

Report of the Chief Officer – Financial Services
Report to Executive Board
Date: 21st February 2018

Agenda Item 7(i)

Subject: 2018/2019 Revenue Budget and Council Tax

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

Summary of main issues

1. This report seeks the approval of Council to a revenue budget and council tax for the 2018/19 financial year. The report sets out the framework for compiling the 2018/19 budget, taking into account the Local Government Finance Settlement including piloting 100% business rate retention in 2018/19, the initial budget proposals that were agreed by the Executive Board in December 2017, the results of budget consultation and other factors that have influenced the final budget. The report also provides an update to the equality impact assessment that was developed as part of the initial budget proposals.
2. The 2018/19 budget now being proposed supports the Council's Best City/Best Council ambitions, policies and priorities aimed at tackling inequalities as set out in the Best Council Plan, the Authority's strategic plan. (Please refer to the Best Council Plan 2018/19 - 2020/21 refresh report which is on today's agenda).
3. The provisional Local Government Finance Settlement was announced on the 19th December 2017. The provisional settlement confirmed the reduction of £14.1m to the Council's settlement funding assessment which is in line with the multi-year funding settlement and the initial budget proposals. The final Local Government Finance Settlement was announced on the 6th February 2018 ahead of a formal parliamentary motion and debate on the 7th February 2018 and is consistent with the provisional settlement.

4. The 2018/19 budget proposals are set within the context of the 2018/19 – 2020/21 medium term financial strategy which was approved by Executive Board in July 2017, the initial budget proposals which were received at Executive Board in December 2017 and the Local Government Finance Settlement.
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. Whilst we have been able to balance the budget each year since 2010 and continue to deliver a broad range of services despite declining income, it is clear that the position is increasingly challenging to manage. Looking ahead over the medium term it will be increasingly difficult to maintain current levels of service provision without significant changes in the way the Council operates. Section 13 of this report presents a summary update to the 2019/20 – 2020-21 medium-term financial strategy and the intention is to fully update this strategy for presentation to the Executive Board in July 2018.
6. The headlines from the 2018/19 budget proposals, when compared to the 2017/18 budget, are as follows:
 - An increase in the Council's net revenue budget of £18.2m to £510.9m;
 - A reduction in revenue support grant from government of £65m (100%). Authorities piloting 100% business rates retention forego revenue support grant and the value of the grant foregone is taken into account in setting the new business rates baseline;
 - An increase in business rates income of £15.3m, after this baseline adjustment;
 - A reduction in the settlement funding assessment of £14.1m (6.6%);
 - An increase in council tax of 2.99% together with a further 2% in respect of the Adult Social Care precept and an increase in the council tax base, generating an additional £17.0m of local funding;
 - A combination of reduced core funding and cost pressures means that the Council will need to deliver £33.9m of savings by March 2019; and
 - A net increase in staffing of 59 full time equivalent posts reflects the impact of increased trading and the realisation of additional income.
7. In respect of the Housing Revenue Account, whilst there are proposals to increase service charges, the continued implementation of the Government's rent cap, introduced from April 2016, will mean that the majority of tenants, excluding those properties that have benefited through PFI investment, will again see reductions in rent of 1% from April 2018.

Recommendations

1. As recommended by the Executive Board, this report asks Council to adopt the following resolutions:

- i) That the revenue budget for 2018/19 totalling £510.9m be approved. This means that the Leeds element of the council tax for 2018/19 will increase by 2.99% plus the Adult Social Care precept of 2%. This excludes the police and fire precepts which will be incorporated into the report to be submitted to Council on the 21 February 2018.
- ii) Grants totalling £70k to 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 3% in dwelling rents in PFI areas.
 - A 3.9% increase in district heating charges.
 - That service charges for multi-story flats are increased by £2 per week.
 - That service charges for low/medium rise properties are increased by 3.9%.
 - That the charge for tenants who benefit from the sheltered support service currently paying £4 a week be increased to £6 per week.
 - That any overall increase to tenants in respect of rents, service and sheltered support charges will be no more than £5 per week.

1. Purpose of report

- 1.1. This report sets out the Council's budget for 2018/19. It has been prepared in the context of the Council's initial budget proposals, which were agreed by the Executive Board in December 2017 and also the final Local Government Finance Settlement and 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.
- 1.2. Following recommendation by the Executive Board, including the addendum presented to the Board following the receipt of the final local government finance settlement, this report seeks approval from Council that the City Council's revenue budget for 2018/19 be approved at £510.9m. 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 £63.69 to £1,339.89 for 2018/19.
- 1.3. Detailed budget proposals for each service are set out in the directorate budget reports attached in Appendix 8. This information will be consolidated into the annual financial plan and the budget book. The annual financial plan brings together the revenue budget, capital programme and performance indicators for 2018/19, providing a clear link between spending plans and

performance at directorate level. The budget book contains detailed budgets for each directorate at both service level and by type of expenditure/income.

- 1.4. In addition, as part of the refreshed Best Council Plan suite of documents, a graphical summary will be produced to show how the 2018/19 budget supports the delivery of the Council's priorities. This will again provide a useful one-sided 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 context and Autumn budget

- 2.1. The economic context in which public spending must be considered is very much dominated by the debate concerning the impact of the EU referendum and the strength and resilience of the national economy. Further, the fiscal rules approved by Parliament in January 2017 commit the Government to reducing the cyclically-adjusted deficit to below 2% of GDP by 2020/21 and having debt as a share of GDP falling in 2020/21. In its November 2017 "Economic and Fiscal outlook" the Office of Budget Responsibility (OBR) expects that the government will meet both fiscal targets, and that borrowing will reach its lowest level since 2001/02 by the end of the forecast period. Debt as a share of GDP is forecast to fall in 2018/19 and in every year of the forecast.
- 2.2. Within its economic forecast, the OBR notes that economic growth has been stable but modest so far in 2017 on the back of a slowdown in consumer spending, but also that GDP growth has been slowing in contrast with many other advanced economies. The OBR projects that GDP growth will be 1.4% and 1.3% in 2018 and 2019 respectively, down from the 1.6% and 1.7% forecast at the March Budget, whilst CPI inflation is forecast at 2.4% and 1.9% respectively over the same period. Whilst the unemployment rate is projected to be 4.4% and 4.3% during 2018 and 2019 respectively, lower than the March forecast of 5.1% and 5.2%, earnings growth has also been revised down in line with a weaker outlook for productivity. It is within this economic context that the Council's revenue budget for 2018/19 needs to be considered.
- 2.3. **Autumn Budget 2017**
 - 2.3.1. On the 22nd November 2017, the Chancellor delivered his first Autumn Budget.

2.3.2. The key announcements in the 2017 Autumn Budget were:

- The Budget sets aside a further £3 billion over two years to prepare for EU exit;
- Government will lend local authorities in England up to £1 billion at a new discounted interest rate, the 'Local Infrastructure Rate', accessible for three years to support infrastructure projects that are high value for money. Details of the bidding process will be published in December;
- A £1.7 billion Transforming Cities Fund to support intra-city transport, targeting projects which drive productivity. Half will be allocated via competition for transport projects in cities and the other half on a per capita basis to the six combined authorities with elected mayors;
- A range of measures to increase housing supply, including lifting the Housing Revenue Account borrowing caps for councils in areas of high affordability pressure (£1 billion), so they can build more council homes, the introduction of planning reforms to ensure more land is available for housing, £204 million to fund innovation and skills in the construction sector and raising the stamp duty threshold to £300,000 for first time buyers;
- A power for local authorities to increase the council tax premium on empty homes from 50% to 100%, a measure intended to encourage owners to bring empty properties back into use rather than to increase local authority funding;
- A £220 million Clean Air Fund to allow local authorities to help individuals and businesses adapt as measures to improve air quality are implemented, funded by a Vehicle Excise Duty supplement on some diesel cars first registered from 1 April 2018 and a rise in the existing Company Car Tax diesel supplement;
- £6.3 billion of additional funding for the NHS: £3.5 billion of capital investment in estates transformation and improvement and efficiency schemes and £2.8 billion in resource funding, of which £335 million will be provided in 2017/18 to address winter pressures;
- A commitment to fund pay awards as part of a pay deal for NHS staff on the Agenda for Change contract;
- £42 million of additional Disabled Facilities Grant in 2017/8;
- Following the recommendations of the Low Pay Commission (LPC) the National Living Wage (NLW) will increase by 4.4% from £7.50 to £7.83 from April 2018. The Government has also accepted the LPC's recommendations for the other National Minimum Wage rates;
- A £1.5 billion package to address concerns regarding the delivery of Universal Credit, including removal of the seven-day waiting period for entitlement, enabling claimants who need it to access up to a month's worth of Universal Credit within five days as an interest-free advance and, from April 2018, new claimants already in receipt of housing

benefit will continue to receive it for two weeks. Also, Government will make it easier for claimants to have the housing element of their award paid directly to their landlord;

- A number of changes to business rates, including bringing forward the switch in business rates indexation from RPI to CPI to 2018/19 and continuing the £1,000 business rate discount for public houses introduced in 2017/18 for a further year, all of which will be fully funded by Government. The frequency of business rate revaluations will change from five years to three following the next revaluation, currently due in 2022;
- Fuel and alcohol duties have been frozen for 2018/19.

2.4. 2018/19 Local Government Financial Settlement

2.4.1. The Secretary of State for Communities and Local Government presented a statement on the provisional Local Government Finance Settlement 2018/19 to the House of Commons on 19th December 2017. The key headlines were:

- Confirmation of the multi-year settlement and the settlement funding assessments.
- Councils will receive £1.4 billion (28.3%) less Revenue Support Grant to run local services in 2018/19 than last year, excluding the impact of business rate pilots.
- All councils will be able to raise general council tax by up to 2.99% in 2018/19 to fund local services without the need for a referendum, an increase of 1%.
- England's 152 social care authorities will again be able to increase council tax by up to a further 3% in total in 2018/19 in respect of the Adult Social Care precept. The total social care precept increase allowed across the three years from 2017/18 to 2019/20 remains unchanged at 6%.
- This means the maximum by which social care authorities can increase overall council tax in 2018/19 is 5.99%. Nationally, it is estimated that this 1% increase above the previously core council tax limit will raise an extra £240m from local taxation.
- Social care authorities will receive the second payment of additional funding for social care in the improved Better Care Fund announced in the 2015 Spending Review, £1.5bn in 2018/19 rising to £1.8 billion by 2019/20.
- Announcement of 11 new 100% business rates retention pilots in 2018-19, including Leeds City Region.
- Further, Government announced that it aims to implement greater business rates retention, most likely 75%, nationally in 2020/21.
- Confirmation that no further reforms to New Homes Bonus would be introduced in 2018/19, following the reduction of payments from six

years to four over a two year period and the introduction of a 0.4% growth baseline in 2017/18. Government will retain the option to adjust the baseline in subsequent years.

- Extension of the capital receipts flexibility program for a further three years, allowing authorities more freedoms around how they use the proceeds of assets sales.

2.4.2 The final Local Government Settlement was announced on the 6th February 2018 ahead of a formal motion and parliamentary debate on the 7th February 2016. The key headlines in the final settlement were;

- The funding allocations for Leeds were unchanged from the provisional settlement.
- All authorities but one are to receive at least the amount set out in the provisional settlement. The one decrease is due to a small reduction in New Homes Bonus allocation.
- Social care authorities will receive an additional one-off Adult Social Care Support Grant of £150m.
- The Rural Services Delivery Grant, which supports certain rural districts, is to be increased from £65m to £81m in 2018/19.

3. Developing the 2018/19 budget and medium term financial strategy with the refreshed Best Council Plan 2018/19 – 2020/21

- 3.1. Between the 2010/11 and 2017/18 budgets, the Council's core funding from Government has reduced by around £239m, and will reduce by a further £14.1m in 2018/19. Additionally the Council has faced significant demand-led cost pressures, especially within the Adults & Health and Children & Families directorates. The Council has responded successfully to the challenge 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, including reducing staffing levels by over 3,200 FTEs.
- 3.2. Through targeting resources into preventative services the Council has ensured that the implications of demand and demographic pressures, which have resulted in significant cost pressures in other local authorities, have been contained within Leeds to date. Specifically within Housing Services, Leeds has only 33 households registered in temporary accommodation and no one in Bed & Breakfast accommodation. By way of comparison Birmingham has 1,740 households in temporary accommodation of which 379 are in Bed & Breakfast. In respect of Bed & Breakfast this equates to an annual cost to Birmingham of £9m whereas Leeds spends nothing. Similarly since 2010 the rate per 10,000 of children looked after has reduced by 18% in Leeds whilst the national average has risen by around 3.4%.

- 3.3. In February 2017, Council approved the 2017/18 Best Council Plan and the supporting budget. The Best Council Plan is the Council's strategic planning document and sets the context and policy direction against which the budget and medium-term financial strategy are developed. The policy direction is clearly explained in the Best Council Plan: that the Council's 'Best City' and 'Best Council' ambitions remain - articulated around Leeds having a strong economy and being a compassionate city and the Council being an efficient and enterprising organisation – with a focus on reducing poverty and tackling the range of interlinked inequalities that persist across the city.
- 3.4. Inevitably, managing the large reduction in government funding and increasing cost pressures has meant that the Council has had to make some difficult decisions around the level and quality of services. However, as signposted in the Best Council Plan and Budget reports to Council in February 2017, it will become increasingly difficult over the coming years to identify further financial savings without significant changes in what the Council does and how it does it. This will have significant implications for the services provided directly and those commissioned by the local authority, impacting upon staff, partners and service users. In order to continue delivering the Council's ambitions of tackling poverty and reducing inequalities, consideration may have to be given to stopping, delivering differently or charging for those services that are no longer affordable and are a lesser priority than others. This will be achieved through a continuing process of policy and service reviews across the Council's functions and ongoing consultation and engagement.

4. Estimating the net revenue budget for 2018/19

4.1. Settlement funding assessment – reduction of £14.1m

- 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, which Executive Board agreed to accept in September 2016.
- 4.1.2. 2018/19 represents the third year of the four year funding offer, approved by Executive Board in September 2016 and confirmed by DCLG in November 2016. The Council continues to expect to receive the amounts published as part of that offer, barring any exceptional circumstances and subject to the normal statutory consultation process for the Local Government Finance Settlement.
- 4.1.3. Table 1 below sets out the Council's settlement funding assessment for 2018/19 which is in line with the multi-year settlement. For 2018/19, this represents a reduction of £14.1m compared to 2017/18 which is equivalent to a 6.6% reduction.

- 4.1.4. A key feature of the 100% retention pilot (see paragraph 4.2 below) is that an authority's Settlement Funding Assessment remains unchanged. However, as already mentioned, authorities piloting 100% business rates retention will forego Revenue Support Grant and the value of the grant foregone is then taken into account in setting the new business rates baseline. Hence no Revenue Support Grant is shown in the table below, but the Business Rates Baseline Funding has been increased correspondingly.
- 4.1.5. The business rates element of the settlement funding assessment has been determined by taking the 2017/18 baseline business rates amount of £148.0m and firstly uplifting it by inflation. Following the decision in the Autumn Budget to bring forward the switch in business rates indexation from RPI to CPI, this uplift for inflation, based on the September 2017 Consumer Price Index, is 3.0%. Under a 50% retention scheme, the business rates element of settlement funding assessment would therefore be £152.4m, net of an estimated 2018/19 tariff adjustment of £13.8m. However, once RSG foregone of £46.5m is added the 2018/19 Baseline is £198.9m.

Table 1 – Settlement Funding Assessment

	2017/18 £m	2018/19 £m	Change £m %	
Revenue Support Grant	65.0	0.0	(65.0)	-100.0
Business Rates Baseline Funding	148.0	198.9	50.9	34.4
Settlement Funding Assessment	213.0	198.9	(14.1)	-6.6

- 4.1.6. In addition to formula grant, there are a number of other funding streams that notionally comprise the settlement funding assessment. These are outlined in Table 2 below and include early intervention, homelessness prevention, lead local flood authorities and learning disability & health reform funding.

Table 2 - Breakdown of the Settlement Funding Assessment

	2017/18 £m	2018/19 £m	Change £m
Formula Grant	167.65	154.49	(13.16)
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	16.34	15.03	(1.31)
Preventing homelessness	0.86	0.86	0.00
Lead local flood authority grant	0.23	0.24	0.01
Learning disability & health reform grant	11.03	11.26	0.23
Local welfare provision	2.59	2.59	0.00
Care act funding	4.84	4.98	0.14
Sustainable drainage systems	0.02	0.02	(0.00)
Carbon monoxide & fire alarm grant	0.00	0.00	0.00
Settlement Funding Assessment	212.97	198.88	(14.10)

4.2. Business rates 100% Retention Pilot 2018/19

- 4.2.1. The Council is a member of the Leeds City Region Business Rates Pool along with the other four West Yorkshire Authorities, Harrogate and York. In December 2017, Government notified the Council that the Leeds City Region Business Rates Pool bid to pilot 100% Business Rates Retention in 2018/19 had been successful. This is an expansion of the existing 100% pilot programme and is intended to help Government and the local government sector to explore options for the design of future increased business rate retention.
- 4.2.2. The key objectives of the Leeds City Region pilot are to support regional economic growth and support the financial stability of member authorities. The Joint Committee for the current Leeds City Region Pool, which is made up of Leaders of member authorities, will be meeting in advance of 1st April 2018 in order to discuss and agree the arrangements for the new Business Rates pilot. As part of this process the current Governance Agreement and Terms of Reference will be reviewed.
- 4.2.3. This pilot scheme is for one year only and allows the Leeds City Region Pool to retain all additional growth in business rates above the business rate baselines determined by Government and associated Section 31 grants, whereas currently 50% of that growth is remitted to Government.
- 4.2.4. For the Leeds City Region Pilot this additional income is estimated to be in the region of £40m, with the Pool retaining 50% (£20m) to continue to support and enable regional economic growth. The other 50% (£20m) will be allocated to the member authorities themselves to improve financial stability within their authorities. Of the 50% allocated to member authorities, half will be based on each authority's actual additional growth and half will be redistributed by population. For Leeds this additional business rates income as a result of the Pilot is estimated to be £7.3m.
- 4.2.5. Under the current business rates retention system a significant benefit of the Leeds City Region Business Rates Pool pooling arrangement has been that the levy on additional growth generated by Leeds, Harrogate and York has been retained in the region rather than being paid over to the Government. A further gain for these three authorities under the 100% retention pilot is that there will be no levy on growth, a further saving of £1.6m for Leeds in 2018/19. The total estimated gain for Leeds arising from the pooling is £8.9m with an additional gain to Leeds of a net £233k from the final settlement as reported in the addendum to the Executive Board on the 7th February 2018..
- 4.2.6. This 'gain' is the difference between the Council's budget and Section 31 grant income and levies under the 100% retention pilot and what business rates income would have been available to the Authority under the 50% business rates retention scheme. This gain is therefore not equivalent to the difference between the budget at £506.2m in the initial budget proposals and the final budget of £510.9m, but the additional business rates income is reflected in the increased final budget figure.

4.3. Business Rates Income

4.3.1. The total projected rateable value of businesses in Leeds is £919.2m which would generate gross business rates income of £441.2m. Further business rates growth is anticipated in 2018/19 increasing gross business rates collected to £446.4m. However, as shown in Table 3, the impact of a range of business rate reliefs (see paragraph 4.4 below) and statutory adjustments reduces this to a net income figure of £363.0m.

4.3.2. Because of the 100% pilot, Leeds City Council's share of this income is £359.4m (99%), rather than the 49% the Authority would retain if it were not a pilot authority. The Authority then pays a tariff of £136.9m to Government as Leeds is assessed to generate more business rates income than it needs and must also meet its share of the business rates deficit created in 2017/18, a further £13.3m. This leaves net income of £209.1m which contributes to the Council's net revenue budget.

Table 3 – Rateable Value in Leeds and Business Rates Income Generated

	£m
Rateable Value in Leeds projected to 31 December 2017	919.2
multiplied by business rates multiplier	0.480
Gross business rates based on projected rateable value	441.2
Estimated Growth	5.2
equals gross business rates to be collected in Leeds	446.4
less: -	
Mandatory Reliefs	-63.7
Discretionary Reliefs	-2.7
Transitional Adjustments	12.7
equals net business rates paid by ratepayers	392.7
less adjustments for: -	
Bad debts and appeals	-14.3
Cost of collection	-1.2
Projected Enterprise Zone and renewable energy projects yield	-1.5
Transitional Adjustments repaid to Government	-12.7
equals non-domestic rating income in Leeds	363.0
Split into shares: -	
Leeds City Council (99%)	359.4
<i>West Yorkshire Fire Authority (1%)</i>	<i>3.6</i>
<i>Central Government (0%)</i>	<i>0.0</i>
less deductions from operation of business rates retention scheme: -	
Leeds City Council's tariff from Local Government Finance Settlement	-136.9
Leeds City Council's share of deficit from 2017-18	-13.3
Leeds City Council 's 2018-19 income from business rates	209.1

4.3.3. Without the pilot, local authorities experiencing business rates growth above the Business Rates Baseline would retain 49% of that growth locally, but also bear 49% of the risk if business rates fall or fail to keep pace with inflation. As a pilot authority, however, Leeds City Region will retain 99% of growth locally, but also bear 99% of the risk, although enhanced safety-net mechanisms are in place to limit such losses in year. In 2018/19 this

includes a 'no detriment' guarantee from Government which ensures that no pool of authorities will be worse off as a result of piloting 100% retention.

- 4.3.4. Business Rates Retention exposes local authorities to risk from reductions in rateable values. The system allows appeals if ratepayers think rateable values have been wrongly assessed or that local circumstances have changed. One major issue is that successful appeals are usually backdated to the start of the relevant valuation list, which means that for every £1 of rateable value lost on the 2010 list growth of £6 would be necessary to fund the cost. At the end of December 2017 there were just under three thousand appeals against the 2010 ratings list remaining in Leeds.
- 4.3.5. A new rating list, primarily based on rental values in 2015, was introduced on 1st April 2017. This list should be more accurate than the previous 2010 list which was based on rental values in 2008, just before the 'financial & economic crisis'. Further, appeals submitted against this new list can only be backdated to 1st April 2017. This, together with the impact of the new 'check, challenge, appeal' appeals process also introduced on 1st April 2017, should reduce business rate appeals and volatility going forward. By the end of December 2017, the Council had received only 253 checks, with only 71 properties remaining subject to this first stage of the new appeals process, and only 32 challenges have been received, 12 of which remained outstanding. No appeals have been received as yet.
- 4.3.6. Since 2013/14 the total amount repaid by way of business rate appeals is £127.5m, with a cost to the Council of £62.5m. 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 2018/19 budget proposal provide for an additional £13.6m contribution from the general fund to fund this provision.

4.4. Small Business Rates Relief and other mandatory reliefs

- 4.4.1. From April 2017, Government increased the rateable value threshold for small businesses from £6,000 to £12,000. As a result an additional 3,300 small businesses in Leeds now pay no business rates at all and in total in the current year around 11,500 or 40% of business properties in Leeds pay no business rates. Whilst Small Business Rates Relief reduces the business rates income available to Leeds, the authority recovers 50% of this income through government grant and a further proportion through other ratepayers who pay rates based on a slightly higher business rate multiplier. The proportion any individual authority recovers depends on the mix of large and small businesses in that area.
- 4.4.2. Unlike Small Business Rates Relief, local authorities do bear 50% of the cost of other mandatory business rate reliefs such as mandatory charity relief and empty rate relief under 50% Business Rates Retention (and Leeds will bear 100% of the cost of these reliefs during the 100% pilot in 2018/19), but have no control over entitlement and no powers to deal with their use in business rates avoidance. Costs of mandatory reliefs have increased significantly

since the introduction of BRR, further reducing Leeds's retained business rates income: mandatory charity relief alone has increased by over 48%, from approximately £18.5m in 2012/13 to £27.5m in 2017/18, costing the Council an estimated £4.4m more in lost income in 2017/18.

- 4.4.3. At the March 2017 Budget, the Chancellor announced three additional measures to support businesses affected by the 2017 Revaluation: support for small businesses, a business rate discount for public houses and £300 million of funding over four years for local authorities to establish local discretionary relief schemes 'to deliver targeted support to the most hard-pressed ratepayers'. The discount for public houses was initially for one year only but has been extended for a further year in the Autumn Budget, whereas the other two reliefs will be provided for four years. These reliefs reduce business rates income by £1.2m in 2018/19, double the reduction that would have been experienced under 50% Business Rates Retention, but the Council will be fully compensated through government grant.
- 4.4.4. In order to mitigate some of the implications of the 2017 revaluation exercise upon business rates the Government set aside funds of £300m for local authorities to devise their own discount schemes to help businesses that faced large increases. Of this sum, receivable over a four year period, Leeds will receive £0.892m in 2018/19. It is proposed that a scheme is adopted whereby the increase faced by any small or medium business with a rateable value between £20,000 and £100,000 is limited to 11% above the gross rates that would have been payable in 2017/18. Without this proposal these businesses would face increases of up to 21% when compared to 2017/18. For properties with a rateable value of under £20,000 the increase is already restricted to 10.72% by the national transitional scheme. This proposal would benefit approximately 500 ratepayers.
- 4.4.5. Adoption of this discretionary policy means that the Council is focusing its support to those businesses most affected by the revaluation at a level where it will have a real impact and that these businesses fall within the SME category that are considered as essential for economic development.
- 4.4.6. In addition, it is proposed that businesses who solely provide childcare and who face an increase in their rates payable as a result of the revaluation receive an additional discount to freeze the rates payable in 2018/19 to the gross level of rates that would have been payable in 2017/18. This proposal would benefit 87 childcare providers.
- 4.4.7. This proposal enables the Council's to support access to local, high quality childcare provision through the local discount scheme, ensuring all our children get the best start in life and also supporting economic growth. It also meets a specific Government recommendation that local authorities use their business rates local discounts powers to support access to childcare provision (Business Rates Information Letter 1-2015).

4.5. Business Rates Retention and the Budget Proposals

- 4.5.1. In terms of the budget proposals, it is estimated that the local share of business rates funding in 2018/19 will be £359.4m, as set out in Table 3 above. As per Table 4 below, the budget proposals recognise business rate growth above the baseline of £23.56m, an increase of £6.84m (40.9%) from the 2017/18 budget, the significant increase arising due to the 100% retention pilot.

Table 4 – Business Rates, Estimated Growth above the Baseline

	2017/18	2018/19	Change
	£m	£m	£m
Business rates local share	178.07	359.38	181.31
Less: business rates baseline	161.35	335.82	174.47
Growth above baseline	16.72	23.56	6.84

- 4.5.2. The £359.4m local share of business rates funding is then reduced by the £136.9m tariff payment and the £13.3m deficit on the collection fund to give the £209.1m estimated business rates funding shown in Table 5 below.

Table 5 – Business Rates Retention 2017/18 & 2018/19

	2017/18 £m	2018/19 £m
Business rates baseline (including tariff)	148.0	198.9
Projected growth above the baseline to March	13.6	18.7
Estimated growth in the year	3.2	4.8
Total estimated growth	16.7	23.6
Estimated provision for appeals	(22.4)	(13.6)
Additional cost of transitional arrangements and provision for bad debts	0.6	0.3
Estimated year-end Collection Fund deficit (Leeds Share)	(21.8)	(13.3)
Estimated Business Rates Funding	142.9	209.1
Increase/(reduction) against the Business Rates baseline	(5.0)	10.2
Business Rates Retention - Additional General Fund Income		15.3

- 4.5.3. Comparing the £209.1m of business rates funding against the £198.9m business rates baseline produces a surplus of £10.2m which is a £15.3m improvement against the budgeted shortfall in the 2017/18 financial year. Contained within this £15.3m improvement is an £8.5m improvement in the budgeted deficit (£13.3m in 2018/19 and £21.8m in 2017/18), releasing additional funding for frontline services.

4.6. Council Tax

- 4.6.1. The 2017/18 budget was supported by a 4.99% increase in the level of council tax, 3% of which was attributable to the Adult Social Care precept.

Leeds council tax remains the 2nd lowest of the English core cities and mid-point of the West Yorkshire districts, as detailed in Table 6 below.

Table 6 – 2017/18 Council Tax Levels (Figures include Police and Fire Precepts)

Core Cities	Band D £:p	West Yorkshire Districts	Band D £:p
Nottingham	1,851.74	Kirklees	1,594.80
Bristol	1,799.75	Calderdale	1,575.89
Liverpool	1,751.92	Leeds	1,488.05
Newcastle	1,682.34	Wakefield	1,479.89
Sheffield	1,655.48	Bradford	1,469.71
Manchester	1,502.12		
Leeds	1,488.05		
Birmingham	1,438.45		

- 4.6.2. Government provided funding for the on-going effect of previous council tax freezes up to 2015/16. The Council accepted council tax freeze grant for the years 2011/12 to 2013/14. As a result government funding of £9.4m was built into the Council's 2015/16 settlement (the grant for freezing council tax in 2012/13 was for one year only).
- 4.6.3. The 2018/19 budget recognises £4.1m of additional income from increases to the Council Tax base (3,117 band D equivalent properties) but also a decrease in the contribution from the collection fund of £1.3m (a budgeted £1.5m collection fund surplus in 2017/18 decreasing to an estimated surplus on the collection fund of £0.2m in 2018/19).
- 4.6.4. In previous years Government has set a limit of up to but not including 2% for council tax increases above which a local authority must seek approval through a local referendum. However, in the 2018/19 Provisional Local Government Finance Settlement, Government announced an increase of 1% on this limit for 2018-19 and 2019-20 without the need for a referendum.
- 4.6.5. In the 2017/18 Local Government Finance Settlement, the Secretary of State announced additional flexibility, permitting local authorities to increase council tax by up to an additional 3% each year between 2017/18 and 2019/20 specifically to fund adult social care services, with the maximum total increase in these three years not exceeding 6%. This flexibility recognised demographic changes leading to growing demand for adult social care, and increased pressure on council budgets.
- 4.6.6. It is proposed that the Leeds element of council tax is increased by 4.99%, which is in line with the increase proposed in the initial budget proposals, but that this consists of an increase of 2.99% in the core council tax and 2% attributable to the Adult Social Care precept.
- 4.6.7. Table 7 below sets out the estimated total council tax income in 2018/19, recognising the estimated increase in the council tax base and the £0.2m estimated surplus on the collection fund together with £5.7m of additional

income generated from the Adult Social Care precept and £8.5m from the general increase in the council tax rate.

Table 7 – Estimated Council Tax Income in 2018/19

	2017/18 Baseline £m	2018/19 Forecast £m
Previous year council tax funding	267.1	284.7
Change in tax base - increase / (decrease)	4.6	4.1
Increase in council tax level	5.3	8.5
Adult Social Care precept	8.1	5.7
Council Tax Funding before surplus/(deficit)	285.0	303.0
Surplus/(Deficit) 2016/17	1.8	
Surplus/(Deficit) 2017/18	1.5	1.5
Surplus/(Deficit) 2018/19		0.2
Change in collection fund contribution - increase/(decrease)	(0.3)	(1.3)
Total - Council Tax Funding	284.7	301.7
Increase from previous year		17.0

- 4.6.8. The settlement funding assessment includes an element to compensate parish and town councils for losses to their council tax bases arising as a result of local council tax support (LCTS). As this amount is not separately identifiable it is proposed, as in previous years, that LCTS grant should be reduced in line with Leeds's overall reduction in the settlement funding assessment, a reduction of 6.6% for 2018/19 from £75k to £70k. Appendix 5 provides a breakdown by parish/town council.

4.7. Adult Social Care precept and Grant Income

- 4.7.1. The budget proposals for 2018/19 also reflect additional grant monies made available by Government specifically for adult social care. Together the precept and the grant will be utilised to fund a range of adult social care pressures and priorities, with the use of the balance of the 'Spring Budget' money for which bids were invited from both internal and external partners having now been agreed by NHS England.
- 4.7.2. As discussed above in para 4.6.6, it is proposed that the Leeds element of the council tax is increased by a 2% Adult Social Care precept in 2018/19. This will provide the opportunity for a further 1% precept in 2019/20 to reach the allowed maximum precept of 6% over 3 years.
- 4.7.3. In applying the precept the Government requires councils to demonstrate that adult social care budgets, (when compared to changes in other non-ring fenced services), are not reduced by a greater proportion than those non-ring fenced services. Based on the equivalent return made to Government in 2017, the 2018/19 budget proposals for Adults and Health are consistent with this requirement.
- 4.7.4. Collectively the 'Spring Budget' monies, announced in the March 2017 budget, and the improved Better Care Fund total approximately £51m over

the period 2017 to 2020. The 'Spring Budget' monies were to be included within the improved Better Care Fund and targeted at three areas: sustaining the care market, provision of social care and to ease the pressures on local health services.

- 4.7.5. The Council has agreed the planned spend with health partners and this has also been approved by the Health and Wellbeing Board for the three years of funding and by NHS England for 2017/18 and 2018/19 (the current two year cycle of approval).
- 4.7.6. A summary of the use of the additional funding made available through the iBCF and the Spring Budget is as follows:
- Prevention/Self Care/Self-Management £5.5m
 - Reducing Pressures on the NHS £7.6m
 - Stability of the Provider Market £1.0m
 - Provision for Leeds Health & Care Plan £2.0m
 - Demand and Demographic Pressures in Social Care £22.7m
 - Reducing/Reversing planned reductions in Social Care £15.3m
- 4.7.7. The above priorities total £54.1m, however it is expected that this level of over programming can be managed within the overall allocation of £51m over the next three years.
- 4.7.8. **Table 8 Adult Social Care "Spending Power"**

	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Base Budget (restated)	205.0	219.7	223.9	230.2
Spring Grant 17/18	14.7	(14.7)		
Spring Grant 18/19		9.4	(9.4)	
Spring Grant 19/20			4.8	(4.8)
Improved Better Care Fund		11.1	10.1	
War Pension Grant		0.1		
ASC Support Grant 17/18		(3.3)		
ASC Support Grant 18/19		2.1	(2.1)	
ASC Precept		5.7	2.9	
ASC 3% Savings target		(6.2)		
	219.7	223.9	230.2	225.4

Table 8 above outlines how the additional funding provided by the Better Care Fund, the 'Spring Budget' grant announcement, the 2018/19 Adult Social Care Support Grant and the proposed Adult Social Care council tax precept all combine to increase the spending power within adult social care. Annex 2 and the Adults and Health directorate report at Appendix 8 provide more detailed information in respect of this increased spending power.

