangements for 2017/18 school funding are transitional as the DfE intend to move to a national funding formula (NFF) from April 2018. The first phase of consultation on the DfE's proposals for a new NFF was conducted in March 2016 and the second phase of consultation has just been launched and is due to conclude in March 2017.
28. It is proposed that 2018/19 be a transitional year in which the DfE will calculate notional budgets for schools according to one single national formula and these budgets will then be aggregated and allocated to each local authority as their Schools Block for distribution according to the locally agreed formula.

29. The DfE intend to move to a full national formula with transitional protections to protect 'losers' and cap 'winners' with effect from April 2019.
30. The DfE also propose to implement a NFF to calculate local authority High Needs Block allocations.
31. The early indications are that the proposed implementation of a new NFF for schools and High Needs will be favourable for Leeds both in terms of the funding allocated to Leeds schools as a whole (i.e. the overall schools block) and to the council in terms of an increase in funding for children with high needs.
32. However, running alongside the implementation of a new NFF, the Council will see further significant reductions in funding for council-led services to schools. We know that ESG General Duties will cease completely from September 2017 with a resultant loss of approximately £4.0M of grant funding in 2017/18 and a further £2.3M reduction in funding to the Council in 2018/19.

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# LEEDS CITY COUNCIL

## 2017/18 BUDGET REPORT

### Directorate: City Development

#### 1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2017/18 financial year.
- 1.2 As a result of the Council's new organisational shape with fewer Directorates taking effect from April 2017, the 2016/17 budget has been restated to allow for a more meaningful comparison of the year on year changes.

#### 2 Service Context

- 2.1 The City Development Directorate is responsible for the Council's physical, economic and cultural and sport services. The range of services and functions that it provides makes a significant contribution to the life, growth and vitality of the city.
- 2.2 By way of context, since 2010/11 the has successfully managed significant reductions in spending and staffing including over £11m of savings in the 2011/12 budget and further savings in subsequent financial years. Staffing levels have reduced by over 30% over the last 6 years contributing to staff savings of over £12m.
- 2.3 Accordingly the net managed budget for 2016/17 is £42,994k. After allowing for a number of adjustments totalling £4,115k, detailed below, the 2016/17 restated base budget is £38,879k.

#### 3 Budget Proposals

- 3.1 This 2017/18 budget has been set at £34,989k representing a net decrease of £3,890k (10.0%) when compared to the adjusted budget for 2016/17. This net decrease comprises a number of pressures totalling £3,028k offset by savings of £6,918k.
- 3.2 The level of savings in 2017/18 identified by the Directorate amount to some £6,918k or 17.8% of the restated 2016/17 net managed budget. Delivering savings of this magnitude year on year represents a significant challenge to the Directorate especially as this is additional to the savings already delivered since 2010/11. The Directorate has continued to review all service areas and these proposals do seek to minimise the impact on frontline services and the citizens of Leeds. To this end the directorate's budget strategy for 2017/18 focuses on continuing to grow the directorate's and the Council's income base and maximise the opportunities for making efficiencies. The proposals also include some service changes which are outlined in this report.
- 3.3 **Changes in prices – pressure of £2,022k**
  - 3.3.1 The budget proposals include an allowance for a 1% pay award in 2017/18, £575k has been included in the budget submission to cover this eventuality.
  - 3.3.2 No provision has been made for inflation on running cost budgets other than where there are specific contractual commitments and on utilities. The main provision for price inflation

is £1,467k for Utilities, Business Rates and PFI Contracts.

- 3.3.3 Inflationary increases in the level of fees, charges and income from other organisations are estimated to generate additional income of £20k. The main income increases proposed by the Directorate are projected to be achieved as a consequence of the savings proposals outlined further on in this report.

#### **3.4 Leeds CC minimum pay rate – pressure of £38k**

- 3.4.1 At its October 2016 meeting, the Executive Board agreed that the council would increase the minimum rate that all staff would be paid to £8.25 per hour (previously £8.01 per hour) from January 2017. Provision of £38k has been made for this in the budget.

#### **3.5 Actuarial Review – pressure of £336k**

- 3.5.1 The triennial review of the West Yorkshire Pension Fund has been undertaken. The actuary has advised that councils in the scheme should budget for an increase in the employers' contribution rate. As a result of this the rate provided for will increase from the current 14.65% to 15.6% in 2017-18. This increase is estimated to cost £366k.

#### **3.6 Apprentice Levy – net pressure of £204k**

- 3.6.1 The Government has introduced a new apprentice levy, based on 0.5% of payroll costs. This is estimated to cost £204k in 2017/18.
- 3.6.2 The levy is paid over to Government and the Council will be able to access its contribution, via a digital account, which will enable it to fund the costs of apprentice training.

#### **3.7 Full year effects – net pressure of £384k**

- 3.7.1 A pressure of £384k has been managed through limiting inflationary increase and effectively cash limiting some running cost budgets.

#### **3.8 Other budget pressures – net pressure £14k**

- 3.8.1 The fall out of pension contributions for staff that have left the Authority in previous years will save £181k.
- 3.8.2 Within the other budget pressures is £150k for the inspection and possible small remedial works of non- highways structures such as foot bridges. A pressure of £71k is provided for following the revaluation of NNDR rateable values and a reduction of £129k is in relation to reduced insurance costs.
- 3.8.3 Additional provision of £103k has been made to cover the net increase in the rental costs of Merrion House when the building is returned back to the Authority following its recent redevelopment. The current programme indicates that this will occur at the end of 2017/early 2018. This cost is funded as a result of the council vacating other city centre accommodation during 2017/18.
- 3.8.4 The Sport Service has secured Leeds South and East Clinical Commissioning Group funding for the next three years to appoint 3 FTE's to deliver the new Leeds Let's Get Active Community Offer which will cost £189k per year but is fully funded from Public Health.



### **3.9 Savings and Funding - total £6,920k**

#### **3.10 Efficiencies – £1,486k**

- 3.10.1 The Directorate continues to identify and realise efficiency savings across all services. Proposed savings include taking advantage of the current low interest rates to reduce the prudential borrowing costs for Leeds Arena by £380k. This is in line with the actual position achieved in recent years.
- 3.10.2 The 2016-17 budget contained £4.0m in respect of the capitalisation of highways maintenance costs; it is proposed that this be increased by £600k in 2017-18 increasing the capitalisation to £4.6m. Revenue maintenance expenditure will continue to be reviewed during the year to ensure that only appropriate expenditure is capitalised. An additional £50k saving will be made from further extending the part night time street lighting switch off across the city, this will be subject to consultation and further Executive Board approval.
- 3.10.3 Further efficiencies have been identified running cost savings and operational efficiencies across:
- Economic Development £85k – through a review and reduction in the services non staffing budgets
  - Sport and Active Lifestyles £100k – further efficiencies within the rotas and operating methods within the leisure centres and the review of the Sport and Active Lifestyles development function, and
  - Leeds Lights and other city events £95k.
- 3.10.4 The Directorate will also make further efficiencies in staffing costs of £176k through natural turnover and or the use of the Early Leavers Initiative scheme.

#### **3.11 Service Changes - £1,521k**

- 3.11.1 The Highways Service currently spends in excess of £4m with its strategic external partner, as a consequence of increased demand and staff vacancies. Through recruiting its own staff the service will reduce the work allocated to the external partner and be able to retain the fee income within the authority. Therefore the service is proposing to recruit an additional 25 FTE's to keep this work in-house which will generate an additional £696k on recovery of overheads.
- 3.11.2 A saving of £300k will be achieved in 2017/18 by not hosting the Tour de Yorkshire in 2017 however it is anticipated that Leeds will host the event in 2018. The City will continue to host the World Triathlon Leeds.
- 3.11.3 The Sport Service is proposing to make savings of £177k by targeted reduced operating hours in facilities and other operational adjustments.
- 3.11.4 The Museum Service has identified savings of £108k by reviewing and changing how it delivers the Tourist Information Centre, Heritage Tours at Thwaite Mills and technical support.
- 3.11.5 The Employment and Skills Service are proposing to make savings of £240k from ceasing a construction skills contract and reviewing the delivery of the Employment Access and Growth and Communities and Partnerships functions.

### **3.12 Income – Fees and Charges £3,649k**

- 3.12.1 Asset Management will continue to support the budget strategy of providing greater revenue resilience by generating additional rental income of £2,397k from the proposed purchase of commercial assets and additional surveyor fee income from capital sales. In support of this strategy 3 new properties have been purchased in 2016-17.
- 3.12.2 Savings of £400k are proposed within the Planning Service from introducing new charges for the Street Naming and Numbering service, charging new capital schemes for relevant works undertaken by the Environment and Design service and from the anticipated increase in Planning Fees expected to be announced by the Government in its January White Paper.
- 3.12.3 Sport is proposing to increase income by £275k through targeted price increases and increases memberships and retention via its continuing marketing partnership.
- 3.12.4 In Economic Development further savings of £260k are proposed via additional income from city centre events and licensing, street trading and speciality markets, and tourism.
- 3.12.5 Within Cultural Services additional income of £155k is to be generated across the service including Breeze and civic venues, and the Museums service is proposing to increase income generated from events, conferences and catering across the estates, by £112k.
- 3.12.6 The Highways service will generate an additional £50k income from developers, utility companies, and park and ride sites, including the summer opening of a new site.

### **3.13 Income - Other £262k**

- 3.13.1 In Building Control additional income of £162k will be achieved by increasing its trading with external clients.
- 3.13.2 The Sport Service is proposing £100k of increased income at the Sailing Centre at Yeadon Tarn via partnership working and developing new income streams whilst expanding existing ones.

## **4 Risk Assessment**

- 4.1 In determining the 2017/18 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2017/18 budget for City Development are:
- 4.2 These proposals include a significant increase to the Directorate's income base. There is an on-going risk that budgeted levels will not be achieved. Whilst most income budgets are expected to be achieved in 2016/17, partly reflecting the improving economy, a shortfall is expected against some income targets such as advertising income. The budget proposals for 2017/18 include a number of adjustments to current budgets to reflect trends and this should ensure that the risks in 2017/18 are minimised. The proposals do include growth in some income targets and the Directorate will need to ensure that actions to achieve these are closely monitored.
- 4.3 The additional Income targets are reliant upon the outlook for the economy continuing to improve. However there are a number of headwinds around Brexit and geo-political issues that will impact on the ability of the Directorate to meet these targets.

