

Report of the Chief Officer – Financial Services
Report to Council
Date: 27th February 2019

Agenda Item
6(i)

Subject: 2019/20 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 2019/20 financial year. The report sets out the framework for compiling the 2019/20 budget, taking into account the provisional Local Government Finance Settlement including piloting 75% business rate retention in 2019/20, the initial budget proposals that were agreed by the Executive Board in December 2018, 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 2019/20 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 2019/20 – 2020/21 refresh report which is on today's agenda).
3. The provisional Local Government Finance Settlement was announced on the 13th December 2018. The provisional settlement confirmed the reduction of £15.2m to the Council's settlement funding assessment which is in line with the multi-year funding settlement and the initial budget proposals. The final settlement, which was published on the 29th January 2019, is consistent with December's provisional settlement.
4. The 2019/20 budget proposals are set within the context of the 2019/20 – 2021/22 Medium Term Financial Strategy which was approved by the Executive Board in July 2018, the initial budget proposals which were received at

Executive Board in December 2018 and the final Local Government Finance Settlement which was published on the 29th January 2019.

5. The current 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 to avoid large scale compulsory redundancies. It is clear that the position is becoming increasingly challenging to manage and 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 12 of this report presents a summary update to the 2020/21 – 2021-22 medium-term financial strategy and the intention is to fully update this strategy for presentation to this Board in July 2019.
6. The headlines from the 2019/20 budget proposals, when compared to the 2018/19 budget, are as follows:
 - An increase in the Council's net revenue budget of £5.8m to £516.7m;
 - No revenue support grant from government: authorities piloting 75% business rates retention will forego revenue support grant and the value of the grant foregone is taken into account in setting the new business rates baseline, as was the case when piloting 100% retention in 2018/19;
 - An increase in business rates income of £5.9m, after this baseline adjustment;
 - A budgeted contribution of £4.5m to the Council's general reserve;
 - A reduction in the settlement funding assessment of £15.2m (7.7%);
 - An increase in council tax of 2.99% together with a further 1% in respect of the Adult Social Care precept and an increase in the council tax base, generating an additional £15.1m of local funding;
 - A combination of reduced core funding and cost pressures means that the Council will need to deliver £22.6m of savings by March 2020; and
 - A net increase in staffing of 3 full time equivalent posts.
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 of 1% from April 2019.
8. The Secretary of State announced through the Provisional Local Government Finance Settlement on the 13th December 2018 that Leeds City Council's application to pilot 75% business rates retention as an expanded North and West Yorkshire business rates pool had been successful. This means that Leeds City Council will go from retaining 100% retention of business rates growth in 2018/19 to 75% retention in 2019/20. The success of this bid safeguards an estimated £7.97m of funding for Leeds City Council. Overall the pilot brings additional funding to the Region of £29m of which £6m will be used by the pool to fund regional projects with the remaining growth being returned to member authorities.

Recommendations

1. As recommended by the Executive Board, this report asks Council to adopt the following resolutions:
 - i) That the revenue budget for 2019/20 totalling £516.7m be approved. This means that the Leeds element of the council tax for 2019/20 will increase by 2.99% plus the Adult Social Care precept of 1%. This excludes the police and fire precepts which will be incorporated into the report to be submitted to Council on the 27 February 2019.
 - ii) Grants totalling £65k 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 3.4% in dwelling rents in PFI areas.
 - A 3.3% increase in district heating charges.
 - That service charges for multi-story flats are increased by £0.75p per week.
 - That service charges for low/medium rise properties are increased by 3.3%.
 - That the charge for tenants who benefit from the sheltered support service currently paying £6 a week be increased to £8 per week.
 - That any overall increase to tenants in respect of rents, service and sheltered support charges are capped at £3.50 per week.
 - That an overall freeze is applied to any tenant who would have seen a weekly overall increase of less than £1 per week.

1. Purpose of report

- 1.1 This report sets out the Council's budget for 2019/20. It has been prepared in the context of the Council's initial budget proposals, which were agreed by the Executive Board in December 2018, the 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, this report seeks approval from Council that the revenue budget for 2019/20 be approved at £516.7m. This results in an increase of 3.99% in the Leeds element of council tax, which for a Band D property is an increase of £53.47 to £1,393.36 for 2019/20.

- 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 2019/20, 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 design summary will be produced to show how the 2019/20 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 continues to be very much dominated by the debate concerning the impact of the EU referendum and the strength and resilience of the national economy. Whilst Public Sector Current Expenditure (PSCE) is forecast to be higher in 2019/20 than was forecast in the Spring Statement in March 2018, this is mainly due to the additional £20bn of expenditure already announced for the NHS. The Office for Budget Responsibility (OBR) points out that although NHS spending will rise steadily over the forecast period, expenditure in other departments will remain broadly flat.
- 2.2. The OBR has revised its forecast for GDP growth in 2019 upwards from 1.3% to 1.6% due to, in the OBR's own words, the Autumn Budget "giveaway". Forecast growth in 2020 has also risen slightly from 1.3% in the Spring Statement to 1.4%, after which it returns to the levels forecast in March. This rate of growth remains historically low, with most observers before the financial crisis believing the UK economy could sustainably grow by 2.5% per year. There has been comment that this continues to be the result of low productivity growth, however the OBR has lowered its forecast on unemployment in 2019 from 4.5% in the Spring Statement to 3.7%, mainly because of its decision that the level of sustainable unemployment in the economy should be lowered from 4.5% to 4%.
- 2.3. Average earnings are expected to grow by 2.6% in 2018 as a whole, falling slightly to 2.5% in 2019 and rising to 2.8% in 2020. The forecast fall in 2019 reflects the impact of Government policy in the main, including the Apprentice Levy and continued pension auto-enrolment.