- 4.7.9. Members should note that the increased “spending power” figures reflected in the table above will not necessarily translate into how the Council’s Adults and Health managed budget for 2018/19 and beyond will look. This is because the grant income and the associated expenditure will net each other off in budget terms in each year that the grant is received.

4.8. The net revenue budget 2018/19

- 4.8.1. After taking into account the anticipated changes to the settlement funding assessment, business rates and council tax, the Council’s overall net revenue budget is anticipated to increase by £18.2m or 3.7% from £492.7m to £510.9m, as detailed in Table 9 below and at Annex 1.

Table 9 – Net Revenue Budget 2018/19 Compared to the 2017/18 Net Revenue Budget

	2017/18 £m	2018/19 £m	Change £m
Revenue Support Grant	65.0	0.0	(65.0)
Business Rates Baseline	148.0	198.9	50.9
Settlement Funding Assessment	213.0	198.9	(14.1)
Business Rates Growth	16.7	23.6	6.8
Business Rates Deficit	(21.8)	(13.3)	8.5
Council Tax (incl. Adult Social Care Precept)	283.2	301.5	18.3
Council Tax surplus/(deficit)	1.5	0.2	(1.3)
Net Revenue Budget	492.7	510.9	18.2

- 4.8.2. Table 10 below analyses the £18.2m increase in the net revenue budget between the settlement funding assessment and locally determined funding sources.

Table 10 – Increase in the Funding Envelope

Funding Envelope	2018/19 £m
Government Funding	
Settlement Funding Assessment	(14.1)
Sub-total Government Funding	(14.1)
Locally Determined Funding	
Council Tax (incl tax base growth)	17.0
Business Rates	15.3
Sub-total Locally Determined Funding	32.3
Increase/(decrease) in the Net Revenue Budget	18.2

5. Revenue Budget Proposals 2018/19

- 5.1. This section provides an overview of the changes in funding, primarily specific grants (paragraphs 5.2 to 5.3), and cost increases (paragraphs 6.1 to 6.21) which the Council is facing in 2018/19 and concludes with the savings proposals (paragraphs 7.1 to 7.10) to balance the 2018/19 budget to the estimated available resources. Table 11 provides a high level of summary of these changes:

Table 11 - Summary of Changes in Funding, Cost Increases and Savings Proposals

	2018/19 £m
Funding	
Additional Net Revenue Charge	(18.2)
Increases in Specific Grant	(14.4)
Increase in S31 Business Rate grants	(16.3)
Fall Out of One off funding	5.8
Contribution to General reserve	1.8
	(41.4)
Pressures	
Pressures - Inflation	16.1
Pressures - Other	59.2
	75.3
Funding and Cost Pressures	33.9
Solutions	£m
Efficiencies	(15.6)
Changes to services	(5.6)
Income - fees & charges	(6.7)
Income - traded services, partner & other income	(3.8)
Other income	(0.3)
Use of Section 106 balances	(1.9)
	(33.9)

5.2. Decreases/(Increases) in Funding

- 5.2.1. Changes in both the Settlement Funding Assessment (SFA) of £14.1m and local funding (£32.3m) are detailed in sections 4.1.3, 4.5.2 and 4.6.7 respectively.
- 5.2.2. **Specific Grant Funding Changes- Adults and Health (£18.2m).** In February 2017 the Government announced a total of £2.021bn as supplementary funding to the Improved Better Care Fund ('Spring Budget' money) which is required to be spent on social care. Of the £674m to be distributed in 2018/19 Leeds will receive £9.4m. This is in addition to the increase of £11.1m in improved Better Care Fund receivable by Leeds which had previously been announced. An additional grant related to

exempting War Pensions from financial assessments relating to social care is valued at £108k. The one off 2017/18 Adult Social Care Support Grant of £3.3m, part funded by changes in New Homes Bonus, falls out of the base budget in 2018/19. However Government announced a further one off Adult Social Care Support Grant for 2018/19 in the final Local Government Finance Settlement, allocating Leeds £2.1m. The 2018/19 grant will be funded from an anticipated underspend in existing MHCLG departmental budget.

- 5.2.3. In the 2015 spending review the Government indicated its intention to make savings on local authority public health spending and a further £1.2m reduction in the Public Health Grant has been included in these budget proposals for 2018/19.
- 5.2.4. **Specific Grant Funding Changes – Children and Families Directorate £2.8m.** There will be a further reduction in the Education Services grant (ESG) receivable of £2.17m in 2018/19, meaning there is no ESG in the Council's base budget going forward. In 2018/19 £2.5m of Department for Education Innovations grant, which is supporting the base budget in 2017/18, will drop out with the balance of the grant being carried forward so that it can be deployed to continue to invest in the Leeds children strategy through trialling new approaches to working with children and families and by investing in and reforming preventative services in order to manage demand. Partially offsetting these reductions is approximately £1.8m of grant funding primarily from the Dedicated Schools Grant (£0.5m) helping to fund additional education costs of external placements; School Improvement and brokerage grant (£0.7m) and DfE Partner in practice income (£0.2m) to fund the teenage pregnancy and prevention team.
- 5.2.5. **Specific Grant Funding Changes – Communities and Environment.** The Housing Benefit Administration subsidy grant is expected to reduce by £340k for 2018/19, with an anticipated reduction in other Housing Benefit grants of £370k, mainly because the performance based incentive element of the former Fraud and Error Reduction Incentive Scheme (FERIS) grant is no longer received. In addition, the Local Council Tax Support Administration subsidy grant is expected to reduce by £100k when compared to the 2017/18 budget.
- 5.2.6. **Specific Grant Funding Changes – Flexible Homelessness Support Grant.** In February 2017 the Government announced details of the new Flexible Homelessness Support Grant (FHSG) which replaced the Temporary Accommodation Management Fee. Since FHSG is calculated on the basis of homelessness prevention outcomes and, as Leeds has achieved a high level of preventions, the allocation for Leeds in 2018/19 has been set at £1.794m.
- 5.2.7. **Specific Grant Funding Changes - Homelessness Reduction Act.** The Council has received £0.168m in 2018/19 to meet the new burdens associated with the Homelessness Reduction Act.

5.2.8. **Specific Grant Funding Changes - New Homes Bonus.** Government introduced the New Homes Bonus in 2011 to encourage housing growth: councils receive grant for a number of years for each net additional property added in each year. This grant is funded by top slicing revenue support grant. In 2016/17 Government made some changes, including reducing the number of years the bonus is receivable from six to four over two years and imposing a growth baseline before bonus is paid. The £2.1m pressure reflects the impact of these changes on the base budget and reduces the base budget in 2018/19 for NHB to £11.2m.

5.2.9. **Grant Funding Changes – Section 31 grant.** An additional £16.3m of Section 31 grant is estimated in 2018/19 compensating the Council for reduced business rates income. This is comprised of:

- Changes to thresholds for Small Business Rates Relief in 2017/18, for which the basis of compensation to councils was only announced in December 2017, generating approximately £2.3m in additional income in 2018/19.
- Increased entitlements to Small Business Rates Relief as a result of the 2017 Revaluation, generating £0.8m in additional income.
- £0.7m in compensation received because of the capping of the multiplier to the Consumer Price Index (3.0%) instead of the Retail Price index (3.9%), offset by a reduction of £0.7m due to previous years' capping of the multiplier becoming a smaller proportion of yield.
- Compensation of £0.6m in 2018/19 for the impact of additional reliefs announced at the March 2017 Budget to support businesses affected by the 2017 Revaluation (see paragraph 4.4.3 above).

Most Section 31 grants are calculated using the local share of business rates. As this has doubled in 2018/19 as a result of the Business Rates 100% pilot, overall Section 31 grant funding will also almost double generating an additional £12.6m in income.

5.3. **Contributions to/ (from) Earmarked Reserves** – the budget assumes a contribution to the Invest to Save reserve of £0.75m. This reserve will be used to provide funding to commence projects that are designed to ultimately deliver revenue budget savings to the Council which will contribute towards addressing the estimated budget gap in future financial years. The budget also reflects the removal of one off earmarked reserves of £3.25m (ELI and capital reserves) which support the 2017/18 base budget. These reductions are partially offset by the use of the Wellbeing and Youth Activity Fund Reserve (£0.35m).

On the 6th February 2018 the Secretary of State for Housing, Communities and Local Government announced an additional, one-off, £150m adult social care support grant in 2018/19. Of this additional amount, Leeds will receive £2,069k. Proposals will be developed to use the additional resource to deal with a combination of Transforming Care pressures, ongoing one off pressures within the local care market and invest to save initiatives that

support future sustainability. This money will be placed in an earmarked reserve within Adults and Health.

- 5.4. **Contribution to/ (from) General Reserve** - The budget provides for a £1.8m contribution to the Council's General Reserve to bring the forecast level of general reserve to £21.0m by March 2019.

6. Cost Increases

- 6.1. The table below summarises the cost increases provided for in the 2018/19 budget.

- 6.2. **Table 12 - Cost Increases**

2018/19 Budget	2018/19 £m
Inflation	16.1
Employer's LGPS contribution	0.9
Leeds CC minimum pay rate	0.2
National Living Wage - commissioned services	3.9
Fall-out of capitalised pension costs	(0.3)
Demand and demography - Children Looked After	4.0
Demand and demography - Adult Social Care	4.4
Demand and demography - Other	0.1
Adult Social Care - Client Contributions	1.5
Adult Social Care - Partner Income	8.0
Adult Social Care Spring Budget Spend	8.3
Adult Social Care Support Grant Spend	0.0
Homelessness Grant Spend	1.3
Income pressures (S278, Markets)	1.9
Cultural Legacy	0.4
Tour de Yorkshire	0.1
Planning - Additional resource	0.7
Changing the Workplace	1.7
Elections - reinstatement of budget	1.1
Expansion of Brown Bin Collections	0.4
Housing Benefit Overpayment income	1.2
Payments to Leeds City Region Pool (net of levy)	8.0
Other Pressures	7.2
Debt - external interest / Minimum Revenue Provision	4.3
Cost Increases	75.3

- 6.3. **Inflation** - the budget proposals include allowance for £16.1m of net inflation in 2018/19. This includes provision of £10.6m for the pay offer. The National Employers for Local Government have offered 2% for staff over SCP 20, whilst for those staff on SCP 6-19 increases range from 9.1% to 3.7%. The overall impact of this pay offer equates to a 2.7% increase.

The budget proposals allow for inflation where there is a contractual commitment, but anticipate that the majority of other spending budgets are cash-limited. An anticipated 3% general rise in fees and charges has also been built into the budget proposals where they can be borne by the market, although there are instances where individual fees and charges will increase more or less than this.

- 6.4. **Local government pensions** - the most recent actuarial valuation took place in December 2016 and, in line with the agreed phased increase, the employer's contribution will rise from the 15.6% contribution in 2017/18 to 15.9% by 2018/19. This increase creates a pressure of £0.9m.
- 6.5. **Leeds City Council minimum pay rate**— at its September 2015 meeting Executive Board agreed that the Council would move towards becoming a real Living Wage employer. In November 2017 the Living Wage Foundation announced a living wage of £8.75 per hour. The budget provides £0.2m for those staff below SCP 10, after the 2018/19 pay offer, to be paid at £8.75/ hour as from 1st April 2018.
- 6.6. **National Living Wage for commissioned services** - in respect of services commissioned from external providers by both Adults and Health and Children and Families directorates, provision of £3.9m has been included and this is consistent with the national minimum wage assumptions for 2018/19.
- 6.7. **Fall out of capitalised pension costs** – the fall out of capitalised pension costs associated with staff who have left the Council under the Early Leaver's Initiative (ELI) will save an estimated £0.3m.
- 6.8. **Demand and Demography** – the initial budget proposals recognise the increasing demography and consequential demand pressures for services in Adults and Health and Children and Families. Within Adults and Health the population growth forecast assumes a steady increase from 2017 in the number of people aged 85-89 during 2018 (1.87%). This will result in additional costs of £0.8m for domiciliary care and placements and increasing cash personal budgets. The learning disability demography is expected to grow by £0.5m per annum, which includes an anticipated growth in numbers of 0.6% (based on ONS data) over the period; but noting that the high cost increase is primarily a combination of increasingly complex (and costly) packages for those entering adult care, as well as meeting the costs of the increasing need for existing clients whose packages may last a lifetime. The demography for clients with a Mental Health need and those with a Physical Impairment are expected to grow by 2.6% and 2.1% respectively incurring a combination of £0.3m of support. In addition, demand over that anticipated in 2017/18 is calculated to add £2.9m to package costs across all client groups in 2018/19.
- 6.9. Children and Families directorate continues to face demographic and demand pressures and £4m has been included to address this in the budget proposals. This is £1m more than that provided for in the Initial

Budget Proposals. These pressures reflect relatively high birth rates (particularly within the most deprived clusters within the city), increasing inward migration into the city (particularly from BME groups from outside the UK), the increasing population of children & young people with special and very complex needs, greater awareness of the risks of child sexual exploitation, growing expectations of families and carers in terms of services offered and changes in government legislation, including 'staying put' arrangements that enable young people to remain with their carers up to the age of 21.

- 6.10. It is proposed that any savings in the budget for looked after children should not be available for virement to other budgets and instead be transferred to an earmarked reserve.
- 6.11. The budget proposals also provides £0.1m for demand and demography within the Waste Management function.
- 6.12. **Within Adults and Health**, the Adult Social Care precept and the grant will be utilised to fund a range of pressures, identified at paragraph 4.7 above. These include demand and demography, the minimum wage in commissioned services, further reductions in the public health grant and the loss of targeted income from partners and reduced income from client contributions. Further details are contained in the directorate reports in Appendix 8.
- 6.13. The receipt of the **Flexible Homelessness Support Grant** represents a significant windfall to the Council and it will be used to achieve further increases in homelessness prevention outcomes, further reductions in temporary accommodation placements and to best assist entrenched rough sleepers with drug and alcohol dependency issues. Additional resources have also been provided to fund costs associated with the new duties arising from the **Homelessness Reduction Act**.
- 6.14. **Income variations** - the level of Section 278 grant (Highways Act 1980) receivable to support the 2018/19 budget is anticipated to reduce by £1m. In addition income receivable from rents at Kirkgate Market is anticipated to reduce by £0.58m, and a reduction in Children's Centre fee income of £0.3m.
- 6.15. **Cultural legacy** - in October 2017 Executive Board agreed that the city's bid to be European Capital of Culture in 2023 be submitted. Despite the recent EU announcement that UK cities will be not be allowed to bid, the Council remains committed to creating a cultural legacy for the city. An amount of £0.38m has been incorporated into the 2018/19 budget to help deliver these outcomes.
- 6.16. **Tour de Yorkshire** – in order for the Council to host one of the stages of the Tour de Yorkshire a net resource of £0.1m is required to be reinstated into City Development's budget. This budget was removed in 2017/18, a year in which Leeds did not host a start/finish stage of the race.

- 6.17. **Expansion of Brown Bin Collections** - in order to cover the remainder of suitable properties across the city an additional three garden waste routes are estimated to be required. The annual net cost of these routes, based on 15,000 properties per route and including disposal, is around £0.36m.
- 6.18. **Debt (external interest)** – the Council forecasts an additional borrowing requirement of £165m to support the 2018/19 capital programme of £313m. The additional revenue cost of this borrowing is forecast at £4.2m. This increase comprises £0.7m relating to funding new capital programme spend, £1.6m relating to funding the effects of previous years capital programmes, £0.7m additional cost of switching some short term funding to long term funding, £0.3m additional costs of premiums as a result of previous restructuring of debt and the remainder due to the impact of use of capital receipts to fund PFI liabilities, £0.3m brokerage fees and movements in other income streams and the remainder due to the impact of using capital receipts to fund PFI liabilities.
- 6.19. **Leeds City Region Pool** – following the successful bid to DCLG, outlined in paragraph 4.2, it is estimated that around £8.5m will be paid into the pool from additional business rates. With contributions from other six member authorities, it is forecast the around £20m of funding will be available to support regional economic growth. In accordance with the draft pool governance agreement, a sum of £1.2m (net) will be paid to the pool for redistribution to other members; offsetting this is a saving of £1.7m as the pool levy payment will no longer be made.
- 6.20. **Planning income** - The provisional Local Government Finance settlement confirmed that planning authorities will be allowed to increase their planning fees by 20% from 1st January 2018 where they can demonstrate that these are earmarked to support the planning function. The budget assumes increased expenditure of £730k on the planning function which is funded by the uplift in fees.
- 6.21. **Other Pressures** - other budget pressures of £11.1m have been identified for 2018/19. These pressures include:
- A £1.2m net reduction in income receivable from Housing Benefits overpayment;
 - £1.1m is required to reinstate the Elections budget after a fallow year;
 - A net £1.7m is required to reinstate the budget associated with the re-occupation of the refurbished Merrion House, most of which relates to the business rates payable;
 - £0.5m increased maintenance requirement for the Council's buildings;
 - £0.2m of pressures in Adults and Health directorate;
 - £1.7m of pressures with Children and Family directorate;
 - £0.8m of pressures in City Development directorate;
 - £1.3m of pressures within Communities & Environment
 - £1.3m of pressures within Resources & Housing directorate; and
 - £1.3m of pressures within the Council's Strategic Accounts.

Further details of these pressures can be found in the directorate reports which are included in Appendix 8.

7. The Budget Gap – Savings Options - £33.9m

7.1. After taking into account the impact of the anticipated changes in funding of £41.4m and cost pressures of £75.3m outlined above, the Council will need to generate savings, efficiencies and additional income to the order of £33.9m in 2018/19 to balance to the anticipated level of resources available.

7.2. Table 13 below summarises the savings to balance the 2018/19 budget with full details included in the directorate reports in appendix 8.

7.3. *Table 13 Proposals to Balance*

Solutions	£m
Efficiencies	(15.6)
Changes to services	(5.6)
Income - fees & charges	(6.7)
Income - traded services, partner & other income	(3.8)
Other income	(0.3)
Use of Section 106 balances	(1.9)
	<hr/> (33.9)

7.4. In order to both manage the reductions required for the period 2017/18 to 2019/20, and protect front line services, the Council embarked on an ongoing process of review across a range of services and policy areas in 2016. The outcome of these reviews were incorporated into the Council's 2017/18 budget and they have also been included in these budget proposals for 2018/19. 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.

7.5. Efficiencies – savings of £15.6m

7.5.1. In terms of efficiencies, the Council has taken quite a distinctive approach. The focus has been on efficiencies realised through 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 the level of savings required

since 2010 whilst simultaneously creating the conditions for a thriving and sustainable city where people's lives are better.

7.5.2. Efficiency of the Council's own back office 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.

7.5.3. The directorate reports at Appendix 8 provide the detail of a range of proposed efficiency savings across all directorates which total some £15.6m in 2018/19. These savings are across a number of initiatives around:

- Organisational design;
- Continuing demand management through investment in prevention and early intervention, particularly in Adult Social Care and Children's Services;
- Savings across the range of support service functions;
- Ongoing recruitment and retention management;
- Reviewing leadership and management;
- Realising savings by cash-limiting and reducing non-essential budgets;
- Ongoing procurement and purchasing savings.

7.6. **Changes to Services – savings of £5.6m**

7.6.1. By necessity, managing the reductions in government funding in addition to a range of cost increases 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.

7.6.2. Detailed service change proposals which together target savings of £5.6m by March 2019 are set out in the directorate reports at Appendix 8.

7.7. **Fees & Charges – additional income of £6.7m**

7.7.1. 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 the information.

7.7.2. The 2018/19 budget proposals reflect these principles and assume a general price increase in fees and charges of 3% which is reflected in

paragraph 6.3. The directorate reports at Appendix 8 detail the proposals around budgeted increases in a number of fees, charges and subsidised services. If approved, these proposals would generate an additional net £6.7m of income in 2018/19.

7.8. Traded Services, partner income & other income – additional income of £3.8m

- 7.8.1. The directorate reports in Appendix 8 provides details of a number of proposals that together would generate additional net income of £3.8m.

7.9. Other income (excluding grants) - £0.3m

- 7.9.1. A one off use of £0.3m in Children and Families relating to a review of PFI and bad debt provision is planned.

7.10. Use of Section 106 balances.

- 7.10.1. Planning obligations, also known as Section 106 agreements (based on that section of the 1990 Town & Country Planning Act) are private agreements made between Local Authorities and developers and can be attached to a planning permission. Through this mechanism contributions can be sought for the costs associated with providing community and social infrastructure the need for which has arisen as a result of a new development taking place.

- 7.10.2. At 31st March 2017 the Council had £32.1m of Section 106 earmarked reserves on its balance sheet. Subject to satisfying any legal requirements contained in the Section 106 agreement e.g. clawback, it is proposed that £1.9m of the balances held by the Council be used to support the 2018/19 revenue budget. If the balances are used in this way it needs to be recognised that this creates an obligation in future years as the Council will be required to identify the resources to meet expenditure commitments that would previously have been funded through Section 106 balances.

7.11. Flexible use of Capital Receipts.

- 7.11.1. In March 2016 the Secretary of State for Communities and Local Government issued guidance which allowed Local Authorities to use capital receipts 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. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy. The Strategy, received at Council on February 22nd 2017, agreed 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 and with members of staff seeking to exit the Authority through the Early Leaver's Initiative. These budget proposals don't assume that any specific level of additional capital receipts are set aside to resource similar transformational expenditure but, if required, they will be applied to fund ELI payments in 2018/19.

- 7.11.2. In using capital receipts in the manner described above this will increase the estimated budget gap for 2020/21, since the pressure identified in Medium Term Financial Strategy that was received at July's Executive Board assumed the full use of capital receipts to contribute towards offsetting the pressure associated with the required increase in the Council's Minimum Revenue Provision (MRP).

7.12. **Summary Budget By Directorate**

- 7.12.1. Table 14 below shows the share of the Council's net managed expenditure between directorates for 2017/18 and the proposed allocations for 2018/19 that have been incorporated into these budget proposals.

7.12.2. **Table 14 - Comparison of Net Directorate Budgets 2017/18 to 2018/19 (% share)**

	2017/18 (Restated) %	2018/19 IBP (Restated) %	2018/19 Budget %
Adults & Health	40.6	40.5	40.0
Children & Families	22.3	23.3	23.4
City Development	7.2	6.7	6.5
Communities & Environment	13.8	14.0	14.3
Resources & Housing	16.1	15.5	15.8
Directorate Budgets	100.0	100.0	100.0

- 7.12.3. The revenue budget proposals would mean that the Council's spend on Children & Families and Adults & Health will increase from 62.9% of service budgets in 2017/18 to 63.4% in 2018/19 which reflects the Council's priorities around supporting the most vulnerable across the city and to prioritise spending in these areas.

8. **Changes to budget since it was recommended by Executive Board**

- 8.1. Sections 5, 6 and 7 describe the proposed budget for 2018/19.
- 8.2. The budget proposals in this report are in line with the proposed budget, including the addendum, which was reported to Executive Board on 7th February 2018.
- 8.3. There have been minor changes to tables 8, 11, 12 and 16 to reflect the impact the figures in the addendum have had.

9. **Impact of proposals on employees**

- 9.1. The Council has operated a voluntary retirement and severance scheme since 2010/11 which has already contributed significantly to the reduction in

the workforce of around 3,200 ftes to March 2017, generating savings of £60m per year.

- 9.2. The 2017/18 budget requires a reduction in staffing numbers of 484 FTEs. In July 2017 Executive Board received an update to the Medium Term Financial Strategy in which the budget gap over the next 3 years was forecast at around £44m. An updated financial forecast for 2019/20 and 2020/21 is included in section 12 of this report.
- 9.3. The Council reissued a S188 notice on 3rd August 2017 which indicated that an estimated reduction of a further 415 FTEs would be required by 2020.
- 9.4. The Council will continue to strive to avoid compulsory redundancies – through natural turnover, continuing the voluntary early leaver scheme, staff flexibility and continuing the positive working with the trade unions.
- 9.5. The initial budget proposals provided for an estimated net reduction of circa 53 full time equivalents by 31st March 2019. Following the determination of the revenue budget proposals that are contained in this report it is now estimated that in 2018/19 the number of full time equivalent budgeted posts will increase by 59.
- 9.6. This variation between staffing assumptions between the initial budget proposals and this revenue budget submission can largely be explained by the intention to recruit, in response to the Government's decision to increase planning fees by 20%, an additional 9 FTE's within the Planning service so that a more responsive service can be provided to the public. In addition Leeds Building Services will be recruiting an additional 109 FTE's to reflect the increased turnover of £9.75m (17.4%) that this traded property maintenance function will be targeting in 2018/19. Further details of these increases are detailed in respective directorate reports which are included at Appendix 8.
- 9.7. Details of the movements in full time equivalents by directorate are shown in the Table 15 below.

Table 15 – Movements in Full Time Equivalents

Estimated Change in FTE's	2018/19 Budget		
	+	-	Net
Adults and Health	24	0	24
Children and Families	0	(32)	(32)
City Development	9	(3)	6
Communities and Environment	31	(21)	10
Resources and Housing	112	(64)	48
	176	(120)	56
HRA	17	(14)	3
	193	(134)	59

10. Breakdown of the 2018/19 budget

- 10.1. Annex 1 to this report provides a summary of the budget changes by directorate and in total
- 10.2. Annex 2 provides a detailed analysis of the 2018/19 revenue budget at directorate level.

11. Reserves Strategy and General Reserve

- 11.1. Under the 2003 Local Government Act, the Council's Statutory Financial Officer is required to make a statement to Council on the adequacy of reserves as a part of the annual budget setting process. It is also good practice for the Authority to have a policy on the level of its general reserve and to ensure that it is monitored and maintained.
- 11.2. The purposes of the general reserve policy are to help longer-term financial stability and identify any future events or developments which may cause financial difficulty by allowing time to mitigate these. General and useable reserves are a key measure of the financial resilience of the Council allowing the Authority to address unexpected and unplanned pressures.
- 11.3. The general reserve policy encompasses an assessment of financial risks both within the Medium Term Financial Strategy and also in the annual budget. These risks should include corporate/organisation wide risks and also specific risks within individual directorate and service budgets. This analysis of risks should identify areas of the budget which may be uncertain and a quantification of each "at risk" element. This will represent the scale of any potential overspend or income shortfall and will not necessarily

represent the whole of a particular budget heading. Each assessed risk will then be rated and scored in terms of impact and probability.

- 11.4. The revenue budget proposals for 2018/19 assume a contribution to the general reserve of £1.8m and the level of general reserves at 31st March 2019, as set out in the Table 16 below, is projected to be £21.0m. This position assumes that the projected underspend of £0.6m in 2017/18 is taken to general reserve.

Table 16 - General Reserve

General Reserve	2017/18	2018/19
	£m	£m
Brought Forward 1st April	20.0	19.2
Release to Children Looked After Budget	(1.4)	
Forecast 17/18 outturn variation	0.6	
Budgeted Contribution to reserve 18/19		1.8
Carried Forward 31st March	19.2	21.0

- 11.5. Whilst the Council maintains a robust approach towards its management of risk and especially in the determination of the level of reserves that it maintains, it is recognised that our reserves are lower than those of other local authorities of a similar size. However KPMG's External Audit report 2016/17 concluded that "the Authority have demonstrated they have managed the level of reserves effectively in recent years despite the budgetary pressures they face. Overall we consider the Authority to have adequate arrangements in place regarding the management of its financial risks and potential impact on resource deployment."
- 11.6. Whilst the continued reductions in funding and the pressures faced by the Authority make the current financial climate challenging, we will continue to keep the level of the Council's reserves under review to ensure that they are adequate to meet identified risks.

12. Robustness of the Budget and the adequacy of reserves

- 12.1. The Local Government Act (Part II) 2003 places a requirement upon the Council's statutory officer (the Chief Officer – Finance) in Leeds to report to members on the robustness of the budget estimates and the adequacy of the proposed financial reserves. 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 function and reporting arrangements.

12.2. In coming to a view as to the robustness of the 2018/19 budget the Chief Officer – Finance has taken account of the following issues:

- Detailed estimates are prepared by directorates in accordance with principles laid down by the Chief Officer – Finance based upon the current agreed level of service. Service changes are separately identified and plans are in place for them to be managed.
- The estimate submission has 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.
- Financial pressures experienced in 2017/18, specifically within the children looked after budget, have been recognised in preparing the 2018/19 budget.
- 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. 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. Whilst the level of risk within the 2018/19 budget is 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 2018/19.
- In addition to specific directorate/service risks, the collection of council tax and the generation of business rate yields are two key risks which need to be closely monitored.
- The introduction from April 2013 of a scheme of council tax discounts did raise additional risks as to collection. The overall assumed collection rate for council tax remains at 99% and not only does it reflect these risks but it is also reflective of in year and ultimate collection rates and is therefore considered to be realistic.

- Under the business rates retention scheme the Council's local share of business rates is exposed to risks from both the 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 has been offset by successful appeals and other reductions to the rating list - either through closure or Valuation office reviews.
- Since the initial budget proposals an additional £1.3m has been set aside in provisions for the impact of business rates appeals.
- 2018/19 100% business rates pilots includes a 'no detriment' guarantee from Government which ensures that no pool of authorities will be worse off as a result of piloting 100% retention. In addition the Leeds City Region pilot includes an additional guarantee that no member authority will be worse off as a result of piloting 100% retention.
- Business rates income continues to be 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.
- 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.

12.3. In the context of the above, the Chief Officer – Finance considers the proposed budget for 2018/19 as robust and that the level of reserves are adequate given a clear understanding by members and senior management of the following:

- That Directors and other budget holders accept their budget responsibilities and subsequent accountability.
- 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 as such are at this time considered reasonable and achievable.

- Monthly risk based budget reporting to members will continue in 2018/19.
- Budget risks are identified and recorded and will be subject to focused control and management.
- As part of the Council's reserves strategy directorates are required to have in place budget action plans which set 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 the Collection Fund and will therefore not impact on the 2018/19 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.

13. Medium Term Financial Strategy update

- 13.1. At its meeting in July 2017 the Executive Board approved the 2018/19 - 2020/21 financial strategy. The agreed financial strategy identified a headline budget gap of £44.2m for the three year period up to March 2021. Of this £30.3m related to 2019/20 and 2020/21. The strategy recognised that savings would be required to be identified in order that a balanced budget position can be delivered over the three year planning period covered by the strategy.
- 13.2. In the context of both the provisional Local Government Finance Settlement and other variations identified during the determination of the 2018/19 budget proposals, the financial projections for 2019/20 and 2020/21 have been refreshed to reflect the latest implications of these. In addition the revised position also reflects assumed council tax increases of 3.99% and 1.99% in 2019/20 and 2020/21 respectively. Of the increase in 2019/20 1% relates to the Adult Social Care precept whilst 2.99% relates to core council tax. In 2020/21 all of the increase relates to core council tax increases. 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.
- 13.3. As the 100% business rates retention pilot has only been awarded for one year, it is assumed that 2019/20 reverts back to the current 50% retention funding and the SFA reflects the assumptions of the four year settlement offer (2019/20 being the final year of the four year settlement).
- 13.4. In 2020/21 the government have stated their intention to move to 75% business rate retention and the figures assume any increase in business rates income are offset by a commensurate increase in the business rate tariff paid by the Council so there is no baseline gain. For calculating SFA a

reduction of 3.6% is assumed (being approximately 50% of the reduction in 2019/20, i.e. a continuation of austerity albeit at a slower rate).

- 13.5. After taking account of revised funding assumptions outlined above and variation in pressures/savings that have been identified during the process for determining the 2018/19 budget proposals, the revised position for 2019/20 and 2020/21 are detailed in Table 17 below.

Table 17 – Medium Term Financial Strategy Gap
Indicative Estimate of Medium Term Financial Strategy

	2019/20 £m	2020/21 £m
July Executive Board	4.0	26.2
Revised Pressures since July 2017		
Pay - impact of additional pay offer	5.9	
Inflation	4.7	5.0
Debt	6.4	7.5
Other	2.6	(3.4)
	19.6	9.1
Effects of Proposals not in 18/18 Budget	1.5	(0.8)
Revised Savings	(1.3)	(3.3)
Changes to Funding	6.7	10.2
Revised Gap	30.5	41.4

- 13.6. As can be seen in the table above the estimated budget gap has increased to £30.5m and £41.4m in 2019/20 and 2020/21 respectively. Following the approval of the 2018/19 budget the intention is to present a fully updated medium term financial strategy to the Executive Board at its meeting in July 2018.

14. Housing Revenue Account

- 14.1. The Housing Revenue Account (HRA) includes all expenditure and income incurred in managing the Council's housing stock and, in accordance with Government legislation, operates as a ring fenced account.
- 14.2. The determination of the 2018/19 budget proposals for the Housing Revenue Account needs to be seen in the context of the Welfare Reform and Work Act (2016) which requires all social housing providers to reduce social housing rents for the 4 years from 2016/17, the continued roll out of

universal credit and the reduction in the Council's housing stock as tenants exercise their right to buy their own home.

- 14.3. Details of the 2018/19 Housing Revenue Account can be found in Appendix 8.