- 4.4 There is also a risk that savings from proposed service changes and efficiencies are not realised. The Directorate will regularly monitor progress in the actions required to achieve these savings and will review spending plans during the year to offset any areas where efficiencies are not being realised.
- 4.5 Increased income within Highways will be dependent upon the recruitment of additional engineering staff to work on capital and externally funded projects. There is a risk that the Directorate will not be able to recruit the numbers that it needs to deliver the additional income.
- 4.6 The Directorates' approach has been to grow income rather than introduce wide ranging cuts, closures and reductions in staffing numbers. Failure to deliver increased income and efficiencies will necessitate further Directorate service reviews to deliver a balanced budget.
- 4.7 The increase in planning income is dependent on the Government increasing planning charges. There is a risk that this does not materialise.

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	2017/18 £m	FTEs
<b>2016/17 Adjusted net managed budget (New Organisational Shape)</b>	<b>38.88</b>	
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	0.58	
Price	1.47	
Income	-0.02	
<b>Employers Pension</b>	0.37	
<b>Leeds CC minimum pay rate</b>	0.04	
<b>Apprentice Levy</b>	0.20	
<b>Full Year Effects of previous decisions</b>		
FYE of 2016/17 budget proposals	0.38	
<b>Other</b>		
Fall out of capitalised pension costs	-0.18	
Dangerous Structures	0.15	
Business Rates	0.07	
Insurance Charges	-0.13	
Changing the Workplace	0.10	
Sport Leeds Let's Get Active Community Offer	0.19	3.00
Grant funding for above	-0.19	
<b>Total Pressures</b>	<b>3.03</b>	<b>3.00</b>
<b>Savings Proposals:</b>		
<b>Efficiencies</b>		
Reduced financing costs	-0.38	
Capitalisation of eligible highways costs	-0.65	
Economic regeneration efficiencies	-0.09	
Sport and Active Lifestyles - efficiencies	-0.10	-1.00
Events review	-0.10	
Staffing efficiencies across the service	-0.18	-4.00
<b>Service Changes</b>		
Highways - retaining work in-house	-0.70	25.00
Tour de Yorkshire	-0.30	
Sport - reduction in operating hours and costs	-0.18	
Museums	-0.11	-5.00
Employment and Skills	-0.24	-2.00
<b>Income - Fees &amp; Charges</b>		
Asset Management additional fees and charges	-2.40	
Planning Services fees and charges	-0.40	
Sport and Active Lifestyles increased activity	-0.28	
Economic Development - further fees and charges	-0.26	
Culture - additional income across functions	-0.16	
Museums income generation	-0.11	
Highways - income from developers	-0.05	
<b>Income - Traded Services, Partner and Other Income</b>		
Building Control - increased trading	-0.16	
Yeadon Tarn - increased trading and partnership working to reduce net cost	-0.10	
<b>Total Savings</b>	<b>-6.92</b>	<b>13.00</b>
<b>Net Managed Budget 2017/18</b>	<b>34.99</b>	<b>16.00</b>

# LEEDS CITY COUNCIL

## 2017/18 BUDGET REPORT

### Directorate: Resources and Housing

#### 1 Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2017/18 financial year.
- 1.2 As a result of the Council's new organisational shape with fewer Directorates taking effect from April 2017, the 2016/17 budget has been restated to allow for a more meaningful comparison of the year on year changes. The new Resources and Housing Directorate comprises the previous Strategy and Resources, Civic Enterprise Leeds and Strategic Housing functions.

#### 2 Service Context

- 2.1 The Directorate contains the Council's key professional support services; Finance, HR, Technology, Legal Services, Project Management and Procurement, Shared Services, Democratic Services and Strategy and Improvement and Intelligence. These services support the strategic direction of the Council and provide essential support to Members and managers to improve outcomes and deliver change.
- 2.2 The Directorate is also responsible for delivering Catering and Cleaning, Corporate Property Management, Fleet Services, Facilities Management and Passenger Transport. Some of these services are provided on a trading basis to Council Directorates and schools as well as external customers and suppliers.
- 2.3 The Directorate, beyond its universal duties, also serves some of the most vulnerable in the city. As well as providing advice to the many thousands in housing need, the Directorate supports many others to sustain their tenancies. The Directorate intervenes in the private sector to tackle some of the worst housing conditions in the city.
- 2.4 Within the context of the Best Council Plan, the Directorate has a number of key priorities which this budget is designed to support. They are as follows:
- Preventing homelessness;
  - Ensuring that air quality standards are met across the city.
- 2.5 The Directorate is actively engaged in leading the delivery of the Council's breakthrough projects in respect of cutting carbon in Leeds and promoting Housing growth to meet the challenge of a growing population.
- 2.6 Given this context and against a background of a significant reduction in resources, the Directorate's budget submission for 2017/18 will seek to protect services and initiatives which advance these priorities. The Directorate will also seek to consolidate the major efficiencies that were incorporated into the 2016/17 budget.

### **3 Budget Proposals**

- 3.1.1 This budget represents a decrease of £5.5m (7%) when compared to the 2016/17 restated base budget, summarised in the table attached to this report.
- 3.1.2 On 17<sup>th</sup> January the government announced that Local Authorities will receive a further £48m in funding to help deliver new and expanded services to prevent and reduce homelessness. Following determination of the amount to be received by each local authority the amount receivable by Leeds City Council will be incorporated into the Resources and Housing Directorate budget.
- 3.2 **Changes in prices - net pressure of £1,390k.**
  - 3.2.1 The budget proposals include allowance of £1,690k for the 2017/18 pay award.
  - 3.2.2 No provision has been made for inflation on running cost budgets other than where there are specific contractual commitments and on utilities. The main provision for price inflation is £650k.
  - 3.2.3 Inflationary increases in the level of fees, charges and income from other organisations are estimated to generate additional income of £950k.
- 3.3 **Leeds CC Minimum pay rate – pressure of £260k.**
  - 3.3.1 Executive Board reaffirmed its commitment to becoming a real Living Wage employer by implementing a minimum rate of £8.25 per hour from January 2017. The impact in 2017/18 is estimated at an additional cost of £260k.
- 3.4 **Actuarial Review – pressure of £870k.**
  - 3.4.1 The triennial review of the West Yorkshire Pension Fund has been undertaken. The actuary has advised that councils in the scheme should budget for an employers' contribution rate of 15.6%, currently 14.65%. This increase is estimated to cost £870k.
- 3.5 **Apprentice Levy – pressure of £570k.**
  - 3.5.1 The Government has introduced a new apprentice levy, based on 0.5% of payroll costs. This is estimated to cost £570k in 2017/18. The levy is paid over to Government and the Council will be able to access its contribution, via a digital account, which will enable it to fund the costs of apprentice training.
- 3.6 **Full year effects – pressure of £210k**
  - 3.6.1 The fall out of pension contributions for staff who have left the Authority in previous years will save £210k.
- 3.7 **Other budget pressures – net pressure of £2,040k**
  - 3.7.1 In order to facilitate staff exiting the Authority through the Early Leaver's Initiative budgetary provision of £1,260k has been made to resource the estimated level of contributions to the West Yorkshire Pension Fund.

- 3.7.2 Based on activity levels the contribution to the Council's insurance provision will reduce by £350k whilst Business Rates costs will decrease by £100k as a result of re-valuations of property.
- 3.7.3 Increased expenditure at Travellers Sites (£50k) relates to the provision of toilet and shower facilities and the hire of skips.
- 3.7.4 The impact of both a reduction in capitalisation of costs and the contribution from the HRA in Housing Partnerships is £40k.
- 3.7.5 A reduction in income from Schools and Academies in respect of the HR services in 2016/17 is expected to continue in 2017/18, creating a pressure of £200k.
- 3.7.6 The volume of court summonses raised in 2016/17 is down compared to estimates and this trend is expected to continue in 2017/18 which will mean a reduction in income of £200k.
- 3.7.7 Other base budget pressures in the Directorate amount to £740k; mainly in relation to Financial Services (Revenues) and Strategy and Improvement.

### **3.8 Savings and funding - £10,420k**

#### **3.8.1 Efficiencies - £9,200k**

- 3.8.1.1 A comprehensive review of the Council's support services has been in progress and further changes generating gross efficiency savings of £6,000k will be implemented across the following services:
- Following the first phase of Better Business Management where all 'core' business administration 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. Gross efficiency savings of £1,430k are planned for 2017/18, including further savings within existing budgets in the Business Support Centre.
  - Introduce a new operating model for coordinated, shared cross Council digital and intelligence services. Establish two Hubs for IM&T and IG complemented by Business Partners will be established who will work with Council services. In addition the existing ICT service will continue to deliver staffing and running cost savings meaning the total efficiency saving will be £1,090k.
  - 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. There will also be further staffing savings and efficiencies within Communications, Marketing and Emergency Planning meaning the overall saving in this area amounts to £580k.
  - Financial Services will 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. Target savings are £1,310k mainly to be achieved via early leavers.
  - In the Programmes, Projects and Procurement Unit (PPPU) a 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, generating

savings of £420k, with more of the right projects/programmes being delivered to time, cost and quality.

- The Human Resources Service is underdoing further organisational change and new ways of working which will generate savings of £780k mainly achieved from early leavers.
- In April 2017 there will be a move to a single professional line of leadership model for Workforce Development. During 2017/18 it is proposed to consolidate all Council training budgets into one single pot combined with a comprehensive review of all Organisational/Workforce Development activity saving £30k.
- Staff turnover and leavers within Legal and Democratic Services are expected to fund the cost of the pay award (£90k)

3.8.2 Changes to the Corporate Leadership will mean savings of £150k in 2017/18.

3.8.3 In the area of Property Cleaning, there will be savings of £460k on building cleaning, mainly from changes to times and frequency of cleaning, and also £100k within Facilities Management from a planned realignment of the service to be delivered through a restructure resulting from a review of roles and responsibilities.

3.8.4 There will be a reduction in level of JNC management support in respect of the traded and operational services, delivered through reconfiguration of roles and responsibilities. This will save £200k in 2017/18.