- 2.4. Having averaged 2.4% in the second quarter of 2018, CPI inflation is forecast to fall to 2.0% per annum in 2019 and 2020, higher than the 1.8% and 1.9% forecast at the Spring Budget in relation to these two years. The forecast fall in 2019 is due to the anticipated fading of the effect of higher oil prices and the anticipated result of policy measures.
- 2.5. All of these forecasts are based on there being a Brexit deal, and “a disorderly [Brexit] could have severe short-term implications for the economy, the exchange rate, asset prices and the public finances”¹. It is within this economic context that the Council’s revenue budget for 2019/20 needs to be considered.
- 2.6. The environment in which local government operates continues to be one which presents significant financial challenges to all local authorities including some areas of significant uncertainty after 2019/20 which is the period covered by the Council’s Medium Term Financial Strategy. The implications of the Government’s future spending plans with regard to Local Government and other areas of the public sector from 2020/21 onwards remain unknown and therefore it is unclear to what extent “austerity” will continue after 2019/20.
- 2.7. It is the Government’s intention to implement 75% business rate retention nationally in 2020/21. Whilst the Government has issued a consultation which focuses upon principles it is unclear what the implications of any proposed reforms would be upon Leeds City Council. Similarly the Government has launched its Fair funding Review of the methodology which determines current funding baselines which are based on an assessment of relative needs and resources which has not been refreshed since 2013/14. The outcome of this review won’t be known until the autumn of 2019 and will inform the level of resources available to support budgets from 2020/21 onwards.
- 2.8. Adding to the uncertainty is the delay in the publication of the Government’s Green paper on adult social care which will hopefully provide greater certainty around their future funding intentions for adult social care. Following the publication of the NHS Long Term Plan in January 2019 it is now understood that the Green Paper will be issued by April 2019.
- 2.9. **Autumn Budget 2018**
- 2.9.1. On the 29th October 2018, the Chancellor delivered his second Autumn Budget.
- 2.9.2. The key announcements in the 2018 Autumn Budget were:
- A one third cut in business rates for eligible retail businesses with rateable value under £51,000 for the next two years and a continuation of the £1,500 business rates discount for office space occupied by local newspapers in 2019/20. Public lavatories will receive 100% business rates relief. Local authorities will be fully compensated for the loss of business rates income as a result of each of these measures;

¹ OBR, Economic and Fiscal Outlook – October 2018, p7, para 1.12

- A range of measures to increase housing supply, including abolishing the cap on borrowing through the Housing Revenue Account (HRA) in England, lifting stamp duty for first time buyers of shared ownership properties worth less than £500,000, and increasing the Housing Infrastructure Fund, funded by the National Productivity Investment Fund (NPIF), by £500m to a total £5.5bn, unlocking up to 650,000 new homes. In addition, a simpler system of developer contributions will be introduced and a review into relaxing town planning rules to ease the conversion of under-used retail units will be held;
- £675m Future High Streets Fund will be made available between 2019/20 and 2023/24 to transform and redevelop high streets, including heritage-based regeneration, restoring historic high streets, reinstating shops and bringing buildings back into use;
- An additional £650m in 2019/20, £240m of this as a continuation of 2018/19 funding for adult social care winter pressures and the remaining £410m for adults and children's social care;
- £20m of additional funding will be allocated to support more local authorities to meet their air quality obligations and £10m has been made available between 2019/20 and 2022/23 for local community street trees and urban trees;
- An extra £3.5bn will be allocated to major local routes, which fall under the remit of local councils. Government will also make £150m of the NPIF available to local authorities for small improvement projects such as junctions and roundabouts to support projects across England that ease congestion on local routes;
- The National Living Wage will rise to £8.21 in April 2019, which represents an increase of 4.9%, the rate for 21 to 24 year olds will be £7.70 per hour, 18 to 20 year olds £6.15 per hour, 16 to 17 year olds £4.35 per hour and apprentices £3.90 per hour.

2.10. **2019/20 Final Local Government Financial Settlement**

2.10.1. The Secretary of State for Communities and Local Government presented a statement on the provisional Local Government Finance Settlement 2019/20 to the House of Commons on 13th December 2018. The Final Settlement, published on the 29th January 2019, confirmed the provisional settlement. The key headlines are:

- Confirmation of the multi-year settlement and the Settlement Funding Assessments;
- Councils will receive £1 billion (5.81%) less in the Settlement Funding Assessment to run local services in 2019/20 than last year. The SFA includes the adjustment for the business rates pilots;
- An increase of £1.3 billion (2.8%) nationally in Core Spending Power, Government's measure of the resources available to local government,

which includes SFA, Council Tax and New Homes Bonus (NHB), but excludes other specific grants such as Public Health and Education Services Grants. By the same measure the Core Spending Power for Leeds increases by 2.2%;

- With the exception of Northamptonshire County Council, all councils will again be able to raise general council tax by up to 2.99% in 2019/20 to fund local services without the need for a referendum;
- England's 152 social care authorities will again be able to increase council tax by up to a further 3% in total in 2019/20 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 2019/20 is 5.99%. Nationally, it is estimated that this 1% increase above the previously core council tax limit will raise an extra £247m from local taxation.
- Social care authorities will receive the third payment of additional funding for social care in the improved Better Care Fund announced in the 2015 Spending Review; this has risen to £1.8 billion in 2019/20;
- Confirmation of the additional social care funding announced in the Budget: £240m for Adult Social Care and £410m for Social Care, the latter having been newly incorporated into Core Spending Power;
- Announcement of the successful North and West Yorkshire bid to pilot 75% business rates retention, alongside 14 other bids. London councils will also be piloting 75% retention in 2019/20 and devolution areas who were awarded pilots in 2017/18 will continue to pilot 100% retention;
- New Homes Bonus will not be further reduced in 2019/20, contrary to speculation that this would happen. The final allocation of funding for 2018/19 and projection for 2019/20 remain largely in line with expectations;
- Police and Crime Commissioners will be given greater flexibility on council tax and will be able to raise their precept by up to £24 before triggering a referendum, currently £12;
- Assurance that a Green Paper on funding Social Care would be published 'soon', after a year's delay;
- Affecting rural authorities, the Rural Services Delivery Grant will be increased in 2019/20 by £16 million nationally, to maintain the 2018/19 level of funding at £81 million.

3. Developing the 2019/20 budget and Medium Term Financial Strategy with the refreshed 2019/20 – 2020/21 Best Council Plan.