15. Corporate Considerations

15.1. Consultation and Engagement

- 15.1.1. The financial strategy and budget proposals have been driven by the Best Council Plan ambitions and priorities which, as detailed in the Best Council Plan 2018/19-2020/21 report on today's agenda, has been subject to consultation in its development with members and officers with additional extensive consultation carried out on the range of supporting plans and strategies.
- 15.1.2. Following Executive Board's agreement of the initial budget proposals in December, a public budget consultation exercise ran between 14th December 2017 and 15th January 2018. The consultation included a summary of the key proposals and included questions for stakeholders around the principles of the Council's budget and service priorities. It was introduced through a brief animation, which highlighted the financial and demand challenges and raised some of the key themes that would be explored.
- 15.1.3. The consultation was primarily carried out through an online survey (also available in paper format), advertised through a number of channels including the Council's website and social media channels, emails to partner organisations and to staff and elected members via InSite (the Council's Intranet site) and Essentials (online newsletter). Members of the Citizens' Panel received either an email or a postal version of the survey, depending on contact preference. Targeted advertising carried out through Facebook was found to be highly successful in increasing engagement with younger people (bringing in 3 times as many further completions).
- 15.1.4. A total of 1,984 surveys were completed (1,713 online; 271 paper survey) across a range of respondents from different age groups, ethnicities and genders, which broadly represent the demographic breakdown of the population of Leeds. In total, 94% of respondents said that they live in Leeds and over half (54%) work in Leeds. Around 1 in 7 (14%) said they work for Leeds City Council.
- 15.1.5. In response to the challenges that the Council faces from reducing funding and increasing demand on services, respondents were asked how much they agree or disagree with certain statements:
- Over 3 quarters of respondents (77%) agreed the Council should raise money through increasing council tax and charges, with around

half (48%) of all respondents agreeing that this should be balanced with cuts and reduction of services.

- With regards to additional funding:
 - In total, 60% of all responses said this should be raised through introducing new charges for some services.
 - Over half of respondents agreed with increasing the rate of council tax (56%).
 - 50% favoured increasing existing charges.
- Almost a quarter of respondents (23%) said the Council should not raise council tax or charges, even if this has a large impact on the services we provide.

15.1.6. Thinking about how the Council can deliver services more efficiently, respondents were asked how much they agree or disagree with certain statements:

- Most agreed that we should deliver more services in partnership with other public organisations (96%).
- Slightly fewer agreed the Council should work with local community and voluntary groups to deliver more of our services (88%).
- Three quarters agreed that we should encourage local people to voluntarily provide certain services within their communities (74%).
- Almost half agreed that services should mostly be delivered by the Council, on its own (48%).
- Fewer than a third agreed that more services should be delivered by private sector (31%).

15.1.7. Full results from the public budget consultation are provided at Appendix 1 together with comments and observations from Scrutiny Board at Appendix 2 and comments from other organisations at Appendix 3.

15.2. **Equality and Diversity / Cohesion and Integration**

15.2.1. 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'.

15.2.2. The Council is fully committed to ensuring that equality and diversity are given proper consideration when we develop policies and make decisions. 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. Equality impact assessments also ensure that we make well informed decisions based on robust evidence.

- 15.2.3. Equality impact assessments will continue to be carried out on specific proposals in relation to implementing the Best Council Plan and Budget during 2018/19 through the Council's decision making processes.
- 15.2.4. A joint equality assessment of the proposed budget 2018/19 and Best Council Plan 2018/19 – 2020/21 at a strategic level has been carried out and this is attached as Appendix 6.

15.3. **Council Policies and Best Council Plan**

- 15.3.1. The refreshed Best Council Plan 2018/19 – 2020/21 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.
- 15.3.2. The budget proposals will, if implemented, have implications for Council's policy and governance and these are explained within the report.
- 15.3.3. 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 in Appendix 7.

15.4. **Resources and Value for Money**

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

15.5. **Legal Implications, Access to Information and Call In**

- 15.5.1. This report has been produced in compliance with the Council's Budget and Policy Framework.
- 15.5.2. The budget is a key element of the Council's budget and policy framework and therefore subject to that framework's consultation processes. In addition, many of the proposals will also be subject to separate consultation and decision-making processes, which will operate within their own defined timetables and managed by individual directorates.
- 15.5.3. Details of the decisions that will required to be taken to deliver the budgeted assumptions contained in this document are included in Appendix 4.

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 16.1 are not subject to call in.

15.6. Risk Management

- 15.6.1. 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.
- 15.6.2. It is recognised that the proposed strategy carries a number of significant risks. Delivery of the annual budget savings and efficiencies proposed will be difficult, but failure to do so will inevitably require the Council to start to consider even more difficult decisions which will have far greater impact upon the provision of front line services to the people of Leeds.
- 15.6.3. A full risk assessment is 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. Some specific grant figures for the Council for 2018/19 will not be known until later in the budget planning period.
 - Demographic and demand pressures, particularly in Adult Social Care and Children's Services could be greater than anticipated.
 - The implementation of proposed savings and additional income realisation could be delayed or the savings/additional income is less than that assumed in the budget.
 - Inflation and pay awards could be greater than anticipated. The Consumer Prices Index (CPI) is now at its highest level since March 2012 and the National Employers for Local Government pay offer for 2018/19 has yet to be agreed.
 - The level of funding from partners could be less than assumed in the budget.
 - Other sources of income and funding could decline.
 - The increase in the council tax base could be less than anticipated.
 - The level of business rates appeals continues to be a risk. Whilst there is very little scope for new appeals against the 2010 list there are still a significant number of back dated appeals for which the

Council has an appropriate provision. However there is very little information on which to assess appeals against the new 2017 list, therefore business rates income could be adversely affected which would have implications for the level of resources available to the Authority. In addition the position on business rates retention, and specifically the impact of back-dated appeals, could deteriorate further.

- The budget proposals makes a number of assumptions about the costs associated with managing the Council's debt. Currently the Council benefits from low interest rates but following the Monetary Policy Committee's decision on 2nd November 2017 there is now an upward movement in interest rates. If these are greater than increases assumed in the budget proposals then this will lead to a further increase in the costs associated with financing the Council's debt portfolio.
- The Council and City's economic and fiscal position is clearly impacted upon by the wider national economic context. The UK's decision to exit the EU has undoubtedly fuelled economic and political uncertainty and the outcome of the negotiations between the UK and EU potentially, in the short term, could weaken the pound, increase inflation, and reduce domestic and foreign direct investment and impact on borrowing costs. All of these have the potential to impact upon both not only the level of resources available to the Council but also the level of demand for the services that it provides.
- VAT incurred on expenditure relating to activities which are charged for, e.g. sport, and which are exempt from VAT, is only recoverable if this does not exceed 5% of the Council's yearly VAT on expenditure. If the Council exceeds the 5% limit all VAT on expenditure attributable to exempt activities becomes irrecoverable. Detailed monitoring needs to be in place to ensure the 5% limit isn't breached.

15.6.4. A full analysis of all budget risks 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 new risks and budget variations are contained in the in-year financial health reports submitted to the Executive Board.

16. Recommendations

16.1. As recommended by the Executive Board, this report asks Council to adopt the following resolutions;

- i) That the revenue budget for 2018/19 totalling £510.9m be approved. This means that the Leeds element of the council tax for 2018/19 will increase by 2.99% plus the Adult Social Care precept of 2%. This excludes the police and fire precepts which will be incorporated into the report to be submitted to Council on the 21st February 2018.

- ii) Grants totalling £70k 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 3% in dwelling rents in PFI areas.
 - A 3.9% increase in district heating charges.
 - That service charges for multi-story flats are increased by £2 per week.
 - That service charges for low/medium rise properties are increased by 3.9%.
 - That the charge for tenants who benefit from the sheltered support service currently paying £4 a week be increased to £6 per week.
 - That any overall increase to tenants in respect of rents, service and sheltered support charges will be no more than £5 per week.

17. Background documents¹

None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

2018/19 SUBMISSION

	Adults & Health	Children & Families	City Development	Communities & Environment	Resources & Housing	Strategic & Central	Total Net Revenue Budget
	£m	£m	£m	£m	£m	£m	£m
Adjusted Net Managed budget 2017/18	205.0	112.8	36.5	69.8	81.3	(12.8)	492.7
Inflation	5.5	2.0	2.1	2.7	3.8		16.1
Leeds Living Wage			0.0	0.0	0.2		0.2
Employer's LGPS contribution	0.1	0.2	0.1	0.2	0.3		0.9
National Living Wage - commissioned services	3.3	0.6					3.9
Fall-out of capitalised pension costs	(0.0)	0.2	0.0	(0.1)	(0.3)	(0.2)	(0.3)
Demand and demography - CLA		4.0					4.0
Demand and demography - ASC	4.5						4.5
Demand and demography - other				0.1			0.1
Public Health funding Directorate services		0.2	0.1				0.3
Adult Social Care Grant Spend - Spring Budget	8.3						8.3
Adult Social Care - Client contributions	1.5						1.5
Homelessness grant spend					1.3		1.3
Partner funding income pressures	8.0						8.0
Cultural Legacy			0.4				0.4
Planning - Additional resource			0.7				0.7
Tour de Yorkshire			0.1				0.1
Markets income trends and rent relief			0.6				0.6
Elections - reinstate budget				1.1			1.1
Housing Benefit overpayment income reductions				1.2			1.2
Expansion of Brown Bin Collections				0.4			0.4
Changing the Workplace					1.7		1.7
Payments to Leeds City Region Pool (100% BRR)						8.0	8.0
S278 income						1.0	1.0
Debt - external interest						4.3	4.3
Other net pressures	0.2	1.8	0.7	1.3	1.8	1.3	7.1
Total - cost changes	31.3	9.0	4.8	6.8	8.9	14.4	75.3
Grant Increases - S31 Business Rates						(16.3)	(16.3)
Grant Increases (iBCF and Spring Budget)	(20.6)						(20.6)
Adult Social Care - Support Grant (change)	1.2						1.2
Grant reductions - Public Health	1.2						1.2
Grant reductions - New Homes Bonus						2.1	2.1
Specific grants -Other changes		2.8		0.8	(2.0)	0.1	1.8
Contribution to / (from) Reserve and Balances	2.1			(0.4)		3.3	5.0
Contribution to Invest to Save Reserve						0.8	0.8
Contribution to General Reserve						1.8	1.8
Total funding changes	(16.1)	2.8	0.0	0.5	(2.0)	(8.3)	(23.1)
Budget savings proposals							
Efficiencies	(6.6)	(2.1)	(0.8)	(0.9)	(3.6)	(1.6)	(15.6)
Service Changes	(4.5)	(0.3)		(0.6)	(0.2)		(5.6)
Fees and Charges	(1.6)	(0.0)	(3.4)	(0.5)	(1.1)		(6.6)
Traded and partner Income		(0.5)	(1.5)	(0.6)	(1.3)		(3.8)
Other Income		(0.3)					(0.3)
Use of S106 balances			(1.9)				(1.9)
Total - Budget savings proposals	(12.7)	(3.2)	(7.6)	(2.6)	(6.1)	(1.6)	(33.9)
2018/19 Submission	207.5	121.5	33.7	74.5	82.0	(8.3)	510.9
Increase/(decrease) from 2017/18 £m	2.4	8.7	(2.8)	4.7	0.8	4.5	18.2
Increase/(decrease) from 2017/18 %	1.19%	7.70%	(7.73%)	6.71%	0.94%		3.70%

TOTAL FUNDING AVAILABLE (Net Revenue Charge)

510.9

Statement of 2017/18 and 2018/19 budgets

Annex 2

Service	2017/18			2018/19		
	Net managed budget £000s	Net budget managed outside service £000s	Net budget £000s	Net managed budget £000s	Net budget managed outside service £000s	Net budget £000s
Adults and Health						
Health Partnerships	265	16	281	355	89	444
Access and Care	187,576	11,068	198,644	194,900	1,793	196,693
Service Transformation Team	1,293	73	1,366	1,301	123	1,424
Strategic Commissioning	(6,170)	(742)	(6,912)	(12,089)	1,456	(10,633)
Resources & Strategy	4,684	421	5,105	4,302	1,158	5,460
Provider services	19,860	(6,577)	13,283	18,427	2,402	20,829
Leeds Safeguarding Adults Board	169	18	187	184	22	206
Public Health	27	(85)	(58)	52	56	108
Pensions adjustment	0	(1,489)	(1,489)	0	(3,851)	(3,851)
	207,704	2,703	210,407	207,432	3,248	210,680
Children and Families						
Partnership Development and Business Support	26,536	14,258	40,794	27,157	15,324	42,481
Learning, Skills and Universal Services	4,917	(837)	4,080	5,254	(5,718)	(464)
Safeguarding, Targeted and Specialist Services	83,803	3,316	87,119	89,116	6,222	95,338
Pensions adjustment	0	(2,698)	(2,698)	0	(1,120)	(1,120)
	115,256	14,039	129,295	121,527	14,708	136,235
City Development						
Planning and Sustainable Development	2,409	179	2,588	1,851	602	2,453
Economic Development	560	373	933	735	1,266	2,001
Asset Management & Regeneration	(1,723)	4,203	2,480	(1,424)	5,519	4,095
Employment & Skills	1,749	(60)	1,689	1,715	27	1,742
Highways and Transportation	16,758	34,534	51,292	14,859	38,385	53,244
Arts and Heritage	9,524	1,178	10,702	10,286	1,546	11,832
Sport and Active Recreation	5,423	3,255	8,678	4,573	3,980	8,553
Resources and Strategy	1,121	(869)	252	1,126	(518)	608
Pensions adjustment	0	(2,250)	(2,250)	0	(5,405)	(5,405)
	35,821	40,543	76,364	33,721	45,402	79,123
Resources and Housing						
Strategy and Improvement	5,348	(1,070)	4,278	5,032	585	5,617
Finance	7,240	(1,558)	5,682	6,676	(554)	6,122
Human Resources	5,753	(199)	5,554	5,563	372	5,935
Digital and Information Services	17,948	4,871	22,819	19,590	6,908	26,498
Public Private Partnership Unit	1,293	164	1,457	1,522	18	1,540
Legal Services	(2,214)	33	(2,181)	2,759	259	3,018
Democratic Services	4,926	(4,984)	(58)	4,910	(4,816)	94
General Fund Support Services	0	(134)	(134)	30	(30)	0
Leeds Building Services	(8,380)	1,482	(6,898)	(9,611)	3,084	(6,527)
Special Contracts & Secc	6,233	18	6,251	6,083	42	6,125
Strategic Housing Partnership	1,822	5,065	6,887	2,445	9,200	11,645
Corporate Property Management	5,289	217	5,506	5,831	257	6,088
Shared Services	19,576	1,270	20,846	19,384	1,996	21,380
Commercial Services	1,708	1,514	3,222	3,202	3,600	6,802
Facilities Management	5,891	1,056	6,947	7,570	913	8,483
Low Carbon	448	20	468	1,046	132	1,178
Pensions adjustment	0	(4,557)	(4,557)	0	(11,919)	(11,919)
	72,881	3,208	76,089	82,032	10,047	92,079
Communities and Environment						
Communities	5,247	(235)	5,012	4,799	294	5,093
Customer Access	19,230	1,762	20,992	19,477	2,304	21,781
Elections, Licensing and Registration	(250)	125	(125)	753	291	1,044
Benefits, Welfare and Poverty	2,069	235	2,304	3,874	542	4,416
Car Parking Services	(8,473)	604	(7,869)	(8,232)	872	(7,360)
Community Safety	1,440	172	1,612	2,170	518	2,688
Waste Management	33,014	1,602	34,616	33,801	1,874	35,675
Parks & Countryside	6,584	2,598	9,182	6,794	3,684	10,478
Environmental Action - City Centre	1,514	66	1,580	1,584	150	1,734
Environmental Health	1,542	77	1,619	1,492	2	1,494
Cleaner Communities	7,811	2,420	10,231	7,946	2,961	10,907
Pensions adjustment	0	(2,723)	(2,723)	0	(6,945)	(6,945)
	69,728	6,703	76,431	74,458	6,547	81,005
Strategic and Central Accounts						
Strategic and Central accounts	(8,722)	(39,745)	(48,467)	(10,042)	(52,501)	(62,543)
Pensions adjustment	0	(27,451)	(27,451)	0	(27,451)	(27,451)
	(8,722)	(67,196)	(75,918)	(10,042)	(79,952)	(89,994)
NET COST OF CITY COUNCIL SERVICES	492,668	0	492,668	509,128	0	509,128
Contribution to/(from) General Fund Reserves		0		1,756	0	1,756
NET REVENUE CHARGE	492,668	0	492,668	510,884	0	510,884

Initial Budget Proposals 2018/19 - Consultation Report

Consultation held December 2017 - January 2018

Contents

1. Introduction and Approach	2
2. Analysis of Respondents.....	2
3. Executive Summary	3
4. Dealing with the challenges of reducing funding and a growing city.....	5
4.1 Comments around overall council spend and council tax.....	6
4.2 Responses by different demographic group:	7
5. Delivering our services more efficiently.....	8
5.1 Comments about delivering services more efficiently.....	9
5.2 Responses by different demographic group:	10
6. Perceptions of where our money comes from.....	10
6.1 Responses by different demographic group:	11
7. Budgeting to meet our service priorities.....	12
7.1 Summary of comments about service priorities	14
7.2 Responses by different demographic group:	15
Appendix 1: Comments about service priorities	16
Appendix 2. Questionnaire.....	20

1. Introduction and approach

Public consultation on the council's Initial Budget Proposals (IBP) for 2018/19 took place between the 14th December 2017 and the 15th January 2018. The full IBP can be viewed in the [public reports pack](#) for the 13th December 2017 Executive Board, where the initial proposals were considered. The approach taken recognised the importance of engaging a representative number of respondents from a broad cross-section of demographic groups, and the need to review residents' budget priorities.

The consultation was primarily carried out through an online survey (also available in paper format), which included a brief summary of the key points from the IBP, interspersed with single and multiple-choice questions that focussed on the principles of the council's budget and service priorities. This approach was taken to improve the experience of taking part, with a view to increasing levels of engagement from prior years. An open response question was also included to give respondents flexibility to share any views they wished. (The survey is attached as Appendix 2.)

Residents were primarily invited to take part through social media and a news item on the council's website. Staff were invited via email newsletter and a news item on the staff intranet (InSite). Invitations were also emailed to partner organisations, requesting that they share through their networks. Members of the Citizens' Panel received either an email or postal invitation to the survey. Further targeted advertising, carried out through Facebook, was found to be highly successful in increasing engagement of younger people (bringing in 3 times as many further completions).

The consultation was introduced through a brief animation, which highlighted the challenges that the council faces and raised some of the themes that would be explored. In total, this animation was viewed 28,874 times and, as a result, we received 162 comments, 160 'shares' and 'retweets', and 159 'likes' through social media.

2. Analysis of respondents

A total of 1,984 responses were received from a range of respondents from different demographic groups, of which 1,713 were completed online and 271 were from the postal paper survey. These were found to be broadly representative of the population of Leeds residents, as shown below in Table 1 which compares respondents against the 2011 Census (aged 18 and over only – no respondents were below aged 18). Note that percentages of respondents throughout this report relate to only those that answered that question.

Table 1. Comparison of respondents to Census 2011

		% Survey Respondents	% Leeds Residents - Census 2011	
Age / years	18 - 29	22%	27%	Residents of Leeds, aged 18 and over only
	30 - 44	24%	26%	
	45 - 64	34%	29%	
	65+	21%	18%	
Gender	Female	47%	52%	
	Male	53%	48%	
Ethnicity	BME*	11%	17%	All Leeds Residents - day to day activities limited a lot
	White: British	89%	83%	
Disability	No	88%	92%	
	Yes	12%	8%	

* This refers to all respondents who did not tick 'White: English / Welsh / Scottish / Northern Irish / British'

The high number of responses makes the results statistically very robust and they represent the population to a Confidence Interval of +/-2.2% (with 95% confidence).

In total, 94% of respondents (1,869) said that they live in Leeds and over half (54%) work in Leeds. Around 1 in 7 (14%) said they work for Leeds City Council. Only 21 respondents (1%) said that they solely visit the city and don't live, or work here.

3. Executive summary

In response to the challenges that Leeds City Council faces from reducing funding and increasing demand for services, respondents were asked how much they agree or disagree with certain statements:

- Over three quarters of respondents (77%) said we should raise money through increasing council tax and charges, with around half (48%) of all respondents stating that this should be balanced with cuts and reduction of services.
- With regards to additional funding:
 - In total, 60% of all responses said this should be raised through introducing new charges for some services.
 - Over half of respondents agreed with increasing the rate of council tax (56%).
 - 50% favoured increasing existing charges.
- Almost a quarter of respondents (23%) said the council should not raise council tax or charges, even if this has a large impact on the services we provide.

Thinking about how we can deliver services more efficiently, respondents were asked how much they agree or disagree with certain statements:

- Most agreed that we should deliver more services in partnership with other public organisations (96%).
- Slightly fewer agreed we should work with local community and voluntary groups to deliver more of our services (88%).
- Three quarters agreed that we should encourage local people to voluntarily provide certain services within their communities (74%).
- Almost half agreed that services should mostly be delivered by the council, on its own (48%).
- Fewer than a third agreed that more services should be delivered by the private sector (31%).

In total there were 884 comments, many of which covered multiple issues, which were coded into 1,387 sub-comments to reflect dominant themes:

- Of comments relating to the council's approach to the budget, over half (excluding general statements and suggestions) were supportive of this.
- In relation to council tax, almost twice as many comments disagreed with the proposed increase as supported it.
- In relation to council costs the majority of comments referred to the possibility of the council making further efficiency savings.
- A number of comments related to the way the council contracts/works with partners, with the largest proportion of these against the outsourcing of services.
- Many comments related to priority themes including transport, housing, adult social care, the environment, big events and culture, and children's services.

- Some of these highlighted concerns around previous decisions including the cycle superhighway, incomplete infrastructure projects, and spending on big events in a time of austerity.

Respondents were presented with two statements around what their council tax is for:

- The majority said they think it is a contribution to the cost of local services, however around 1 in 13 (8%) said that they think it is a payment for the local services that they use.

Respondents were asked what percentage each of our key funding sources contributes to our total income (excluding specific funds for schools and council housing):

- Many (40%) selected the correct amount for Council Tax, however slightly more of them (43%) overestimated how much this contributes.
- Almost three quarters (73%) overestimated how much business rates contribute.
- Almost two thirds (62%) underestimated how much fees and charges contribute.

Respondents were asked to rate some of our service priorities by how much they matter to them personally, and by how much they think they matter to the city of Leeds. The services that the highest proportion of respondents rated as mattering a lot to them personally were:

- Keeping streets and neighbourhoods clean and dealing with waste (76%)
- Working with police to prevent and tackle crime and ASB (73%)
- Supporting older and vulnerable people (70%)
- Keeping children safe (67%)
- Making roads safe, reducing congestion and making it easier to get around (63%)

The same five services were identified as the highest priorities for the city, however this time the top two priorities were:

- Keeping children safe (86%)
- Supporting older and vulnerable people (80%)

4. Dealing with the challenges of reducing funding and a growing city

The first section of the survey began by explaining the context in which the budget has been set, with a reduction in core funding from government of around £239m since 2010 and increasing costs and demand for services.

Respondents were asked which option they agreed with most in response to the statement: 'Reduced funding from the government will impact on our ability to deliver the services we (the council) currently provide, unless we find other ways of raising money'. Responses are shown in Table 2.

Table 2. How should we deal with the challenges of reduced funding?

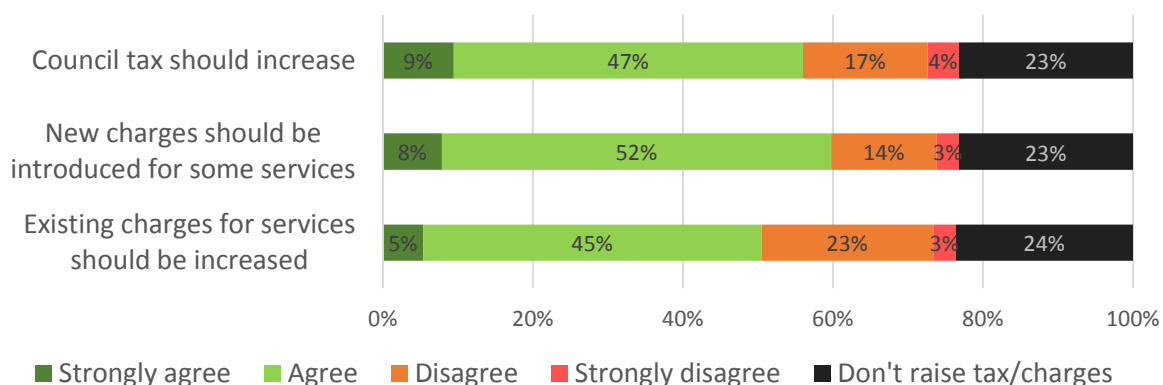
Which option do you agree with most?	Valid %	Count
We should raise enough money by increasing council tax and charges, to avoid having to cut services	30%	581
We should raise money by slightly increasing council tax and charges, whilst reducing or cutting some services	48%	939
We should not raise council tax or charges, even if this has a large impact on the services we can provide	23%	443
Did not respond to this question	N/A	21
Grand Total	100%	1,984

Over three quarters of respondents (77%) agreed we should raise money through increasing council tax and charges, with three in ten (30%) saying we should raise enough to avoid having to cut services, and almost half (48%) of all respondents said that this should be balanced with cuts and a reduction of services.

Almost a quarter of respondents (23%) agreed with the statement that we should not raise council tax or charges, even if this has a large impact on the services we can provide.

Those that said we should raise money were asked how much they agreed or disagreed with different options for how to raise funding. Their responses are shown combined with those that said we should not raise tax or charges in Figure 1 below, to present them as a proportion of all respondents.

Figure 1. How should we raise funding?



The highest proportion said additional funding should be raised through introducing new charges for some services (60% of all responses). Slightly fewer said this should be done through increasing council tax (56% of all response), with increasing existing charges the least popular suggestion (50% of all responses).

4.1 Comments around overall council spend and council tax

The consultation included one open response box at the end, for respondents to add their views on any comments in relation to the budget proposals. In total there were 884 comments, many of which covered multiple issues. For the purpose of analysis comments have been coded to reflect dominant themes. It should be noted that coding of open comments is not an exact methodology, but rather depends on the analyst's interpretation of the respondent's intention. Comments relevant to this area of the consultation are shown in Table 3 below.

Table 3. Comments around overall council spend and council tax

Theme of comment	Count	Examples
Council spending overall	236	
Generally support approach	106	"It's nice to see a council focus on being caring and compassionate and recognising the value of caring for the vulnerable. At that (sic) same time, investing in the city's economy makes it an attractive place to live." "You seem to be doing a very good job at balancing priorities in the face of massive cuts from central government. Keep up the good work."
Disagree with spending decisions	100	"The Council is in danger of just becoming a social care provider and neglecting its other responsibilities by starving other services which help the economy grow. This is not sustainable." "Stop losing vast sums on vanity projects - concentrate on things that are actually needed to help people."
Made a suggestion / statement	30	"The only comment I can make is, why is this done just year on year? Surely more advance planning over say 3-5 years would be better?"
Council tax	54	
Disagreed with proposed increase	27	"I think it is bad strategy to increase council tax by 5% when NHS and public services staff have not and still do not have a proportional salary increase. This sum is over inflation of 3.1% and will put further financial pressure on very many working poor people. I very strongly object to such a large increase."
Support proposed increase	15	"Please increase council tax and invest in the city's future"
Made a suggestion / statement	12	"You need to increase the amount of council tax bands, focusing on the higher bands so people with larger buildings pay their fair share. Currently you spend, in my opinion, in the right proportions..."
Central government	17	
Against austerity policies	17	"The council is underfunded. That needs acknowledging. We need to be more honest that the current government is not providing the funding needed and shortfalls cannot be made up by cutting services or increasing council tax."

It can be seen that slightly over half of the comments around the council's approach to the budget (excluding general statements and suggestions) were supportive. Where comments disagreed with spending decisions this was generally in relation to a specific issue or priority.

In relation to council tax, almost twice as many comments disagreed with the proposed increase as supported it.

4.2 Responses by different demographic group

Figure 2. How should we deal with the challenges of reduced funding? By different group

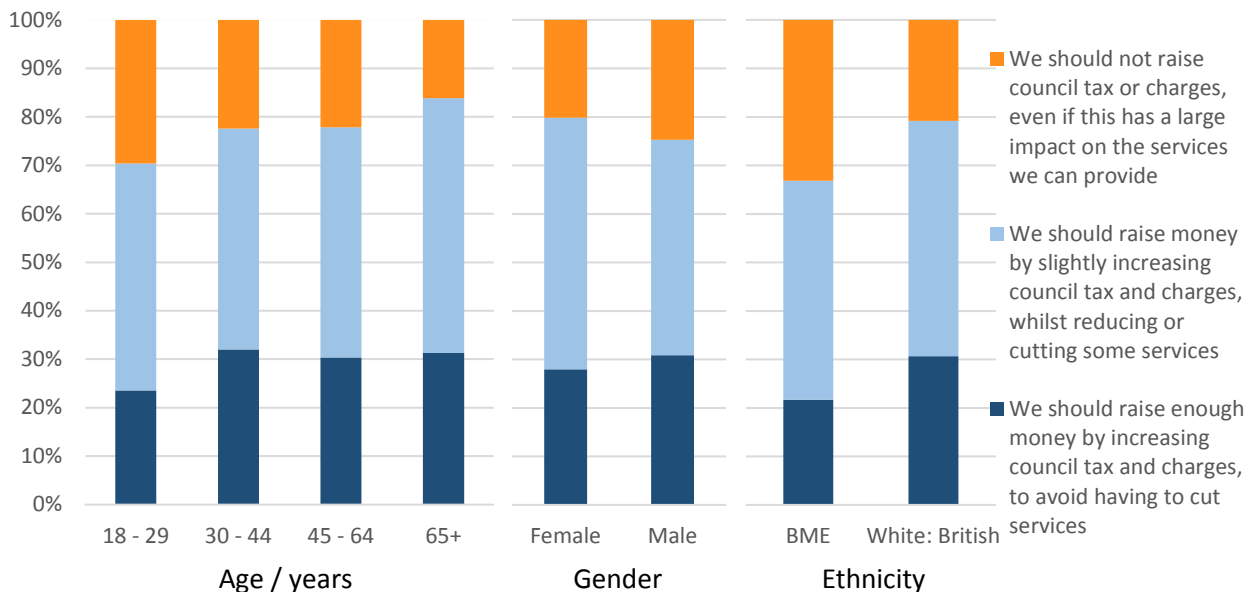


Figure 2 above shows the responses made by different groups.

- Younger people were more likely to say we should not raise council tax or charges and less likely to say that we should avoid having to cut services.
 - They were also much less likely than older people to agree with any of the options for raising funding, including that council tax should increase (44% of all respondents aged 18-29, compared to 65% for those aged 65+)
- Older people were more likely to agree with increasing council tax and charges whilst cutting some services, and less likely to say that we should not raise council tax or charges.
- Men were more likely than women to say we should not raise council tax or charges.
- BME respondents were much more likely to say we should not raise council tax or charges and much less likely to say that we should avoid having to cut services. Although more BME respondents were younger, these differences go beyond what would be expected.
 - They were also much less likely than White: British respondents to agree with any of the options for raising funding, including that council tax should increase (43% of all BME respondents, compared to 58% of White: British)

5. Delivering our services more efficiently

This section of the survey began by detailing the funding gap for 2018/19, before going on to list some of the ways we propose to make savings to help us to balance the budget.

Thinking about how we can deliver services more efficiently, respondents were asked how much they agree or disagree with certain statements. The responses are shown in Figure 3 below.

Figure 3. How should we deliver services more efficiently?



The highest proportion agreed we should deliver more services in partnership with other public organisations (96%). Slightly fewer said that we should work with local community and voluntary groups to deliver more of our services (88%) and that we should encourage local people to voluntarily provide certain services within their communities (74%). A little less than half said that services should mostly be delivered by the council, on its own (48%) and less than a third agreed that more services should be delivered by private sector (31%).

5.1 Comments about delivering services more efficiently

The comments that are relevant to this area of the consultation are shown in Table 4 below.

In relation to council costs the majority of comments referred to the possibility of the council making further savings in day to day running costs. A number of these related to the costs of senior management wages and council members' expenses.

A number of comments related to the way the council contracts/works with partners, with the largest proportion of these against the outsourcing of services.

A further key theme emerging from the comments was about citizens taking greater responsibility either for themselves or for their local community.

Table 4. Comments around delivering services more efficiently

Theme of comment	Count	Examples
Council costs	97	
Find further efficiencies	60	<i>Find further efficiencies</i>
Management costs	17	<p>"The organisation of each department should be scrutinised to check there is no wastage of equipment, manpower and leadership. Ensure staff are encouraged, valued, listened to..., and given recognition for money saving ideas. Encourage volunteering of retired people who are willing and able to contribute in the community."</p> <p>"Look at everything you do, every task your staff do. Prioritise by making a difference to citizens, do those first. Stop doing the ones that don't matter."</p> <p><i>Management costs</i></p> <p>"Still too many managers within LCC. Culture of entitlement needs to stop. Lots of good practice from private sector to better manage services and challenge the status quo and ensure good value."</p> <p><i>Members costs</i></p> <p>"Cut expense claims to council members. This needs to be addressed as it is an abuse of their so called voluntary role."</p>
Members' costs	14	
Made a suggestion / statement	3	
Sell more services	3	
External contracts	67	
Against outsourcing	18	<i>Against outsourcing</i>
Increase business tax	10	<p>"Much money is spent outsourcing services. Why is it that LCC lacks the ability to provide these same services at reasonable cost?"...</p> <p><i>Increase business tax</i></p> <p>"Business rates should be increased to raise income not at the expense of the residents of Leeds. This can be done by certain levies for example in Nottingham where they included a business levy to those in the city and ring fenced it specifically for highways and transport infrastructure improvements, an example Leeds should replicate."</p>
More provided by private sector	9	
Third sector	8	
Work more with businesses	8	
Stop subsidising	7	
Make sure value for money	4	
Made a suggestion / statement	3	
Taking responsibility	46	
People should be self-reliant	30	"All people should be encouraged and enabled to earn their own money. Everyone should have the ability to earn a living wage. It is vital young people are encouraged to have a work ethic."
People need to take responsibility	16	"Consultation with community groups. Use the Leeds Citizens' Panel to recruit. Give incentives for participation. Use the lay approach and encourage communities to take ownership and run their communities. More cost effective."