3.8.5 Leeds Building Services will increase their contribution by £1,800k through both the realisation of efficiencies achieved by the more effective scheduling of jobs so that the use of the workforce is optimised and this will facilitate a planned reduction in the use of sub-contractors. A planned reduction in the number of staff combined with a reduction in running costs in areas such as the external hire of vehicles will also contribute towards this figure.

3.8.6 Within Housing Support and Housing Regulation opportunities are being explored for closer working between the various functions such as reducing visits by Housing Advisors and Housing Regulation inspectors when visiting the same premises. Closer working will require less staff and cost savings of £140k will be realised through the deletion of vacant posts.

3.8.7 Savings of £350k within Housing Related support will be realised through the re-negotiation and re-tendering of contracts.

### 3.9 **Service Changes - £560k**

3.9.1 Following a consultation and engagement process, plans have been approved by Executive Board to reduce the number of council-run residential homes and day centres. The impact on services within this Directorate is estimated savings of £560k in 2017/18 for a part-year effect of these proposals.

### 3.10 **Income- £660k**

3.10.1 A number of areas of additional income are expected in Financial Services totalling £310k, these include £100k for supporting the Regional Adoption Agency; savings on the bank contract £44k and grant funding of £45k.



- 3.10.2 Within Housing Support and Housing Partnerships a review of current activity levels support the requirement for increased capitalisation of staffing costs in respect of work undertaken adapting people's houses to meet their specific requirements (£150k).
- 3.10.3 A combination of attempting to maximise existing income streams whilst developing new ones in the Fleet Service is estimated to generate an additional £100k.
- 3.10.4 Based on internalising commercial catering for some of the services within the Civic quarter and expanding retail offer, additional income of £100k is targeted.

#### **4 Risk Assessment**

- 4.1 In determining the 2017/18 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2017/18 budget for Resources and Housing are:
- 4.2 Further reduction in support services will reduce the capacity to support managers within the Council, and it will be important to ensure that this does not impact on the delivery of the 2017/18 budget proposals.
- 4.3 Failure to provide up to date and resilient ICT. Priority has been given to adequately resourcing the service and also key ICT projects to take the Council into the future.
- 4.4 Whilst a significant proportion of the staffing savings can be achieved via the early leavers' initiative, the scale of the reductions will mean further measures will be required. The speed of implementation will be crucial in order to realise the level of savings otherwise slippage could result in an overspend situation in 2017/18.
- 4.5 That staff turnover and the number of vacant posts are less than assumed in the budget.
- 4.6 That the level of homelessness increases across the City with the subsequent requirement for the City Council to support these individuals in temporary accommodation.
- 4.7 That there are delays in the implementation of changes to business processes in Leeds Building Services which will delay the delivery of efficiency savings.

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## Directorate: Resources and Housing

	2017/18 £m	FTEs
<b>2016/17 Adjusted net managed budget (New Organisational Shape)</b>	<b>78.38</b>	
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	1.69	
Price	0.65	
Income	-0.95	
<b>Leeds CC minimum pay rate</b>	0.26	
<b>Employer's pension</b>	0.87	
<b>Apprenticeship Levy</b>	0.57	
<b>Other pressures:</b>		
Fall-out of capitalised pensions	-0.21	
Additional ongoing capitalised pension costs	1.26	
Business Rates	-0.10	
Insurance	-0.35	
Housing Support - travellers	0.05	
Housing Partnership - loss of income (HRA/HIA)	0.04	
Human Resources - Schools/Academy income	0.20	
Reduction in court summons income	0.20	
Other	0.74	
<b>Total Pressures</b>	<b>4.92</b>	
<b>Savings Proposals:</b>		
<b>Efficiencies</b>		
Business Administration and Specialist Administration	-1.43	-37.00
ICT, Information Management and Technology (IM&T), Information Governance(IG) and Intelligence	-1.09	-26.00
Programme, Project and Portfolio Management	-0.42	-6.00
Workforce Development	-0.30	0.00
Financial Services	-1.31	-32.00
Human Resources	-0.78	-21.00
Strategy and Improvement	-0.58	-8.00
Legal and Democratic Services	-0.09	-3.00
Changes to the Corporate Leadership Team	-0.15	-1.00
Cleaning Civic Hall - changes to frequencies & delivery plans	-0.06	-2.90
Office accommodation cleaning - reduction in frequency	-0.40	-18.30
Facilities Management savings	-0.10	-4.00
Management staff reductions	-0.20	-2.00
Leeds Building Services - consolidation of Construction / Property Maintenance	-1.80	-21.90
Strategic Housing - integration of functions	-0.14	-7.00
Housing related support - reduction in contract payments	-0.35	
<b>Service Changes</b>		
ASC closure of residential homes & day care - impact on Civic Enterprise Leeds	-0.56	-24.10
<b>Additional Income; Traded, Partner, Other income</b>		
Financial services - additional external income	-0.31	
Strategic Housing - review of charging arrangements	-0.15	
Fleet - additional trading income	-0.10	
Commercial catering - additional income	-0.10	
<b>Total Savings</b>	<b>-10.42</b>	<b>-214.20</b>
<b>Net managed budget 2017/18</b>	<b>72.88</b>	<b>-214.20</b>

# **LEEDS CITY COUNCIL 2017/18 BUDGET REPORT**

## **Directorate: Resources and Housing**

### **Housing Revenue Account**

#### **1. Introduction**

- 1.1 The purpose of this report is to inform members of the main variations and factors influencing the 2017/18 Housing Revenue Account (HRA) budget.
- 1.2 The 2017/18 budget has been prepared at outturn prices. This means that allowances for inflation have been included in the budget submission.

#### **2. HRA Strategy 2017/18 – 2019/20**

- 2.1 As outlined in 3.1 below 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 to 2019/20. The 2017/18 budget will therefore be the second year of the policy requiring the reduction.
- 2.2 Implementing this policy will, when compared to the level of resources assumed in the Financial Plan, equate to a loss of £20.5m in cash terms over the 4 year period, and assuming that from 2020/21 rent increases of CPI +1% will resume, a loss of £283m of rental income over the 10 year period (2016/17 to 2024/25).
- 2.3 Despite this reduction in income the Council remains committed to maintaining the amount provided to maintain homes, funding the investment strategy agreed by Executive Board in March 2015 and to replacing homes lost through Right To Buy (RTB) by the planned investment in new homes and buying up empty homes. The Investment Strategy will be refreshed as part of the HRA Business Plan which is due to be received at Executive Board in March 2017.
- 2.4 The reduction in resources will need to be managed in addition to other service, pay and price pressures. This will be achieved through a combination of efficiencies and improved targeting of resources together with the use of reserves and increased borrowing to fund the capital programme.
- 2.5 Consideration will be given each year to increasing charges where appropriate to reflect more closely the costs associated with providing services. This will generate additional income which will contribute towards offsetting the reduction in rental income.

### **3. Key Issues - 2017/18**

#### **3.1 Rent Policy**

- 3.1.1 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 to 2019/20. This change in Government policy is effectively a 4% pa reduction from that assumed within the Council's HRA Financial Plan for each of these 4 years. In cash terms this equates to a reduction of £20.5m in rental income over the four year period, of which £2.1m falls in 2017/18. The implementation of Universal Credit in June 2018 may impact on rent collection levels and hence available funding in future years.
- 3.1.2 In line with the Government's requirement it is proposed that rents are reduced by an average of 1% in 2017/18 for the majority of dwellings. See 4.1 for more details.
- 3.1.3 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 Sept 16) + 1% is therefore proposed. This overall 2% rise equates to approximately £0.35m.

#### **3.2 Services Charges**

- 3.2.1 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. Further details are set out in 4.3.2.

#### **3.3 Charges for Sheltered Support**

- 3.3.1 Tenants living in sheltered housing schemes across Leeds receive housing related support provided by Sheltered Support Officers and are charged £13 per week for this service. As this charge fully recovers the costs it will not be increased in 2017/18. 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. See 4.3.3 for further details.

#### **3.4 Capital investment and Council House Growth Programme**

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

#### 4. **Key movements 2016/17 to 2017/18 - Income**

##### 4.1 **Dwelling Rents**

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

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

4.1.3 It should be noted that had rents been increased by 2% in line with Government's previous policy and in line with assumptions in the Council's HRA Financial Plan, based on the average rent for 2017/18, tenants would have received an average rent increase of £1.47 per week in 2017/18.

<b>Average rent</b>	<b>2016/17</b>	<b>2017/18</b>	<b>Reduction</b>
<b>£ per week</b>	<b>73.65</b>	<b>72.91</b>	<b>0.74</b>
<b>£ per year</b>	<b>3,830</b>	<b>3,791</b>	<b>39</b>

4.1.4 The budget for 2017/18 assumes that 350 properties will be sold under Right To Buy which is based upon the continuation of activity levels for the past couple of years. A void level of 0.9% has been assumed. The policy of re-letting properties at target rent (the rent which under Government policy should be charged for a property taking into account a number of factors such as the valuation of the property and the number of bedrooms) continues.

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

4.1.6 The impact of all these assumptions is a net reduction in income from dwelling rents of £3,168k in 2017/18.

##### 4.2 **Other rents**

4.2.1 There is a proposed 2% rental income increase from shops and miscellaneous properties. Garage rents are currently £8.15 per week. It is proposed to increase these by 5% in 2017/18. This equates to an average increase of 41p per week (£21 per year), making the average garage rent for 2017/18 £8.56 per week. Shop and garage rents increases will generate additional income of £51k per year.