- 3.1. Between the 2010/11 and 2018/19 budgets, the Council's core funding from Government has reduced by around £251m. Additionally the Council has faced significant demand-led cost pressures, especially within Adult Social Care and Children's Services. To date, 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, which has resulted in a reduction in head count of 3,300 or over 2,600 ftes since 2010.
- 3.2. Through targeting resources into preventative services the Council has ensured that the implications of demand and demographic pressures that have resulted in significant cost pressures in other local authorities have been contained within Leeds. Specifically within Housing Services, Leeds had just 61 households registered in temporary accommodation in 2017/18 and this compares favourably with Birmingham and Manchester who had 15,481 and 3,948 respectively. This is reflected in comparative levels of spend whereby Leeds spent £700k on temporary accommodation in 2017/18 whilst Birmingham and Manchester spent £23m and £21m respectively. Similarly since 2010 the rate per 10,000 of Children Looked After has reduced by 18.3% whilst the national average has increased by 12.7%.
- 3.3. In February 2018, Council approved the 2018/19 – 2020/21 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 2018/19 – 2020/21 Best Council Plan, an update of which is included elsewhere on this agenda: 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. Whilst this paper proposes a balanced and robust budget for 2019/20, the lack of clarity as to the Government's funding intentions beyond 2019/20 presents significant uncertainty and challenge to the Council's ambitions and its financial planning.
- 3.5. 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 2018/19 – 2020/21 Best Council Plan and 2018/19 budget reports to Council in February 2018, 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 directly provided services and those commissioned by the Local Authority, impacting upon staff, partners and service users. In order to deliver 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 2019/20

4.1. Settlement Funding Assessment – reduction of £15.2m

- 4.1.1. Settlement Funding Assessment is essentially the aggregate of government grant and business rate baseline funding for a local authority. As part of the 2016/17 financial settlement, Government offered councils a 4-year funding settlement for the period 2016/17 to 2019/20, which Executive Board agreed to accept in September 2016.
- 4.1.2. 2019/20 represents the final year of this 4-year funding offer, confirmed by DCLG in November 2016.
- 4.1.3. Table 1 below sets out the Council's Settlement Funding Assessment for 2019/20, which is in line with the multi-year settlement. This represents a reduction of £15.2m compared to 2018/19 which is equivalent to a 7.7% reduction. Nationally, the reduction in SFA between 2018/19 and 2019/20 totals £985m and represents a 5.8% decrease.

Table 1 – Settlement Funding Assessment

	2018/19	2019/20	Change	
	£m	£m	£m	%
Revenue Support Grant	0.0	0.0	0.0	0.0
Business Rates Baseline Funding	198.9	183.7	(15.2)	(7.7)
Settlement Funding Assessment	198.9	183.7	(15.2)	(7.7)

- 4.1.4. A key feature of the 100% retention pilot in 2018/19 and the 75% pilot in 2019/20 (see paragraph 4.2 below) is that an authority's Settlement Funding Assessment remains unchanged. However, authorities piloting greater 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 above, but the Business Rates Baseline Funding has been increased correspondingly in both years. In 2017/18 the Authority received £65m of Revenue Support Grant in the Settlement Funding Assessment.
- 4.1.5. The business rates element of the Settlement Funding Assessment is determined by taking the 2018/19 baseline business rates amount and uplifting it by inflation, this has then been adjusted to allow for the assumed move from 100% retention to 75% retention and the associated tariff payment due to Government. The business rates baseline continues to be uplifted by CPI,

rather than RPI, for which Local Authorities receive full compensation.

- 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

	2018/19	2019/20	Change
	£m	£m	£m
Formula Grant	154.49	138.70	(15.79)
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	15.03	13.74	(1.29)
Preventing homelessness	0.86	0.86	(0.00)
Lead local flood authority grant	0.24	0.24	0.01
Learning disability & health reform grant	11.26	11.47	0.21
Local welfare provision	2.59	2.59	0.00
Care act funding	4.98	6.62	1.65
Sustainable drainage systems	0.02	0.02	0.00
Carbon monoxide & fire alarm grant	0.00	0.00	0.00
Settlement Funding Assessment	198.88	183.66	(15.22)

4.2. Business Rates 75% Retention Pilot 2019/20

- 4.2.1. In July 2018, Government invited applications from local authorities to pilot 75% Business Rates Retention in 2019/20. These pilots are intended to help Government and the local government sector explore options for the design of future increased business rate retention.
- 4.2.2. Following discussion with members of the existing Leeds City Region Business Rates Pool and with North Yorkshire County and Districts, a joint 2019/20 application was submitted. The proposed North and West Yorkshire Business Rates Pool offered the opportunity to test 75% retention in a region made up of both unitary and two tier authorities, a total of 14 organisations.
- 4.2.3. At the Provisional Local Government Finance Settlement for 2019/20 the Secretary of State announced that our application to pilot 75% business rates retention as an expanded North & West Yorkshire business rates pool in 2019/20 had been successful.
- 4.2.4. These pilot schemes are for one year only and allow participating authorities to retain 75% of additional growth in business rates above the business rate baseline determined by Government. Government wants to see this additional growth income being used to promote financial stability and sustainability in pooled areas and being invested to encourage further growth.
- 4.2.5. As a consequence of this successful bid, the Secretary of State has revoked the designation of the Leeds City Region Pool and from the 31st March 2019 the

LCR Pool will cease to exist. Executive Board in December 2018 gave their agreement that Leeds becomes a member of the new North and West Yorkshire Business Rates Pool and acts as lead authority for it.

4.2.6. At its meeting of 13th February 2019, Executive Board agreed the formation of a new joint committee to oversee the North and West Yorkshire Business Rates Pool. This Joint Committee will comprise of the Leaders (or their nominees) of member Authorities making up the Pool.

4.2.7. The success of this bid safeguards an estimated £7.97m of funding included in the Council's Initial Budget Proposals, in which we assumed that the pilot would be successful. Overall, the pilot brings additional funding to the Region of £29m, of which £6m will be used by the pool to fund regional projects with the remaining growth being returned to member authorities to enhance their financial sustainability.

4.3. Business Rate Income

4.3.1. The total projected rateable value of businesses in Leeds is £931.13m which would generate gross business rates income of £457.18m. Further business rates growth anticipated in 2019/20 increases gross business rates collected to £462.51m. 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 £369.66m.