5.2 Responses by different demographic group

Analysis of the responses made by different groups showed:

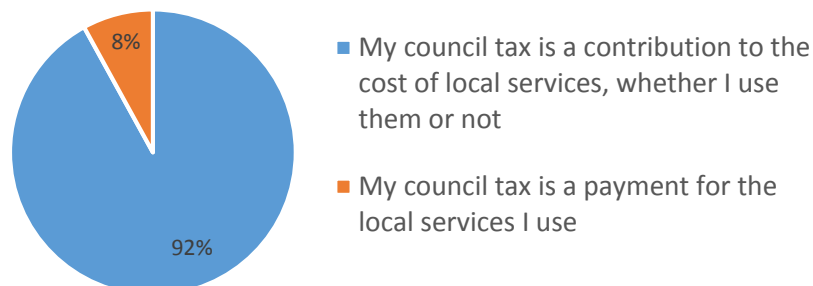
- Respondents aged 30-64 were much less likely to say that the private sector should deliver more of our services than younger and older respondents (26%, compared to 40% and 36% respectively).
- Younger respondents were much less likely to say that services should mostly be delivered by the council, on its own (39%, compared to 52% for those over the age of 30).
- Staff of Leeds City Council were much less likely to agree that the private sector should deliver more of our services (19%, compared to 33%).

6. Perceptions of where our money comes from

In this section we detailed our proposed increase in council tax of 4.99%, before going on to discuss some of the other ways that we raise money, including business rates, grants and service charges. Questions in this section were designed to help us to understand perceptions of where our money comes from and what it is for.

Respondents were presented with two statements around what their council tax is for. Responses are shown in Figure 4 below.

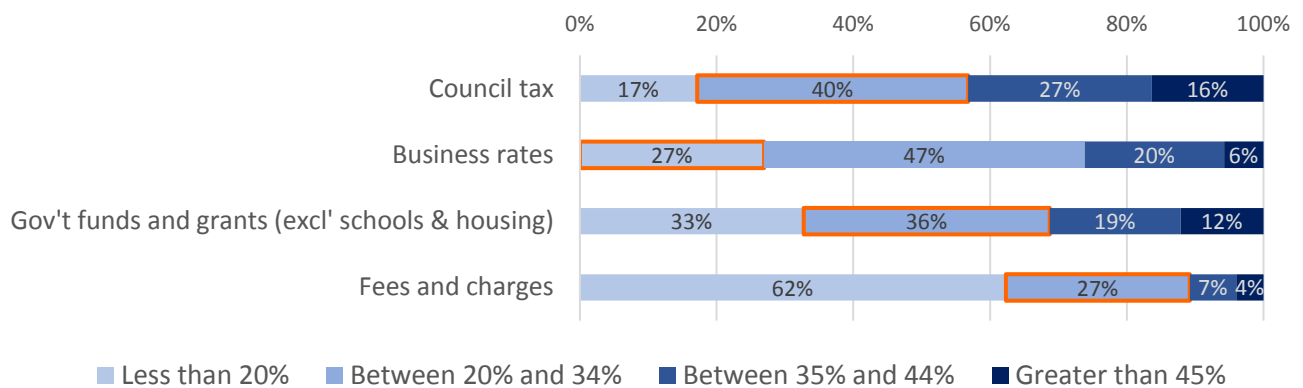
Figure 4. What is my council tax for?



The majority of respondents said they think that their council tax contributes to the cost of local services, however around 1 in 13 (8%) said that they think it is a payment for the local services that they use.

Respondents were then asked to rate into one of four groups ('<20%', '20%-34%', '35%-44%', '>48%') what percentage they think each of our key funding sources contributes to our total income (excluding specific funds for schools and council housing). The responses to each of the four groups are shown in Figure 5 below, with the correct response for each funding source highlighted in orange.

Figure 5. How much do you think funding sources contribute?



Many (40%) selected the correct group for Council Tax, however slightly more of them (43%) overestimated how much this contributes. Almost 3 quarters (73%) overestimated how much business rates contribute, however almost two thirds (62%) underestimated how much fees and charges contribute. There was a balance of responses for government funding and grants, with around a third (36%) selecting the correct group and around a third over and under estimating the amount this contributes respectively.

6.1 Responses by different demographic group:

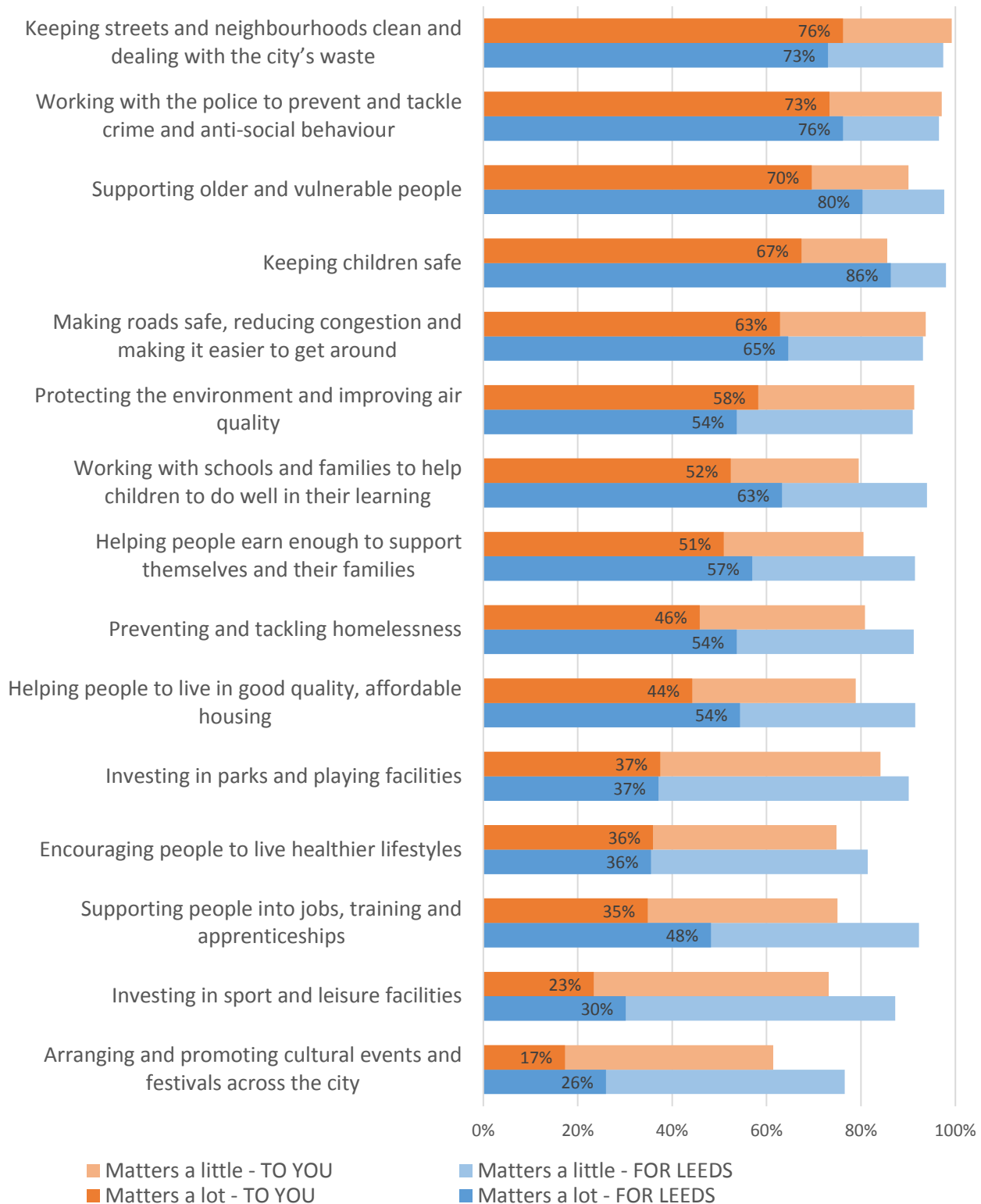
Analysis of the responses by different groups showed:

- BME respondents were more likely than White: British to say that their council tax is a payment for the local services that they use (11%, compared to 7% respectively).
 - They were also much more likely to overestimate the proportion that government funding and grants contribute to our total income than White: British (43% overestimated, compared to 29%).
- Leeds City Council staff were less likely to say that their council tax is a payment for the local services that they use (6%, compared to 8%).
 - They were also much less likely to overestimate the proportion that council tax contributes to our total income (33% overestimated, compared to 45%)
- Older respondents were much more likely to over-estimate the proportion that council tax and business rates contribute to our total income (58% and 82% respectively, compared to 41% and 71% of respondents aged 18-64).

7. Budgeting to meet our service priorities

Respondents were asked to rate some of our service priorities by how much they matter to them personally, and by how much they think they matter for the city of Leeds (and the people that live, work and visit here). Figure 6 shows responses for both the respondent personally (in orange) and for Leeds (blue), listed in order of how much they mattered a lot to them personally.

Figure 6. How much of a priority are our services to you personally and for Leeds?



The services that the highest proportion of respondents rated as mattering a lot to them personally were:

- Keeping streets and neighbourhoods clean and dealing with waste (76%)
- Working with police to prevent and tackle crime and ASB (73%)
- Supporting older and vulnerable people (70%)
- Keeping children safe (67%)
- Making roads safe, reducing congestion and making it easier to get around (63%)

The same five services were identified as the highest priorities for the city, however this time the two top priorities were:

- Keeping children safe (86%)
- Supporting older and vulnerable people (80%):

The services that had the lowest proportion of respondents rate them as mattering a lot to them personally were:

- Arranging and promoting cultural events and festivals (17%)
- Investing in sport and leisure facilities (23%)
- Supporting people into jobs, training and apprenticeships (35%)
 - Although many more saw this as a priority for the city (48%)
- Encouraging people to live healthier lifestyles (36%)

7.1 Summary of comments about service priorities

The comments that are relevant to this area of the consultation are summarised in Table 5 below, with a full breakdown of each theme including examples in Appendix 1. The comments have been coded to capture the dominant themes mentioned by the respondent. Within each theme the comments were further coded to reflect whether the theme/service should be given greater or less priority, or whether the respondent disagreed with previous spending decisions.

A large proportion of comments related to transport infrastructure and highways. Many of these highlighted concerns around previous decisions including the cycle superhighway, and incomplete projects such as trams and trolleybuses. Another theme that attracted comments that disagreed with previous decisions was 'big events and culture', with comments questioning spending on large events in a time of austerity.

There were a large number of comments around housing which made a suggestion or statement, for example that council housing should not undergo expensive repairs if it is to be sold under right-to-buy.

Table 5. Summary of comments around service priorities

Theme of comment	Count					
	Overall	Should be prioritised	Generally support our approach	Is not such a priority	Disagree with previous decisions	Made a suggestion / statement
Transport	195	105		9	52	29
Housing	118	60		10		48
Adult social care	86	55	7	11		13
Environment	81	60	2	5		14
Big events / culture	72	13	2	28	22	7
Children's social care	59	44	5	6		4
Education	46	36		1		9
Health	41	29	1	2		9
Vulnerable people	39	32		1	1	5
Homelessness	31	30				1
Policing and ASB	28	22		1	4	1
City development	24	8		3	4	9
Jobs	21	18				3
Leisure	19	11		2	1	5
Inequality	10	6	1			3

7.2 Responses by different demographic group

Figure 7. Services that matter a lot to you, by age group

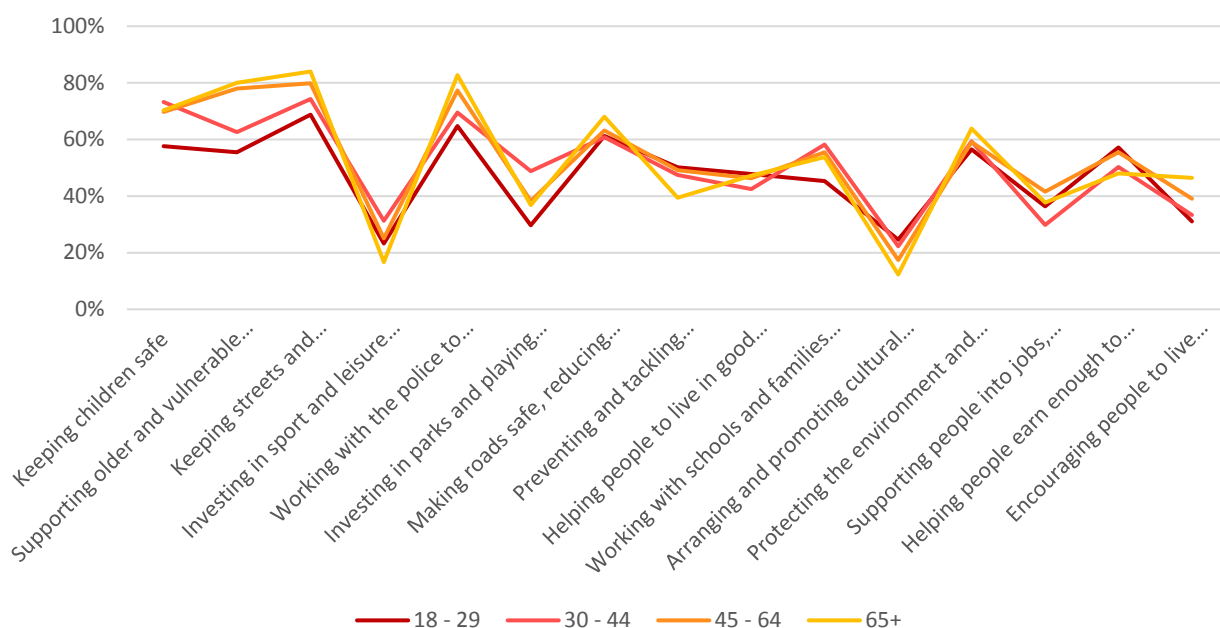


Figure 7 shows analysis of responses by age groups. Analysis by different demographic group shows:

- Older respondents were more likely than others to rate supporting older/vulnerable people, keeping streets clean and dealing with waste, and working with police as mattering a lot to them.
- Younger respondents were less likely than others to rate keeping children safe, supporting older/ vulnerable people, keeping streets clean and dealing with waste, working with police, and working with schools and families as mattering a lot to them.
- Women were more likely than men to rate prevent and tackling homelessness, keeping children safe, supporting older/vulnerable people, helping people live in good quality housing, and helping people to earn enough to support their families as mattering a lot to them.
- BME people were more likely than White: British to rate helping people to earn enough to support their families, supporting people into jobs, and helping people live in good quality housing as mattering a lot to them.

Appendix 1: Comments about service priorities

Theme of comment	Count	Examples
Transport	195	
Should be prioritised	105	<i>Should be prioritised</i>
Disagree with previous decisions	52	"Improving roads reducing congestion. Invest in front line forces."
Made suggestion / statement	29	"The state of roads & other infrastructure has been allowed to deteriorate unacceptably and must not be allowed to drop further."
Is not such a priority	9	"A huge amount of money is needed to be invested in public transport. This will not only stimulate the whole city's economy, but reduce congestion and pollution, and make it easier to travel." "In maintaining roads and transport, cycle lanes and public transport should be prioritised to create a 'greener' city and improve air quality."
		<i>Disagree with previous decisions</i> "Far too much money has been spent on changes to roads, e. g. the so called cycle super highway." "The council seems to waste money on numerous services and projects such as the abortive tram system. Our transport and roads are inadequate for a city like Leeds. Instead of encouraging people to visit and shop in Leeds there are parking restrictions and a lack of inexpensive car parks. To charge people to park at weekends and at night is counterproductive and should be reversed to encourage people to shop in the city. We also need a better link from the centre of Leeds to the Airport..." "My main concern is the amount of money that has been wasted, and what appears to have been an incompetent general approach to transport issues. Very large amounts of money have been spent firstly on the "supertram" and next on the trolleybus projects, both of which have failed, leaving Leeds languishing behind competitor cities in terms of transport infrastructure."
		<i>Made suggestion / statement</i> "Transport is the big bug bear with most people. Just moving around the city is a nightmare at certain times. Early morning school kick off times. I would look at more park and rides and possibly make the city centre a car free zone."
Housing	118	
Should be prioritised	60	<i>Should be prioritised</i>
Made suggestion / statement	48	"Housing is one of the most crucial issues we face, along with low incomes. As reliance on foodbanks increases, I'd like to see the city focus on finding stable homes and support for our citizens."
Is not such a priority	10	"More money needs to be spent on improving housing and providing for children and their families as they are our future."
		<i>Made suggestion / statement</i> "Think about schemes to encourage people to open a room in their home to somebody who needs somewhere to live. How could you connect them? How could you incentivise this? (e.g. no additional council tax to pay)"

Theme of comment	Count	Examples
Adult social care	86	
Should be prioritised	55	<i>Should be prioritised</i>
Made suggestion / statement	13	"More emphasis on improving social care for the elderly..."
Is not such a priority	11	"Whilst a lot of money is rightly targeted at the inner city and deprived areas, I worry that older people & disabled adults do not receive the support they need, especially in "more affluent" or outlying areas."
Generally support our approach	7	<i>Made suggestion / statement</i> "You need to try and reduce the amount spent on adult social care through using partners more effectively and through early intervention so people need less help in the longer term and can be more independent."
Environment	81	
Should be prioritised	60	<i>Should be prioritised</i>
Made suggestion / statement	14	"Spend money on building a more sustainable and environmentally friendly city and future. Do this through improving education and facilities for young generations and communities who will become the future of Leeds."
Is not such a priority	5	"A community will only thrive if my neighbour thrives. Combine community and environment initiatives with children and family focus."
Generally support our approach	2	<i>Made suggestion / statement</i> "The split seems reasonable but I would like to see an ambition to make Leeds a 'green city'. This would include reducing traffic, encouraging cycling, tree planting, maintaining Green Belt and encouraging green industries. Leeds could get a reputation for this which would encourage investment."
Big events / culture	72	
Is not such a priority	28	<i>Is not such a priority</i>
Disagree with previous decisions	22	"Big events in the city should not cost the tax payers. Events should be run by volunteers and costs to be kept to a minimum. As fantastic as it is to have big events in the city like tour de Yorkshire and the half marathon it should not be costing as much. This money should be put to improving more urgent areas of development e.g. making the city safer and cleaner."
Should be prioritised	13	
Made suggestion / statement	7	
Generally support our approach	2	<i>Disagree with previous decisions</i> "How much did the Leeds City of culture bid cost (when it became obvious right after Brexit that the risk for any UK bid to not be accepted?) I think that was wasted money, and probably in the millions. Can the council be more transparent on this?" <i>Should be prioritised</i> "Don't let the non-success of Leeds 2023 stop cultural initiatives - so far it (with museums and the art gallery) make a big difference to jollity and happiness"

Theme of comment	Count	Examples
Children's services	59	
Should be prioritised	44	<i>Should be prioritised</i> "More money to be invested in youth - especially involving youth crime, youth gang culture, clubs and activities for young people, opportunities for young people." "I think investing in children's services and early intervention such as children's centres and youth service, family support and CAMHs will provide an opportunity to save money on future spending on areas such as policing, housing and NHS."
Is not such a priority	6	
Generally support our approach	5	
Made suggestion / statement	4	
Education	46	
Should be prioritised	36	<i>Should be prioritised</i> "I would have thought schools and education would get a larger proportion of the money. So much can be done through schools to educate families and get them involved in the community which would reduce amount needed to be spent on adults and health in the long run, especially for disadvantaged families and ethnic minorities. With the right funding, schools can narrow the gap in children's achievements and opportunities, build support networks for families, and facilitate voluntary work in the community." "We need more new schools. Smaller classes will improve educational outcomes. Schools need larger playgrounds..."
Made suggestion / statement	9	
Is not such a priority	1	
Health	41	
Should be prioritised	29	<i>Should be prioritised</i> "This seems sensible but I feel more on health especially in children and young people needs to happen." "Ultimately, I think poverty, homelessness and mental health are the biggest issues facing Leeds today..."
Made suggestion / statement	9	
Is not such a priority	2	
Generally support our approach	1	
Vulnerable people	39	
Should be prioritised	32	<i>Should be prioritised</i> "Continue to focus efforts on supporting the most vulnerable people." "I believe that money should be spent to help those most in need, if the aim is to build a fairer society. If you earn more you should pay more but any increases in raising funds needs to ensure that people on the cusp are not pushed into poverty or just getting by."
Made suggestion / statement	5	
Disagree with previous decisions	1	
Is not such a priority	1	
Homelessness	31	
Should be prioritised	30	<i>Should be prioritised</i> "Please do more to help tackle homelessness, and in work homelessness. Getting police officers to move people on from the city centre is so dehumanizing and inhumane. Obviously it's a very difficult issue to tackle, but doing more could include: opposing recent welfare reforms (universal credit, LHA & benefit caps, sanctions), taking out larger loans to build real affordable housing (based on LHA levels)." "There has been a major increase in homelessness apparent when in the city centre. Tackling this is a priority and will help show what a caring and compassionate city Leeds is."
Made suggestion / statement	1	

Theme of comment	Count	Examples
Policing and ASB	28	
Should be prioritised	22	<i>Should be prioritised</i> “Policing the streets is a fundamental part of the council. Keeping people safe and secure in their neighbourhoods should be paramount...” “More money should be spent to prevent crime and homeless”
Disagree with previous decisions	4	
Is not such a priority	1	
Made suggestion / statement	1	
City centre development	24	
Made suggestion / statement	9	<i>Made suggestion / statement</i> “One thing I think could be really improved on is how the council make use of empty premises within the city centre. The centre of Leeds is fast becoming homogenous and pricing out the people who live here. There are very few independent shops. There is a real gap here as empty premises could be leased cheaply to encourage independent business start-ups which would help the economy...”
Should be prioritised	8	
Disagree with previous decisions	4	
Is not such a priority	3	
Jobs	21	
Should be prioritised	18	<i>Should be prioritised</i> “Council needs to encourage business into Leeds, creating jobs that don't rely on welfare to survive which has a knock on effect of council receiving more revenue. Cutting some services reduces people's ability to work, especially single parents or carers.”
Made suggestion / statement	3	
Leisure	19	
Should be prioritised	11	<i>Should be prioritised</i> “Please ensure libraries are adequately funded. This not only encourages children to read (and thus learn), but helps the unemployed by providing free computer access etc. - as well as being of benefit to the public in general - old and young alike.”
Made suggestion / statement	5	
Is not such a priority	2	
Disagree with previous decisions	1	
Inequality	10	
Should be prioritised	6	<i>Should be prioritised</i> “Agree with general principle i.e. focus on reducing inequalities, poverty”
Made suggestion / statement	3	
Generally support our approach	1	

Council Budget Consultation 2018-19

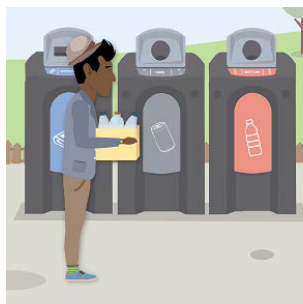
December 2017 to January 2018

Public consultation document and questionnaire

1. Introduction

We want to hear your views on the council's priorities for the services we provide, and how we should continue to fund them in future.

We're currently proposing our budget for the next financial year (2018/19), and we want to understand how this looks to you. Councillors will see the results of this consultation before they make a final decision on the budget in February.



The survey should take around 10 to 15 minutes to complete. The questions will focus on our broad principles and priorities, rather than any specific changes that are proposed to our services.

In general, residents and people who use our services are given the opportunity to get involved with detailed consultation before service changes happen. For example, you can currently comment on the proposed changes to street lighting at www.leeds.gov.uk/SLC17.

To help you think about your answers we will provide a summary of the key points from our proposed budget throughout the survey. If you'd prefer to look at the Initial Budget Proposals (our formal name for the draft budget) in full, you can read this at www.leeds.gov.uk/budget. If you do not have access to the internet, you can use public internet access at any council-run library, One Stop Centre or at one of our Community Hubs. Simply ask staff to assist you with accessing this document.

Privacy notice (data protection)

Your response to this public consultation is being collected by Leeds City Council (as data controller) and will be used to help us make decisions about our budget proposals.

By submitting your response, you are giving your consent for us to use the information you have provided. When results of the consultation are shared publicly or with other organisations, your information is anonymised so you cannot be identified.

We will keep your information safe and secure in line with UK data protection law. Your data will be processed by the relevant services (departments) within Leeds City Council. Our software supplier, SmartSurvey Ltd, will also process your data on our behalf but will never use these for its own purposes. We will store your responses for up to 2 years.

You have rights under UK data protection law including withdrawing your consent for us to use your information. Contact the Information Commissioner's Office (data protection regulator) to learn more.

2. Reduced funding but a growing city

Our proposed budget supports our ambitions of Leeds having a strong economy and being a caring and compassionate city - with a focus on tackling poverty and reducing inequalities. Priority areas include improving people's health, learning and income, and a commitment to support the vulnerable, and continuing to support the things which can make Leeds the best city for everyone. Our ambitions of being the 'Best City' and the 'Best Council' are explained in more detail in our Best Council Plan 2017/18.

Since 2010 our core funding from government has reduced by around £239m and, at the same time, we have seen increasing costs and demand for services, particularly due to a growing and ageing population. We have so far met these challenges by stimulating economic growth, finding ways to increase our income and making savings. The council itself has had to get much smaller in size, and has so far reduced staff numbers by over 3,200 full time equivalent posts.

Looking forward, reductions in government funding and rising demand for services will continue. It will become more and more difficult for us to maintain current levels of service. In order to focus on tackling poverty and reducing inequalities, we may have to consider stopping, changing or charging for some services that we cannot afford or are less of a priority to the people of Leeds.

Reduced funding from the government will impact on our ability to deliver the services we (the council) currently provide, unless we find other ways of raising money.

Q1. Which one of these options do you agree with most? (Tick one only)

- ☐ We should raise enough money by increasing council tax and charges, to avoid having to cut services.
- ☐ We should raise money by slightly increasing council tax and charges, whilst reducing or cutting some services.
- ☐ We should not raise council tax or charges, even if this has a large impact on the services we can provide.

If you said we should not raise council tax or charges, please skip Q2.

Q2. You have said that we should raise money to help us to deliver services. How much do you agree or disagree with these statements?

	Strongly agree	Agree	Disagree	Strongly disagree
Existing charges for services should be increased	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New charges should be introduced for some services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Council tax should increase	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

For the upcoming financial year, the support grant that we receive from the government has been cut by £18.5m from the current year to £46.5m, which is a drop of 28.5%. The reducing money that we get from the government, coupled with increasing costs and demand for services, will result in a funding gap of £38.2m in 2018/19.

To balance the budget we propose to make savings of £22.2m through efficiency savings, £1.0m savings through changing the level of services we provide and targeting them at the people with most need, £6.3m in additional income from increasing fees and charges by at least the rate of inflation, and £1.5m in additional income through trading services with partner organisations.

Q3. Thinking about how we can deliver our services more efficiently. How much do you agree or disagree with these statements?

	Strongly agree	Agree	Disagree	Strongly disagree
We should work with local community and voluntary groups to deliver more of our services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We should deliver more services in partnership with other public organisations (e.g. Police, NHS, other councils).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The private sector should deliver more of our services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We should encourage local people to voluntarily provide certain services within their communities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Services should mostly be delivered by the council, on its own.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Where does the money come from?

Council tax in Leeds is currently the 2nd lowest of the 'core cities' in England (the 8 largest cities outside Greater London). The government hasn't yet set a limit for how much councils can raise council tax for 2018/19 without seeking approval through a referendum, but whilst we wait for this we are proposing to increase the standard council tax in Leeds by 1.99%. For a limited period local authorities are also currently allowed to include a further 3% increase to council tax, specifically to help pay for adult social care services. This additional 3% would bring our total proposed council tax increase to 4.99%.

Q4. Which of these statements best represents how you think about your council tax? (Tick one only)

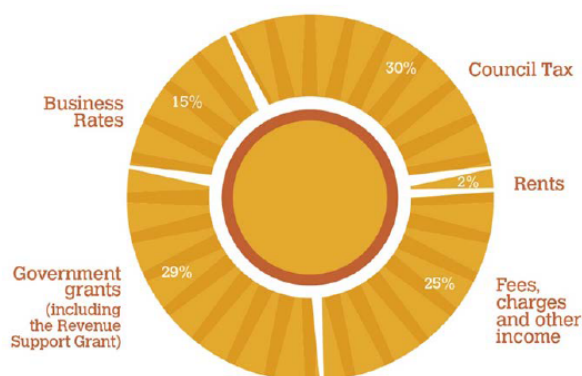
- ☐ My council tax is a payment for the local services I use.
- ☐ My council tax is a contribution to the cost of local services, whether I use them or not.

Council tax is only one way the council gets money for local services each year. The council also raises money from business rates and by charging for certain services like leisure centres, trade waste, pest control and parking. Money also comes from the government in the form of grants. Many of these grants and service charges have to be spent on specific services, so the council's options at budget time are limited.

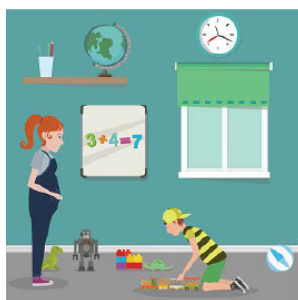
How much do you think each one of these funding sources contributes as a percentage of the council's total income (excluding specific funding for schools). (Please select one option for each)

	Less than 15%	Between 15% and 25%	Between 25% and 35%	Greater than 35%
Council tax	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business rates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Government funds and grants (excluding funding for schools)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fees and charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Property rental	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The percentage that each of these sources of funding contributes to the council's income (excluding specific funds for school and council housing), for the current year was:



4. What we propose to spend the money on



We provide a wide range of services, both on our own and in partnership with other organisations. Some have to be delivered to a certain level by law, but for others we can choose what kind of service to provide and to what level. We have to balance the priorities that affect most people in Leeds, such as bin collections and roads, with the issues that impact only some people, such as caring for older people and keeping vulnerable children safe.

(Select one option for you and one for the city, for each priority)

[illegible]

The costs of running a business are managed through a revenue budget, which covers the day to day running costs, and through capital spend, which is the longer term investment to look after and create new assets.

Our net revenue budget is funded from the government support grant, council tax and business rates, and covers the day to day spending for all of our services. Our Initial Budget Proposals set this at £506.2m for 2018/19, of which almost two thirds (65.1%) will fund adult social care and children's services. This increase (up from 64.2%) will provide additional funding of £9.1m, which reflects our priorities around supporting the most vulnerable people across the city.

Where our money is spent...



Over the period 2017/18 to 2020/21 our capital programme includes investment plans which total £1.2bn, much of which is paid for through external grants and contributions, and some is from money borrowed. Some of the ways we are using this include £191m for building, improving and maintaining schools, £388m to maintain roads and improve transport, £41m for projects to reduce fuel bills and carbon emissions, £16.5m to help prevent flooding, £3.3m for new park and ride schemes, £256m improvements to council housing and £76.2m for building new council homes.

This overall approach supports our ambitions of Leeds having a strong economy and being a caring and compassionate city – with a focus on tackling poverty and reducing inequalities, through improving people's health, learning and income and a commitment to support the vulnerable.



Q6. Please use the space below to make any comments around our approach to how we spend the money we receive:

5. About you

We would like to know a little more about you. This is so we can be sure we are hearing from a wide range of people from different backgrounds. These questions are optional but answering them will help us better understand what you tell us.

Q7. Do you...? (Tick all that apply)

Live in Leeds

☐

Work in Leeds

☐

Visit Leeds

☐

Work for Leeds City
Council

☐

Q8. How old are you? (Tick one only)

Under 18

☐

18 - 29

☐

30 - 44

☐

45 - 64

☐

65+

☐

Q9. What best describes your gender? (Tick one only)

Male

☐

Female

☐

Q10. Do you consider yourself to be disabled? (Tick one only)

Yes

☐

No

☐

Q11. What is your ethnic group? (Tick one only)

White

- ☐ English / Welsh / Scottish / Northern Irish / British
- ☐ Irish
- ☐ Gypsy or Irish Traveller
- ☐ Any other White background

Mixed / Multiple ethnic groups

- ☐ White and Black Caribbean
- ☐ White and Black African
- ☐ White and Asian
- ☐ Any other Mixed / Multiple ethnic background

Asian / Asian British

- ☐ Indian
- ☐ Pakistani
- ☐ Bangladeshi
- ☐ Kashmiri
- ☐ Chinese
- ☐ Any other Asian background

Black / African / Caribbean / Black British

- ☐ African
- ☐ Caribbean
- ☐ Any other Black / African / Caribbean background

Other ethnic group

- ☐ Arab
- ☐ Any other ethnic group

If you selected an 'Any other' option then describe your ethnic group:

Thank you

That is all the questions we have for you.

Please send your completed consultation questionnaire to:

Freepost Plus RTLL-AXYU-RTCY, Leeds Citizens' Panel, Westland Road, Leeds, LS11 5SB

We must receive your response to this public consultation by **Monday 15 January 2018** for it to be included.

Initial 2018/19 budget proposals Summary of Scrutiny Board comments

Introduction

At its meeting on 13 December 2017, the Executive Board set out, for consultation, its Initial Budget Proposals for 2018/19. The proposals were subsequently submitted to each of the Council's Scrutiny Boards for consideration, review and comment.

Consideration of the Initial Budget Proposals for 2018/19 by Scrutiny took place over a series of meetings in December 2017 and January 2018, as follows:

- Children and Families Scrutiny Board – 14 December 2017
- Adults and Health Scrutiny Board – 19 December 2017
- Infrastructure and Investment Scrutiny Board – 20 December 2017
- Strategy and Resources Scrutiny Board – 21 December 2017
- Environment, Housing and Communities Scrutiny Board – 15 January 2018
- Inclusive Growth, Culture and Sport Scrutiny Board – 17 January 2018

Across most Scrutiny Boards, the examination of the initial budget proposals was undertaken in conjunction with a review of the in-year financial health of the authority (as at month 7) and benefitted from input from Executive Board Members, Directors and other Senior Council Officers.

Whilst no formal recommendations have been made by the Scrutiny Boards in relation to the Initial Budget Proposals for 2018/19, a summary of the Scrutiny Boards' comments and observations is set out below for the Executive Board's information and consideration.