#### 4.3 **Service Charges**

- 4.3.1 Net income from service charges is budgeted to increase by £454k in 2017/18. The main movements are detailed below
- 4.3.2 **Heat Lease** - income from heat lease charges is budgeted to reduce by £698k in 2017/18 due to a number of lease agreements coming to an end.
- 4.3.3 **Service charges for MSFs, medium and low rise properties** - As stated in 3.2 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 £983k compared to 2016/17.
- 4.3.4 **Charges for Sheltered Support** - Tenants living in sheltered housing schemes across Leeds are supported by Sheltered Support Officers who provide housing related support. This support includes completing needs and risk assessments, developing and reviewing support plans, making referrals to other agencies and carrying out regular visits to enable tenants to live independently in a safe environment. Currently tenants in sheltered accommodation receiving such a 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. This will generate an additional £142k compared to 2016/17.
- 4.3.5 **District Heating charges** - Housing Leeds manages a number of district heating schemes. The District Heating Account cumulatively operates in an overall deficit position with the deficit being met from the HRA which means tenants not benefiting from the schemes are subsidising the operating costs. It is proposed to increase charges by 2% for 2017/18 in order to reduce subsidisation. This will generate a small increase of £8k over 2016/17 levels.
- 4.3.6 **Contributions from leaseholders to capital works** - The 2017/18 budget reflects the requirement to budget for contributions from leaseholders where their properties have benefited from capital investment. The 2017/18 budget assumes income of £849k. This is an increase of £16k against the 2016/17 budget and reflects RPI

#### **4.4 Impact on tenants of increased rents and charges**

- 4.4.1 An analysis of the impact on tenants of the above charging proposals together with the 1% reduction in rents (see 4.1) has been undertaken. This shows that under these proposals 72% of tenants will pay 78p per week less in overall terms in 2017/18 than in 2016/17 and 4% will pay 70p per week less. Of those paying more, 11% will pay up to £1.35p more per week, 5% will pay 31p more with the remaining 8% paying between an additional 30p per week and £3.34 per week depending on the type of property they rent. These increases will be funded through Housing Benefit for eligible tenants.
- 4.4.2 The proposals in relation to service charges and charges for sheltered support (4.3.2 & 4.3.3 above) have been shared with the Voice of Involved Tenants Across Leeds (VITAL). Whilst VITAL identify that an increase has financial implications for those not entitled to welfare benefits, they understand the need to bring charges more in line with the cost of the services. For this reason VITAL requests that every effort is made in future to better communicate the need for the increase in charges, giving plenty of notice for tenants to plan for changes. VITAL also request that if service charges are increased then the service actively monitors the resulting increase in quality of the services provided.

#### **4.5 PFI Grant**

- 4.5.1 The 2017/18 budget assumes full year PFI grant of £6,097k for Swarcliffe PFI and £15,288k for Little London Beeston Hill & Holbeck (LLBH&H) PFI. This is the same as 2016/17.

#### **4.6 Internal Income**

- 4.6.1 The 2017/18 budget for internal income is £93k lower than 2016/17. This is largely due to revised accounting arrangements for Information Management and Technology staff and increased support to deliver the Council Housing Growth Programme.

#### **4.7 External Income**

- 4.7.1 The increase of £251k from 2016/17 to 2017/18 is due to a number of minor variations which include inflationary increases on tenant's insurance, District Heating income, and income from the placement of telecommunication masts upon multi-storey flats.

### **5. Key movements 2016/17 to 2017/18 - Expenditure**

#### **5.1 Employees**

- 5.1.1 The 2017/18 budget for employees has decreased by £2,761k. The largest element of this is due to the £1,388k transfer of the budget for the Information, Management and Technology (IM&T) team so that it is now held in Strategic accounts. The Apprenticeship Levy is a new government training levy that will come into effect in May 2017. All employers with an annual wage bill of over £3m

will be required to pay a 0.5% tax which they can spend on training new apprentices or existing staff. The impact on this to the HRA is £103k.

5.1.2 The budget within Property and Contracts (P&C) has increased by £113k. This is mostly due to the pay award. The budget has been maintained to ensure the successful delivery of the capital programme. The costs of these posts will be charged against the capital programme. The budget for the Housing Management function has decreased by £253k from the 16/17 Original Estimate. This reflects efficiencies within the service delivered in 16/17 which are expected to continue into the 2017/18 financial year.

5.1.3 The triennial review of the West Yorkshire Pension Fund has been undertaken. The actuary has advised that councils in the scheme should budget for an employers' contribution rate of 15.6%, currently 14.65%. This increase is estimated to cost £105k in 2017/18.

## **5.2 Repairs to dwellings**

5.2.1 The informed commissioning of more planned maintenance programmes which will mitigate the requirement to resource more expensive responsive repairs to properties has enabled the repairs to dwellings budget to remain at £43,548k despite the financial pressures upon the HRA budget occasioned by a reduction in rental income.

## **5.3 Premises**

5.3.1 The premises budget reflects a net increase of £213k. This is primarily due to a combination of savings from utilities (£74k), National Non-Domestic Rates (£54k) offset by an increase £181k for premises related insurance and an increase of £96k in charges for cleaning. The cleaning agency recharge increase is due to the impact of the minimum pay rate. At its October 2016 meeting, the Executive Board agreed that the council would increase the minimum rate that all staff would be paid to £8.25 per hour (previously £8.01 per hour) from January 2017.

## **5.4 Supplies & Services- Payments to PFI contractor**

5.4.1 The decrease in payments to the PFI contractors of £4,080k between 2016/17 and 2017/18 is consistent with the final PFI programme that was agreed and received at Executive Board.

## **5.5 Supplies & Services - Other**

5.5.1 The budget reflects net decrease of £146k. This is largely as a result of an ongoing review of all areas of existing spend to deliver line by line savings.

## **5.6 Transport**

5.6.1 The reduction of £85k is due to a combination of a reduction in expenditure on travel allowances and vehicle costs.

## **5.7 Charges for internal services**



- 5.7.1 **Horticultural Maintenance** – The increase of £297k in the charges for 2017/18 is broadly due to the pay award plus a review of the allocation of horticultural maintenance costs associated with hard to access areas on estates.
- 5.7.2 **Environmental Services** - the increase of £385k in the charges for 2017/18 more accurately reflects the costs associated with the disposal of waste from void clearances and work undertaken to sustain environmental improvements on estates.
- 5.7.3 **Community Safety** – the increase of £100k relates to costs associated with CCTV at multi storey flats.
- 5.7.4 **Housing Services** – the increased charge of £878k reflects revised accounting arrangements whereby city-wide housing officers and the paralegal service are now budgeted for in the General Fund with appropriate charges to the HRA.
- 5.7.5 **Support Services** - the increase of £901k reflects the revised accountancy arrangements whereby the Information, Management and Technology function is now accounted for in the General Fund with appropriate recharges to the HRA.
- 5.7.6 **Legal Services** - has reduced by £20k as a result of revised activity levels.
- 5.7.7 **Corporate Governance/Other Services** – the increase of £78k on 2016/17 broadly relates to a property management recharge due to a revaluation of the council's housing stock.
- 5.8 **Payments to Belle Isle Tenant Management Organisation (BITMO), Housing Area Panels (HAPs) and other Organisations**
- 5.8.1 It is proposed that the Management Fee paid to BITMO in 2017/18 for the management and maintenance of the housing stock should continue to be based on the principles of driving efficiencies and redirecting resources to maintaining the housing stock .The management element of the payment reflects an increase of 1% in line with the agreed pay award followed by a 5% reduction as an efficiency target. The maintenance element has been kept to 2016/17 levels. The total fee payable to BITMO for 2017/18 is £3,162k which is a decrease of £55k from 2016/17.
- 5.8.2 The budget includes £450k for Housing Advisory Panels (HAPs) to enable the continuation of funding of projects which benefit tenants and residents in the community they represent. This is a reduction of £450k from 2016/17. The proposed budget reflects the requirement to balance the HRA within the constraints of a rent reduction and the need to continue to invest in and maintain the housing stock. Despite this reduction the proposed budget available to HAPs 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. An earmarked reserve remains available for HAPs projects. The proposals in relation to HAPs have been shared with the Voice of Involved Tenants Across Leeds (VITAL).VITAL requested that consideration be given to increasing the proposed level of resources for 2017/18 whilst there was an acknowledgement of the need

to reduce overall costs in the context of the 1% rent reduction. The request by HAPs to carry over any uncommitted funds between financial years will be actioned.

- 5.8.3 Payments to Leeds Credit Union have remained in line with 2016/17. The Leeds Tenants Federation contract has been renegotiated resulting in a saving of £61k from the 2016/17 budget.

## **5.9 Provisions**

### **5.9.1 (a) Disrepair**

Work has been continuing to streamline the case management process and reduced the number of disrepair claims being submitted. This budget has seen considerable pressure during 2016/17. Changes in processes and preventative work being undertaken should lead to both a reduction in cases and resources required in future.

As a result of the proactive approach taken in 2016/17 to limit the fees paid to legal firms the budgeted contribution to the disrepair provision will remain at £1000k in 2017/18.

### **5.9.2 (b) Bad debts**

The budgeted contribution to the bad debt provision will reduce by £19k in line with the 1% reduction in rental income. The budget will therefore be £1,881k for 2017/18. The rollout of Universal Credit in Leeds, once fully implemented, 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. The provision for Bad Debts may therefore increase in future years.

## **5.10 Council Tax on Empty Homes**

- 5.10.1 Provision of £757k has been included in the 2017/18 HRA budget to fund the requirement to pay council tax on empty homes. This is an increase of £94k in line with the proposed increase in council tax for 2017/18 and trends.

## **5.11 Discretionary Housing Payments**

- 5.11.1 The Department for Communities and Local Government (CLG) has issued a direction allowing the Council to fund payments to its own tenants under the Discretionary Housing Payments (DHP) scheme. These payments are made to tenants facing a reduction in benefit and as a result of the Council making up this shortfall it enables the tenant to continue to reside in their own homes. The HRA budget for 2017/18 is £500k. This is to fund tenants with severe disabilities living in adapted properties who have been subject to a reduction in Housing Benefit. This is consistent with the amount provided in 2016/17.

## **5.12 Capital charges**

5.12.1 There has been a net increase in capital charges of £1,870k. 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.

### **5.13 Revenue Contribution to Capital**

5.13.1 The 2017/18 budget includes £71,000k to fund the housing capital programme/investment plan. This is £2,041k lower than the amount provided in 2016/17 and is due to less resource available from rental income. However, despite pressures in the HRA, the use of Right To Buy receipts and increased borrowing will mean that the overall capital programme will be £83,198k in 2017/18 and £81,720m in 2018/19.

### **5.14 Appropriation**

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

5.14.2 The sinking fund smoothes out the effect of the incidence of the payments to the PFI contractor so using these reserves will require additional resources to be identified in future financial years to fund the unitary charge payments. In 2017/18 the contribution to the Sinking Fund has decreased by £2,057k.

## **6. HRA Reserves**

6.1 The HRA Reserves Statement which is attached reflects the projected movement in reserves between April 2017 and March 2018. The Capital Reserve is used to resource the HRA Capital programme which is subject to a separate report on this agenda.