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

	£m
Rateable Value in Leeds projected to 31 December 2018	931.13
multiplied by business rates multiplier	0.491
Gross business rates based on projected rateable value	457.18
Estimated Growth	5.32
equals gross business rates to be collected in Leeds	462.51
less: -	
Uprated Mandatory Reliefs	-65.83
Uprated Discretionary Reliefs	-6.99
Transitional Adjustments (year 3)	5.72
equals net business rates paid by ratepayers	395.41
less adjustments for: -	
Bad debts and appeals	-16.95
Cost of collection	-1.22
Projected Enterprise Zone and renewable energy projects yield	-1.86
Transitional Adjustments repaid to Government	-5.72
equals non-domestic rating income in Leeds	369.66
Split into shares: -	
Leeds City Council (74%)	273.55
<i>West Yorkshire Fire Authority (1%)</i>	<i>3.70</i>
<i>Central Government (25%)</i>	<i>92.41</i>
less deductions from operation of business rates retention scheme: -	
Leeds City Council's tariff from Local Government Finance Settlement	-73.11
Leeds City Council's share of deficit from 2018-19	-0.61
Leeds City Council 's 2019-20 income from business rates	199.83

- 4.3.2. Under the 75% Business Rates Retention (BRR) scheme, Leeds City Council's projected share of this income is £273.55m (74%). The Authority then pays a tariff of £73.11m to Government because Leeds is assessed to generate more business rates income than it needs, and must also meet its share of the business rates deficit from 2018/19, a further £0.61m. This leaves net income of £199.83m which contributes to the Council's net revenue budget.
- 4.3.3. As shown above, business rates income is shared between local and central government. Under the 75% Business Rates Retention scheme local authorities experiencing business rates growth are able to retain 74% of that growth locally, but also bear 74% of the risk if business rates fall or fail to keep pace with inflation, although a safety-net mechanism is in place to limit losses in year.
- 4.3.4. In particular, BRR 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 2018 there were still around 1,470 outstanding appeals against the 2010 ratings list in Leeds.
- 4.3.5. A new rating list, primarily based on rental values in 2015, was introduced on 1st April 2017. This ratings 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. At the end of November 2018, the Council has received 1097 checks and challenges against the 2017 ratings list, with 207 of these remaining 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 £142.3m, at a cost to the Council's general fund of £73m. 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. On the 1st April 2019, we estimate we will hold a provision for total business rates appeals of £30.2m on our balance sheet. This is made up of £13.3 m for appeals against the 2010 list and £16.9m for appeals against the 2017 list. The 2019/20 budget proposals provide for an additional £1.0m contribution from the general fund to fund this provision as shown in Table 5.

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 and the threshold above which businesses pay the higher national business rates multiplier from £18,000 to £51,000. As a result an additional 3,300 small businesses in Leeds now pay no business rates at all and in total almost 12,000, about 40%, of business properties in Leeds will

pay no business rates in 2019/20. Whilst Small Business Rates Relief and other threshold changes reduce the business rates income available to Leeds, the Authority recovers 71.1% of this lost income through Government grant and a further proportion through ratepayers who pay rates based on the higher business rates multiplier. The overall 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, in 2019/20 Leeds will bear 74% of the cost of other mandatory business rate reliefs such as mandatory charity relief and empty rate relief, but has 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 for which the Council receives no compensation. In real terms mandatory charity relief alone has increased by almost 30%, from approximately £21.7m in 2012/13 to £28.0m in 2018/19, costing the Council an estimated £6.3m more in lost income under 100% retention in 2018/19.
- 4.4.3. In the Autumn Budget 2018 the Chancellor announced new business rates reliefs for small retail businesses, particularly focussing on the High Street. Eligible businesses with a rateable value of less than £51,000 are to receive a reduction in their liability for business rates of a third for the next two years, local newspaper offices will continue to receive a £1,500 reduction for a further year and those maintaining public lavatories are to receive 100% relief against any business rates. Local authorities will receive a government grant to compensate them for any resultant loss of income.
- 4.4.4. 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 was then extended for a further year to include 2018/19, whereas the other two reliefs have been provided for four years. These reliefs reduce business rates income by £0.34m in 2019/20, almost a third higher than the reduction that would have been experienced under 50% Business Rates Retention, but the Council will be fully compensated through government grant.
- 4.4.5. Of the £300m fund for local authorities to devise their own discount schemes to help businesses that faced large increases, Leeds will receive £0.388m in 2019/20. At its February 2018 meeting Executive Board agreed that the funding received in 2019/20 be used so that businesses which 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 2019/20 to the gross level of rates that would have been payable in 2017/18. This will benefit 112 childcare providers at a cost of around £0.32m.
- 4.4.6. This scheme enables the Council 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).

- 4.4.7. Further, Executive Board has agreed to offer a discount of £1,000 to independent pubs with a rateable value between £51,000 and £100,000 in 2019/20. In 2018/19 pubs in England received a £1,000 discount if their rateable value was below £100,000, fully funded by the Government, which ceases in 2019/20. The October 2018 Budget introduced a 33% discount for 2019/20 for retail properties with a rateable value under £51,000, also fully funded by the Government (as referenced in 4.4.3). This included those independent pubs which received a £1,000 discount in 2018/19, where their rateable value was below £51,000. However the proposed 33% discount will not be applicable in 2019/20 to independent pubs with a rateable value between £51,000 and £100,000. Introducing this discount for the year 2019/20 for the 40 pubs affected will cost approximately £0.04m.

4.5. **Business Rate 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 2019/20 will be £273.6m, as set out in Table 3 above. As per Table 4 below, the budget proposals recognise business rate growth above the baseline of £16.78m, a decrease of £6.78m from the 2018/19 budget. Whilst this is a significant decrease (28.8%), this is due to the move from 100% Business Rates Retention in 2018/19 to 75% Business Rates Retention in 2019/20.

Table 4 – Business Rates, Estimated Growth above the Baseline

	2018/19	2019/20	Change
	£m	£m	£m
Business rates local share	359.38	273.55	(85.83)
Less: business rates baseline	335.82	256.77	(79.05)
Growth above baseline	23.56	16.78	(6.78)

- 4.5.2. The £273.6m local share of business rates funding is then reduced by a £73.1m tariff payment and £0.6m deficit on the collection fund to give the £199.8m estimated business rates funding shown in Table 5 below.

Table 5 – Business Rates Retention 2018/19 & 2019/20

	2018/19 £m	2019/20 £m
Business rates baseline (including tariff)	198.9	183.7
Projected growth above the baseline to March	18.7	12.8
Estimated growth in the year	4.8	3.9
Total estimated growth	23.6	16.8
Estimated provision for appeals	(13.6)	(1.0)
Additional cost of transitional arrangements and provision for bad debts	0.3	0.3
Estimated year-end Collection Fund deficit (Leeds Share)	(13.3)	(0.6)
Estimated Business Rates Funding	209.1	199.8
Increase/(reduction) against the Business Rates baseline	10.2	16.2
Business Rates Retention - Additional General Fund Income		5.9

4.5.3. Comparing the £199.8m of business rates funding against the £183.7m business rates baseline produces a surplus of £16.2m which is a £5.9m net improvement against the budgeted surplus in the 2018/19 financial year. Contained within this £5.9m net improvement is a £12.7m improvement in the budgeted deficit (£0.6m in 2019/20 and £13.3m in 2018/19), releasing additional funding for frontline services.