Comments and observations from Scrutiny Boards

A summary of the main issues and areas highlighted by the Scrutiny Boards are detailed below:

Children and Families Scrutiny Board (14 December 2017)

- Concerns were raised regarding the extent of saving proposals relating to staffing reduction, the use and reliance on short-term grant funding to meet underlying budget pressures, Children Looked After (CLA) numbers, and the number of placements outside Leeds.
- The Board sought reassurance that the 'turning the curve model' is still effective and that early intervention is having an impact.
- The Board commented on the proposed early use of partners in practice funding in 2017/18, and raised concern that this may create a budget pressure in 2018/19 and future years.

Adults and Health Scrutiny Board (19 December 2017)

- Concern around the continuing demand –led pressure across the range of Public Health services, brought about by the continuing reduction of the Public Health Grant.
- Discussion around the proposed priority areas of the Spring Budget monies (announced in March 2017) and the improved Better Care Fund – totalling £51M over three years – and how this would seek to address service pressure across Leeds health and care partnership.
- Concern regarding the impact of multi-year financial settlement and the ability to plan beyond a single year.
- The Board sought reassurance around delivering the identified £13.7M savings for 2018/19, in light of the year-on-year demographic pressures facing the Council, due to an aging population with increasingly complex and multiple needs.
- The Board was assured that there were no considerable surges in demand for services, apart from some pressure on the home care budget.¹

Infrastructure and Investment Scrutiny Board (20 December 2017)

- Clarity was sought regarding the shortfall in advertising income for 2017/18 and the Board questioned if the target income for 2018/19 was achievable.
- The Board recognised the reduction in net City Development budget by approximately half since 2010 and sought clarity about the use of windfall income to achieve a balanced budget.
- The Board welcomed the proposal to recruit additional Planning officers, to be funded from the increase in planning fees.

Strategy and Resources Scrutiny Board (21 December 2017)

- Members sought clarification that an application had been approved for Leeds City Council (LCC) (as part of the Leeds City Region Business Rates Pool) to pilot 100% business rates retention in 2018/19.
- Members requested that the Board be provided with more details of the Council's business rate relief scheme, including details of eligible business types.
- Concerns were also raised regarding the impact of Universal Credit on vulnerable tenants and about the financial impact of the UK exiting the European Union.

Environment, Housing and Communities Scrutiny Board (15 January 2018)

- Clarity was sought regarding the proposed budgeted efficiencies within Waste Management. The Board was informed that this was a savings target reflecting a detailed review of expenditure budgets within the service, including a number of areas where current year trends indicated that savings could be made.

¹ Month 7 financial monitoring information considered as part of a Scrutiny Board (Adults and Health) working group meeting on 8 January 2018.

- The Board noted the proposed injection of £360k to cover the annual net cost of 3 additional garden waste routes to cover the remainder of suitable properties across the city.
- Clarity was sought around the proposed increase to bereavement charges. The Board was informed that this would equate to a general 4% increase, which would also cover the cost of additional community engagement activity in the service.
- Clarity was also sought regarding future funding for local Police and Community Support Officers (PCSOs). The Board was informed that the current funding arrangement had been secured for a further 2 years.

Inclusive Growth, Culture and Sport (17 January 2018)

- The Board welcomed the successful application of the pilot 100% business rates retention in 2018/19, acknowledging that 50% of additional growth income is to be retained with the Pool to continue to support and enable regional economic growth.
- The Board acknowledged the existing budget pressures within the City Development directorate and the actions identified to mitigate these in order to reach a balanced budget.
- The Board discussed existing pressures within Sport and Active Lifestyles, equating to £374k in month 7. In particular, Members acknowledged the notable downturn in income at John Smeaton Leisure Centre (a pressure of £228k) due to two new budget gyms opening in close proximity.
- Linked to this, reference was made to the European Court of Justice ruling in July 2017 stating that local authority in-house leisure services should be in an identical VAT position to Trusts and 'not for profit' companies. Acknowledging the ruling had resulted in a £1.2m in-year income windfall the Board noted the subsequent actions taken to help retain and attract customers, such as a reduction in the price of the Bodyline Membership. However, the Board understands that not all of the VAT saving had been passed directly onto customers and as such had requested further information which will be considered at a future board meeting.

INITIAL 2018/19 BUDGET PROPOSALS – COMMENTS FROM THE THIRD SECTOR

Feedback from the Voice of Involved Tenants across Leeds (VITAL)

VITAL considered the 2018/19 Outline Budget Proposals and would like to make the following comments as part of the budget consultation process.

- VITAL noted the proposed increase in service charges for Multi-Storey Flats and for sheltered housing tenants. Whilst accepting that the new charges will more accurately reflect the cost of the service tenants receive, VITAL wish for the service to continue to consider ways to make the breakdown of these costs as transparent as possible to tenants.
- VITAL support the concern about the impact of Universal Credit, due to be rolled out in Leeds from October 2018. VITAL accept the effect on rental income is hard to accurately predict, and therefore welcome the opportunity to work with teams and services, using all parts of the Tenant Engagement Framework, to help plan and provide additional support to tenants. For example, by helping design tenant communications or by Housing Advisory Panels considering funding for programmes such as Money Buddies or the new Benefit Buddies scheme.
- VITAL welcome the increased investment in fire prevention works for high rise blocks, the fitting of sprinklers in particular. However, VITALs view is that this should be funded by central government resources as regard this a national issue for all social landlords. However, if additional government resources are not made available, VITAL request that Housing Leeds develop a clear investment strategy on how to fund this activity directly.

VITAL would like to thank Richard Ellis in attending VITAL and sharing the budget proposals with them.

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2018/19 Budget Amount £	Decision Maker
Purchase of additional commercial assets to support the revenue budget	Do nothing would mean further savings would have to be identified	No suitable investment opportunities arise	Director of City Development will consult with Lead member and S151 Officer before entering into commitments	N/A	TBC	Net contribution of £1m	Director of City Development

Resources and Housing

Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2018/19 Budget Amount £	Decision Maker
Phase 2 of the support services review has estimated savings of £880k.	Second phase of delivering savings.	Reducing capacity to provide support to both Members and managers.	Executive Member, CLT	Ongoing	February 2018	£880k	Relevant Chief Officer
Replace HELP contract with telephone support service.	Aiming for more cost effective service delivery.	None identified.	To be undertaken.	N/A	February 2018	£90k	Chief Officer HR
Fleet staffing restructure.	To enable the service and the directorate to remain within a reduced funding envelope.	Slight increase in the risk around service delivery.	To be undertaken as the same time as the decision.	To be undertaken at the same time as the decision.	TBC	£30k	Chief Officer Civic Enterprise Leeds

Communities and Environment

Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2018/19 Budget Amount £	Decision Maker
Increase car parking tariffs at Woodhouse Lane car park	The additional revenue generated will be used to fund other pressures within car parking services	Price increases could lead to a reduction in demand	Statutory obligation to advertise tariff increases	To be undertaken as a part of the decision process	March 2018	£0.13m additional income	Chief Officer – Environmental Action
Further development of parks estates and visitor attractions which will facilitate both price increases and increases in visitor numbers	Enhancement of the facilities will result in enhanced visitor experience and increased income	Improvements to visitor attractions don't result in the assumed increase in visitor numbers	As per the Parks and Countryside Attraction Development Plan report received at Executive Board in October 2016	As per the Parks and Countryside Attraction Development Plan report received at Executive Board in October 2016	Ongoing as per report program	£0.1m net additional income	Chief Officer – Parks and Countryside
Increase in bereavement charges (4%) and provide additional investment in the service	The proposed price increase will ensure there continues to be no subsidy for this service and will provide funding for community led activities at cemeteries as agreed at Executive Board	Price increases could impact on demand levels	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2018	£0.24m additional income, and £0.06m expenditure	Chief Officer – Parks and Countryside

Communities and Environment

Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2018/19 Budget Amount £	Decision Maker
	in December 2017						
Re-tendering of Advice Consortium contract	Ensure maximum VFM achieved	Estimated savings aren't delivered	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2018	£0.05m reduced costs	Chief Officer – Customer Access and Welfare
Re-tendering of Libraries Management Systems contracts	Ensure maximum VFM achieved	Estimated savings aren't delivered	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2018	£0.05m reduced costs	Chief Officer – Customer Access and Welfare
Implement automated switchboard at Contact Centre	Reduction in double handling of calls, increasing efficiency	Estimated savings not achieved	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2018	£0.05m reduced costs	Chief Officer – Customer Access and Welfare
Reduction in the level of the Third Sector Infrastructure support grant within the Communities service	Reduction reflects savings requirement of the Council	Possible implications for service delivery for third sector organisations	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2018	£0.03m reduced costs	Chief Officer – Communities
Transfer of Home Library Service to voluntary sector	Maintain service delivery whilst achieving budgeted saving	Suitable organisation not identified to deliver the service	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2018	£0.03m reduced costs	Chief Officer – Customer Access and Welfare

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2018/19 Budget Amount £	Decision Maker
Reduce the Local Welfare Support Scheme budget	Specific areas around white goods and carpets targeted to maintain other areas of the scheme	Scheme budget not sufficient for urgent crisis cases although this is mitigated by targeting specific areas	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2018	£0.2m reduced costs	Chief Officer – Customer Access and Welfare

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2018/19 Budget Amount £	Decision Maker
Staffing savings arising from a number of service reviews	The review of current structures, management arrangements and staffing is considered necessary in order to improve the outcomes for children and services across the directorate	The proposed changes to structures and staffing arrangements do create some uncertainty for affected staff. Consultation and implementation will be managed through a restorative approach. There is a risk that implementation is delayed reducing the saving in 18/19.	Staff and TU consultations are ongoing	To be completed as part of the DDN report	February/ March 2018	£1,173k	Director Children and Families
Family Services – Early years	Reduction in overall funding to be achieved largely through savings on		Staff and TU consultations are ongoing	To be completed as part of the DDN report	February/ March 2018	£250k	Director Children and Families

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2018/19 Budget Amount £	Decision Maker
	management costs across the centres and through current vacancies.						

Appendix 5

Proposed Council Tax Support Payments to Parish/Town Councils

	£
Aberford and District	363
Allerton Bywater	2,178
Alwoodley	842
Arthington	38
Bardsey cum Rigton	683
Barwick in Elmet and Scholes	1,360
Boston Spa	1,564
Bramham cum Oglethorpe	657
Bramhope and Carlton	853
Clifford	595
Collingham with Linton	806
Drighlington	1,205
East Keswick	305
Gildersome	1,465
Great and Little Preston	611
Harewood	21
Horsforth	4,958
Kippax	2,810
Ledsham	99
Ledston	134
Micklefield	3,772
Morley	13,479
Otley	16,421
Pool in Wharfedale	845
Rawdon	1,607
Scarcroft	151
Shadwell	343
Swillington	2,180
Thorner	850
Thorp Arch	245
Walton	82
Wetherby	8,510
TOTAL	70,032

Equality Impact Assessment: Best Council Plan 2018/19-2020/21 and Budget 2018/19

Introduction

This paper outlines the equality analysis and strategic equality assessment of the proposed Best Council Plan for 2018/19-2020/21 and proposed Budget and Council Tax for 2018/2019 (as detailed in the accompanying reports to the Executive Board meeting 7 February 2018). The lead person for this equality impact assessment was Neil Evans, Director of Resources and Housing. Members of the assessment team were:

Coral Main	Head of Business Planning & Risk
Richard Ellis	Head of Finance
Lelir Yeung	Head of Equality
Graham Sephton	Head of HR
Pauline Ellis	Senior Policy & Performance Officer
Tim Rollett	Senior Risk Management Officer
Frank Perrins	Research & Satisfaction Manager

Overview

The Best Council Plan is Leeds City Council's strategic plan, bringing together the headline aspirations from a range of supporting council and partnership plans to set out the authority's overall ambitions, policy direction and priorities for both city and organisation. It informs the council's budget setting and financial strategies, helps our staff understand how the work they do makes a real difference to the people of Leeds and shows our partners how we contribute to city-wide issues.

The Best Council Plan 2018/19-2020/21 and the 2018/19 Budget have been developed in the context of the approach agreed by the Executive Board on 13th December 2017 through the Initial Best Council Plan proposals and the Initial Budget Proposals. The 2018/19 Budget also incorporates the local government finance settlement. In accordance with the council's budget and policy framework and as agreed by Executive Board in December, both the Initial Best Council Plan proposals and the Initial Budget Proposals have been submitted to Scrutiny for review and consideration, and have also been used as the basis for wider consultation.

The Best Council Plan 2018/19-2020/21 maintains the clear, strategic message expressed for the last two years around Best City meaning a strong economy in a compassionate city, the Best Council Plan articulating what the council and its partners are doing to work towards this ambition, thereby tackling poverty and inequalities; our Best Council ambition of being an efficient and enterprising organisation supporting this. This approach, with its continued focus on tackling poverty and reducing inequalities, the council being both efficient and enterprising, underpins the Medium-Term Financial Strategy 2018/19-2020/21 approved by the Executive Board in July 2017 and the proposed 2018/19 Budget.

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 continues to be difficult to manage. 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).

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 2018/19-2020/21 is intended to provide long-term strategic direction rather than being a detailed delivery or action plan. It includes:

- A foreword setting out our approach, high-level socio-economic and policy context and the underpinning principles and coverage of the Best Council Plan, with Inclusive Growth and Health and Wellbeing at the heart of our Strong Economy / Compassionate City ambition.
- A ‘Plan on a Page’ setting out our vision, ambitions, desired outcomes and seven ‘Best City’ priorities:
 - Inclusive Growth
 - Health and Wellbeing
 - Child-Friendly City
 - Safe, Strong Communities
 - Housing
 - 21st Century Infrastructure
 - Culture
- A ‘Best City’ section that provides an introduction to each of the seven priorities and signposts the reader to the key supporting strategies for further information.
- A ‘Best Council’ section, explaining our approach to being an efficient and enterprising organisation with our five council values underpinning what we do and how we work.
- A set of ‘Best City’ and ‘Best Council’ key performance indicators.

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.

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. Also, through targeting resources into preventative services the council has ensured that the implications of demand and demographic pressures, which have resulted in significant cost pressures in other local authorities, have been contained within Leeds.

After taking into account the impact of the anticipated changes in funding and cost pressures, it is forecast that the council will need to generate savings, efficiencies and additional income to the order of £33.9m in 2018/19 to balance to the anticipated level of resources available.

In order to both manage the reductions required for the period 2017/18 to 2019/20, and protect front line services, the council embarked on an ongoing process of review across a range of services and policy areas in 2016. The outcomes of these reviews were incorporated into the council's 2017/18 budget and they have also been included in these budget proposals for 2018/19. 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 – the Best Council 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.

The council is planning to meet the challenge of the estimated budget gap for 2018/19 through a combination of efficiencies, changes to service, increased income (generated through fees, charges and traded services), increased grant and the use of capital receipts and Section 106 balances. Details of these proposals can be found in the directorate reports appended to the Budget 2018/19 report to February's Executive Board.

Impact of budget 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, the required savings have been achieved. 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.

The 2017/18 budget required a reduction in staffing numbers of 484 FTEs in the 2017/18 financial year (to March 2018) which we anticipated making largely through voluntary arrangements. In July 2017 Executive Board received an update to the Medium-Term Financial Strategy in which the budget gap over the next 3 years was forecast at around £44m. (An updated financial forecast for 2019/20 and 2020/21 is included in section 12 of the 2018/19 Budget report for consideration by Executive Board and Full Council in February 2018.)

The council reissued a S188 notice on 3rd August 2017 which indicated that an estimated reduction of a further 415 FTEs would be required by 2020.

The initial budget proposals for 2018/19 considered by the Executive Board in December 2017 provided for an estimated net reduction of circa 53 FTEs by 31st March 2019. Following the determination of the revenue budget proposals that are contained in the 2018/19 Budget report it is now estimated that in 2018/19 the number of FTE budgeted posts will increase by 59.

This variation between staffing assumptions between the initial budget proposals and the revenue budget submission can largely be explained by the intention to recruit - in response to the government's decision to increase planning fees by 20% - an additional 9 FTEs within the Planning service so that a more responsive service can be provided to the public. In addition Leeds Building Services will be recruiting an additional 109 FTEs to reflect the increased turnover of £9.75m (17.4%) that this traded property maintenance function will be targeting in 2018/19. Further details of these increases are detailed in respective directorate reports which are included as appendix 8 to the 2018/19 Budget report.

Fact finding – what do we already know

Demographics: A Changing Population

- The population of Leeds is estimated to be 781,700¹ people in 2016 - an increase of 1% (7,600 people) in the year since 2015.
- One in ten people (10.2%) are in the 20-24 age band reflecting the large student population.
- In the 10 years 2006-2016, the Leeds population has increased by 6.2% (45,500 people). The working age population had a smaller percentage increase (3.7%) than the population of children and young people (11.3%) and the population aged 65 and over (11.3%).
- In the last 10 years, the increase in the children's and young people's population has been in the primary school age groups, with an increase of 18,700 children in the 0-9 age group (2006-2016).
- In the next 10 years, this increase will affect the secondary school age group, with a big rise in the number of teenagers in Leeds. There will be a projected

¹ Rounded to 100. Office for National Statistics (ONS) 2016 Mid-Year Estimates

15,400² more young people aged between 10 and 19 years old in 2026 compared to 2016.

- The population of older people aged 65 and above has increased by 12,200 people (2006-2016). In the next 10 years, the increase in the older population will be even bigger, with 18,300 more people aged 65 and over resident in Leeds in 2026 than in 2016.
- Although the 65 and above age group still has more women than men, there has been a bigger increase in the number of men, with 7,800 more men aged 65 and over resident in Leeds in 2016 than in 2006 (compared to 4,400 more women).
- Leeds has become more ethnically diverse over the last decade and the makeup of Leeds's communities has changed significantly. We now have residents from over 140 ethnic groups residing in Leeds's neighbourhoods (with 170 different languages being spoken), the greatest increase in younger age groups. The proportion of the school population from BME backgrounds has nearly doubled since 2005, increasing from 17.9% in 2005 to 32.6% in 2017.
- Although the population aged 65 and older is less ethnically diverse than younger age groups, the proportion from BME backgrounds will increase as people who settled in Leeds as young adults grow older.
- The Leeds population is predicted to continue to grow, reaching 826,000³ in 2026. This is a 6% increase in the 10 years 2016 to 2026. The working age population will have a smaller percentage increase (2.9%) than the population of children and young people (9.3%) and the population aged 65 and over (15.2%).
- There is no direct count of disability for the whole population, but the Census 2011 collected information about 'long term health problems or disability'. In Leeds 83.3% of people said that their day-to-day activities are not limited by long term health problems or disability, 7.9% said they are limited a lot and 8.9% said that they are limited a little.
- The religious profile of the city is changing. In the 10 years between the 2001 census and 2011 census, the proportion of people who said they are Christian decreased from 68.9% to 55.9%. The proportion with no religion increased from 16.8% to 28.2%. Compared to England and Wales, Leeds had 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%). The Muslim community had the youngest age profile.
- The 2011 Census collected information on civil partnerships for the first time, reflecting the Civil Partnership Act 2004 which came into effect in the UK in December 2005. In Leeds, 41.5% of adults were married, which is lower than the England and Wales rate of 46.6%; 0.2% of adults were in a registered same-sex civil partnership, which is the same as the England and Wales rate; 40.8% of adults were single (never married or never registered in a same-sex

² Rounded to 100. ONS 2014-based population projections

³ Rounded to 100. ONS 2014-based population projections.

civil partnership), which is much higher than the England and Wales rate of 34.6%; 17.5% of adults were separated, divorced or widowed, which is slightly lower than the England and Wales rate of 18.6%.

Poverty and Inequality

The key message in the 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 show the geographic concentration of deprivation in the communities of Inner East and Inner South Leeds, confirming the wider analysis of poverty and deprivation undertaken in the 2015 Joint Strategic Needs Assessment. Analysis of relative change in the city since the previous 2010 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 from out-of-work benefit households and are in poverty (2015). 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 2015/16, in-work poverty was estimated to affect 69,000 Leeds adults. Over 28,000 Leeds residents in full-time work earn less than the Real Living Wage of 2017 and almost 10,500 Leeds workers are on zero hour contracts.
- Almost 44,000 Leeds households were in fuel poverty and over 9,000 of these households were paying their fuel bills via prepayment meters during 2015.
- 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 3rd highest number at 120,622⁴ (Birmingham has the highest number and Manchester the 2nd highest).
 - Employment scale - this counts the number of individuals experiencing employment deprivation in the local authority area. Leeds has the 3rd highest number at 59,553⁵ (Birmingham has the highest number and Liverpool the 2nd 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 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 2016/17 the council saw over 5,000 awards to people accessing its Local Welfare Support Scheme for both emergency (food and fuel) and basic needs provision (household goods), totalling almost £724,000 in direct awards.
- Further welfare changes, including the under-occupancy charges, have affected over 5,400 Leeds households. In January 2017, the Benefit Cap reduced to £20,000 per annum and affected over 1,000 households during 2017.
- Over 19,000 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. Almost 27,000 people in Leeds have needed assistance with food via a food bank between April 2016 and March 2017.
- Access to credit and interest rates for those on low incomes or with poor credit histories also remains high. The value of the high cost credit sector was £8.9bn nationally in 2016, in Leeds it is estimated to be worth £178m, up almost 19% since the figure was last estimated in 2009. The high cost credit sector includes products and services such as payday loans, rent-to-own, home credit and catalogue credit.

⁴ 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.

⁵ 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

Third sector

The council continues to recognise and value the critical and significant role that the third sector plays in the life of the city. The council and the sector remain committed to working together to ensure the best possible outcomes for the people of Leeds.

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

- The Third Sector Partnership has received regular updates on the council's financial position. In November 2017, the council's Chief Officer, Financial Services provided an overview of the financial position and the challenges that will need to be addressed in the council budget 2018/19. Directorate colleagues shared information about their respective budget challenges and any potential impact on the third sector.
- Council directorates have well established on-going arrangements and dialogue with their third sector partners and other interested third sector stakeholders. This shapes and informs their approach to the budget challenges and their priorities. They are also in regular detailed discussions with organisations that will be impacted by any budget reductions.

The council demonstrates its commitment to the sector through its significant financial and in-kind investment. In 2016/17 over £133.7m was invested in the sector, principally in children's and health and social care services, including Aspire. This money was also invested in community and environmental activities, volunteering and in the infrastructure to support organisations to start up, develop and grow.

The council further invested money and staff time in the development and maintenance of the partnership and engagement relationship, including city-wide strategic bodies and a network of locality, service, thematic, community and equality-focused third sector forums. This facilitates strategic engagement with the sector, dialogue between the sector, council and a range of partnerships and forums and enables the council to have better reach into communities, resulting in more effective co-production and collaboration on key city and locality agendas.

The council had financial transactions with over 1,600 individual third sector organisations in 2016/17: 747 organisations received payments of less than £1000 (predominantly small, local and sports organisations) and 25 organisations / consortiums received over £70m between them. Total investment in the sector has been broadly maintained since 2010 despite the council's significant financial pressures. This is a very positive picture, but the council is not complacent and, along with third sector partners, is currently reviewing the analysis of the council's financial relationship with the sector in order to understand whether the approach is supporting our shared ambitions for a strong and diverse sector that can deliver for Leeds.

In addition to investment in the sector, the council continues to drive forward and support a range of initiatives to ensure that Leeds has a thriving third sector that can deliver for the people of Leeds. For example:

- The council provides executive support and plays a leading role in the Third Sector Partnership. This is a key part of the city infrastructure through which the third sector, council, NHS, universities and other public sector partners

work together to ensure that collectively the conditions are created for a thriving third sector, so organisations can deliver better outcomes for the people of Leeds. The Partnership is chaired by Cllr Debra Coupar and is attended by representatives from all council directorates.

- In May 2017 the Third Sector Partnership approved the Compact for Leeds, which sets out principles and guidance for working relationships between the public and third sector. Codes of Practice around Volunteering and Partnership Working have also been agreed and a Commissioning Code for the Third Sector is being developed by the council, third sector and NHS partners. This will be important in supporting coherent and consistent joint commissioning and investment by both the local authority and NHS in Leeds.
- A forum to promote and support an enterprising sector and support social enterprises has been established and is growing,
- The council has been an active partner in the development of the Leeds Social Value Charter and is currently developing guidance for council commissioners to ensure that maximum added value can be delivered through procurement.
- Events to celebrate the work of small groups, volunteers and active citizens have taken place, celebrating their work, but also providing them with an opportunity to link into a range of democratic arrangements, networks and to access organisational and funding support and advice.
- The Funding Leeds website was formally launched at the Small Groups event. The website provides a comprehensive accessible database of local, regional and national funding opportunities and provides information and links to local training and support. This initiative has been financially supported by the council and developed by a partnership between council and third sector colleagues.
- The council has developed a funding support programme which encourages council staff to volunteer to use their transferable skills and experience to help smaller community organisations to produce better funding bids. This has included a specific focus on support to minority and marginalised communities.
- The People's Commissioning arrangements in the council provide a vehicle to ensure that investment, including in the third sector, is coherent and coordinated and the impact of any disinvestment is in line with established best practice protocols. This ensures, for example, the investment decisions of directorates individually and collectively do not result in unintended consequences for individual organisations or for the sector.

The close working relationships between the council and third sector across a wide range of activities continues to drive forward a considered strategic and operational focus. Council colleagues and third sector partners will continue to broker further discussions as necessary on budget, global, national, and local and other emerging challenges that impact on Leeds, in order to drive new ways of working and contribute to the delivery of the Best Council Plan.

The council's workforce profile

In response to the financial challenges we are facing, the council recognises the need to significantly reduce its workforce. As noted above, working closely with the trade unions and with the take-up of our voluntary leaver scheme we have managed

Appendix 6

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

In-work poverty and low pay remain issues of national concern. In Leeds, work continues to tackle this, reflecting the commitments in the Low Pay Charter adopted by 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 2017 a discount benefits scheme was introduced, focusing on day-to-day purchases, rather than luxuries. The scheme has been adopted in councils across the region, including Leeds.

In December 2016 there were 14,693 people employed in the council (excluding schools and casual staff). In December 2017 this figure was 14,425, a reduction of 268 members of staff. The workforce profile of all employees is shown below.

Gender	Number	%
Male	5658	39%
Female	8767	61%
Total	14425	100.0%

Disability	Number	%
Not disabled	12285	85%
Disabled	783	5%
Not specified	1357	9%
Total	14425	100%

Ethnic Origin	Number	%
Non BME	10681	74%
BME	1901	13%
Not specified	1843	13%
Total	14425	100.00%

Sexual Orientation	Number	%
Heterosexual	7153	50%
Lesbian, gay, bisexual & other	297	2%
Not specified	6975	48%
Total	14425	100.00%

Appendix 6

Religion or belief	Number	%
Religion	8388	58%
Not specified	6037	42%
Total	14425	100.00%

Age	Number	%
16 –25	913	6%
26 - 64	13221	92%
65 +	291	2%
Total	14425	100.00%

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 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. This includes a specific focus on increasing apprenticeships among both BME and disadvantaged residents (detailed further below).

Due regard continues to be given to all key and major decisions which may impact on the workforce.

Equality Impacts and Improvement Work

The council has produced Equality Improvement Priorities 2016-20 to ensure that the council meets its legal duties under the Equality Act 2010 and to complement the 'Best City' ambition set out in the Best Council Plan for Leeds to have a Strong Economy and to be a Compassionate City.

Equality analysis used to set the council equality improvement priorities has also been used to inform, and is an integral part of, the Best Council Plan priorities and Budget proposals. The Equality Improvement Priorities recognise that there are currently different outcomes and experiences for different groups and communities, highlighting the challenges the city will have to address in order to tackle inequalities and help people out of poverty. They are based on evidence of disproportionate outcomes, which we are seeking to challenge and change

The council's Equality Improvement Priorities have taken into account the protected characteristics as required under the Equality Act 2010. We continue to recognise poverty as a barrier that limits what people can do and can be. We have, therefore, included priorities that specifically address poverty as we recognise that a number of the protected characteristics are disproportionately represented in those living in poverty.

There is not an equality priority for every protected characteristic but all characteristics are taken into account. We are committed to equality for all our citizens and believe that improving a service for one community will have a positive impact for all communities. We will continue our work across all the protected characteristics, whether or not there are specific equality improvement priorities which are explicitly focussing on them. We will consider all communities when we give due regard to equality at both strategic and operational activities.

Progress against the equality improvement priorities is reported annually.

A range of activity has taken place over the last 12 months to help reduce inequalities and improve outcomes. This has included work to:

- Ensure people in Leeds can lead safer, healthier and happier lives and are free from the risks, threats and harms associated with domestic violence and abuse;
- Reduce homelessness for 16-24 year olds, such as care leavers, young offenders and young people whose relationship with family has broken down;
- Ensure that disabled people have the right housing option in place, whether that be by helping them move into accessible housing or to stay in their existing home by creating an accessible environment;
- Improve properties and assist tenants living in fuel poverty;
- Prevent and protect children from sexual exploitation;
- Increase awareness and understanding of hate crime, reduce the occurrence and impact of hate crime and increase hate crime reporting;
- Understand the context and impact of migration on Leeds;
- Improve access to sports and leisure facilities, increasing the participation of women and disabled people in particular;
- Provide effective support to access the labour market, particularly for people with mental health issues;
- Increase digital inclusion, particularly for those in poverty to provide greater access to jobs, skills and learning;
- Help people out of financial hardship; and
- Reduce the gaps in learning outcomes for vulnerable learners including Children Looked After and children and young people with Special Educational Needs and Disabilities (SEND) including Social, Emotional and Mental Health (SEMH).

Full details of this improvement work can be found in the Annual Equality Progress Report, which can be accessed [here](#).

Apprentices

The Skills Funding Agency (SFA) released Local Education Authority ethnicity data for the first time in 2015 which evidenced the under-representation of Black and Minority Ethnic (BME) apprenticeship starts (relating to the 2013/14 academic year). The number of apprenticeship starts by 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 were 19% in 2013/14 (recognizing that many apprentices are not adults). Locally the Leeds Community Learning programme (15,000 learners) had a BME participation rate of 34% and the city had a school BME population of 31.1%.

As the SFA has not released data on ethnicity for periods subsequent to 2013/14 we continue to use the benchmarks for 2013/14 for comparability.

In response to the release of the 2013/14 data the council's Employment and Skills Service proposed a range of potential measures in order to contribute to an equality improvement priority to increase the percentage of BME young people starting an apprenticeship to 15% by 2019. The programme of work has been developed and reinforced by the co-commissioning of research with Bradford Council in April 2016, into the Participation in Apprenticeships by Black Asian and Minority Ethnic Young People. The research identified a number of generic but also ethnicity specific barriers that prevented young people from BME communities applying for apprenticeships. As well as identifying barriers, the researchers worked with young people to understand their perceptions of how some of these barriers might be tackled, and the research set out a number of recommendations endorsed by participants grouped into five key areas: improving knowledge and awareness; influencing parental attitudes; greater investment in apprenticeships; improving advertising and marketing of apprenticeships; and improving the apprenticeship offer.

The range of activities that have been undertaken or are underway include:

- A promotional radio campaign with Fever FM to raise awareness through producing and broadcasting three on-air campaigns. (Commissioned and delivered between April 2016 and March 2017).
- Promoting the annual Leeds Apprenticeship Recruitment Fair (March 2016 and March 2017) to BME communities. The event was scheduled to coincide with the start of National Apprenticeship Week to maximise visitor numbers. In 2016 more than 5,000 visitors attended and 2017 saw an increase with over 6,000 visitors in attendance making this the largest apprenticeship event in the North of England.
- Planning is underway for the March 2018 Leeds Apprenticeship Recruitment Fair. Targeted promotion of the event to BME communities will take place and will be supported by a newly commissioned BME Apprenticeship Programme (see below).
- Commissioning a training provider to deliver the contract for Supporting Participation in Apprenticeships by BME young people. This is a one year contract (January – December 2018) aimed at 16-24 year olds. The contract will seek to promote apprenticeships to BME young people in a range of settings, and to support those young people in making applications for apprenticeships through group activity and individual support. Leeds City Council's Community Safety team will provide additional support to assist engagement with key community groups.
- Support to the Sports and Active Lifestyles service to offer pre-apprenticeship training and qualifications specific to key roles in the service, with a focus on recruiting young people from BME backgrounds. Employment and Skills will support the activity by providing targeted promotion of opportunities across BME communities. This is in response to the Sports and Active Lifestyles service seeking to improve the diversity of its workforce, especially relating to ethnicity, where BME groups in particular are currently under-represented. The programme is due to commence in early 2018.
- The council has identified 6 target schools to work with across the city to encourage school age students to take up apprenticeships with a specific

focus on public sector and council apprenticeships. These schools were identified from deprivation and diversity targets and hit those featuring most highly in these indices. Work includes a selection of workshops that cover employment skills and awareness raising.

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 new Inclusive Growth, Culture and Transport Strategies for the city.

The Best Council Plan 2018/19-2020/21 and Budget 2018/19 proposals have been developed through consultation with officers and members, including Scrutiny. Summaries of discussions with all Scrutiny Boards are provided as appendices to the Best Council Plan 2018/19-2020/21 and Budget 2018/19 reports for consideration by the council's Executive Board and Full Council in February 2018.

Evidence from public perception that services and localities already hold with regard to people's priorities also supported the preparation of the Initial Best Council Plan and Initial Budget Proposals for 2018/19 considered by the Executive Board in December 2017.

Public consultation on the council's Initial Budget Proposal for 2018/19 took place between the 14th December 2017 and the 15th January 2018. The approach taken recognised the importance of engaging a representative number of respondents from a broad cross-section of demographic groups, and the need to review residents' budget priorities.

The consultation was carried out primarily through an online survey (also available in a hard copy paper format), which included a brief summary of the key points from the budget proposals, interspersed with questions that focussed on the principles of the council's budget and service priorities. An open response question was also included to give participants flexibility to share any views they wished.

Residents were invited to take part through social media, emails to partner organisations, and staff were invited via email. It was posted as a news item on both the council's website and the staff intranet site. Members of the Citizens' Panel received either an email or a postal version of the survey, depending on their contact preference. Further targeted advertising, carried out through Facebook, was found to be highly successful in increasing engagement of younger people.