6.2 The HRA General Reserve is projected to be £7,797k at the end of 2016/17. It is budgeted to use £100k of this for Local Initiatives in 2017/18. Local Initiatives are for small scale projects such as estate clean ups, clearances of illegal dumping etc.

6.3 £963k of the Environmental Works earmarked reserve is planned to be used for the 'Environmental Improvement Programme' capital works.

6.4 £497k of the Welfare Change earmarked reserve is planned to help manage welfare change and the introduction of universal credit.

6.5 £459k of the Housing Advisory Panels earmarked reserve is expected to be used for the funding of projects which benefit tenants and residents in the community they represent.

- 6.6 The PFI Reserves will be used to fund the Swarcliffe and LLBH&H PFI schemes over the life of the contracts. In 2017/18 it is budgeted to use £4,427k of reserves for the two schemes.

## 7. **Risks**

- 7.1 There are a number of risks which, should they materialise would have a significant impact upon the 2017/18 HRA budget. These risks are reviewed throughout the year and action taken to mitigate any impact wherever possible. The HRA maintains a level of reserves in order to meet the impacts of such risks should they occur. Key risks identified are as follows:

- The impact of the Government's Welfare Change Agenda may increase arrears more than anticipated as Universal Credit will have been implemented in the City by June 2017.
- Property numbers during the year may vary significantly from estimates due to fluctuations in the number of RTB sales and delays in the delivery of new homes which will impact on rental income.
- The number of disrepair claims against the Council may start to increase requiring additional contribution to the provision.

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## Housing Revenue Account 2017/18 Budget

	Adjusted Original Estimate 2016/17	Original Estimate 2017/18	Variation
Budget Heads	£000	£000	£000
<b>Income</b>			
Dwelling Rents	-215,308	-212,141	3,167
Other Rents	-3,106	-3,156	-50
Service Charges	-6,403	-6,857	-454
PFI grant	-21,385	-21,385	0
Internal Income	-6,334	-6,240	94
External Income	-1,442	-1,693	-251
<b>Total Income</b>	<b>-253,978</b>	<b>-251,472</b>	<b>2,506</b>
<b>Expenditure</b>			
Employees	29,025	26,264	-2,761
Repairs to dwellings	43,548	43,548	0
Premises & repairs	7,055	7,268	213
Supplies & Services - Payments to PFI contractor	14,222	10,142	-4,080
Supplies & Services - Other	4,986	4,840	-146
Transport	497	409	-88
Horticultural Maintenance	3,805	4,102	297
Environmental Services	4,044	4,429	385
Community Safety	3,266	3,366	100
Supporting People in their own homes	3,546	3,546	0
Supporting troubled families with council tenancies	1,197	1,197	0
Housing Services	3,129	4,007	878
Customer Access	5,702	5,702	0
Support Services	7,859	8,767	908
Welfare Advice and Support	300	300	0
Legal Services	911	891	-20
Corporate Governance & Other Services	3,805	3,883	78
Payments to BITMO, Area Panels & Credit Union	4,388	4,186	-202
<b>Provisions</b>			
- Disrepair	1,000	1,000	0
- Bad Debts	1,900	1,881	-19
Council Tax on Empty Homes	663	757	94
Discretionary Housing Payments	500	500	0
Capital charges	43,235	45,105	1,870
Revenue Contribution to Capital (RCCO)	73,041	71,000	-2,041
<b>Total Expenditure</b>	<b>261,624</b>	<b>257,090</b>	<b>-4,534</b>
<b>Appropriations</b>			
<b>General Reserve</b>	<b>-470</b>	<b>-100</b>	<b>370</b>
<b>Sinking Funds</b>			
LLBH&H PFI	-3,719	-1,467	2,252
Swarcliffe PFI	-2,900	-3,095	-195
<b>Earmarked Reserves -</b>			
Welfare Change	-437	-497	-60
Housing Advisory Panels	-95	-459	-364
Swarcliffe Environmentals	-25		25
<b>Net (surplus)/deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Housing Revenue Account 2017/18

Projected Financial Position on Reserves	Reserves b/f 1st April 2017	Projected use of Reserves	Projected contribution to Reserves	Projected Closing Reserves 31st March 2018
	£000	£000	£000	£000
HRA General Reserve	(7,797)	100	0	(7,697)
<b>Earmarked Reserves</b>				
Environmental Works	(999)	963	0	(36)
Insurance - large claims	(137)	0	0	(137)
Welfare Change	(1,563)	497	0	(1,066)
Housing Advisory Panels	(459)	459	0	0
Sheltered Housing	(3,238)	0	0	(3,238)
Holdsforth Place - land purchase	(64)	0	0	(64)
<b>Sub-total Earmarked Reserves</b>	<b>(6,460)</b>	<b>1,919</b>	<b>0</b>	<b>(4,541)</b>
<b>Total</b>	<b>(14,257)</b>	<b>2,019</b>	<b>0</b>	<b>(12,238)</b>
<b>PFI Reserves</b>				
Swarcliffe PFI sinking Fund	(10,175)	3,147	0	(7,028)
LLBH&H PFI Sinking Fund	(3,822)	1,280	0	(2,542)
<b>Total PFI Reserves</b>	<b>(13,997)</b>	<b>4,427</b>	<b>0</b>	<b>(9,570)</b>
<b>Capital Reserve</b>				
MRR (General)	(8,858)	72,227	(73,041)	(9,672)
MRR (New Build)	(12,694)	7,558	0	(5,136)
<b>Total Capital Reserve</b>	<b>(21,553)</b>	<b>79,785</b>	<b>(73,041)</b>	<b>(14,808)</b>
<b>Grand Total</b>	<b>(49,807)</b>	<b>86,231</b>	<b>(73,041)</b>	<b>(36,616)</b>

# LEEDS CITY COUNCIL

## 2017/18 BUDGET REPORT

### Directorate: Communities and Environment

#### 1 Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2017/18 financial year.
- 1.2 As a result of the Council's new organisational shape with fewer Directorates taking effect from April 2017, the 2016/17 budget has been restated to allow for a more meaningful comparison of the year on year changes.

#### 2 Service Context

- 2.1 The Directorate manages a diverse set of functions which, nevertheless, combine to form some of the key foundations of strong communities. Well managed green spaces for recreation, clean streets, safe neighbourhoods – these are marks of desirable places to live. At a time of significantly diminishing resources, priority has to be given to ensure that these services are maintained.
- 2.2 The Directorate, beyond its universal duties, also serves some of the most vulnerable by providing a range of front-line services for local people and local communities whilst taking the lead on actions to reduce poverty across the city. The Council is taking forward changes aimed at providing more integrated, responsive and accessible services for people with the ongoing development of community hubs and the localities review.
- 2.3 Within the context of the Best Council Plan, the Directorate has a number of key priorities which this budget is designed to support. They are as follows:
- Reducing crime and anti-social behaviour.
  - Providing a reliable refuse and recycling service.
  - Maximising the amount that can be re-used and recycled from the waste collected whilst at the same time actively undertaking and promoting energy recovery.
  - Clean neighbourhoods which reflect local needs.
  - Green spaces which people can enjoy.
  - Tackling poverty and reducing the inequalities that still exist.
  - Implementing innovative approaches developed with service users.
  - Supporting communities and raising aspirations.
  - Helping people adjust to welfare changes.
- 2.4 The Directorate is actively engaged in leading the delivery of the Council's breakthrough projects in respect of tackling domestic violence and abuse and supporting strong communities benefiting from a strong city.
- 2.5 Given this context and against a background of a significant reduction in resources, the Directorate's budget submission for 2017/18 will seek to protect services and initiatives which advance these priorities. The Directorate will also seek to consolidate the major efficiencies that were incorporated into the 2016/17 budget.

### **3 Budget Proposals**

3.1 This budget represents a decrease of £6,960k (8.99%) when compared to the adjusted budget for 2016/17. The variations are summarised in the table attached to this report:

#### **3.2 Changes in prices – pressure of £1,170k**

3.2.1 The budget proposals include allowance of £920k for the 2017/18 pay award.

3.2.2 No provision has been made for inflation on running cost budgets other than where there are specific contractual commitments and on utilities. The main provision for price inflation is £560k for 2017/18. These include £181k for Recycling and Energy Recovery Facility (RERF) gate fees and other disposal contracts, £48k for grounds maintenance, £92k for fuel, and £92k on equipment and materials largely in Parks and Countryside.

3.2.3 Inflationary increases in the level of fees, charges and income from other organisations are estimated to generate additional income of £320k. These increases assume a 3% price increase in respect of charges within the Parks and Countryside service (£247k) of which £182k relates to Bereavement Services.

#### **3.3 Leeds CC minimum pay rate- pressure of £80k.**

3.3.1 At its October 2016 meeting, the Executive Board agreed that the council would increase the minimum rate that all staff would be paid to £8.25 per hour (previously £8.01 per hour) from January 2017. Provision of £80k has been made for this in the budget.

#### **3.4 Actuarial Review – pressure of £560k.**

3.4.1 The triennial review of the West Yorkshire Pension Fund has been undertaken. The actuary has advised that councils in the scheme should budget for an employers' contribution rate of 15.6%, currently 14.65%. This increase is estimated to cost £560k.

#### **3.5 Apprentice Levy – net pressure of £310k.**

3.5.1 The Government has introduced a new apprenticeship levy based on 0.5% of payroll costs. This is estimated to cost £310k in 2017/18. The levy is paid over to Government and the Council will be able to access its contribution via a digital account which will enable it to fund the costs of apprentice training.

#### **3.6 Full year effects – £120k**

3.6.1 The implementation from June 2016 of a 50p price increase at Woodhouse Lane Multi-Storey will result in an increased income of £120k in a full year.

#### **3.7 Demography and demand – net pressure of £90k**

3.7.1 After taking account of household growth, waste disposal costs are anticipated to reduce by £130k with volume savings at the RERF and gate fee savings on SORT (recycling) disposal offsetting the additional costs being incurred in respect of disposing waste collected at Household Waste sites.

3.7.2 Car parking income is forecast to reduce by £220k as a result of the proposed development at Cross Belgrave Street and the switch of car parking spaces within the Holbeck area from long stay to short stay.