4.6. Council Tax

4.6.1. The 2018/19 budget was supported by a 4.99% increase in the level of council tax, 2% 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 – 2018/19 Council Tax Levels including Police and Fire Precepts)

Core Cities	Band D £:p	West	
		Yorkshire Districts	Band D £:p
Nottingham	1,961.35	Kirklees	1,691.44
Bristol	1,891.10	Calderdale	1,671.41
Liverpool	1,856.69	Leeds	1,565.56
Newcastle	1,771.21	Wakefield	1,558.88
Sheffield	1,755.09	Bradford	1,556.98
Manchester	1,566.79		
Leeds	1,565.56		
Birmingham	1,502.61		

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 2019/20 budget recognises £4.2m (1.4%) of additional income from increases to the Council Tax base (3,154 band D equivalent properties) but also a decrease in the contribution from the collection fund of £1.4m (a budgeted £0.23m collection fund surplus in 2018/19 decreasing to an estimated deficit on the collection fund of £1.13m in 2019/20).
- 4.6.4. Under section 11B of the Local Government Finance Act 1992, since 1st April 2013 Leeds City Council has charged a 50% council tax premium on empty dwellings that have been unoccupied for more than two years. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, which received Royal Assent on 1st November 2018, permits councils to increase this premium on dwellings unoccupied for more than two years to 100% from 1st April 2019. Additionally the Act provides that from 2020 the maximum premium is 200% in respect of any dwelling where the empty period is at least 5 years and from 2021 300% in respect of any dwelling where the empty period is at least 10 years. A proposal to implement this additional premium for dwellings unoccupied for more than two years was agreed by Full Council as part of their approval of the Council Tax base in January 2019. The estimated change in the Council Tax base for these budget proposals assumes that this additional premium will be implemented.
- 4.6.5. In 2018/19 Government increased the limit of council tax increases up to but not including 3%, above which a Local Authority must seek approval through a local referendum. This same limit has been announced for 2019/20 and the Council Tax Report (to be received at Full Council later this month, along with this Budget Report) proposes that the core council tax is again increased by 2.99% in 2019/20.
- 4.6.6. In the 2017/18 Provisional Local Government Finance Settlement, the Secretary of State announced additional flexibility, permitting local authorities to increase council tax 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% but no more than 3% in any one year. This flexibility recognised demographic changes leading to growing demand for adult social care, and increased pressure on council budgets. These budget proposals include an increase of 1% in this regard, which would take our cumulative increase over the three year period to 6%.
- 4.6.7. Table 7 below sets out the estimated total council tax income in 2019/20, recognising the estimated increase in the council tax base and the £1.1m estimated deficit on the collection fund together with £3.1m of additional income generated from the Adult Social Care precept and the general increase in council tax. In total the level of Council Tax receivable by the Council in 2019/20 will increase by £15.1m when compared to that receivable in 2018/19.

Table 7 – Estimated Council Tax Income in 2019/20

	2018/19 Baseline £m	2019/20 Forecast £m
Previous year council tax funding	284.7	301.7
Change in tax base - increase / (decrease)	4.0	4.2
Increase in council tax level	8.6	9.1
Adult Social Care precept	5.7	3.1
Council Tax Funding before surplus/(deficit)	303.0	318.2
Surplus/(Deficit) 2017/18	1.5	
Surplus/(Deficit) 2018/19	0.2	0.2
Surplus/(Deficit) 2019/20		(1.1)
Change in collection fund contribution - increase/(decrease)	(1.3)	(1.4)
Total - Council Tax Funding	301.7	316.8
Increase from previous year		15.1

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 the Leeds overall reduction in the Settlement Funding Assessment, a reduction of 7.7% for 2019/20 from £70k to £65k. 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 2019/20 also reflect additional grant monies made available by Government specifically for adult social care. Together the precept, the Improved Better Care Fund grant and the “Autumn Budget” grant will be utilised to fund a range of adult social care pressures and priorities.

4.7.2. As discussed above in paragraph 4.6.6, it is proposed that the Leeds element of the council tax is increased by a 1% Adult Social Care precept in 2019/20.

4.7.3. In applying the Adult Social Care precept, Government requires Councils to certify that they have increased their council tax in order to fund adult social care services in 2019/20. Based on the return made to Government in respect of the 2018/19 budget, the 2019/20 budget proposals for Adults and Health are consistent with this requirement.

4.7.4. The Chancellor of the Exchequer announced in his Autumn budget that an additional £650m would be made available for Adults and Children’s Social Care in 2019/20. Of this £240m provides for the continuation of an additional

resource to address adult social care winter pressures, a similar sum to that provided in 2018/19, and the amount receivable by Leeds is £3.3m. This additional resource has to be accounted for within the Better Care Fund with spending priorities being agreed with Health partners.

- 4.7.5. Offsetting these additional resources is a reduction in both the Spring Budget monies, announced in the March 2017 budget, and the Adult Social Care Support Grant. The 'Spring Budget' monies targeted three areas: sustaining the care market, provision of social care and easing the pressures on local health services.
- 4.7.6. Table 8 below shows how the additional funding provided by the Better Care Fund, the "Autumn Budget" grant announcement and the proposed Adult Social Care council tax precept all combine to increase the spending power within adult social care.
- 4.7.7. 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 2019/20 will look. This is because the grant income and associated expenditure will net each other off in budget terms in each year that the grant is received. Moreover, the lack of recharges between Council services means that some costs properly attributable to Adult Social Care are not identified in the directorate's budget, but instead are budgeted elsewhere.
- 4.7.8. **Table 8 Adult Social Care "Spending Power"**

	2018/19	2019/20
	£m	£m
Base Budget (restated)	207.5	221.1
Spring Grant 17/18	(14.7)	
Spring Grant 18/19	9.4	(9.4)
Spring Grant 19/20		4.7
Improved Better Care Fund	11.1	10.1
ASC Support Grant 17/18	(3.3)	
ASC Support Grant 18/19	2.1	(2.1)
Autumn Budget 2018 2018/19	3.3	(3.3)
Autumn Budget 2018 2019/20		3.3
ASC Precept	5.7	3.1
	221.1	227.5
Movement in Adult Social Care "Spending Power"		6.4

4.8. The Net Revenue Budget 2019/20

- 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 £5.8m or 1.1% from £510.9m to £516.7m, as detailed in Table 9 below and at Annex 1.