The consultation was introduced through a brief animation, which highlighted the challenges that the council faces and raised some of the themes that would be explored. In total, this animation was viewed 28,874 times and, as a result, we received 162 comments, 160 'shares' and 'retweets', and 159 'likes' through social media.

A total of 1,984 surveys were completed, making the results statistically very robust, by respondents from a range of different demographic groups, broadly representative of the population of Leeds residents. The full report is provided as an appendix to both the Best Council Plan 2018/19-2020/21 and Budget 2018/19 reports for consideration by the council's Executive Board and Full Council in February 2018.

Summary and Next Steps

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

The proposed Best Council Plan 2018/19-2020/21 and Budget 2018/19 recognise the challenges that the city and the council are facing: reduced funding, increased demands on public services and 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.

The Best Council Plan and supporting Budget are aimed at tackling inequalities through a range of activity and interventions. This requires an understanding of the potential negative impacts on communities and protected characteristics covered by the Equality Act 2010 and action identified to mitigate against these. The revenue budget will impact on all communities and, as previously stated, those groups identified as 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).

Other considerations also consider a range of factors including:

- Stakeholder status - for example, whether one is a service user, employee or elected member; and
- Potential barriers - for example, the built environment, location, stereotypes and assumptions timing etc.

Specific equality impact assessments will continue to be carried out on specific proposals in relation to implementing the Best Council Plan and Budget during 2018/19 through the council's decision-making processes.

During 2018/19 the council will also review its Equality Improvement Priorities to ensure that they are still relevant and continue to reflect the ambitions and priorities set out in the Best Council Plan. 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

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

FINANCIAL REGULATIONS

Supplementary Votes

Supplementary votes, 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 ⁽¹⁾
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.

LEEDS CITY COUNCIL

2018/19 BUDGET REPORT

Directorate: Adults & 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 2018/19 financial year.

2 Service Context

- 2.1 **Adult Social Care:** 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 In an attempt to partly mitigate this financial pressure the Government has introduced a number of funding initiatives in recent years. In the 2015 Spending Review, additional recurrent funding was provided for 2017 to 2020 through the improved Better Care Fund (iBCF). This funding was 'back-loaded' in that the full cumulative impact will not be realised until the third year. In the 2016 Spending Review the Government gave councils the option of up to a 3% p.a. increase in Council Tax earmarked wholly for Adult Social Care, capped at a maximum of 6% over 3 years. In the Local Government settlement for 2017/18 a new one year only Social Care Grant was introduced, through the use of money previously available for the New Homes Bonus. A second one year only Social Care Grant has been announced for 2018/19. In April 2017, the Government announced further non-recurrent funding in the form of 'Spring Budget Monies' to relieve immediate pressures on both adult social care and the NHS. However, given the scale of demand and cost pressures on adult social care this additional funding in itself, a significant proportion of which is both short-term and non-recurrent, will not address our financial challenges, particularly within the context of continuing funding reductions for the Council as a whole. The Government have now announced that a Green Paper on the Future of Adult Social Care Funding will be issued in the summer of 2018 although this will only address the issue of older people's care.
- 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, 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 (strengths based social care), and the assets available within their communities empowering them to live the 'Better Life' that they want for themselves (Asset Based Community Development). In addition, the development of recovery based services

including Reablement and Community Recovery beds will continue through the in-house 'Leeds Recovery Service'.

- 2.4 **Public Health:** Public Health commissions a wide range of providers to deliver Public Health services. These include third sector providers, GPs, Pharmacists, Leeds Community Healthcare and Leeds Teaching Hospitals Trust. Public Health continues to manage a central government imposed reduction in its ring-fenced grant which will conclude in 2019/20.

3 **Budget Proposals**

- 3.1 This 2018/19 budget has been set at £207,432k representing a net increase of £2,408k (1.2%) when compared to the adjusted budget for 2017/18. This net increase comprises a number of pressures totalling £37,788k, offset by savings of £35,380k which are explained below.

3.2 **Budget Adjustments and Transfers**

- 3.2.1 There have been a number of service transfers and other budget adjustments which are reflected in the 2018/19 budget.
- 3.2.2 A further transfer of staff to the Specialist Admin function requires a budget transfer of £634k.
- 3.2.3 A number of budget adjustments have been made which have a net impact of a reduction of £1,997k to the Adults and Health budget. This is principally related to the £1,500k first year increase to the Improved Better Care Fund which has now transferred from the Strategic Accounts into the Adults and Health budget.
- 3.2.4 Recharges between services are often seen as not only being divisive, and lead to protracted disputes after the work has been done, but often they are seen as an impediment to service delivery. Therefore as a continuation of the process of reducing the number of recharges between services the 2018/19 budget submission reflects the transfer of budgetary provision of £438k to the Resources and Housing directorate in respect of Legal Services.
- 3.2.5 Future budget submissions will see further reductions in the number of recharges and where they remain it is the intention to reduce their frequency in 2018/19.

3.3 **Changes in prices – pressure of £5,476k**

- 3.3.1 The budget includes provision of £1,250k reflecting the National Employers' two year pay offer made in December 2017. For 2018/19 this offer was for a 2% increase for spinal column points (SCP) 20 and above, with increases greater than 2% for SCP 6 to 19. As a result of this pay offer, the minimum hourly rate paid to Leeds City Council employees will rise from the current £8.25/hour to £8.75/hour.
- 3.3.2 No provision has been made for inflation on running cost budgets other than demand based budgets and where there are specific contractual commitments. The main provision for price inflation is £3,883k for care packages. Known contractual commitment increases amount to £417k.

3.3.3 Inflationary increases in the level of fees, charges and income from other organisations are estimated to generate additional income of £75k. Many Adult Social Care fees and charges are related to Department for Works and Pensions benefits rates and will be uplifted accordingly from April 2018. 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.

3.4 **Actuarial Review – pressure of £106k**

3.4.1 A review of the West Yorkshire Pension Fund has been undertaken in the autumn of 2017. The Actuary has confirmed that the figures advised to the Council in the last triennial review. As a result of this the rate provided for will increase from the current 15.6% to 15.9% in 2018/19. This increase is estimated to cost £106k.

3.5 **Capitalised Pension Costs – saving of £42k**

3.5.1 The fall out of capitalised pension costs associated with staff who have left the Council under the Early Leaver's Initiative (ELI) will save an estimated £42k.

3.6 **National Living Wage Commissioned Services £3,295k**

3.6.1 The Government announced the increase to the National Living Wage from £7.50 per hour to £7.83 from April 2018 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 2018/19 is estimated at £3,295k.

3.7 **Demand and Demography £4,485k**

3.7.1 Additional provision of £4,485k has been made to reflect the demand and demographic pressures experienced during 2017/18 and forecast for 2018/19. 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 £3,500k are included under the service changes heading for the estimated financial impact of service reviews across older people, learning disability, mental health and physical impairment services based on a review of Leeds spend against the averages for comparator authorities. These savings are outlined in more detail in section 3.12.1. 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.

3.7.2 The government announced a second one-off Adult Social Care Support Grant (see 3.8.3 below); recognising the volatility of demand, particularly over the winter period, and one-off ongoing pressures in the local care market a provision of £630k will be added to the Resilience Reserve. A provision of £1,070k will be added to the Transforming Care Reserve; under the national banner of Transforming Care, NHS England is working with local authorities and the Leeds Clinical Commissioning Group (CCG) 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 it is therefore prudent to provide this sum to meet this anticipated pressure.

3.8 Specific Grant Funding Changes £4,364

- 3.8.1 The War Pensions grant is receivable to allow local authorities to disregard war pensions when undertaking financial assessments. In 2018/19 the grant receivable is £108k.
- 3.8.2 The budget proposals include the accounting adjustments required to deal with the cessation of the Social Care grant, which was a one-off grant of £3,300k receivable in 2017/18 only. The contra entry to the grant was a transfer to reserves to offset anticipated future pressures including meeting the costs of Transforming Care.
- 3.8.3 The Government has announced a second one year Adult Social Care Support Grant; the figure for Leeds is £2,069k.
- 3.8.4 The Public Health grant allocation for 2018/19 has now been confirmed at £44,311k, a reduction of £1,170k which is a reduction of 2.57% compared to the 2017/18 grant allocation.

3.9 Other budget pressures –£17,928k

- 3.9.1 For the second year of the iBCF Spring Budget monies the Council will receive £9,430k. Of this sum £1,835k will be used to support community social work, care services and public health budgets, releasing the balance, £7,595, to invest in the schemes supporting health and social care approved by the Health and Wellbeing Board.
- 3.9.2 The 2017/18 budget included an income target of £8,000k from the CCGs. The Council and the NHS organisations in Leeds have a long history of working together collectively in relation to joint funding, often referred to as the 'Leeds £' approach. Local Health partners in Leeds have provided significant non-recurrent funding to the Council to support social care. The Spring Budget Monies was an acknowledgement by the Government that not only were adult social care services under significant financial pressure but also that the local Health economies were under a similar strain. In particular, national changes impacting on CCG spend e.g. a reduction in their 'non-recurrent spend' and local pressures (change in tariff measure), meant that the level of support budgeted by the Council was no longer likely to be available. Thus when the additional non-recurrent funding of £14,700k was announced for 2017/18 it was agreed with both NHS partners and members of the Health & Wellbeing Board that the first call on the funding would be the £8,000k budgeted income from Health. Whilst dealing with the pressure in year was reasonable, it had been the Council's strategy to move away from non-recurrent funding from health partners and this pressure recognises this approach.
- 3.9.3 In the current financial year, client income has not reached the anticipated levels by £1,480k, particularly within community services. The budget reflects this pressure. A revised income target has been set and is discussed in more detail within the savings section below.
- 3.9.4 A contribution of £369k will be added to the Social Care Development reserve to enable initiatives that will support the future sustainability of Adult Social Care provision.
- 3.9.5 The Meals on Wheels service has seen a financial pressure in 2017/18. The budget has been increased by £100k to recognise this.

3.10 Savings

3.11 Efficiencies – £3,341k

- 3.11.1 In response to the Public Health grant cut of £1,170k the directorate's plans to address this through the use of Spring Budget Monies £685k, contracts and commitments set to expire £475k and other savings including service transference to Health and tariff reviews.
- 3.11.2 Recognising that Adult Social Care has consistently underspent its staffing budget an overarching 3% turnover factor is proposed. The net saving is £941k. This proposal does not require posts to be held vacant but instead recognises the natural turnover of staff and the time taken to recruit, and also recognises that an element of recruitment is internal. This proposal is not applied to the ring-fenced Public Health grant funded services.
- 3.11.3 The 2017/18 budget included a target for additional recovery of unspent Direct Payments, the additional staff employed to deliver this have exceeded their target and an increased target of £400k is a recognition of this.
- 3.11.4 Reductions in the cost of transport for clients has fallen in 2017/18. A saving of £200k has been built into the proposals on the basis that this is likely to continue into 2018/19.
- 3.11.5 A target of delivering smaller efficiencies via non-demand budgets is expected to deliver £631k of efficiencies.

3.12 Service Changes - £4,486k

- 3.12.1 A review of the costs of services has identified that spend in Leeds is significantly higher than in comparator authorities for learning disability services and to a lesser extent on services for people with a physical impairment. Along with encompassing the strengths-based approach to providing support, Adults and Health 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, £500k for older people, £350k for physical impairment services and £150k for mental health services. The impact of these reviews may include some customers being transferred to different services and some reduction in the level of care provided, but eligible social care needs will continue to be met. It is anticipated that growth in Direct Payments may be lower than demography would suggest, especially when reviewing recent trends, a saving of £115k on this growth has been built into the proposed plans.
- 3.12.2 The introduction of the new Community Intermediate Care (CIC) bed and Recovery Services are anticipated to deliver savings of £871k. This is a mixture of savings and funding to meet existing costs.

3.13 Income – Fees and Charges £1,545k

- 3.13.1 As discussed at 3.9.3 above, client income has been lower than anticipated in 2017/18. The directorate is reviewing its processes to ensure it collects all income due and has set a target of an additional £1,000k. In addition, a £545k uplift to the existing CCG allocations will be receivable in 2018/19.

3.14 **Income – Traded Services and Other £20,530k**

- 3.14.1 2018/19 sees additional base funding for the Improved Better Care Fund (iBCF), and an additional £11,100k is expected.
- 3.14.2 The second year of the non-recurrent iBCF Spring Budget monies, referenced at 3.9.1, is receivable, totalling £9,430k.

4 **Risk Assessment**

- 4.1 In determining the 2018/19 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 2018/19 budget for Adults & Health are:
- 4.2 For Adult Social Care, 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 Adults & Health 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 savings included within the 2018/19 budget, as set out in section 3.12.1, carries some risk.
- 4.3 The national Transforming Care agenda will result in more people with a learning disability and/or autism being discharged from long-stay hospitals to their home location and supported in more independent settings such as supported living and with enhanced community support in place. It is projected that this could result in increased expenditure for Leeds of £4m to £5m over the next three years. While some of the people within the cohort are known to Leeds and their costs of care can be managed within the current allocated pooled budget there is a specific group of individuals who are currently not known to the council and who have highly complex needs which will result in a number of very high cost packages being required.
- 4.4 With specific reference to Public Health; there is a risk of harm to health and an 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, which (in terms of cost) would have to be met by the council.
- 4.5 A risk of newly endorsed NICE (National Institute for Clinical Excellence) treatments becoming a cost pressure due to the Council's Public Health responsibilities. The Office of the Director of Public Health is responsible for a number of contracts which are activity based. There is a financial risk, based on the possibility of fluctuation of demand, some of which is determined by NHS tariff.

Briefing note prepared by: John Crowther (Head of Finance)
Telephone: 33 88714

Directorate - Adults & Health

	2018/19 £m	FTEs
Net managed budget 2017/18	207.66	
Adjustments		
Transfers of function	(0.63)	
Other adjustments	(2.00)	
Adjusted net managed budget	205.02	
Budget Pressures:		
Inflation		
Pay	1.25	
Price	4.30	
Income	(0.07)	
Employers Pension	0.11	
Capitalised Pensions	(0.04)	
National Living Wage - commissioned services	3.29	
Demographic and demand pressures	4.48	
Transforming Care Reserve	1.07	
Resilience Reserve	0.63	
Grant Fallout		
Public Health	1.17	
Social Care	3.30	
Other		
Health	8.00	
iBCF (Spring Budget)	8.28	
Client income	1.48	
Meals on wheels	0.10	
Social Care Development Reserve	0.37	
Other minor variations	0.07	
Total Pressures	37.79	0.00
Savings Proposals:		
Efficiencies		
Reserves (social care grant)	(3.30)	
Public Health	(1.17)	
Turnover factor	(0.94)	
Direct Payment audit	(0.40)	
Transport	(0.20)	
Other	(0.63)	
Service Changes		
Demand based savings	(3.62)	
Recovery model/CIC beds	(0.87)	24.00
Income - Fees & Charges		
Income recovery	(1.00)	
iBCF - inflation	(0.55)	
Income - Traded Services, Partner Income		
Grants and Other Income		
IBCF	(11.10)	
iBCF (Spring Budget)	(9.43)	
Social Care	(2.07)	
War Pensions	(0.11)	
Total Savings	(35.38)	24.00
Net Managed Budget 2018/19	207.43	24.00

LEEDS CITY COUNCIL

2018/19 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 2018/19 financial year.

1.2 Service Context

- 1.3 The Council has a statutory duty and responsibility to safeguard and promote the welfare of 188k children and 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. This approach has already had a significant impact on both outcomes for children, young people and families and on service delivery in Leeds.
- 1.4 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 national recognition has led to Leeds being awarded significant additional grant funding from the Department for Education (DfE) under the Partner in Practice programme with a total of £9.6m invested in Leeds between 2016/17 and 2019/20. In addition, Leeds is undertaking ongoing improvement work with Kirklees Council and this arrangement has secured an additional £1.6m of funding from the DfE between 2017/18 and 2019/20.
- 1.5 The Directorate has made good progress in implementing the CYPP although achieving all 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, Children Looked After (CLA) and financially supported non-CLA. In terms of CLA the Directorate has had considerable success in implementing the 'turning the curve strategy' and has made substantial and invaluable progress in reducing demand for care at a time when elsewhere demand has been rising. The Leeds looked after children rate per 10,000 has reduced significantly over the last 6 years. At the 31st March 2012 Leeds had a higher CLA rate per 10,000 than any of its statistical neighbours and of the 7 other English core cities. Leeds' Turning the Curve (TtC) programme commenced October 2011 and work on the TtC programme coincided with consistent and significant reductions in the overall CLA population for Leeds together with a substantial reduction in the number of very expensive external residential placements and independent fostering agency placements. The CLA rate per 10,000 in Leeds has continued to reduce year on year and is now below the core city average and on a par with our statistical neighbours. The reductions in CLA have been achieved in the context of significant demographic growth in Leeds, particularly in the more deprived areas of the city. As well as demographic pressures there has also been a notable increase in costs, especially in externally commissioned residential placements.
- 1.6 During 2017/18 CLA numbers reduced in the early part of the year but subsequently have increased. The Directorate is currently undertaking a review of services, services alignment

and management arrangements in order to consider how the Directorate can work differently to improve outcomes in Leeds. The innovations funding through the Partner in Practice programme has also enabled additional investment in new initiatives around early intervention, staff development and the adolescent service which are all targeted at meeting the challenge around CLA.

- 1.7 The 2018/19 budget proposals ensure ongoing budget provision to support the CYPP, maximise the investment from the DfE funded Partner in Practice grant, protect frontline services and provide a realistic and appropriate level of budget provision for demand-led services to meet current and anticipated demands. The detailed proposals are outlined below but these proposals include additional resources to address the key budget pressures including the demand-led pressures and loss of specific grant funding.

2 Budget Proposals

- 2.1 This 2018/19 budget has been set at £121,527k representing a net increase of £8,699k (7.7%) when compared to the adjusted budget for 2017/18. This net increase comprises a number of pressures totalling £13,716k offset by savings of £5,017k which are explained below.

2.2 Budget Adjustments and Transfers

- 2.2.1 There have been a number of service transfers and other budget adjustments which are reflected in the 2018/19 budget. Overall there has been a net transfer of budget from Children and Families of £2,412k.
- 2.2.2 Recharges between services are often seen as not only being divisive, and lead to protracted disputes after the work has been done, but often they are seen as an impediment to service delivery. Therefore as a continuation of the process of reducing the number of recharges between services the 2018/19 budget submission reflects the transfer of budgetary provision of £2,502k to the Resources and Housing Directorate in respect of Legal Services.
- 2.2.3 There has been a transfer of £129k from Resources and Housing to Childrens and Families for specialist administration staff who have transferred back to the Directorate. Other transfers out of the Directorate include the budget for payments to Voluntary Action Leeds of £81k which has been transferred to Communities and Environment.
- 2.2.4 Other adjustments total a net £38k and comprises minor adjustments on staffing budgets with other Directorates resulting in a net increase of £63k to Children and Families and a reduction of £25k to the agency staffing budget which will be transferred to Resources and Housing reflecting the change to the way the administration fee is accounted for on the new contract.

2.3 Changes in prices – pressure of £2,013k

- 2.3.1 The budget includes provision of £1,794k reflecting the National Employers' two year pay offer made in December 2017. For 2018/19 this offer was for a 2% increase for spinal column points (SCP) 20 and above, with increases greater than 2% for SCP 6 to 19. In addition it also provides £2k for the adoption of the Living Wage Foundation's recommended minimum hourly rate. This will see a rise for Leeds City Council employees from the current minimum hourly rate of £8.25/hour to £8.75/hour. The transport budget has been increased by £107k reflecting the anticipated impact of inflation on costs recharged by

the Passenger Transport service.

2.3.2 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 £400k for externally commissioned placements and £70k for the increase in National Non Domestic Rates.

2.3.3 Offsetting the above is anticipated additional income of £360k from increases in prices and charges which includes recovery of the additional pay costs in 2018/19.

2.4 **Actuarial Review – pressure of £190k**

2.4.1 A review of the West Yorkshire Pension Fund has been undertaken in the autumn of 2017. The Actuary has confirmed that the figures advised to the Council in the last triennial review. As a result of this the rate provided for will increase from the current 15.6% to 15.9% in 2018/19. This increase is estimated to cost £190k

2.5 **Capitalised Pension Costs £232k**

2.5.1 Provision of £232k has been included to increase the capitalised pension budget.

2.6 **National Living Wage Commissioned Services £590k**

2.6.1 Provision of £590k has been included for the impact of the increase in the national living wage on commissioned services, mainly for externally commissioned placements.

2.7 **Demand and Demography £4,000k**

2.7.1 These budget proposals include an increase to the CLA and financially supported non CLA budgets of £4,000k. This takes into account the current level of supported children with only a small reduction in numbers anticipated in 2018/19 equivalent to a 1.5% reduction in overall CLA numbers over the year. This additional funding is on top of the increase of £3,000k to the CLA budget included in the 2017/18 budget. Through the additional Partner in Practice funding the Directorate now has in place additional investment in services, service improvement and staffing including an intensive professional development programme, which should mean this small assumed reduction in CLA numbers is achievable.

2.7.2 In addition, a further £900k of additional budget has been provided for the CLA budget for inflation and national living wage pressures making a total increase to the CLA and financially supported non-CLA budgets of £4,900k.

2.8 **Specific Grant Funding Changes £4,665k**

2.8.1 The Education Service Grant ceased to be paid in August 2017 with a net full year loss of grant of £2,165k, the 2018/19 budget allows for this loss of grant funding.

2.8.2 The 2017/18 budget assumed the use of £2,500k from the new Partner in Practice grant programme approved in 2016/17. This was a one off contribution in 2017/18 so the income has been removed in the proposed 2018/19 budget.

2.9 Other budget pressures –£2,025k

- 2.9.1 An additional £600k has been included in the Early Years budget to replace the one-off funding used in 2017/18 from school led child centre surplus balances. The income target for children centre fee income has also been reduced by £350k.
- 2.9.2 The 2017/18 budget included a saving target of £0.9m on commissioned activities. This has mostly been achieved but there has been a shortfall in savings of £250k and this is reflected in the 2018/19 budget.
- 2.9.3 The contribution from Public Health to Family Services has been reduced by £219k in 2018/19. The 2018/19 budget proposals reflects this pressure although savings in the service have been proposed to offset this loss in funding.
- 2.9.4 Other funded pressures include £100k for a contribution from Children and Families to SILCs (Specialist Inclusion Learning Centres) to help fund the cost of 5 day provision, £100k increase to the net cost of the activity centres reflecting the extent of the core service provided at the centres and £180k for the cost of the teenage pregnancy and prevention team that provides educational support to pregnant teenagers which was previously funded through the Dedicated Schools Grant (DSG). There is also a proposal to fund this from the Partners in Practice funding in 2018/19. It is also proposed to reduce the income budget for fee income received by Children's Centres by £350k in part recognition of the shortfall in income experienced in 2017/18. Other minor pressure funded in these proposals amount to £226k.

2.10 Savings

2.11 Efficiencies – £2,097k.

- 2.11.1 The Directorate is currently carrying out a number of service reviews which include reviewing current management arrangements and structures. Efficiency savings of £1,273k are anticipated. Most of the reviews are now progressing to initial consultation with staff and Trade Unions.
- 2.11.2 Efficiency savings include £250k on the transport budget, partly reflecting this year's trend and through joint working with Civic Enterprise Leeds to examine opportunities to reduce costs against the total budget of over £14m.
- 2.11.3 It is proposed to reduce the Family Services budget by £250k to offset the loss of Public Health funding. This is to be achieved across the centres largely through reductions in management costs and through current vacancies.
- 2.11.4 The 2018/19 budget assumes a reduction in spend on Independent Support Workers of £250k. This is in line with the projected spend for 2017/18.
- 2.11.5 Other efficiency savings include £50k of anticipated savings from increased recovery of direct payments overpayments and £24k in insurance charges.

2.12 Service Changes - £300k

- 2.12.1 A saving of £300k is included on commissioned services. A number of reviews of existing commissioned services are currently being progressed.

2.13 Income – Fees and Charges £40k

- 2.13.1 The charge to the Housing Revenue Account for the Signpost service has been increased by £40k to cover the cost of the anticipated pay award.

2.14 Income – Traded Services and Other £2,580k

- 2.14.1 The Government introduced a new grant in September 2017; the School Improvement and Brokerage grant. It is expected that this will continue to be paid in 2018/19 and based on the 2017/18 funding an additional £700k is projected for 2018/19.
- 2.14.2 Additional income of £350k is anticipated from Adel Beck and £100k from the Safeguarding Protection Team.
- 2.14.3 Reductions to current provisions for PFI contract payments and bad debts is expected to save £300k in 2018/19.
- 2.14.4 Additional Dedicated Schools Grant of £500k is anticipated, primarily to help offset the increased costs of education for children in external placements.
- 2.14.5 In 2018/19 it is proposed that Partner in Practice improvement grant of £180k is used to fund the cost of the Teenage Pregnancy and Prevention Team which was previously funded through the Dedicated Schools Grant (DSG).
- 2.14.6 An increase in Unaccompanied Asylum Seekers Grant of £350k is anticipated in 2018/19 and an increase in improvement partner income of £100k has also been included in the budget proposals, primarily arising from the partner work with Kirklees Council.

4 Risk Assessment

- 4.1 In determining the 2018/19 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 2018/19 budget for Children and Families are:
- 4.2 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, financially supported Non-CLA and on the transport budget. As already mentioned in the report these budget proposals provide for an increase of £4.9m for the budgets for supported children. Based on current and expected demand, the transport budget has not been increased for 2018/19 as it was increased significantly in 2017/18 and in year spend is expected to be within budget.
- 4.4 These pressures have also impacted on the High Needs budget in 2016/17 and 2017/18 which is funded by the Dedicated Schools Grant (DSG). There was an overall overspend on the general DSG of £4.1m in 2016/17 and a projected overspend of £0.9m in 2017/18 with some of these pressures expected to recur in 2018/19. 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

2018/19 and to reduce the deficit balance from previous years. Any Council decisions required will be made in February or March 2018. Schools Forum approval is also required to carry forward any deficit on the DSG. Whilst Schools 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 The Directorate's proposed budget includes additional income from partners and from other sources. There is a risk that not all the additional income will be secured, although the budget proposals do include reductions to some income targets and funds the loss of known reductions in grant income.
- 4.6 Other saving proposals depend on the implementation of a number of action plans. The service reviews are currently being progressed but there is a risk that implementation takes longer than anticipated.

Briefing note prepared by: Simon Criddle (Head of Finance)
Telephone: 07891 274578

Directorate - Children and Families

	2018/19 £m	FTEs
Net managed budget 2017/18	115.26	
Adjustments		
Transfers of function	0.13	
Other adjustments	(2.54)	
Adjusted net managed budget	112.84	
Budget Pressures:		
Inflation		
Pay	1.80	
Price	0.40	
Additional Inflation allocated from Passenger Transport	0.11	
National Non Domestic Rates increase	0.07	
Income	(0.36)	
Employers Pension	0.19	
Capitalised Pensions	0.23	
National Living Wage - commissioned services	0.59	
Demographic and demand pressures		
Children Looked After and financially supported Non-CLA budgets	4.00	
Grant Fallout		
Education Services Grant - net loss of income following the ending of the grant	2.17	
DfE Grant fall out	2.50	
Other		
Fall out of use of School led Child Centre balances	0.60	
Commissioned Activities	0.25	
Public Health contribution towards Children's Centres	0.22	
Children's Centres Fee income	0.35	
SILC 5 day provision funding pressure	0.10	
Traded Services	0.08	
Activity Centres - core offer	0.10	
Teenage Pregnancy and Prevention Team - previously DSG funded.	0.18	
Other Minor Pressures	0.13	
Total Pressures	13.70	0.0
Savings Proposals:		
Efficiencies		
SEN Transport saving	(0.25)	
Children & Families service reviews	(1.27)	
Direct Payments recovery of overpayments	(0.05)	
Family Services (Early Years)	(0.25)	
ISW (Independent Support Workers) reduced spend	(0.25)	
Insurance saving	(0.02)	
Service Changes		
Commissioning reviews	(0.30)	
Income - Fees & Charges		
Recharge to the Housing Revenue Account re Signpost service	(0.04)	
Income - Traded Services, Partner Income		
Adel Beck	(0.35)	
Safeguarding Protection Team	(0.10)	
Grants and Other Income		
School Improvement Grant	(0.70)	
Reduction to PFI & Bad Debt provisions	(0.30)	
Additional Dedicated Schools Grant funding (ER Placements / Teachers severance)	(0.50)	
Funding for the Teenage Pregnancy and Prevention Team	(0.18)	
Unaccompanied Asylum Seekers Children Grant	(0.35)	
Additional DfE Improvement Partner Income	(0.10)	
Total Savings	(5.02)	(32.0)
Net Managed Budget 2018/19	121.53	(32.0)

LEEDS CITY COUNCIL 2018/19 BUDGET REPORT

Directorate: Children and Families

The Schools Budget 2018/19

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 Dedicated Schools Grant (DSG) for 2018/19 will now be funded in four separate blocks for early years, high needs, schools and central schools services.
3. A new National Funding Formula (NFF) will be implemented from April 2018 for high needs, schools and central schools services. The schools formula will be “soft” in 2018/19 and 2019/20 which means that local authorities will continue to set local formulae for schools as a transitional arrangement until full implementation of the NFF in 2020/2021.
4. The early years block will fund 15 hours per week of free early education for 3 and 4 year olds and the early education of eligible vulnerable 2 year olds. From September 2017, there is an additional 15 hours per week provision for working families of 3 and 4 year old children. The per-pupil units of funding have remained the same at £4,659.50 per full time equivalent for 3 and 4 year olds and £4,940. Per full time equivalent for 2 year olds. The grant received will continue to be based on participation. The actual grant received during 2018/19 depends on pupil numbers in the 2018 and 2019 January censuses. The early years pupil premium is now included in this calculation and is payable to providers for eligible 3 and 4 year olds at the rate of £0.53 per child per hour. The grant value shown below is based on the projected pupil numbers in January 2018.
5. The high needs block will support places and top-up funding in special schools, resourced provision in mainstream schools and alternative provision; top-up funding for early years, primary, secondary, post-16 and out of authority provision; central SEN support and hospital & home education. A grant allocation was issued in December 2017, though adjustments to this figure are expected up until May 2018. The high needs block is facing a number of financial pressures and although Leeds is a net gainer under the national funding formula the full benefit of the increase in funding will not be felt for a number of years as there is an annual cap on gains. Children and Families directorate have led a review of the high needs block which has included consultation with partners on options to bring spend back in line with the available funding. These options include transferring funding from the schools block and the central schools services block which have been consulted on with schools and supported by Schools Forum.
6. The schools block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11. The grant for 2018/19 is based on pupil

numbers (including those in academies and free schools) as at October 2017. Schools have been consulted on options for the local formula in 2018/19. The 2017/18 latest estimate has been adjusted for the central school services block as detailed below to enable a like for like comparison. The results of the consultation have been reported to Schools Forum to enable further discussion with a final decision being made by the Director of Children and Families in early 2018.

7. As part of the NFF, the central school services block (CSSB) has been created from the schools block of DSG funding that is held centrally by the local authority for central services. A baseline exercise was carried out to assess the 2017/18 funding in respect of this which identified an amount of £5.00m which has been included in the table below to enable a like for like comparison. This includes the funding which was previously delivered through the retained duties element of the ESG along with previously reported ongoing responsibilities and historic commitments. The allocation for 2018/19 was issued in December 2017 at £5.17m.
8. The guidance for 2018/19 allows for funding to be moved within these blocks. Several movements to transfer funding to meet need have been agreed or supported by Schools Forum as detailed below:-

	Schools £m	CSSB £m	High Needs £m
Transfer from Schools to High Needs	-2.00		2.00
Transfer from CSSB to High Needs		-0.50	0.50
Transfer from Schools to CSSB for new costs	-0.50	0.50	
	<u>-2.50</u>	<u>0.00</u>	<u>2.50</u>

9. Funding for post-16 provision is allocated by the ESFA and no changes to the formula are expected for 2018/19. Funding for 2018/19 will be based on 2017/18 lagged student numbers.
10. Pupil Premium grant is paid to schools and academies based on the number of eligible Reception to year 11 pupils on the school's roll in January each year. The rates for 2018/19 are expected to remain at: primary £1,320 and secondary £935 for each pupil registered as eligible for free school meals (FSM) at any point in the last 6 years, and £300 for children of service families. The pupil premium plus rate for children looked after and children who have ceased to be looked after by a local authority because of adoption, a special guardianship order, a child arrangements order or a residence order will increase from £1,900 to £2,300.
11. The Primary PE grant will be paid in the 2017/18 academic year to all primary schools at a rate of £16,000 plus £10 per pupil.
12. For the year 7 catch up grant in 2017/18, funding is allocated to schools on the basis that they receive the same overall amount of year 7 catch-up premium funding received in 2016/17. It will be adjusted to reflect the percentage change

in the size of their year 7 cohort, based on the October 2017 census. It is assumed that the 2018/19 grant will be on the same basis and so dependent on the October 2018 census information.

13. 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 for the 2017/18 academic year is based on a rate of £2.30 per meal taken by eligible pupils, giving an annual value of £437. Data from the October and January censuses will be used to calculate the allocations for the academic year.
14. The Education Services Grant (ESG) ceased at the end of August 2017. ESG funding for retained duties has transferred to the DSG from April 2017. Schools Forum previously agreed that this funding could be passported to the Local Authority. Approval for this for 2018/19 was confirmed at Schools Forum in January 2018.

Schools Funding Summary

15. The grants before ESFA deductions (e.g. for payments to academies) and transfers between blocks for 2017/18 (latest estimate) and 2018/19 are shown in the following table. Some of the amounts for 2018/19 are subject to final confirmation.