### **3.8 Grant Fall out - £290k**

- 3.8.1 There is a reduction in the grant in respect of the administration of Housing Benefit of £290k.

### **3.9 Other budget pressures – net pressure of £810k**

- 3.9.1 The fall out of pension contributions for staff who have left the Authority in previous years will save £80k.
- 3.9.2 In order to facilitate staff exiting the Authority through the Early Leaver's Initiative budgetary provision of £200k has been made to resource the estimated level of contributions to the West Yorkshire Pension Fund.
- 3.9.3 The cost of maintaining Pay and Display machines across the city have increased by £40k following a recent re-tendering exercise.
- 3.9.4 Kirkstall Road Household Waste Site is due re-open following the capital investment to enhance the site and £40k is required to re-instate the staffing budget now that the site is fully operational again.
- 3.9.5 Legal costs in respect of Environmental Health prosecutions and review costs associated with Domestic Homicide cases will increase by £40k.
- 3.9.6 The cost of intervention work in respect of the identification of overpayments of Housing Benefits is estimated at an extra £270k.
- 3.9.7 Based on activity levels the contribution to the Council's insurance provision will increase by £60k whilst Business Rates will increase by £130k as a result of re-valuations of properties.
- 3.9.8 Other variations (£110k) reflect the impact of staff that have transferred as a part of the Support Services review.

### **3.10 Savings Proposals - Efficiencies - £4,520k**

- 3.10.1 Following the successful implementation of alternate week collection city wide, a further review of refuse collection routes is being undertaken. This review will seek to realise cost efficiencies (£1,380k) through the re-design of collection routes which will lead to a reduction in the overall number of routes city wide and decreased management costs. There will also be a further £250k saving in respect of the Council's borrowing requirement as a result of the reduction in the number of refuse collection vehicles required to deliver the service.
- 3.10.2 In respect of the Environmental Action Service, staffing cost savings of £710k will be realised through a reduction in the number of both front line and managerial posts and a reduction in staff-related expenditure. These savings will be realised through freezing the current level of vacant posts so that there will be little change from the current level of activity. Deployment of cleansing and enforcement resources will be amended in accordance with the Council-wide review of Locality Working.
- 3.10.3 Whilst it is proposed to reduce the number of area co-ordinators within Community Safety with their responsibilities being absorbed within revised area working arrangements (£180k), one post will be retained for the City Centre.

- 3.10.4 Within the Parks and Countryside service grants to the Third Sector will reduce in accordance with the Council's reduction in funding (£20k).
- 3.10.5 The transfer of the nursery function from Redhall to Whinmoor will facilitate revised security arrangements for accessing the site and this will result in savings of £50k.
- 3.10.6 Implementation of transactional web services to support "channel shift" is being progressed within Customer Services and a further £300k of savings, on top of the £450k realised in the previous two years, are built into the 2017/18 budget.
- 3.10.7 Other savings in Customer Services amount to £480k and this comprises of changes to the out of hours service, help desk, merging functions and a reduction in the service failure target. A new operating model for dealing with all the Council's compliments and complaints is being led by the service and savings of £100k are targeted.
- 3.10.8 Savings of £400k are planned for the Libraries service and this will come from a combination of running cost and pay savings as well as additional income.
- 3.10.9 In respect of Benefits, Welfare and Poverty, a reduction in off-site processing costs of £200k is planned as well as a £150k saving from the integration of Council Tax/Benefits and the Contact Centre. A reduction of £50k in payment to the Advice Consortium is also proposed.
- 3.10.10 A cross directorate review of staffing and running costs and grants is projected to save £500k mainly within Communities.

### 3.11 **Service Changes - £1,790k**

- 3.11.1 There will be a reduction in the number of front line horticultural staff which will save £400k and this will be largely realised through freezing vacant posts. In order to accommodate this it will be necessary to adopt alternative management approaches to rationalise and reconfigure features in parks and green spaces delegated to community committees. The overall savings represent less than 5% of current resource need. The approach adopted must ensure that whilst there is less labour required, quality is sustained. There is the potential to enhance wildlife and conservation value whilst ensuring that parks remain an attractive place to visit. In practice this will also mean introducing relaxed mowing, native meadows, and managing graveyards with conservation in mind. Football posts could also be left up over the summer which alleviates what is a significant undertaking and yet benefits people who wish to use them over the summer months.
- 3.11.2 Similarly £90k will be saved primarily by reducing costs associated with traffic management on high speed arterial roads. This will mean less inconvenience to motorists due to lane closures (with resulting traffic queues) and that grass is generally longer in these areas with added benefits to biodiversity.
- 3.11.3 As there are no Council elections planned in 2017/18 this means a one off saving of £650k.
- 3.11.4 Following on from the reduction in the last three year's budgets, a further reduction of £180k will be applied to the Wellbeing and Youth Activities budgets.
- 3.11.5 In the light of the development of the Community Hub network, it is proposed to re-provide the Mobile Library service, saving £120k, to meet the new demand and deliver the service more efficiently and effectively given that the Hub approach is creating more physical sites for citizens to access a broader range of Council Services.

- 3.11.6 The 'initiatives' element of the existing Local Welfare Support Scheme will be ceased in 2017/18 saving £300k which was the element of the budget for 'initiatives'. It is expected that income that the Council will receive from the Casino via the Social Inclusion Fund will still enable some of these projects to proceed.
- 3.11.7 Discussions are already in place with the Credit Union to implement a £50k reduction in the contribution that will have minimal impact on the delivery of services to citizens.
- 3.12 **Income – Fees and Charges £2,040k**
- 3.12.1 Proposed increases of £1 in charges for Sunday and Evening car parking combined with implementing a charge for city centre parking for bank holidays and a 10p price increase on each on street car parking tariff will generate £380k in additional car parking income. It is also intended to increase the charge for parking at Woodhouse Lane Multi Storey car park from £6.50 to £7.00 which will realise a further £120k in income.
- 3.12.2 The budget submission assumes that the car parking income trends in 2016/17, which has seen an increase in income received above that assumed in the budget, will continue in 2017/18 (£200k).
- 3.12.3 Legislation which governs parking enforcement allows Local Authorities to carry out specified function using a vehicle fitted with CCTV. It is proposed to implement mobile parking enforcement in Leeds and the main use of the vehicle will be to counter illegal parking outside of schools and bus stops. It is anticipated that the net contribution from this initiative will be £60k.
- 3.12.4 Increases in the cost of car parking permits will generate a further £15k in additional income.
- 3.12.5 Bus lane cameras have been very successful in reducing the numbers of cars which contravene restrictions ensuring that the lanes are only used as they are intended at peak times by cyclists and buses. Additional income (£25k) is assumed from bus lane enforcement cameras.
- 3.12.6 In October 2016 Executive Board received the Parks and Countryside Attractions Development Plan. Following on from the experience of Tropical World, whereby capital investment to enhance the visitor experience led to increased income, the report detailed how proposed investment to deliver improvements at Temple Newsam Home Farm, Lotherton Hall and Tropical World (continued development of the attraction) would result in an increase in the level of income receivable from these attractions. In accordance with this report additional net income of £330k has been included in the 2017/18 budget.
- 3.12.7 The Council provides bereavement services at 24 cemeteries and 3 crematoria across the city. In order to remove the subsidy associated with this service it is proposed to increase charges by 2% above inflation assumptions in 2017/18 which will increase the overall level of income receivable by £120k.
- 3.12.8 Unlike many other Local Authorities, including all the ones in West Yorkshire, Leeds City Council does not currently charge for the replacement of damaged or lost wheeled bins. In 2017/18 it is proposed to implement a charge of £15.40 (per standard 240 litre bin) to residents for the cost of replacing black and brown wheeled bins. It is projected that that this will generate a contribution of £240k in 2017/18.

- 3.12.9 The cost of disposing of inert building waste, plasterboard waste and tyres deposited at Household Waste Sites is approximately £140k per annum. Since this type of waste is not defined as household waste, it is proposed to implement a charge of £2.60 (including VAT) for a 25kg bag of waste, £4.80 for a 25kg bag of plasterboard and £1.50 per tyre to households who wish to deposit this material. These charges are designed to cover the cost incurred by the Council in having to dispose of this type of waste.
- 3.12.10 The collection of bulky items of waste from households across the city is undertaken free of charge, unlike the vast majority of local authorities. Introducing a charge would significantly influence more residents to opt for free collections by local third sector organisations with the purpose of reusing the item rather than it being handled and disposed of as waste. The partners we work with closely are wholly supportive of actions the Council could take to increase the volume of items they handle and have recently confirmed their capacity to do much more. A charge would reduce the demand for collections by the Council, thus freeing up capacity amongst operational staff to undertake other cleansing work. A charge of £20 which will cover up to 4 items for removal is therefore proposed from 2017/18 for residents choosing this Council service over others which will remain free of charge, including third sector collections and the use of Household Waste Sort sites. It is further proposed that a proportion of the income is used to support third sector activity in this area. The introduction of a charge will make a net contribution of £150k.
- 3.12.11 The subsidy relating to pest control services will be reduced with a charge being introduced for the one service which is currently free, that of eradicating rats in owner-occupied properties (£50k).
- 3.12.12 As a part of the Localities review, it is proposed to restrict free lets in Community Centres to 75% of the present level and this will generate £80k in additional income. Income of £50k is also expected as a result of charging for events at Community Hubs.
- 3.12.13 A number of income and charging proposals will also be implemented in the Registrars service, for example passport checking and Saturday appointments and it is estimated that this will generate £80k in additional income.
- 3.13 Income - Other £1,810k**
- 3.13.1 The West Yorkshire Police and Crime Commissioner has made funds available for Councils to bid against. In order to sustain activities in priority areas such as tackling domestic violence, dealing with anti-social behaviour, reducing burglary and stopping re-offending, the Council will submit a bid and it is assumed that as a minimum a contribution of £390k will be received.
- 3.13.2 Charges to the Housing Revenue Account will increase to more accurately reflect the cost associated with the disposal of waste from void clearances and work undertaken to sustain environmental improvements on estates as well costs associated with CCTV at multi storey flats (£300k). In addition a review of the allocation of horticultural maintenance costs on grass verges and space about dwellings identified that housing assets are typically smaller with more access restrictions e.g. gates and fences resulting in smaller machines and more operators and therefore an increased contribution of £200k is required.
- 3.13.3 In respect of Parks and Countryside the partnership arrangement with Askham Bryan College in York will realise an increased contribution of £50k whilst increased activity levels in respect of landscape work will result in additional income of £100k.