Table 9 – Estimated Net Revenue Budget 2019/20 Compared to the 2018/19 Net Revenue Budget

	2018/19 £m	2019/20 £m	Change £m
Revenue Support Grant	0.0	0.0	0.0
Business Rates Baseline	198.9	183.7	(15.2)
Settlement Funding Assessment	198.9	183.7	(15.2)
Business Rates Growth	23.6	16.8	(6.8)
Business Rates Deficit	(13.3)	(0.6)	12.7
Council Tax (incl. Adult Social Care Precept)	301.5	318.0	16.4
Council Tax surplus/(deficit)	0.2	(1.1)	(1.4)
Net Revenue Budget	510.9	516.7	5.8

- 4.8.2. Table 10 below analyses this £5.8m estimated 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	2019/20 £m
Government Funding	
Settlement Funding Assessment	(15.2)
Sub-total Government Funding	(15.2)
Locally Determined Funding	
Council Tax (incl tax base growth)	15.1
Business Rates	5.9
Sub-total Locally Determined Funding	21.0
Increase/(decrease) in the Net Revenue Budget	5.8

5. Revenue Budget Proposals 2019/20

- 5.1. The submitted budget needs to be seen in the context of the Council's forecast financial position from 2020/21 onwards where there are significant areas of uncertainty in respect of both funding and spending assumptions. Specifically the Government's future spending plans for Local Government are uncertain

and the outcome of the Government's Fair Funding Review will have implications for the level of resources receivable by the Council. In addition further information is required around the future funding of both adult and children's social care.

- 5.2. It is against the background of uncertainty outlined in 5.1 that the proposed funding of PFI lifecycle costs through borrowing, as detailed in paragraph 6.25, needs to be viewed since this contributes towards addressing the estimated budget gaps for 2020/21 and 2021/22 that are set out in Section 12.
- 5.3. This section provides an overview of the changes in funding, primarily specific grants (paragraphs 5.5.2 to 5.5.10), and cost increases (paragraphs 6.1 to 6.29) which the Council is facing in 2019/20 and concludes with the savings proposals (paragraphs 7.1 to 7.11) to balance the 2019/20 budget to the estimated available resources.
- 5.4. Table 11 provides a high level of summary of these changes:

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

	£m
Funding	
Additional Net Revenue Charge	(5.8)
Other Non-Collection Fund Business Rates Movements	(4.2)
Increases in Specific Grant	(21.6)
Fall Out of Specific Grant	14.3
Change in Contribution to/(from) General Reserve	3.5
Change in Contribution to/(from) Earmarked Reserves	(5.1)
	<u>(18.9)</u>
Pressures	
Pressures - Pay Inflation	12.6
Pressures - General Inflation	15.4
Pressures - Other	12.8
Contingency	0.8
	<u>41.5</u>
 Funding and Cost Pressures	 22.6
	 £m
Planned Fallout of Grant-related Expenditure	(6.8)
Efficiencies	(8.1)
Changes to services	(0.1)
Income - fees & charges	(2.1)
Income - traded services, partner & other income	(4.0)
Other Income including Capital Receipts Flexibilities	(1.1)
Use of Section 106 balances	(0.5)
	<u>(22.6)</u>

5.5. **Decreases/(Increases) in Funding**

- 5.5.1. Changes in both the Settlement Funding Assessment (SFA) of £15.2m and local funding (£21.0m), a net increase of £5.8m, are detailed in sections 4.1.3, 4.5.2 and 4.6.7 respectively.
- 5.5.2. **Specific Grant Funding Changes- Adults and Health (£6.7m).** The 2015 Spending Review made available additional social care funds for local government for the period 2017 to 2020 to be included in an improved Better Care Fund. The forthcoming financial year, 2019/20, represents the final year for the receipt of this money, with Leeds receiving £10.1m. 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 £329m to be distributed in 2019/20 Leeds will receive £4.7m, and this represents the final year of the additional funding announced.
- 5.5.3. The one off Adult Social Care Support Grant of £2.1m, partly funded by changes in New Homes Bonus, and the 2018/19 Spring Budget Grant money of £9.4m will fall out of the base budget in 2019/20.
- 5.5.4. On 2nd October 2018 the Secretary of State for Health and Social Care announced £240m of additional funding for councils to spend on adult social care services to help councils alleviate winter pressures on the NHS in 2018/19. The amount allocated to Leeds is £3.3m. Subsequently, as referenced in paragraph 4.7.4, as part of the Chancellor's Autumn Budget a further allocation of £240m was announced for 2019/20 to enable councils to plan the winter funding over this two year period. This allocation was subsequently confirmed in the Provisional Local Government Financial settlement in December. This latter allocation, of which the Leeds share will amount to £3.3m, is required to be pooled into the Better Care Fund and reported on through the BCF. The Adult Social Care financial projections in 2018/19 already reflect a significant increase in the provision of and expenditure on Home Care services, over and above those planned in the Original Budget for 2018/19, reflecting the local focus on the 'Home First' policy in relation to transfer of care from hospital, and the Budget Proposals for 2019/20 include provision for this trend in increased Home Care to continue. In addition to this, additional spending plans are being finalised in 2018/19 for Adult Social Care Services to support the NHS this winter, including extra measures to support people in their own homes and avoid admissions to hospital. These plans are in the process of being finalised with our NHS partners, including the Acute Trust, in accordance with the grant determination requirements. As some provision had already been made within the overall projections of Adult Social Care Expenditure in 2018/19 for additional home care expenditure, this additional funding is likely to enable slippage in the budget to be carried forward into 2019/20. This will enable not only the additional Home Care requirements to be met in 2019/20, but also for the additional spending plans, currently being finalised, to be maintained for winter 2019/20, in accordance with the Government's requirements. In addition £0.2m of Advonet (advocacy support grant) is now receivable whereas previously it was assumed this would cease after 2018/2019.