	2017/18 £m	2018/19 £m	Change £m
DSG - Schools Block	477.07	498.97	21.90
DSG - Central Schools Services Block	5.00	5.17	0.17
DSG - High Needs Block	62.65	66.84	4.19
DSG - Early Years Block	53.98	55.37	1.39
ESFA Post 16 Funding	31.54	31.33	-0.21
Pupil Premium Grant	42.28	42.94	0.66
PE & Sports Grant	3.36	4.26	0.90
Year 7 Catch-up Grant	0.87	0.87	0.00
Universal Infant Free School Meals Grant	8.87	8.58	-0.29
	<u>685.62</u>	<u>714.33</u>	<u>28.71</u>

Briefing note prepared by: Louise Hornsey, Principal Financial Manager
 Telephone: 0113 3788689

LEEDS CITY COUNCIL

2018/19 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 2018/19 financial year.

2 Service Context

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

3 Budget Proposals

- 3.1 This 2018/19 budget has been set at £33,721k representing a net decrease of £2,826k (7.7%) when compared to the adjusted budget for 2017/18. This net decrease comprises a number of pressures totalling £4,811k which are more than offset by savings of £5,722k and proposed use of balances of £1,915k. The key pressures and savings recognised within the 2018/19 budget proposals are explained below.

3.2 Budget Adjustments and Transfers

- 3.2.1 Following a review of the Public Private Partnership Unit (PPPU), which provides project management and procurement support to directorates, a new operating model is to be adopted which disbands the current unit with resources being integrated into existing directorate teams. Implementation of this proposal brings with it resources of £1,570k. A piece of work to allocate the associated income budget is underway and a budget adjustment will be undertaken in 2018/19. A significant level of this income will be primarily derived from recharges to capital projects. Sustaining this level of income in 2018/19 represents a key risk to the directorate next year.
- 3.2.2 Recharges between services are often seen as divisive, leading to protracted disputes after the work has been done. They are also often seen as an impediment to service delivery. Therefore as a continuation of the process of reducing the number of recharges between services, the 2018/19 budget submission reflects the transfer of budgetary provision of £749k to the Resources and Housing Directorate in respect of Legal Services. Future budget submissions will see further reductions in the number of recharges and where they remain it is the intention to reduce their frequency in 2018/19.
- 3.2.3 During the 2017/18 financial year a small number of administrative staff transferred back to the City Development Directorate from Resources & Housing and conversely, a small number of Information Management & Technology staff transferred to the Digital Information Service (within Resources & Housing). Four City Centre Management staff are transferring to Communities and Environments. The net effect of these transfers equates to a budget reduction for the Directorate of £144k.

3.3 Changes in prices – pressure of £2,062k

- 3.3.1 The budget includes provision of £1,160k for the National Employers' two year pay offer made in December 2017. For 2018/19 this offer was for a 2% increase for spinal column points (SCP) 20 and above, with increases greater than 2% for SCP 6 to 19. As a result of this pay offer, the minimum hourly rate paid to Leeds City Council employees will rise from the current £8.25/hour to £8.75/hour.
- 3.3.2 After taking account of the proportion of salary costs that may be capitalised or charged to the Housing Revenue Account, the net cost of the pay award is estimated at £688k with a further £65k being attributable to the commitment to pay the National Living Wage.
- 3.3.3 No provision has been made for inflation on running cost budgets other than for utilities and for services where there are specific contractual commitments. In total, £922k has been provided for non-pay inflation including £248k for PFI contracts and £327k for NNDR and utilities.

3.4 Actuarial Review – pressure of £116k

- 3.4.1 A review of the West Yorkshire Pension Fund was undertaken in the autumn of 2017 which confirmed the figures advised to the Council in the last triennial review. As a result of this, the rate provided for will increase from the current 15.6% to 15.9% in 2018/19 with a resultant budget increase of £116k.

3.5 Capitalised Pension Costs – pressure of £27k

- 3.5.1 The net effect of capitalised pension costs associated with staff who have left the Council under the Early Leavers Initiative (ELI) are negligible for the directorate in 2018/19.

3.6 Demand and Demography £1,310k

- 3.6.1 Regulations providing for a 20% increase in planning application fees in England came into effect on 17th January 2018. The increase is conditional on the new funding being ring-fenced for additional spending on development management and other related activities.
- 3.6.2 For Leeds it is estimated that the increase in planning fees will generate additional income of £730k with a corresponding increase in expenditure.
- 3.6.3 Other demand pressures totalling £580k reflect the realignment of 'stretch' income targets particularly within Economic Development.

3.7 Specific Grant Funding Changes

- 3.7.1 The 2018/19 budget recognises the fall-out of Public Health funding for sport (active lifestyles and bodyline access) totalling approximately £100k.

3.8 Other budget pressures £1,185k

- 3.8.1 Following the cancellation of the European Capital of Culture competition by the European Commission, the Council has signalled the strong intent to retain the allocated funding in order to progress the ambitions which winning the competition would have delivered, albeit by a new route. Cultural Legacy Funding of £385k for 2018/19 is the first part of that commitment.

- 3.8.2 At the time of publication, the exact nature of how to move forward is still a matter of discussion with other stake-holders but it is anticipated that Council investment would attract significant external funding (potential leverage x2.5) over the course of 2018-24. The majority of spend in 2018/19 is likely to be in the second half of the year.
- 3.8.3 As part of the government's Carbon Reduction Commitment (CRC) Scheme, each year the Council is required to submit an energy return to government. The scheme is now in its second phase of operation and has been updated to include street lighting and other Council unmetered supplies within the CRC calculation. The financial impact of this change is estimated at approximately £300k in 2018/19.
- 3.8.4 The fall-out of historic revenue balances referred to as 'commuted sums' (developer contributions), previously used to fund spending commitments within the Highways Service, will create an additional budget pressure of £300k in 2018/19.
- 3.8.5 In May 2018 Leeds will host the conclusion of the Tour de Yorkshire with the race scheduled to finish on The Headrow, in exactly the same place as the 2014 Tour de France started. The estimated net cost of hosting the Tour de Yorkshire (£100k) is also recognised within the 2018/19 budget proposals.
- 3.8.6 The 2017/18 base budget identified £50k to support the Directorate's partnership working with British Cycling and the intention to enter into a new long term partnership agreement. It is anticipated that such an arrangement may require an additional cash contribution of circa £25k in 2018/19 and has the potential to lever in significant further funding from British Cycling and its partners.

3.9 **Savings**

3.10 **Efficiencies – £752k.**

- 3.10.1 The Directorate continues to identify and realise efficiency savings across all service areas including staffing and other running costs. For 2018/19, the Directorate proposes to deliver savings of £290k through astute management of staff turnover and associated vacancies and a further £460k from other running costs including insurance (£152k) and street lighting (£100k).

3.11 **Income – Fees and Charges £3,435k**

- 3.11.1 In July 2017, the European Court of Justice determined that the UK requirement for local authorities to charge VAT on leisure activities was unlawful. On the basis of this judgement and following further guidance from HM Revenue & Customs, with effect from January 2018 the Council no longer charges VAT for exempt leisure activities. Based on current levels of demand, the full year impact on leisure centre income is estimated at circa £1,200k per annum.
- 3.11.2 Regulations providing for a 20% increase in planning fees are estimated to generate additional income of £730k for the directorate with a corresponding increase in planning management and other planning-related expenditure. The 2018/19 budget also incorporates a further £380k of fee income reflecting increased activity levels and demand for premium services.
- 3.11.3 The Highways capital programme continues to grow with some significant schemes in the pipeline including those relating to the Local Public Transport Investment programme. During 2017/18 the Highways Service has re-structured and is actively recruiting across a

range of technical posts in order to create sufficient in-house capacity to deliver this growing programme of work. In recognition of this growth, the 2018/19 budget proposals include additional Highways fee income of £500K.

- 3.11.4 After taking account of income trends, the impact of improved publicity and marketing and the need for some temporary service disruption for refurbishments, the 2018/19 budget incorporates a net saving of £115k for Sport and Active Lifestyles.
- 3.11.5 The 2018/19 budget also incorporates £170k of additional income for the Arts & Heritage Service and £70k of additional income for Economic Development. These proposals include £50k of additional income for 'Breeze', £80k for Museums, £40k for events/licences and £30k for street trading.

3.12 Income – Traded Services and Other £1,490k

- 3.12.1 Asset Management will continue to support the budget strategy of providing greater revenue resilience by generating additional rental income from the proposed purchase of commercial assets and additional surveyor fee income from capital sales. The 2018/19 budget incorporates a saving of £1,000k from increased rental incomes (net of borrowing costs) and a further £470k from additional surveyor fee income from capital sales. An additional £20k reflects the trends in Building Control.

3.13 Use of Section 106 balances - £1,915k

- 3.13.1 Planning obligations, also known as Section 106 agreements, are private agreements made between Local Authorities and developers and can be attached to a planning permission. Through this mechanism contributions may be sought for the costs associated with providing community and social infrastructure, the need for which may arise as a result of a new development taking place.
- 3.13.2 As at 31st March 2017 the Council had £32.1m of Section 106 earmarked reserves on its balance sheet. Subject to satisfying any legal requirements contained within the Section 106 agreement e.g. clawback, it is proposed that Section 106 balances totalling £1,915k be used to support the 2018/19 revenue budget.

4 Risk Assessment

- 4.1 In determining the 2018/19 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 2018/19 budget for City Development are outlined below.
- 4.2 The 2018/19 budget proposals for City Development incorporate income growth for a number of services and significant income growth for Asset Management and to a lesser extent Highways Services. This reflects the Council's ambition to continue to alleviate the financial impact of austerity by adopting a more commercial approach.
- 4.3 Delivery of the additional income targets continues to be reliant upon the outlook for the UK and local economy and with continued uncertainty around Brexit, the Directorate will need to ensure that income levels and the actions required to deliver them are closely monitored.
- 4.4 Integration of (former) PPPU staffing resources into the directorate introduces a further income-related budget risk to the directorate in terms of the feasibility of continuing to charge and recover overheads from capital projects and other external funding sources.

- 4.5 The proposal to use £1,915k of section 106 balances to support the 2018/19 revenue budget creates an obligation in future years as the Council will be required to identify the resources to meet expenditure commitments that would previously have been funded through these balances.

Briefing note prepared by: John Bywater(Head of Finance)
Telephone: x83558

Directorate - City Development

	2018/19 £m	FTEs
Net managed budget 2017/18	35.82	
Adjustments - Transfers of Function	1.43	
Other Adjustments	(0.70)	
Adjusted net managed budget	36.54	0.00
Budget Pressures:		
Inflation		
Pay	1.16	
Price	0.92	
Income	(0.02)	
Employers Pension	0.12	
Capitalised Pensions	0.03	
National Living Wage - commissioned services	0.01	
Demographic and demand pressures		
Planning Management & Development	0.73	9.00
Realignment of Economic Development Income Targets	0.58	
Grant Fallout		
Fall-out of Public Health Funding	0.10	
Other		
Cultural Legacy	0.39	
Fall-out of 'Commuted Sums'	0.30	
Carbon Reduction Commitment	0.30	
Removal of income target for Tourism, Marketing & Advertising	0.10	
Tour de Yorkshire	0.10	
Total Pressures	4.81	9.00
Savings Proposals:		
Efficiencies		
Management of vacancies	(0.29)	
Insurance	(0.15)	
Economic Development running cost savings	(0.10)	
Energy savings (street lighting)	(0.10)	
Sport Efficiencies	(0.06)	(3.00)
Running cost savings	(0.09)	
Income - Fees & Charges		
Sport VAT Exemption	(1.20)	
20% increase in Planning Fees	(0.73)	
Highways additional fee income	(0.50)	
Planning Fee Income Trends & charges for premium services	(0.38)	
Increased charges reflecting additional pay award	(0.27)	
Income from Sport & Active Lifestyles	(0.12)	
Arts & Heritage service - income opportunities	(0.17)	
Economic Development income opportunities (Events/lights/street trading)	(0.07)	
Income - Traded Services, Partner Income		
Asset Management - income from commercial rents & Fee Recovery	(1.47)	
Building Control income trends	(0.02)	
Use of S106 balances	(1.92)	
Total Savings	(7.64)	(3.00)
Net Managed Budget 2018/19	33.72	6.00

LEEDS CITY COUNCIL

2018/19 BUDGET REPORT

Directorate: Communities & 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 2018/19 financial year.

2 Service Context

- 2.1 The Directorate manages a diverse set of functions which combine to form some of the key foundations of strong communities; well managed green spaces for recreation, clean streets and safe neighbourhoods are the marks of desirable places to live. At a time of significantly diminishing resources, priority has been given to ensure that these services are maintained.
- 2.2 The Directorate also serves some of the most vulnerable groups by providing a range of front-line services for local people whilst taking the lead on actions to reduce poverty across the city. Community Committees have improved the quality of the dialogue with communities by focusing on what is important to local people and the Council is taking forward changes aimed at providing more integrated, responsive and accessible services with the ongoing development of community hubs.
- 2.3 The Directorate has a number of key priorities which this budget is designed to support:
- Clean neighbourhoods
 - 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
 - Green spaces which people can enjoy
 - Reducing crime and anti-social behaviour
 - Tackling poverty and reducing the inequalities that still exist
 - Supporting communities and raising aspirations
 - Helping people adjust to welfare changes
 - Implementing innovative approaches to delivering services for end users
- 2.4 In addition, the Directorate is leading in the delivery of the following breakthrough projects in support of the Best Council Plan:
- Tackling domestic violence and abuse
 - Strong communities benefiting from a strong city
- 2.5 Against a background of significant efficiencies that were incorporated into the 2017/18 budget as well as the continuing requirement to identify further savings for 2018/19, the Directorate's 2018/19 budget submission will nevertheless seek to protect services and initiatives which advance these priorities.

3 Budget Proposals

- 3.1 The 2018/19 budget has been set at £74,458k, representing a net increase of £4,689k (6.7%) when compared to the adjusted budget for 2017/18. This net increase comprises a number of pressures totalling £7,304k offset by savings of £2,615k which are explained below.

3.2 Budget Adjustments and Transfers

- 3.2.1 There have been a number of service transfers and other budget adjustments which are reflected in the 2018/19 budget.
- 3.2.2 Recharges between services are often seen as not only being divisive, and lead to protracted disputes after the work has been done, but often they are seen as an impediment to service delivery. Therefore as a continuation of the process of reducing the number of recharges between services the 2018/19 budget submission reflects the transfer of budgetary provision of £385k to the Resources and Housing Directorate in respect of Legal Services. In addition, budget provision of £59k has been transferred to City Development to allow the cessation of a recharge for the shared cost of Henshaw Depot. Future budget submissions will see further reductions in the number of recharges and where they remain it is the intention to reduce their frequency in 2018/19.
- 3.2.3 The 2017/18 budget reflected a number of organisational changes that were made across the Council including the centralisation of support services functions such as specialist administration, information management & technology and intelligence & improvement. A review of these functions has resulted in revised operational arrangements with a corresponding adjustment of £169k to the original transferred amount.
- 3.2.4 Responsibility for maintaining the Street Register has transferred from the Resources and Housing Directorate to be managed by the Local Land Charges Team. This service generates income for the provision of information and the net budget transferring is a surplus of £32k.
- 3.2.5 City centre safety co-ordination and anti-social behaviour responsibilities, currently undertaken by City Development, are to be transferred to Communities & Environment, with a budget adjustment between the two directorates of £104k.
- 3.2.6 As part of the Support Services review, a new operating model for dealing with all the Council's compliments and complaints is being led by Customer Access and in 2017/18 savings of £100k were targeted. However these savings were to be delivered Council-wide and an adjustment of £75k is required to reflect the correct allocation of the savings across the Council.
- 3.2.7 The Third Sector Infrastructure Support Fund provides key support to the Third Sector in Leeds. The fund is managed by Communities & Environment and the budgets formerly provided by Children's and Families have now been consolidated into the Directorate with a transfer of £81k.
- 3.2.8 An adjustment of £12k has been made to reflect the revised treatment of Agency fees following the change of the Council's contract for Agency staffing. The contract administration fees element will no longer be charged to individual directorates, and the adjustment is required to establish a centrally held budget.

3.3 Changes in prices – pressure of £2,780k

- 3.3.1 The budget includes provision of £2,330k reflecting the National Employers' two year pay offer made in December 2017. For 2018/19 this offer was for a 2% increase for spinal column points (SCP) 20 and above, with increases greater than 2% for SCP 6 to 19. In addition it also provides £49k for the adoption of the Living Wage Foundation's recommended minimum hourly rate. This will see a rise for Leeds City Council employees from the current minimum rate of £8.25/hour to £8.75/hour.
- 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 provision for price inflation is £890k which includes £410k for waste disposal contracts including the Recycling and Energy Recovery Facility (RERF), £60k for fuel, £102k for Business Rates, £33k for utilities, £47k for grounds maintenance and £20k for car parking pay and display machine maintenance.
- 3.3.3 Inflationary increases in the level of fees and charges and income from other organisations, including Housing Leeds, are estimated to generate additional income of £490k. Of this, £240k relates to a 4% increase in bereavement fees and £70k for other sales within Parks and Countryside, including food/drink at cafes and retail sales.

3.4 Actuarial Review – pressure of £166k

- 3.4.1 A review of the West Yorkshire Pension Fund has been undertaken in the Autumn of 2017. The Actuary has confirmed the figures advised to the Council in the last triennial review. As a result of this the rate provided for will increase from the current 15.6% to 15.9% in 2018/19. This increase is estimated to cost £166k.

3.5 Capitalised Pension Costs – saving of £153k

- 3.5.1 The fall out of capitalised pension costs associated with staff who have left the Council under the Early Leaver's initiative will save an estimated £153k.

3.6 Demand and Demography – pressure of £80k

- 3.6.1 Anticipated household growth in the city will impact on the volume of waste disposed of and the additional cost of this is estimated to be £80k for 2018/19.

3.7 Specific Grant Funding Changes – pressure of £810k

- 3.7.1 The Housing Benefit Administration subsidy grant is expected to reduce by £340k for 2018/19, with an anticipated reduction in other Housing Benefit grants of £370k, mainly because the performance based incentive element of the former Fraud and Error Reduction Incentive Scheme (FERIS) grant is no longer received. In addition, the Local Council Tax Support Administration subsidy grant is expected to reduce by £100k when compared to the 2017/18 budget.

3.8 Other net budget pressures £3,610k

- 3.8.1 Following a fallow year in 2017/18, the cost of reinstating the Elections budget to fund the stand alone local elections in 2018/19 is estimated to be £1,120k.
- 3.8.2 There has been an overall reduction in Housing Benefit (HB) expenditure in recent years and a decline in the number and average value of HB overpayment cases. The net impact

on the budget of the anticipated reduction in both HB overpayment income and HB expenditure/subsidy in 2018/19 is estimated to be £1,200k.

- 3.8.3 In order to expand the garden waste collection service to the remainder of suitable properties across the city, it is estimated that an additional three garden waste routes will be required. The annual cost of these routes, including disposal, is estimated to be £360k.
- 3.8.4 As approved at Executive Board in June 2017, provision of £180k has been made for the revenue costs of the new waste depot development at Cross Green.
- 3.8.5 Offsetting the above pressures within Waste Management is a saving of £480k in respect of the Business Rates at the Recycling and Energy Recovery Facility (RERF) which were not determined until after the 2017/18 budget was set.
- 3.8.6 Bus lane cameras have been 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. As a result there has been a general decline throughout the city in penalty income from Bus Lane Enforcement cameras and to reflect this trend the income budget has been reduced by £200k. In addition, current year trends have indicated a shortfall in on-street car parking income compared to the level assumed in the 2017/18 budget and the income budget has been reduced by £100k for 2018/19 to reflect this trend.
- 3.8.7 Within Customer Access, the staffing budget has been increased by a net £230k to support the ongoing development of Community Hubs and the integration of frontline services. In addition, following a review of security arrangements, provision of £200k has been made to enhance security arrangements at the Central Library and Community Hubs.
- 3.8.8 In July 2017, the Council reached an agreement with the West Yorkshire Police and Crime Commissioner (WYPCC) that the numbers of Police and Community Safety Officers (PCSOs) in the Leeds district would be maintained at 239 for the next three years. To support the retention of this figure it was agreed that whilst there would be no additional cost to the Council in 2017/18, the Council would contribute £635k in 2018/19 and 2019/20, with an equivalent amount being match funded by the WYPCC.
- 3.8.9 Executive Board approved, in June 2017, a scheme to implement an automated vehicle access system to manage and control vehicle access within the pedestrianised core of Leeds City centre. This will include rising bollards at entry and exit points to controlled streets and in order to maintain emergency service access at all times, a push button camera operated system will be operated by LeedsWatch, at an estimated cost of £60k.
- 3.8.10 Additional provision of £133k has been made within the Parks & Countryside budget to address the considerable number of enquires in respect of trees in Housing Leeds tenant gardens which are often close to the properties, leading to increased follow up tree inspections by the forestry team. This cost will be funded by Housing Leeds.
- 3.8.11 Other net pressures of £26k include additional support to Middleton Park Equestrian Centre of £30k, provision of £60k to support additional community engagement activities across the Council's cemeteries, as agreed at Executive Board in December 2017, and a reduction of £64k in the contribution to the Council's insurance provision.
- 3.8.12 These pressures are partially offset by utilising £350k from the Wellbeing and Youth Activity Fund reserve, with any future commitments being met in year.

3.9 Savings

3.10 Efficiencies – £920k

- 3.10.1 Within Waste Management, the net savings on disposal contracts experienced in 2017/18, which reflect both volume and price reductions, are anticipated to continue in 2018/19, resulting in net savings of £210k.
- 3.10.2 In respect of the Welfare & Benefits Service, savings of £50k are anticipated from the re-tendering of the Advice Consortium contract.
- 3.10.3 Within Customer Access, savings of £50k are estimated from consolidating the existing Library Management Systems contracts and re-tendering as a single contract. In addition, savings of £80k will be made from the migration of telephone lines at the Contact Centre to new data lines. Further savings of £50k will be made across the Council following the review of the Compliments and Complaints service, with £17k to be achieved from this Directorate, and £30k is anticipated from closer working between the Council Tax recovery and Contact Centre teams with the aim of reducing the double handling of calls.
- 3.10.4 A combination of reduced Facilities Management costs and additional lettings income is estimated to reduce the net cost of Community Centres by £60k.
- 3.10.5 The full year effect of the review of management and leadership arrangements within the Communities Team, which commenced in 2017/18, will save a further £50k in 2018/19.
- 3.10.6 Within Car Parking Services, savings of £50k will be achieved through the deletion of vacant parking enforcement posts.
- 3.10.7 The Community Safety service will identify efficiencies to ensure that the Community Safety funding is maximised. This is expected to save £50k.
- 3.10.8 Within Elections, Licensing and Registration savings of £25k are anticipated by utilising permanent polling stations wherever possible, thereby reducing the hire costs of porta cabins for elections.
- 3.10.9 A cross Directorate review of vacancy factors has identified further savings of £250k in areas which will not directly impact on front line services.

3.11 Service Changes - £630k

- 3.11.1 The Local Welfare Support Scheme has a current budget of £800k and by reviewing the operation of the scheme, in particular around eligibility for white goods and arrangements for carpet replacements in Council properties, a reduction of £200k in the value of the scheme to £600k will be made for 2018/19.
- 3.11.2 Within Customer Access, the development of the Contact Centre as a Digital Centre of Excellence continues to be progressed. Channel Shift/Channel Shove which involves moving people to digital channels is expected to generate further savings of £280k in 2018/19 and a further reduction in service failure is expected to generate an additional £40k. The implementation of an automated switchboard in the Contact Centre, whereby callers are directed to the correct service by an automated operator, will generate savings of £50k. The cost of the equipment will be funded by the Council's Invest to Save reserve.

- 3.11.3 The potential transfer of the Home Library Service to the voluntary sector would generate staffing and vehicle savings of £30k.
- 3.11.4 A targeted 10% reduction on the Third Sector Infrastructure Fund within the Communities budget is anticipated to save £30k.

3.12 Income – Fees and Charges - £470k

- 3.12.1 The previously approved decision to introduce charges for inert building waste, plasterboard and tyres at Household Waste Sites is expected to generate additional savings of £100k in 2018/19 over and above the £140k included in the 2017/18 budget. This waste is classified as industrial waste and the charges levied are designed to cover the costs incurred by the Council in having to dispose of this type of waste.
- 3.12.2 In accordance with the Parks and Countryside Attractions Development Plan which was approved at Executive Board in October 2016, the capital investment in the Tropical World, Lotherton Bird Garden and Temple Newsam Home Farm attractions, and the associated review of charges, is expected to generate additional net income of £100k in 2018/19.
- 3.12.3 The new plant nursery in Leeds, The Arium, was officially opened on 6th October 2017. It replaces the nursery based at Redhall and incorporates a visitor centre, café and retail facility enabling surplus plant sales to be made. Included within the 2017/18 budget was an additional £50k net surplus to be generated from the new nursery and the 2018/19 budget includes a target to generate a further £100k net surplus.
- 3.12.4 It is intended to increase the charge for parking at Woodhouse Lane Multi Storey car park by 50p to £7.50 for a full day, which is anticipated to generate additional income of £130k in 2018/19.
- 3.12.5 A fee review in respect of the non-statutory charges of the Registrars service is expected to generate an additional £42k in 2018/19.

3.13 Income – Traded Services and Other Income £590k

- 3.13.1 The Council currently provides free collection of clinical waste from domestic householders who are in the care of the NHS or other medical providers. A review is being undertaken, with NHS colleagues, to clarify the basis on which the Council should be providing this service and to ensure that the costs are appropriately funded. A saving of £170k has been budgeted to reflect this review.
- 3.13.2 Additional income of £10k will be generated from the introduction of a management fee on the charges made for the free school meal administration service provided to schools.
- 3.13.3 A review of the provision of CCTV cameras by the LeedsWatch service and the appropriate allocation of costs has identified that additional net income of £100k can be generated in 2018/19 from increased charges to Housing Leeds.
- 3.13.4 As referred to in paragraph 3.8.10, additional income of £133k will be received from Housing Leeds to fund additional tree inspections by the forestry team within Parks & Countryside.
- 3.13.5 Additional income of £180k is anticipated within Customer Access in respect of the continuation of interpreting and translation services provided to external organisations.

4 Risk Assessment

- 4.1 In determining the 2018/19 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered to carry the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2018/19 budget for Communities & Environment are that:
- 4.2 Assumptions in respect of waste volumes and the level of recycling across the city are not realised, impacting on disposal costs and levels of income achieved.
- 4.3 Assumptions in respect of income receivable from Bus Lane and Car Parking Enforcement are impacted upon by a reduction in the number of offences.
- 4.4 The level of budgeted car parking income receivable from on street and off street parking isn't realised.
- 4.5 The level of demand is less than anticipated for income generating activities within Parks and Countryside.
- 4.6 Staff turnover and the number of vacant posts across the Directorate are less than assumed in the budget.
- 4.7 The budgeted level of income in respect of the recovery of Housing Benefit overpayments is not achieved. The ongoing roll out of Universal Credit will increase the pressure in this area in future years.

Briefing note prepared by: Michael Everitt (Head of Finance)
Telephone: 87817

Directorate - Communities & Environment

	2018/19 £m	FTEs
Net Managed Budget 2017/18	69.78	
Adjustments		
Transfers of function	0.24	
Other adjustments	(0.25)	
Adjusted Net Managed Budget	69.77	
Budget Pressures:		
Inflation		
Pay	2.38	
Price	0.89	
Income	(0.49)	
Employers Pension	0.17	
Capitalised Pensions	(0.15)	
Demographic and demand pressures		
Waste disposal costs associated with household growth	0.08	
Grant Fallout		
Reduction in Housing Benefits/Council Tax grants	0.81	
Other		
Elections - reinstatement of budget for 2018/19 local elections	1.12	
Housing Benefits - net reduction in HB expenditure & overpayment income	1.20	
Waste Management - expansion of garden waste collection service	0.36	11.0
Waste Management - waste depot development	0.18	
Waste Management - RERF Business Rates	(0.48)	
Car Parking - Bus Lane Enforcement/on-street parking trends	0.30	
Customer Access - Community Hubs staffing	0.23	
Customer Access - Review of Security provision	0.20	
Community Safety - LCC contribution to maintaining PCSOs at current level	0.64	
Community Safety - City Centre Vehicle Access Management Scheme	0.06	3.0
Parks & Countryside - tree inspection works for Housing Leeds	0.13	3.0
Parks & Countryside - support to 3rd sector and community led activities at cemeteries	0.09	2.0
Insurance	(0.06)	
Use of earmarked reserves	(0.35)	
Total Pressures	7.30	19.0
Savings Proposals:		
Efficiencies		
Waste Management - disposal cost price/volume reductions	(0.21)	
Welfare & Benefits - re-tendering Advice Consortium contract	(0.05)	
Customer Access - re-tendering Libraries Management System contracts	(0.05)	
Customer Access - Compliments & Complaints service review	(0.02)	
Customer Access - migration of Contact Centre telephone lines to new datalines	(0.08)	
Customer Access - closer working between Council Tax Recovery and Contact Centre teams	(0.03)	(1.0)
Communities - reduced Facilities Management costs/additional Community Centre income	(0.06)	
Communities - review of management/leadership arrangements	(0.05)	(1.0)
Car Parking - reduction in parking enforcement staff through deletion of vacant posts	(0.05)	(2.0)
Community Safety - efficiencies in use of Community Safety Fund	(0.05)	
Elections - savings on hire of porta-cabins for elections	(0.03)	
Additional Vacancy Factor across non front line services	(0.25)	
Service Changes		
Welfare & Benefits - Local Welfare Support Scheme review	(0.20)	
Customer Access - Contact Centre Digital Centre of Excellence & reduced service failure	(0.32)	(13.3)
Customer Access - implement automated switchboard in Contact Centre	(0.05)	(2.5)
Customer Access - transfer Home Library Service to Voluntary Sector	(0.03)	(1.0)
Communities - targeted 10% savings on third sector contracts	(0.03)	
Income - Fees & Charges		
Waste Management - charging for Inert Building Waste/Plasterboard/Tyres at HWSS	(0.10)	10.0
Parks & Countryside - capital investment and review of charges at Attractions	(0.10)	2.0
Parks & Countryside - additional net surplus at Arium from plant and retail sales	(0.10)	
Car Parking - increase charges at Woodhouse Lane car park by 50p for a full day	(0.13)	
Registrars - fee review in respect of non-statutory charges	(0.04)	
Income - Traded Services, Partner Income		
Waste Management - review Medi Waste service to eliminate subsidy	(0.17)	
Welfare & Benefits - introduce management fee for Free School Meals admin service	(0.01)	
Community Safety - additional CCTV income from Housing Leeds	(0.10)	
Parks & Countryside - tree inspection funding from Housing Leeds	(0.13)	
Customer Access - additional income from Interpreting & Translation Service	(0.18)	
Total Savings	(2.62)	(8.8)
Net Managed Budget 2018/19	74.46	10.2

LEEDS CITY COUNCIL

2018/19 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 2018/19 financial year.

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 the Directorate's budget submission for 2018/19 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 2017/18 budget.

3 Budget Proposals

- 3.1 This 2018/19 budget has been set at £82,032k representing a net increase of £772k (0.9%) when compared to the adjusted budget for 2017/18. This net increase comprises a number of pressures totalling £7,534k offset by savings of £6,762k which are explained below.

3.2 Budget Adjustments and Transfers

- 3.2.1 There have been a number of service transfers and other budget adjustments which are reflected in the 2018/19 budget.

- 3.2.2 Recharges between services are often seen as not only being divisive, and sometimes lead to protracted disputes after the work has been done, but often they are seen as an impediment to service delivery. Therefore as a continuation of the process of reducing the number of recharges between services, the 2018/19 budget submission reflects the net transfer of budgetary provision of £4,530k to the Resources and Housing Directorate in respect of Legal Services. The intention is that the 2018/19 budget will also be adjusted to reduce recharges for Fleet Management, and where recharges remain for other services, a reduction in the frequency of charging will be targeted.
- 3.2.3 Following a review of the Public Private Partnership Unit (PPPU), which provides project management and procurement support to directorates, a new operating model is to be adopted which disbands the current unit with resources being integrated into existing directorate teams. Implementation of this proposal has transferred resources of £1,570k to City Development. With respect to income, a piece of work to allocate the associated income budget to both this Directorate and City Development (from the Strategic and Central Accounts) is underway and a budget adjustment will be undertaken in 2018/19. A significant level of this income will be primarily derived from recharges to capital and charges to the HRA. Sustaining this level of income in 2018/19 represents a key risk to the directorate next year
- 3.2.4 The budget has been adjusted by £277k to reflect the net impact of further transfers into the Shared Services function (£377k) and the transfer of the brokerage budget (£100k) into Treasury Management.

3.3 **Changes in prices – pressure of £3,930k**

- 3.3.1 The budget includes provision of £4,103k for the National Employers' two year pay offer made in December 2017. For 2018/19 this offer was for a 2% increase for spinal column points (SCP) 20 and above, with increases greater than 2% for SCP 6 to 19. In addition it also provides £154k for the adoption of the Living Wage Foundation's recommended minimum hourly rate. This will see a rise for Leeds City Council employees from the current minimum rate of £8.25/hour to £8.75/hour.
- 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 provision for price inflation is £1,012k which includes £515k for Leeds Building Services, £167k for CEL, £200k for Housing and Property and £130k for the rest of the services in the Resources and Housing directorate.
- 3.3.3 Inflationary increases in the level of fees, charges and income from other organisations, are estimated to generate £1,342k. Most of this increase, £1,132k, relates to price uplifts with Leeds Building Services.

3.4 **Actuarial Review – pressure of £308k**

- 3.4.1 A review of the West Yorkshire Pension Fund has been undertaken in the autumn of 2017. The actuary has confirmed that the figures advised to the Council in the last triennial review. As a result of this the rate provided for will increase from the current 15.6% to 15.9% in 2018/19. This increase is estimated to cost £308k.