- 3.13.4 The transfer of the nursery function from Redhall to Whinmoor will facilitate the opportunity to increase retail activity through the increased sale of surplus stock to the public (£50k).
- 3.13.5 Within the Waste Management function income largely relating to the sale of scrap metal and the rent receivable from the re-use shop at East Leeds and the brand new re-use shop at Kirkstall Road will increase by £150k.
- 3.13.6 Within Parks and Countryside additional sponsorship for events will be sought in 2017/18 (£30k).
- 3.13.7 Additional one off income in respect of Housing Benefits (£540k) is expected mainly in respect of measures to identify and recover overpayments of benefit.

#### **4 Risk Assessment**

- 4.1 In determining the 2017/18 budget, consideration has been given to all the risks which are managed within the Directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared.
- 4.2 The key risks in the 2017/18 budget for Communities and Environment Directorate are:
- 4.3 That assumptions in respect of waste growth and the level of recycling across the City are not realised and that there is a consequential increase, over and above the budgeted assumptions, in the amount of waste that has to be disposed of.
- 4.4 Assumptions in respect of income receivable from Bus Lane and Car Parking enforcement are impacted upon by a reduction in the number of offences assumed in the budget assumptions.
- 4.5 That increases in the amount of car parking income receivable from on street and off street parking in 2016/17 aren't sustained.
- 4.6 That activity levels from income generating activities within Parks and Countryside are less than anticipated.
- 4.7 That staff turnover and the number of vacant posts are less than assumed in the budget.
- 4.8 That there are delays in the implementation of the redesigned refuse collection routes which will impact upon the level of assumed savings in the budget.
- 4.9 The Council currently budgets to receive £9.1m from the recovery of Housing Benefit overpayments and increasingly there is pressure to achieve this income. Additional resources have been used to identify and recover the overpayments to achieve the budget. The ongoing roll out of Universal Credit will increase the pressure in this area over the next few years.

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Directorate: Communities & Environment

	2017/18 £m	FTEs
<b>2016/17 Adjusted net managed budget (New Organisational Shape)</b>	<b>77.51</b>	
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	0.92	
Price	0.56	
Income	-0.32	
<b>Employer's Pension</b>	0.56	
<b>Leeds CC minimum pay rate</b>	0.08	
<b>Apprenticeship Levy</b>	0.31	
<b>Full Year Effects of previous decisions</b>		
Car Parking - Woodhouse Lane car park price increase (50p increase from June 16)	-0.12	
<b>Demographic and demand pressures</b>		
Reduction in waste disposal costs	-0.13	
Car parking loss of income (sale of Cross Belgrave Street, change of use in Holbeck area)	0.22	
<b>Grant Fallout</b>		
Reduction in Housing Benefit Administration Grant	0.29	
<b>Other</b>		
Fallout of capitalised pensions	-0.08	
Capitalised pension costs for new leavers	0.20	
Car Parking - pay and display maintenance contract	0.04	
Kirkstall Road HWSS re-opening	0.04	
Environmental Health and Domestic Homicide - legal fees/review costs	0.04	
Housing benefits - cost of intervention work	0.27	
Insurance	0.06	
Business rates	0.13	
Other	0.11	
<b>Total Pressures</b>	<b>3.20</b>	
<b>Savings Proposals:</b>		
<b>Efficiencies</b>		
Refuse Collection - review of routes	-1.38	-38.00
Environmental Action - revision to street cleansing/enforcement resources, review of locality working	-0.71	-18.00
Community Safety - reduction in area co-ordinator posts	-0.18	-4.50
Parks & Countryside - reduce grants to 3rd sector	-0.02	
Parks & Countryside - revised security arrangements following move to new nursery	-0.05	-2.00
Communities teams and associated activity: review management & leadership; review grants & contributions to 3rd sector	-0.20	
Fewer calls due to channel shift (dependent on technology) and productivity improvements	-0.30	-10.00
Council Tax/Benefits/Contact Centre Integration (savings within Customer Access and Welfare and Benefits)	-0.15	-5.00
Reduce service failure: target to reduce by 25%	-0.13	-4.30
Review the Out of Hours Service allow contact to be directed straight to the relevant service	-0.10	-3.30
Reduce Helpdesk function through development of professional Tier 2 (rather than C1 Helpdesk CSO) support	-0.10	-3.30
Merge support and development functions	-0.15	-5.00
Reduction in off-site processing and overtime	-0.20	
Advice consortium	-0.05	
Other staffing and running cost savings across all services	-0.30	
Support Services Review: Compliments and Complaints	-0.10	
Libraries; savings in running costs and staffing plus additional income	-0.41	
<b>Service Changes</b>		
Parks & Countryside - reduction in front line horticultural staff	-0.40	-20.00
Parks & Countryside - reduction in grass/hedge cuts on highways assets	-0.09	
Well Being grants - further reductions	-0.18	
Reprovide delivery of mobile library service	-0.12	
Local Welfare Support Scheme - reduce budget by 30%	-0.30	
Credit Union - reduce grant funding	-0.05	
No local elections in 2017/18 & 2019/20	-0.65	
<b>Income - Fees &amp; Charges</b>		
Car Parking - Sunday/evening increases; bank holiday charging; on street price increases	-0.38	
Car Parking - continuation of 2016/17 trends	-0.20	
Car Parking - additional 50p increase at Woodhouse Lane car park (to £7 per day)	-0.12	
Car parking - mobile enforcement, permit increases	-0.08	
Additional bus lane enforcement income	-0.03	
Parks & Countryside - review of charges at Lotherton	-0.06	
Parks & Countryside - review of charges at Tropical World	-0.27	
Bereavement Services - review of charges to eliminate subsidy	-0.12	
Waste management - introduce charges for replacement wheelie bins	-0.24	
Waste management - introduce charges for inert building waste/plasterboard/tyres	-0.14	
Environmental Action - introduce charges for bulky waste collections	-0.15	
Environmental Health - introduce new pest control fees	-0.05	
Community Centres: Restrict free lets to 75% of present level	-0.08	
Charge for events at Community Hubs	-0.05	
Registrars: charging/income proposals (Passport checking service; additional appointments; Saturday appointments; general fee increase)	-0.08	
<b>Income - Traded Services, Partner and Other Income</b>		
Community Safety - additional contribution from WYPCC	-0.39	
Parks & Countryside - review allocation of costs relating to grass areas in housing estates	-0.20	
Additional charges to HRA re disposed of waste/CCTV/Horticultural maintenance	-0.30	
Parks & Countryside - income from partnership with Askham Bryan college	-0.05	
Parks & Countryside - additional retail income from nursery	-0.05	
Parks & Countryside - additional landscaping income	-0.10	
Waste management income - recycling (scrap metal)/RERF penalty income/re-use shop rental income	-0.15	
Parks & Countryside - contribution from event income	-0.03	
Additional Housing Benefits grant income FERIS, RTI, New Burdens	-0.54	
<b>Total Savings</b>	<b>-10.16</b>	<b>-113.40</b>
<b>Net Managed Budget 2017/18</b>	<b>70.54</b>	<b>-113.40</b>

# LEEDS CITY COUNCIL

## 2017/18 BUDGET REPORT

### Directorate: Strategic & Central Accounts

#### 1 Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the central accounts budget for the 2017/18 financial year.

#### 2 Service context

- 2.1 The central budget holds a variety of corporate budgets which do not relate directly to individual services, as well as council-wide budgets which largely for timing reasons have not been allocated to individual services. Generally these council-wide budgets will be allocated to services in year, once their impact is known. The strategic budget include the council's capital financing costs and associated entries relating to the complexities of the capital accounting requirements. In addition, in accordance with accounting requirements, the central budget includes those costs which are defined as the corporate and democratic core. Other budgets within the central budget include contributions to joint committees and levies.

#### 3 Budget proposals

- 3.1.1 This budget represents a decrease of £2,193k (34%) when compared to the adjusted budget for 2016/17. The variations are summarised in the table attached to this report:

##### 3.2 Grant fallout - £5,951k

- 3.2.1 The central accounts budget reflects the proposal in the provisional local government finance settlement to reduce the new homes bonus grant to local authorities from six years to five years, and to introduce a baseline growth threshold for the grant. This is projected to reduce the grant funding that the council receives by £5,916k. There have also been minor reductions in other grant budgets.

##### 3.3 Other budget pressures - £450k Cr

- 3.3.1 The central budget includes a net increase of £860k reflecting the removal of corporate budgets for savings targets and initiatives, which are now reflected across the directorate budgets.
- 3.3.2 The 2017/18 central budget also includes £201k for the business rates tariff adjustment which was previously netted off the net revenue charge, and a reduction of £300k in the budgeted use of section 278 contributions, reflecting latest forecasts.
- 3.3.3 The central budget reflects a projected reduction of £1,276k in the business rates levy payable and a projected reduction of £340k in the cost of historic unfunded pensions payable.
- 3.3.4 Also included is a new budget of £250k Cr, which reflects that from April 2017 the council will be able to access around £1.6m of training funding through the new digital voucher scheme, relating to eligible apprentice training costs, which is funded by the new apprentice

levy. The £250k will be allocated to directorates during the year to reduce their training budgets as the digital account is accessed.

### 3.4 **Changes to levies and other contributions – decrease of £311k**

3.4.1 Contributions to joint committees and other bodies have decreased by a net £311k. Within this figure, the council's contribution to the West Yorkshire Combined Authority has decreased by £282k, reflecting planned reductions in its transport budgets. There has also been a decrease of £55k in the contribution to the West Yorkshire Joint Services Committee, reflecting continued efficiencies in its operation.

3.4.2 The following table gives details of the contributions and levies. In approving these contributions, members will note that they are not approving the individual budgets of the joint committees, but the estimated effect on the council's budget.