- 5.5.5. 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 2019/20. Some of this reduction is offset by £0.4m of Public Health grant that had been carried forward on the balance sheet.
- 5.5.6. **Specific Grant Funding Changes – Children and Families Directorate (£3.4m).** The residual sum of the Partners in Practice grant will cease in 2019/20. This resource had been used to both trial new approaches to working with children and families and investing in and reforming preventative services in order to manage demand. The budget proposals provide for funding of £3.1m to enable these important services to continue. In addition there will be an additional £1.7m from the re-profiling of the Partners in Practice grant which is budgeted as a contribution to the Council's general reserve. In addition the School Improvement Monitoring and Brokerage Grant (£0.4m) is expected to cease after August 2019 and DfE SEN funding of £0.5m is also expected to fall out next year. The Chancellor's Autumn Budget in October 2018, and confirmed in the Provisional Local Government Finance settlement, announced £410m nationally which could be used for supporting social care , as referenced in paragraph 4.7.4. This budget submission assumes that Leeds's share of this £410m, £5.6m, is used to support Children's Services.
- 5.5.7. **Specific Grant Funding Changes – Communities and Environment Directorate £0.2m** The Housing Benefit Administration Subsidy and Local Council Tax Support Administration Subsidy grant budgets are expected to reduce by £0.3m reflecting the continuing reductions in the national quantum of funding allocated to local authorities. This reduction is partially offset by additional new burdens funding of £0.1m which is anticipated during 2019/20 to compensate local authorities for additional workstreams.
- 5.5.8. **Specific Grant Funding Changes – Resources and Housing Directorate £0.7m.** The Government have announced that the level of Flexible Homelessness Support Grant receivable will reduce by £0.7m in 2019/20. This grant, introduced in 2017/18, is designed to provide additional resources to local authorities to tackle homelessness and the level of allocation is based on homelessness prevention outcomes.
- 5.5.9. The Government have announced that £56.5m nationally will be made available to help Councils carry out Brexit preparations. Of this Leeds will receive £0.1m in both 2018/19 and 2019/20.
- 5.5.10. **Specific Grant Funding Changes – New Homes Bonus** Government introduced the New Homes Bonus (NHB) in 2011 to encourage housing growth: initially councils received grant for six years for each net additional property added to the tax base each year. This grant is funded by top slicing Revenue Support Grant. In 2016/17 Government made some changes, including gradually reducing the number of years that 'legacy payments' that are receivable from six to four years and imposing a 0.4% growth baseline on new allocations before any Bonus is paid. The £1.3m budget pressure in 2019/20 reflects the impact of these changes, particularly as payments relating to all of

the last four years are now subject to this 0.4% growth baseline. The budget in 2019/20 in respect of NHB reduces to £9.9m, based on the current rules, although the growth baseline relating to 2019/20 will not be announced until December 2019. The Government has indicated that NHB may be more fundamentally reformed beyond 2019/20.

5.5.11. **Other Non-Collection Fund Business Rates Movements**

Section 31 grants are allocated to local authorities to compensate them for changes made by Government to the business rates system. An authority's allocation depends on the level of business rates yield in that authority's area, the extent to which it awards certain reliefs and its share of any losses resulting from these. The 75% retention pilot will result in a reduction in business rates income as Leeds moves from 100% Retention in 2018/19 to 75% Retention in 2019/20. Consequently existing section 31 grant compensation is estimated to reduce by £5.0m in 2019/20, although this reduction is ameliorated by the introduction of new compensation amounting to £3.8m for a new relief to be given to small retail establishments and an additional £1.2m from a change in how the compensation for increases in the small business rate thresholds is calculated. The historic capping of business rates multipliers will continue to be compensated and although lower retention tends to reduce historic compensation, the Government will increase the rate of compensation to authorities by again capping the multiplier at CPI in 2019/20 instead of RPI. The net result is that compensation for under-indexing the multiplier is estimated to increase by £0.6m in 2019/20.

5.5.12. In addition to these movements in section 31 grant, there are two further impacts of a successful bid to pilot 75% retention. Firstly Leeds will be required to contribute £1.63m to the levy/safety net mechanism within the new North and West Yorkshire Pool. Secondly the Authority will make payments to and receive payments from the new Pool, a net gain of £5.37m to Leeds in 2019/20.

5.5.13. **Contributions from Earmarked Reserves** – the increase of £5.1m in the use of reserves to support the base budget includes the application of £2m of the Council's ELI Reserve and deletion of the £0.75m budgeted contribution to the Invest to Save reserve. It is also proposed that £1.0m is used from Adult Social Care earmarked reserves to support specific costs associated with Post 16 provision, that £0.3m is released from the CCG funded reserve for Health Inequalities and there is also a £1m contribution from Children and Families reserves to fund PFI payments. The budgeted contribution of £0.35m from the Wellbeing Reserve ceases in 2019/20. Other variations of £0.4m in respect of earmarked reserves reflect transfers from the Homelessness Reserve offset by contributions to reserves relating to Sustainable Energy and Air Quality and the capital reserve.

5.6. **Contributions to General Reserve**

The 2018/19 approved budget included a £1m contribution to the Council's general reserve. This budget submission assumes a further £1.8m increase in the budgeted contribution so that the contribution to the Council's general reserve in 2019/20 will be £2.8m. In addition the budget submission assumes

repayment of £1.7m released to the Children and Families Directorate from the general reserve in 2018/19 as a consequence of reprofiling of the receipt of Partners in Practice Grant by the DfE.

6. Cost Increases

6.1. Table 12 below summarises the projected cost increases in the 2019/20 budget.

6.2. **Table 12 Cost Increases**

	2019/20
	£m
Pay - Leeds City Council	12.2
Pay costs - commissioned services	7.0
Employer's LGPS contribution	0.9
Fall-out of capitalised pension costs	(0.5)
Inflation: General	5.8
Inflation: Electricity and Gas Tariffs	2.7
Demand and demography - Adult Social Care	2.1
Demand and demography - Children Looked After	1.5
Demand and demography - Other	0.4
Transforming Care Programme	2.2
Income pressures (including academisation)	2.7
Leeds 2023	1.5
Migration to Microsoft Cloud	0.8
Housing Benefit Overpayment income	0.4
West Yorkshire Regional Adoption	0.4
Managed Approach	0.2
Hostile Vehicle Mitigation Scheme	0.1
Legal Disbursements	0.5
Additional PFI Payment	1.0
Single Point of Contact (CCTV)	0.1
Reduction in levy payments to WYCA	(1.0)
Other Pressures	5.9
Contingency	0.8
Debt - external interest / Minimum Revenue Provision	(5.9)
Cost Increases	41.5