3.5 **Capitalised Pension Costs – saving of £255k**

- 3.5.1 The fall out of capitalised pension costs associated with staff who have left the Council under the Early Leaver's initiative will save an estimated £255k

3.6 Specific Grant Funding Changes

- 3.6.1 In February 2017 the Council was notified of its 2017/18 and 2018/19 Flexible Homelessness Support Grant (FHSG) allocations. FHSG is calculated on the basis of homeless prevention outcomes and, as Leeds has achieved a high level of preventions, the allocation for Leeds in 2018/19 is £1,794k.
- 3.6.2 The FHSG allocation represents a significant windfall for the Council and is being used to achieve further increases in homeless prevention outcomes, further reductions in temporary accommodation placements and to best assist entrenched rough sleepers with drug and alcohol dependency issues. In addition the grant will be used to support organisations such as St Anne's advice centre, the Street Outreach service and St George's Crypt.
- 3.6.3 The Council has received £168k in 2018/19 to meet the new burdens associated with the Homelessness Reduction Act.

3.7 Other budget pressures –£3,550k

- 3.7.1 The Corporate Property Management function (CPM) is responsible for the management of and maintenance of the council's buildings. Recognising the level of backlog maintenance associated with these assets the budget provides for an additional £500k which will contribute towards addressing these issues.
- 3.7.2 In 2010 the Council embarked upon a programme of asset rationalisation through the Changing the Workplace programme which has not only delivered revenue savings and required staff to embrace the new ways of working but it will also result in an anticipated total net present value (NPV) saving of £27m for phase 1 of this programme. As a part of this programme the council will again occupy the refurbished Merrion House in 2018/19 and this requires the re-instatement of both the NNDR budget for this property (£1,036k) and provision for utilities (£380k). Other costs associated with the re-occupation of Merrion House include £325k which relates to the requirement to provide increased security.
- 3.7.3 The budget submission reflects variations associated with both the shortfall in court fee income (£300k) and income receivable from schools for the provision of catering services (£250k). In addition it is now assumed that the realisation of the previous year's budgeted saving of £300k through the consolidation of workforce development budgets won't be realised in 2018/19. Other variations include the cost associated with harmonising the grades of staff working within the Shared Services (£200k) and pressures of £300k within the Digital Information service reflecting the requirement to fund the new platform which supports the more vulnerable adults (£80k), resources to support customer access (£100k) and a £120k contribution towards city working which is a partnership working model that has been agreed between the Council, CCGs, Leeds Teaching Hospital Trust and Leeds Community Health to join up wherever possible on common ICT facilities and services.
- 3.7.4 An additional £30k has been provided to budget for the Annual Armed Forces day that is held in the city.

3.8 Savings

3.9 Efficiencies – £3,570k

- 3.9.1 A review of the Council's support services functions which took effect in 2017/18 saw all business administration staff transfer into the council's Shared Service. Through both the consolidation of this function under one professional lead and a review of business

processes significant savings have been realised in 2017/18 and it is estimated that a further £1,100k will be realised in 2018/19.

- 3.9.2 Financial Services will deliver further savings of £500k through the realisation of the benefits of consolidating the function into one geographical location combined with a review of business processes.
- 3.9.3 Following a review of the PPPU (Public Private Partnership, which provides project management and procurement support to directorates, a new model is to be adopted which disbands the current unit with resources being integrated into existing directorate teams. It is anticipated that the implementation of these proposals will deliver net savings of £200k through the deletion of posts.
- 3.9.4 In both the Human Resources function and the Strategy & Intelligence/Improvement will deliver savings of £190k and £130k respectively through turnover.
- 3.9.5 Additional income of £140k within the Human Resources function will be realised largely through a combination of the renewal of external contracts and the apprenticeship levy.
- 3.9.6 The Digital Information Services are estimated to deliver cost savings of £330k largely through a reduction in licence costs, the continued rationalisation of printers and a review of telephone costs as Skype is fully rolled out.
- 3.9.7 Staff turnover within Legal and Democratic services will generate savings of £70k.
- 3.9.8 Savings of £150k within Housing Related Support will be realised through the full year defect of the commissioning of contracts.
- 3.9.9 Within Civic Enterprise Leeds savings of £190k will be realised through operational efficiencies within both Facilities Management (£120k) and Fleet Management (£80k). These will derive from both staffing and running cost reductions.
- 3.9.10 Further savings (£310k) on staffing across the directorate will be generated through a combination of deleting budgeted vacant posts, staff turnover, and staff exiting the Authority through the Early Leaver's Initiative.
- 3.9.11 In respect of the building maintenance and security costs a saving of £200k will be realised through a targeted reduction in the number of void properties that the council holds.
- 3.9.12 As a result of the appointment of new external auditors by Public Sector Audit Appointments (PSAA) from 2018/19 audit fees will reduce by £60k.
- 3.10 **Service Changes - £200k**
- 3.10.1 Implementation of the Better Lives programme within Adult Social Care will realise operational cost savings of £200k within CEL.
- 3.11 **Income – Fees and Charges £1,090k**
- 3.12.1 Within Shared Services additional income of £350k reflects existing trends in respect of advertising and recruitment (£100k) and £250k for the print unit.
- 3.12.2 Other Support Services will realise additional income of £650k largely through a combination of increased charges to external organisations utilising these services and a

review of activity levels within DIS support the requirement for appropriate costs to be charged to projects funded through the capital programme (£310k).

- 3.12.3 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 (£90k)

3.12 Income – Traded Services and Other £1,270k

- 3.12.1 Leeds Building Services will increase their contribution by £1,100k in 2018/19 through a targeted £9,750k or 17.4% increase in turnover. This additional turnover will result from work that previously would have been rendered to private sector contractors will instead be delivered through the internal service provider.
- 3.12.2 Cleaning Services will realise additional income of £40k through a combination of work done for other Local Authorities and partner organisations and investment in new equipment £50k which will improve the efficiency of the service.
- 3.12.3 Charges to partner organisations who are receipt of services and support provided by the Sustainable Energy and Climate Change Unit (SECC) and Strategy and Improvement will realise £80k.

4 Risk Assessment

- 4.1 In determining the 2018/19 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 2018/19 budget for Resources and Housing are:
- 4.2 Further reduction in support services may reduce the capacity to support managers within the council and it is vital to ensure that these planned reductions do not impact upon the delivery of services city wide and the achievement of the 2018/19 budget proposals.
- 4.3 Failure to provide up to date and resilient information technology systems that support the delivery of our services. Priority has been given to adequately resourcing the service and also to key IT projects that support the council's priorities.
- 4.4 That assumptions in respect of both staff turnover and staff exiting the Authority through the Early Leaver's Initiative aren't realised. Any variation could have implications for the delivery of the budgeted level of savings.
- 4.5 That the level of homelessness increases across the city with the subsequent requirement for the council to support these individuals in temporary accommodation.

Briefing note prepared by: Richard Ellis (Head of Finance)
Telephone: (37) 87814

LEEDS CITY COUNCIL

2018/19 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 2018/19 Housing Revenue Account (HRA) budget.
- 1.2 The 2018/19 budget has been prepared at outturn prices. This means that allowances for inflation have been included in the budget submission.
- 1.3 Appendix 1 sets out a summary of the HRA Estimate for 2018/19.

2. HRA Strategy 2018/19 – 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 2018/19 budget will therefore be the third 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, equated to a loss of £20.5m in cash terms over the 4 year period and 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 November 2017 and to replacing homes lost through Right To Buy (RTB) by the planned investment in new homes and buying up empty homes.
- 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, RTB receipts and 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 - 2018/19

3.1 Rent Policy

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 was effectively a 4% pa reduction from that assumed within the Council's HRA Financial Plan for each of these 4 years. In October 2017 the government announced a return to a Consumer Price Index (CPI) plus 1% rent rise for five years after 2020.

The wider implementation of the rollout of Universal Credit may impact on rent collection levels and hence available funding in future years.

In line with the Government's requirement it is proposed that rents are reduced by an average of 1% in 2018/19 for the majority of dwellings. See 4.1 for more details.

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 (3% as at Sept 17) + 1% is allowable. However, the authority proposes to limit the increase to 3% which is the price increase in the cost of the contract. This equates to approximately £0.33m.

3.2. Services Charges

Tenants in multi storey flats (MSFs) and in low/medium rise flats receive additional services such as cleaning of communal areas, staircase lighting and lifts 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 RPI on low/medium rise flats in 2018/19 Further details are set out in 4.3.2.

3.3 Charges for Sheltered Support

Tenants living in sheltered housing schemes across Leeds receive housing related support provided by Sheltered Support Officers and are charged £13 per week for this service. As this charge fully recovers the costs it will not be increased in 2018/19. 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. This was increased to £4 in 2017/18. It is proposed to increase this charge by a further £2 per week in 2018/19. See 4.3.3 for further details.

3.4 Capital investment and Council House Growth Programme

The Council remains committed to funding the investment strategy agreed by Executive Board in November 2017 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 2017/18 to 2018/19 - Income

4.1 Dwelling Rents

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

Reducing average rents by 1% equates to a reduction of 73p per week/£38 per year as shown in the table below, however, the impact of this on individual tenants will vary.

It should be noted that had rents been increased by 4% 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 2018/19, tenants would have received an average rent increase of £2.92 per week in 2018/19.

Average rent	2017/18	2018/19	Reduction
£ per week	73.02	72.29	0.73
£ per year	3,807	3,769	38

The budget for 2018/19 assumes that 530 properties will be sold under Right To Buy which is based upon the continuation of activity levels for the past year. 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.

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

The impact of all these assumptions is a net reduction in income from dwelling rents of £3,385k in 2018/19.

4.2 Other rents

There is a proposed 3.9% rental income increase from shops and miscellaneous properties in line with RPI. The average garage rents are currently £8.56 per week. It is proposed to keep rents at this level in 2018/19.

4.3 Service Charges

Net income from service charges is budgeted to increase by £909k in 2018/19. The main movements are detailed below.

4.3.1 Heat Lease - income from heat lease charges is budgeted to reduce by £182k in 2018/19 due to a number of lease agreements coming to an end.

4.3.2 Service charges for MSFs, medium and low rise properties - As stated in 3.2 tenants in 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 RPI per week on low/medium rise flats in 2018/19. This will generate an additional £809k compared to 2017/18.

4.3.3 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. This was increased to £4 in 2017/18. It is proposed to increase this charge by a further £2 per week in 2018/19. However any combined overall increase in rent, service charge and sheltered support charge will be capped at £5 per week. The proposed decrease in the subsidy will generate an additional £116k compared to 2017/18.

4.3.4 District Heating charges - Housing Leeds manages a number of district heating schemes. The District Heating Account cumulatively operates in an overall deficit position with the deficit being met from the HRA which means tenants not benefiting from the schemes are subsidising the operating costs. It is proposed to increase charges by 3.9% for 2018/19 in order to reduce subsidisation. This will generate a small increase of £16k over 2017/18 levels.

4.3.5 Contributions from leaseholders to capital works - The 2018/19 budget reflects the requirement to budget for contributions from leaseholders where their properties have benefited from capital investment. The 2018/19 budget assumes income of £882k. This is an increase of £33k against the 2017/18 budget and reflects RPI.

4.3.6 Extra Care- The income from service charges for authority's new Wharfedale View facility was estimated in 2017/18. The 2018/19 budget increase of £111k

reflects the pattern of income based on the levels generated in the first six months of 2017/18.

4.4 Impact on tenants of increased rents and charges

An analysis of the impact on tenants of the above charging proposals together with the 1% reduction in rents (see 4.1) has been undertaken. This shows that under these proposals 53% of tenants will pay 77p per week less in overall terms in 2018/19 than in 2017/18, 18% will pay 67p per week less, 5% will pay 59p per week less, 3% will pay 71p per week less and 2% will pay 56p per week less. Of those paying more, 11% will pay up to £1.36 more per week, 3% will pay £2.48 more per week with the remaining 5% paying between an additional £1.29 per week and £5 per week depending on the type of property they rent. These increases will be funded through Housing Benefit for eligible tenants.

The proposals in relation to service charges and charges for sheltered support (4.3.2 & 4.3.3 above) have been shared with the Voice of Involved Tenants Across Leeds (VITAL). VITAL's comments are included in as an Appendix to this report.

4.5 PFI Grant

The 2018/19 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 2017/18.

4.6 Internal Income

The 2018/19 budget for internal income is £840k higher than 2017/18. £314k of this is due to the administration fee from increased Right to Buy sales. The remainder is due to staff charges to various projects.

4.7 External Income

The increase of £4k from 2017/18 to 2018/19 is due to a number of minor variations which include inflationary increases on tenant's insurance and income from the placement of telecommunication masts upon multi-storey flats.

5. Key movements 2017/18 to 2018/19 - Expenditure

5.1 Employees

The 2018/19 budget for employees has increased by £1,162k. The largest element of this is broadly due to the pay offer. The National Employers' two year pay offer was made in December 2017. For 2018/19 this offer was for a 2% increase for spinal column points (SCP) 20 and above, with increases greater than 2% for SCP 6 to 19.

The budget within Property and Contracts (P&C) has increased by £182k. This is mostly due to the pay offer. The budget will 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 increased by £917k from the 17/18 Original Estimate. This reflects the pay offer, savings identified for one year in 2017/18 reintroduced to the staffing budget,

additional staff for the enhanced income team (funded through the Welfare Change reserve), additional staff for the ICT project (funded through capital programme) and Customer Relations staff moved from Housing Management to a central hub and recharged through internal services.

During the previous budget cycle, a phased implementation of the effects of the actuarial review of the West Yorkshire Pension Fund was agreed and the employer's superannuation contribution rate will increase from 15.60% in base budgets to 15.90% in 2018/19. This increase is estimated to cost £63k in 2018/19.

5.2 Repairs to dwellings

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

The premises budget reflects a net increase of £611k. The increase is primarily due to additional Fire Prevention Works of £455k via a cleaning agency recharge. This will fund; additional daily fire safety inspections on 27 blocks 7 days a week; the removal of bulky items identified in those inspections, a bookable service for bulky items, an evening/night time concierge pilot scheme in multi-storey properties, fire safety checks across 594 low rise properties and a fly tipping removals service. The increased cost of utilities of £76k have also led to an increase in the premises budget.

5.4 Supplies & Services- Payments to PFI contractor

The decrease in payments to the PFI contractors of £667k between 2017/18 and 2018/19 is consistent with the final PFI programme that was agreed and received at Executive Board.

5.5 Supplies & Services - Other

The budget reflects net decrease of £900k. This is largely as a result of an ongoing review of all areas of existing spend to deliver line by line savings. There has been a reduction of £194k in the cost of insurance. A technical accounting adjustment of £300k in relation to PFI has led to a reduction in this heading with a transfer to the PFI model in paragraph 5.4 above.

5.6 Charges for internal services

Horticultural Maintenance – The increase of £215k in the charges for 2018/19 is broadly due to the pay offer plus an analysis of the queries in relation to trees. Housing Leeds trees are in tenant gardens which are often close to the property. Problems associated with these trees are the subject of a considerable number of enquiries which will be more readily dealt with through this investment. It is proposed to increase the Forestry team's staffing resource

by £133k. This will be spent on inspecting the trees and dealing with them if required.

Community Safety – the increase of £193k relates to increased costs associated with the continual rollout of CCTV at multi storey flats, additional Out of Hours service costs due to the transfer of service from Customer Access – see below, plus pay inflation.

Housing Services – the increased charge of £213k reflects revised accounting arrangements whereby customer relation officers are now budgeted for in the General Fund with appropriate charges to the HRA.

Customer Access- The decrease of £84k is primarily due to the transfer of the Housing Out of Hours service to Community Safety, see above.

Support Services - the increase of £193k reflects the increased pension costs within support service recharges and the pay offer.

Corporate Governance/Other Services – the increase of £277k reflects the increase in resources devoted to the project management support to deliver housing related priorities, plus costs of the pay offer.

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

It is proposed that the Management Fee paid to BITMO in 2018/19 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 2% in line with the agreed pay offer. The maintenance element has been kept to 2017/18 levels. The total fee payable to BITMO for 2018/19 is £3,188k which is an increase of £26k from 2017/18.

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 the same level as 2017/18. An earmarked reserve was made available for HAPs projects in 2017/18. Any uncommitted funds from this reserve at the end of the financial year will be available in 2018/19.

Community Partnership funding, previously funded through general reserves, has proved to be successful. It is proposed that this £100k budget is now funded through base budget funding.

Payments to Leeds Credit Union and the Leeds Tenants Federation have remained in line with 2017/18.

5.8 Provisions

(a) Disrepair

Work has been a continuing to streamline the case management process and reduced the number of disrepair claims being submitted. This budget has seen considerable pressure during 2017/18.

The proactive approach taken in 2017/18 to limit the fees paid to legal firms will continue in 2018/19. This 'Fast-Track' approach has seen an average reduction of 57% paid to external legal firms representing those people submitting a claim and a 37% reduction in compensation payments compared to the previous system. However the pressure on this budget is recognised and therefore the contribution to the disrepair provision will be set at £1400k in 2018/19, an increase of £400k.

(b) Bad debts

The budgeted contribution to the bad debt provision will increase by £78k to reflect potential consequences of Universal Credit. The budget will therefore be £1,959k for 2018/19.

5.9 Council Tax on Empty Homes

A Provision of £687k has been included in the 2018/19 HRA budget to fund the requirement to pay council tax on empty homes. This is a decrease of £70k which reflects expenditure trends.

5.10 Discretionary Housing Payments

The Department for Communities and Local Government (CLG) has issued a direction allowing the Council to fund payments to its own tenants under the Discretionary Housing Payments (DHP) scheme. These payments are made to tenants facing a reduction in benefit and as a result of the Council making up this shortfall it enables the tenant to continue to reside in their own homes. The HRA budget for 2018/19 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 2017/18.

5.11 Capital charges

There has been a net decrease in capital charges of £628k which reflects a decrease in the costs of the borrowing requirement.

5.12 Revenue Contribution to Capital

The 2018/19 budget includes £65,502k to fund the housing capital programme/investment plan. This is £5,498k lower than the amount provided in 2017/18 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 £78.72m in 2018/19 and £81.720m in 2019/20.

5.13 Appropriation

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

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 2018/19 the contribution to the Sinking Fund has changed by £2,810k over 2017/18.

6. HRA Reserves

- 6.1 The HRA Reserves Statement which is attached at Appendix 2 reflects the projected movement in reserves between April 2018 and March 2019. 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 £6,531k at the end of 2018/19
- 6.3 £650k of the Welfare Change earmarked reserve is planned. This will fund additional staff to enhance the service to tenant, supporting them through the change from the current system to a system of universal credit.
- 6.4 Any balance at the end of 2017/18 on the Housing Advisory Panels earmarked reserve will be carried forward to 2018/19 to be used for the funding of projects which benefit tenants and residents in the community they represent.
- 6.5 The PFI Reserves will be used to fund the Swarcliffe and LLBH&H PFI schemes over the life of the contracts. In 2018/19 it is budgeted to use £1,752k of reserves for the two schemes.

7. Risks

There are a number of risks which, should they materialise would have a significant impact upon the 2018/19 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 2018.
- 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.

Directorate - Resources & Housing

	2018/19 £m	FTEs
Net managed budget 2017/18	72.88	
Adjustments		
Transfers of function	8.47	
Other adjustments	(0.09)	
Adjusted net managed budget	81.26	
Budget Pressures:		
Inflation		
Pay	4.26	
Price	1.01	
Income	(1.34)	
Employers Pension	0.31	
Capitalised Pensions	(0.26)	
Other		
Corporate Property Management -additional maintenance	0.50	
Armed Forces day	0.03	
Shared Services - harmonisation of staff grades	0.20	
HR Workforce development savings	0.30	
Digital Information Services (DIS) - New Vulnerability platform	0.08	
DIS corporate case management	0.10	
DIS Contribution to City working	0.12	3.00
Catering income	0.25	
Changing the Workplace - re-occupation of Merrion House	1.71	
Shortfall in Court Fee income	0.30	
Other Minor variations	(0.04)	
Total Pressures	7.53	3.00
Savings Proposals:		
Efficiencies		
Financial Services	(0.50)	(12.00)
PPPU	(0.20)	(4.20)
Strategy and Intelligence/Improvement	(0.13)	(3.90)
Housing related support - contract savings	(0.15)	
Legal & Democratic - deletion & reconfiguration of posts	(0.07)	(2.10)
Shared Services staff savings	(1.10)	(25.00)
Directorate wide turnover savings	(0.31)	(7.30)
HR turnover	(0.19)	(5.87)
HR - renewal of contracts/apprenticeship levy/training	(0.14)	
DIS efficiencies	(0.33)	
CEL savings	(0.19)	(4.00)
Voids - reduction in maintenance and security costs	(0.20)	
Reduction in external audit fees	(0.06)	
Service Changes		
ASC Better Lives savings	(0.20)	
Income - Fees & Charges		
Shared Services additional income	(0.35)	
HR additional income	(0.09)	
DIS - Charge application team costs to capital	(0.20)	
DIS additional income	(0.36)	
Strategic Housing Partnership & Support capitalisation	(0.09)	
Income - Traded Services, Partner Income		
LBS increased net return from additional work	(1.10)	109.00
CEL increased cleaning income	(0.04)	
CEL increased income/efficiencies following investment	(0.05)	
SECC/Strategy&Improvement - recharging for services	(0.08)	
Grants and Other Income		
New Grant funding	(1.96)	
New Grant funding spend	1.33	
Total Savings	(6.76)	44.63
Net Managed Budget 201819	82.03	47.63

Budget Heads	Original Estimate 2017/18 £000	Original Estimate 2018/19 £000	Variance £000
Income			
Dwelling Rents	(212,141)	(208,756)	3,385
Other Rents	(3,156)	(3,200)	(44)
Service Charges	(6,857)	(7,766)	(909)
PFI grant	(21,385)	(21,385)	(0)
Internal Income	(6,240)	(7,080)	(840)
External Income	(1,693)	(1,689)	4
Total Income	(251,472)	(249,876)	1,596
Expenditure			
Employees	26,241	27,403	1,162
Repairs to dwellings	43,548	43,548	(0)
Premises & repairs	7,268	7,879	611
Supplies & Services - Payments to PFI contractor	10,142	9,475	(667)
Supplies & Services - Other	4,840	3,940	(900)
Transport	409	414	5
Horticultural Maintenance	4,102	4,317	215
Environmental Services	4,429	4,447	18
Community Safety	3,366	3,559	193
Supporting People in their own homes	3,546	3,617	71
Supporting troubled families with council tenancies	1,197	1,236	39
Housing Services	4,007	4,220	213
Customer Access	5,702	5,618	(84)
Support Services	8,767	8,961	194
Welfare Advice and Support	300	300	0
Legal Services	891	922	31
Corporate Governance & Other Services	3,883	4,160	277
Payments to BITMO, Area Panels & Credit Union	4,186	3,738	(448)
Provisions			
- Disrepair	1,000	1,400	400
- Bad Debts	1,881	1,959	78
Council Tax on Empty Homes	757	687	(70)
Discretionary Housing Payments	500	500	0
Capital charges	45,105	44,477	(628)
Revenue Contribution to Capital (RCCO)	71,000	65,502	(5,498)
Total Expenditure	257,067	252,279	(4,788)
Appropriations			
General Reserve	(100)		100
Sinking Funds			
LLBH&H PFI	(1,467)	779	2,246
Swarcliffe PFI	(3,095)	(2,531)	564
Earmarked Reserves -			
Welfare Change	(474)	(650)	(176)
HAPs	(459)		459
Net (surplus)/deficit	0	0	0

Projected Financial Position on Reserves	Reserves b/f 1st April 2018	Projected use of Reserves	Projected cbn to Reserves	Projected Closing Reserves 31st March 2019
	£000	£000	£000	£000
HRA General Reserve	(6,531)	0	0	(6,531)
Earmarked Reserves				
Insurance - large claims	(137)	0	0	(137)
Welfare Change	(1,218)	650	0	(568)
Sheltered Housing	(3,238)	0	0	(3,238)
Holdsforth Place - land purchase	(64)	0	0	(64)
Early Leavers' Initiative	(408)	0	0	(408)
Sub-total Earmarked Reserves	(5,065)	650	0	(4,007)
Total	(11,596)	650	0	(10,538)
PFI Reserves				
Swarcliffe PFI sinking Fund	(7,414)	2,531	0	(4,883)
LLBH&H PFI Sinking Fund	(2,901)		(779)	(3,680)
Total PFI Reserves	(10,315)	2,531	(779)	(8,563)
Capital Reserve				
MRR (General)	(26,867)	(65,502)	65,502	(26,867)
MRR (New Build)	(3,155)			(3,155)
MRR (HRA RCCOs)	(3,003)			(3,003)
Total Capital Reserve	(33,025)	(65,502)	65,502	(33,025)
Grand Total	(54,936)	(62,321)	64,723	(52,126)

LEEDS CITY COUNCIL

2018/19 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 2018/19 financial year.

2 Service Context

- 2.1 Central accounts 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. Corporate budgets include the Council's capital financing costs and associated entries relating to the complexities of the capital accounting requirements. In addition, in accordance with accounting requirements, Central accounts includes those costs which are defined as the Corporate and Democratic Core. Other budgets within Central accounts include contributions to joint committees and levies.

3 Budget Proposals

- 3.1 This 2018/19 budget has been set at £8,287k Cr representing a net increase of £4,487k (35.1%) when compared to the adjusted budget for 2017/18. This net decrease comprises a number of pressures totalling £9,243k offset by savings of £10,552k and a reduction of £5,796k in the use of reserves, which are explained below.

3.2 Budget Adjustments and Transfers - £4,050k Cr

- 3.2.1 There have been a number of service transfers and other budget adjustments which are reflected in the 2018/19 budget. Of these, £5,550k relate to the impact of the removal of budgets for recharges and for the transfer of income relating to the PPPU.
- 3.2.2 Following a review of the Public Private Partnership Unit (PPPU), which provides project management and procurement support to directorates, a new operating model is to be adopted which disbands the current unit with resources being integrated into existing directorate teams. A significant level of this income will be primarily derived from recharges to capital projects and this will be allocated to City Development and Resources and Housing Directorates in 18/19.
- 3.2.3 In addition, a £1,500k grant budget relating to the Better Care Fund has been transferred to the Adults directorate budget.

3.3 Specific Grant Funding Changes - £2,189k

- 3.3.1 There has been a reduction of £2,114k in the expected level of New Homes Bonus grant to be received in 2018/19. This is due to the ongoing effect of changes which were made to the grant scheme in 2016/17, which reduced the number of years for which the grant is paid and introduced a growth baseline before any grant is paid.

- 3.3.2 A reduction of £75k has been recognised in the level of grant due to reimburse the council for debt costs from the former West Yorkshire Magistrates Court joint committee, for which the council was the lead authority. The reduction arises because the costs of some loans will have been fully reimbursed.

3.4 Increase in Debt costs – £4,276k

- 3.4.1 The budget for debt costs included a net £4,266k increase in external debt costs, reflecting new borrowing to fund the capital programme and expected rises in interest rates.
- 3.4.2 In addition there has been a decrease of £11k in the budgeted level of prudential borrowing charges to directorates.

3.5 Other budget pressures – £2,778k

- 3.5.1 Other budget pressures include the fall-out of £1m of one-off income relating to the Street Lighting PFI project which was included in the 2017/18 budget. A further reduction in income of £618k has been recognised in relation to repayments for up-front funding which the council provided to the Leeds City Region in 2014/15, as it is expected that the amounts will be fully repaid to the council by the end of 2017/18.
- 3.5.2 There has also been a reduction of £1,000k in the forecast level of S278 income which the council will be able to recognise in revenue as a result of developer funding of highways schemes.

3.6 Changes to levies and other contributions – decrease of £187k

- 3.6.1 Contributions to joint committees and other bodies have decreased by a net £187k. Within this figure, the contribution to the West Yorkshire Combined Authority has decreased by £290k, reflecting continued efficiencies. This decrease is partially offset by an increase of £71k in the council's contribution to the West Yorkshire Coroners Service, largely reflecting the outcome of the national review of coroners' pay. There has also been an increase of £12k in the contribution to the West Yorkshire Joint Services Committee, reflecting the expansion of its service to counter financial exploitation of vulnerable adults, net of continued efficiencies in the joint committee's other operations.
- 3.6.2 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			
	2017/18 £m	2018/19 £m	Variation £m %	
Joint Committees				
Joint Services	1.384	1.395	0.011	1%
Other Bodies				
Flood Defence Levy	0.37	0.39	0.02	5%
Combined Authority and Transport Fund	34.046	33.756	-0.29	-1%
Coroners	1.295	1.366	0.071	6%
Probation Service (Debt only)	0.006	0.006	0	0%

3.7 **Income – Impact of Business Rates pooling arrangements £8,609k Cr**

- 3.7.1 Following the Leeds City Region's success in being chosen to pilot 100% business rates retention, there are a number of changes to budgets to reflect the new arrangements for 2018/19.
- 3.7.2 The business rates levy budget of £1,739k has been removed, as this will no longer apply. Instead the council has budgeted to make £8,555k contributions to the new pool and £1,185k contributions to other authorities within the pool.
- 3.7.3 These additional contributions are more than outweighed by the additional grant income of £16,384k which the council has budgeted to receive for reimbursement of the costs of various business rate reliefs, and £224k of retained income relating to business rates from renewable energy schemes.

3.8 **Other efficiencies - £1,756k Cr**

- 3.8.1 The budget for 2018/19 includes an increase of £1,000k in the target for capitalisation of expenditure which would otherwise be charged to revenue budgets. This increased target reflects the levels achieved in 2016/17 and 2017/18.
- 3.8.2 The Strategic budget also includes a corporate target of £600k for savings arising from negotiating prompt payment discounts with suppliers of goods and services.
- 3.8.3 There is projected to be a reduction of £156k in the level of historic unfunded pension costs for 2018/19.

3.9 **Use of Reserves - £5,796k reduction**

- 3.9.1 The budget for 2018/19 includes a contribution of £1,756k to the General Fund reserve.
- 3.9.2 The planned use of earmarked reserves for 2018/19 has reduced by £4,040k in comparison to 2017/18. The reduction includes the removal of one-off budgets for the use of £3,100k of reserves in 2017/18, and a new budget of £750k to establish an Invest to Save reserve.

4 Risk Assessment

- 4.1 In determining the 2018/19 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 2018/19 budget for the Central Accounts are:
- 4.2 Budgeted position on MRP relies on the availability of £26.7m 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 2018/19. If rates are greater than forecast then the actual borrowing costs incurred could be greater.
- 4.4 There is a budget of £3.9m for the use of section 278 contributions. This is dependent on the authority receiving these contributions from developers.

Briefing note prepared by: Mary Hasnip (Principal Finance Manager)
Telephone: 3789384

Directorate - Strategic Central Accounts

	2018/19 £m	FTEs
Net managed budget 2017/18	(8.72)	
Adjustments		
Transfers of function	2.54	
Other adjustments	(6.59)	
Adjusted net managed budget	(12.77)	
Budget Pressures:		
Inflation	0.00	
Grant Fallout		
New Homes Bonus	2.11	
Other	0.07	
Debt costs		
Increases in external Debt costs	4.27	
Reduction in prudential borrowing recharges to directorates	0.01	
Other		
Fall out of one-off income from Street Lighting PFI renegotiation	1.00	
Projected reduction in Section 278 income to revenue	1.00	
Fall out of repayments for Leeds & Partners contract	0.62	
Other pressures	0.15	
Total Pressures	9.23	0.00
Savings Proposals:		
Efficiencies		
Increase in capitalisation	(1.00)	
Savings from prompt payment discounts	(0.60)	
Reduction in unfunded pension costs	(0.16)	
Other savings		
Levies and other contributions	(0.19)	
Income - Impact of Business Rates changes		
Contributions relating to new pooling arrangements	9.74	
Fall out of levy	(1.74)	
Increases in grants to fund reliefs	(16.38)	
Retained income from renewable energy	(0.22)	
Changes in use of reserves		
General reserve	1.76	
Change in use of earmarked reserves	4.04	
Total Savings	(4.75)	0.00
Net Managed Budget 2017/18	(8.29)	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. The provisional Local Government Finance Settlement for 2018/19 has extended these capital receipts flexibilities for a further three years.

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. The budget proposals do not assume that any specific level of additional capital receipts are set aside to resource similar transformational expenditure but if required they will be applied to fund ELI payments in 2018/2019.

Project Description	2016/17 £m	2017/18 £m	2018/19 £m
Restructure costs as part of Service & Policy Programme	2.8	2.2	0.8

- 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
Service & Policy Review Programme	(1.4)	(6.8)	(11.0)
Less: Financing costs	0.04	0.18	0.27
Total	(1.36)	(6.62)	(10.73)

- 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	Net Cost 17/18	OE 2018/19					Comments
			Directly Managed Expenditure	Total Income	Net Managed Budget	Relevant Overheads	Net Cost 18/19	
		£000	£000	£000	£000	£000	£000	
City Development	Sports Facilities	8,637	17,680	(14,437)	3,243	4,516	7,759	
City Development	Museums and Galleries	4,974	6,112	(1,739)	4,373	767	5,140	
Communities & Environment	Garden Waste collection	4,061	4,234	0	4,234	511	4,745	Includes additional Garden Rollout (excludes black bin disposal savings, approx £400k)
Children & Families	Children's Centres	2,212	12,388	(11,903)	485	2,218	2,703	18/19 budget strategy recognised £350k income shortfall and funding for the National Living wage of £60k. Assumes building depreciation of £360k
City Development	Arts and Venues	753	3,116	(3,093)	23	772	795	
Communities & Environment	Community Centres	748	1,470	(979)	491	221	712	
City Development	Events	578	1,095	(731)	364	225	589	
Communities & Environment	Bulky Waste	270	430	(210)	220	65	285	Direct costs based on allocation of staffing/vehicles. Excludes disposal costs.
Communities & Environment	Golf	249	484	(302)	182	73	255	
Communities & Environment	Major attractions - admissions & café/retail	291	4,477	(4,927)	(450)	672	222	Includes additional income from Attractions developments/pricing review
Communities & Environment	Bowling Greens	203	219	(46)	173	33	206	
Children & Families	0 - 19 Learning Improvement	829	1,865	(2,145)	(280)	280	(0)	18/19 budget recognises £700k School Improvement grant confirmed until end Aug '19 and reflects savings within Early Years Improvement.