	Leeds' contribution			
	2016/17 £m	2017/18 £m	Variation	
			£m	%
<b>Joint Committees</b>				
Joint Services	1.438	1.384	-0.054	-4%
<b>Other Bodies</b>				
Flood Defence Levy	0.344	0.37	0.026	8%
Combined Authority and Transport Fund	34.328	34.046	-0.282	-1%
Coroners	1.295	1.295	0.000	0%
Probation Service (Debt only)	0.006	0.006	0	0%

### 3.5 **Savings in debt costs £6,812k**

3.5.1 The budget for debt costs included a net £5,562k increase in debt costs, reflecting new borrowing to fund the capital programme and due to projected reductions in the level of carrying reserves and balances available to offset borrowing. This was offset by a £2,750k increase in the level of prudential borrowing recharges to directorates.

3.5.2 The debt budget also reflects savings arising as a result of proposed changes to the council's Minimum Revenue Provision (MRP) policy. The effect of the change together with the ongoing policy of using capital receipts as an alternative means to fund the repayment of debt is to reduce the MRP charge borne by the revenue budget by £9,286k for conventional borrowing and a further £338k for PFI liabilities.

### 3.6 **Other efficiencies – £2,017k**

3.6.1 The central budget reflects an increase of £2,000k in the corporate target for capitalisation of eligible expenditure which would otherwise be charged to revenue.

3.6.2 There has also been a reduction of £17k in the agreed budget for council tax support grants to parishes.



### **3.7 Income – Grants £3,613k**

- 3.7.1 The central budget includes an estimated increase of £1,500k for the improved Better Care Fund grant.
- 3.7.2 There is also a projected net increase of £2,113k in the grants which the council receives as compensation for various business rates reliefs granted by the government.

### **3.8 Income - Other £468k**

- 3.8.1 The central budget includes an increase of £468k in the expected level of retained business rates income from the regional Enterprise Zone to repay the council for its up-front funding of Leeds City Region costs incurred in prior years.

### **3.9 Use of reserves - £5,527k reduction**

- 3.9.1 The central budget budget reflects a reduction of £3,450k in the planned use of the general Fund reserve, setting the budgeted use of the reserve to nil.
- 3.9.2 The budgeted use of the earmarked capital reserve has reduced by £5,177k. However the budget does include the planned use of £3,100k of earmarked reserves, including a £2,000k reserve which was previously earmarked to fund transformation/severance costs in 2016/17, which reflects the proposal to fund these costs through the strategy for the flexible use of capital receipts.

## **4 Risk Assessment**

- 4.1 In determining the 2017/18 budget, consideration has been given to all the risks which are managed within the overall risk management framework. Within this framework, a register of those items considered to be carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2017/18 financial year for the central budget are as follows:
- 4.2 The budgeted position on MRP assumes the availability of £15.3m of capital receipts as an alternative source of funding to repay debt. If the forecast level of capital receipts is not achieved, either as a result of worsening conditions in the property market or because of specific issues, then these savings in the revenue budget may not be achieved.
- 4.3 The budgeted capital financing costs are based on assumptions about market interest rates during 2017/18. If rates are greater than forecast then the actual borrowing costs incurred could be greater.
- 4.4 There is a budget of £4.9m for the use of section 278 contributions. This is dependent on the authority receiving these contributions from developers.

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**Directorate: Strategic and Central Budgets**

	2017/18 £m	FTEs
<b>2016/17 Adjusted net managed budget</b>	-6.53	
<b>Budget Pressures:</b>		
<b>Inflation</b>	0.00	
<b>Grant Fallout</b>		
New Homes Bonus	5.92	
Other	0.03	
<b>Other</b>		
Business rates tariff adjustment	0.20	
Projected reduction in Section 278 income to revenue	0.30	
Remove corporate savings targets	0.86	
Charges to the Housing Revenue Account	0.06	
Projected reduction in business rates levy	-1.28	
Training entitlement from apprenticeship levy	-0.25	
Fall out of capitalised pensions	-0.34	
<b>Total Pressures</b>	5.50	0.00
<b>Savings Proposals:</b>		
<b>Efficiencies</b>		
Increase in capitalisation	-2.00	
Reduction in council tax support grants to parishes	-0.02	
<b>Debt costs</b>		
Increases in debt budget before MRP savings	5.56	
Additional prudential borrowing recharges to directorates	-2.74	
Additional use of capital receipts to fund PFI liabilities	-0.34	
Reduction in annual MRP due	-4.96	
Net savings from changes to MRP policy	-4.33	
<b>Levies and other contributions</b>	-0.31	
<b>Income - Grants</b>		
Business rates relief grants	-2.11	
Improved Better Care Fund	-1.50	
<b>Income - Other</b>		
Increased repayment from Enterprise Zone	-0.47	
<b>Changes in use of reserves</b>		
General reserve	3.45	
Earmarked reserves	2.08	
<b>Total Savings</b>	-7.69	0.00
<b>Net Managed Budget 2017/18</b>	-8.72	0.00

### Strategy for the flexible use of capital receipts

#### 1. Background

- 1.1 Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not permitted by the regulations.
- 1.2 The Secretary of State is empowered to issue directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.
- 1.3 The Secretary of State for Communities and Local Government issued guidance in March 2016, giving local authorities greater freedoms with how capital receipts could be utilised. This Direction allows for the following expenditure to be treated as capital;  
  
*“expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.”*
- 1.4 In order to take advantage of this freedom, the Council must act in accordance with the Statutory Guidance issued by the Secretary of State. This Guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy, with the initial strategy being effective from 1st April 2016 with future Strategies included within future Annual Budget documents.
- 1.5 There is no prescribed format for the Strategy, but the underlying principle is to support the delivery of more efficient and sustainable services by extending the use of capital receipts to finance costs of efficiency initiatives that deliver significant savings. A list of each project should be incorporated in the strategy along with the expected savings each project is expected to realise.
- 1.6 The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators.
- 1.7 The proposed Flexible Use of Capital Receipts Strategy is set out below

## 2. Flexible Use of Capital Receipts Strategy

- 2.1 Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

*“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.”*

- 2.2 The Council intends to the use of capital receipts to fund the severance/redundancy costs associated with the transformation of the council implemented through the policy and service programme.

Project Description	2016/17 £m	2017/18 £m	2018/19 £m
Restructure costs as part of Service & Policy Programme	2.8	3.0	0.0

- 2.3 The savings generated directly through the reduction in staffing are estimated to be;

Project Description	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Service & Policy Review Programme	(1.4)	(6.8)	(11.0)	(11.2)
Less: Financing costs	0.04	0.18	0.27	0.27
<b>Total</b>	<b>(1.36)</b>	<b>(6.62)</b>	<b>(10.73)</b>	<b>(10.93)</b>

- 2.4 The indicators that will be impacted by this strategy are set out below;

- Estimates of capital expenditure indicator increased by £5.8m
- Capital financing requirement increased by £5.8m as these capital receipts were intended to support schemes within the existing capital programme that will now be financed by prudential borrowing.
- Financing costs as a percentage of net revenue stream (%), noting that the savings generated from the transformation program will meet the debt financing costs arising from the additional borrowing.
- Incremental Impact on Council Tax/Housing Rents of Capital Investment Decisions – not relevant as savings will meet the additional debt financing costs.

- 2.5 The prudential indicators show that the impact from this strategy marginal, is affordable and will not impact on the council's operational and authorised borrowing limits.

## List of subsidised services

## Appendix 10

Directorate	Service	Directly Managed Expenditure	Total Income	Net Managed Budget	Relevant Overheads	Net Cost	Comments
		£000	£000	£000	£000	£000	
Children & Families	0 - 19 School Improvement	2,374	(1,901)	473	356	829	Net cost of core service. Services include evaluation of school data, identification of emerging trends and challenges and partnership working with schools. The Early Year Improvement service has a telephone/e-mail hotline and provides support to child-minders
Children & Families	Attendance Strategy	798	(310)	488	120	608	Net cost of 'Core' service. Services includes supporting families that are new to the city (and often new to the country) to find school places and ensure the children are safe and well and are the Council's response to the government's Children Missing Education Guidelines.
Children & Families	Education Psychology	807	(390)	417	121	538	Net cost of 'Core' service. Latter includes professional input into child protection conferences, children looked after planning meetings, training of foster carers and other preventative services.
Children & Families	ARTEMIS - Museum Service	210	(230)	(20)	32	12	
Children & Families	Music Support	2,172	(2,242)	(70)	156	86	
Children & Families	Health & Wellbeing	612	(655)	(43)	92	49	
Children & Families	Arts Development	131	(106)	25	20	45	
Children & Families	Active Schools	299	(299)	0	45	45	
Children & Families	Children's Centres	11,915	(11,853)	62	2,150	2,212	Overheads include £360K depreciation on buildings.
City Development	Sports Facilities	15,081	(13,071)	2,010	6,628	8,637	Budget action plans in place to reduce the subsidy by £1.35m by 2019/20
City Development	Museums and Galleries	5,278	(1,077)	4,201	763	4,964	Budget action plans in place to reduce the subsidy by £120k by 2019/20
City Development	Arts and Venues	2,944	(2,942)	2	769	771	Budget action plans in place to reduce the subsidy by £80k by 2019/20
City Development	Urban Traffic Management Control	1,346	1,346	588	143	732	Includes statutory functions which cannot be charged for
City Development	Road Safety	858	858	460	184	644	No current plans to reduce the service level due to current casualty statistics or to reduce the subsidy
City Development	Events	1,061	(702)	359	204	563	Budget action plans in place to reduce the subsidy by £30k by 2019/20
City Development	Building Control	1,591	(1,657)	(66)	234	168	Includes statutory functions which cannot be charged for
Communities & Environment	Medi waste	153	(23)	130	23	153	
Communities & Environment	East Leeds/Kirkstall Road HWSS weighbridge	714	(699)	15	107	122	
Communities & Environment	Bulky Waste collection	220	(210)	10	33	43	
Communities & Environment	Pest Control - Domestic Properties	169	(167)	2	25	27	
Communities & Environment	Allotments	127	(110)	17	19	36	
Communities & Environment	Bowling Greens	217	(46)	171	33	203	
Communities & Environment	Golf	479	(302)	177	72	249	
Communities & Environment	Major attractions - admissions & café/retail	3,980	(4,134)	(153)	597	444	
Communities & Environment	Entertainment Licensing	737	(858)	(121)	156	35	
Resources and Housing	Catering - Schools	14,472	(16,268)	(1,796)	1,882	86	
Resources and Housing	Presto	136	(131)	5	20	25	

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