6.3. **Inflation** - the budget proposals include allowance for £28.0m of net inflation in 2019/20. This includes provision of £12.2m for a 2% pay award and for the costs of the Council's minimum pay rate (see paragraph 6.5 below). The budget proposals allow for inflation where there is a contractual commitment, but anticipate that the majority of other spending budgets are cash-limited. In order to eliminate fluctuations in energy prices and provide some certainty, the Council's current strategy is to forward buy up to 80% of its requirement prior to entering that month and purchasing the remainder on the market at the end of the month. The specific energy increases for gas and electricity (£2.7m) have been incorporated into these budget proposals after the implementation of this strategy and the additional provision is consistent with projected price increases for both metered and unmetered usage. 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 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 15.9% contribution in 2018/19 to 16.2% in 2019/20. This increase creates a pressure of £0.9m which has been incorporated into these budget proposals for 2019/20.
- 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 2015 the Living Wage Foundation announced a living wage of £8.25 per hour (outside London) and this was implemented by the Council in January 2017. The budget provides for further increases in the Leeds City Council minimum wage, which will now rise to £9.18 per hour for employees which is 18p above the Real Living wage rate of £9 per hour. Apprentices and new starters on the A1 spinal point will be paid at £9 per hour for the first year only.
- 6.6. **National Living Wage for commissioned services and the Ethical Care Charter** - in respect of services commissioned from external providers by both Adults and Health and Children and Families directorates, provision of £7.0m has been included and this is consistent with the national minimum wage assumptions for 2019/20.
- 6.7. Elements of the Ethical Care Charter, particularly in respect of better terms and conditions including improved rates of pay for care staff, have already been implemented. These budget proposals for 2019/20 will permit further developments in this area.
- 6.8. The increased costs associated both with paying our staff the Real Living Wage and ensuring that the services we commission pay their staff the national minimum wage have been resourced by the Council without the receipt of any additional funding from the Government.
- 6.9. 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 £0.5m.
- 6.10. The 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 2018 in the number of people aged 85-89 during 2019, 2020 and 2021 (2.9%, 3.6% and 2.6% respectively) resulting in additional costs for domiciliary care and placements. In addition, the Strategy reflects demographic growth for working age adults. In particular the Learning Disability demography is expected to grow by 0.3% (based on ONS data) over the period. It should be noted that the high cost increase in this area of service 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. A sum of £2.1m has been built in to deal with this demand and demographic growth.

- 6.11. Children and Families directorate continues to face **demographic and demand pressures** reflecting 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. The budget proposals provide £1.5m for the projected growth in the 0-19 population to increase the Children Looked After budget (£1.2m) and the transport budget (£0.3m).
- 6.12. Based on assumed housing growth, provision of £0.4m has been made for an additional refuse collection round and the increased disposal costs of waste to the RERF.
- 6.13. **Transforming Care** is a national NHS England programme designed to place people with learning difficulties and autism, currently based in a hospital setting, into the community with the right support and close to home. The net impact of this programme is anticipated to be £2.2m in 2019/20.
- 6.14. The budget proposals include £2.7m for a number of income variations. Specifically £0.8m provides for a reduction in the level of income receivable as a result of schools no longer buying in services at the level or of the type previously received and increasingly more of them buying back a pay as you go service. Whilst costs have reduced in the provision of these services there is still a need to provide statutory functions to protect the interests of the Council and its employees. Similarly a £0.1m reduction in income for the schools catering function reflects a reduction in activity levels. Other income variations include a reduction of £0.4m in partnership income within Children and Families which is receivable from other local authorities. Court fee income is projected to fall by £0.2m as a result of fewer prosecutions for non-payment of Council tax. A reduction in capital receipts programme for 2019/20 will reduce fee income by £0.6m and there is a £0.1m reduction in income receivable at sports centres which results from foster carers having free access to these facilities. Other variations of £0.5m largely relate to reduced income from medical waste, property searches and within the registrars function.
- 6.15. A report received at Executive Board in June 2018 set out the details of Leeds Cultural Strategy with the creation of a Trust being identified as the most appropriate model for the delivery of this strategy. In accordance with the decision of Executive Board an additional £1.5m is provided for Leeds 2023.
- 6.16. The Microsoft Enterprise Agreement is renewed every 3 years, it was last signed in September 2016 and this fixed all Microsoft product license prices for 3 years – over this period of time Microsoft have been applying annual price increases ranging from 15% to 22% to their licence price list - which Leeds has

been exempt from – however these price increases all impact on the 2019/20 budget as the Council will have to renegotiate renewal pricing effective from September 2019. Microsoft are encouraging organisations to move to cloud based services and this is reflected in the price model as they increase the cost of on premise services. In addition, the Council took a payment holiday on Microsoft Office which removed the costs of Office product software maintenance. Whilst this has delivered revenue savings in excess of £1m, the next renewal will require an upgrade of Office software versions thus re-introducing this cost into the base budget. The budget proposals include £0.8m to meet this cost pressure in 2019/20.

- 6.17. In recent years there has been a decline in the average value of Housing Benefit overpayments which the Council can recover and this is expected to be further impacted upon by the introduction of Universal Credit which is now live in Leeds. The net impact on the 2019/20 budget is estimated to be £0.4m.
- 6.18. One Adoption West Yorkshire was formed in response to the DfE's White Paper "Regionalising Adoption." As a result of fee increases for inter-agency placement rates Leeds City Council's contribution is required to increase by an additional £0.4m. This is a continuation of a pressure in 2018/19.
- 6.19. An additional £0.2m is proposed for the managed approach area in Holbeck. This will fund additional resources from West Yorkshire Police, who will match fund 50/50 with the Council, provide for all street cleansing requirements in the Managed Approach area and resources for enhanced intelligence and safeguarding.
- 6.20. An additional £0.1m is required for the new city centre Hostile Vehicle Mitigation Scheme which requires additional staffing resources to ensure that the CCTV will be manned for access 24 hours a day.
- 6.21. There is in place within both Children and Families Services and Legal Services a strict approval mechanism to control external legal spend but recognising the pressure in 2018/19, the budget for 2019/20 provides for an additional £0.5m which reflects the increase in external legal costs associated with some of the more complex children cases being dealt with by the Council.
- 6.22. The budget proposals assume a £1m one off contribution to Schools PFI funding in 2019/20. Following discussions with the DfE, they have confirmed that from 2020/21 onwards this additional payment would be baselined by the DfE in future years' School Block DSG settlements. The additional £1m will be distributed to PFI schools through an increase in their PFI Factor funding. This one off contribution will be met by a release from the PFI reserve.
- 6.23. Additional resources of £0.1m are required to implement the Single Point of Contact in respect of the Council's surveillance cameras to ensure that all CCTV systems across the Council are managed in line with the Surveillance Camera Commissioner recommendations and that the risk of data breaches is minimised.

- 6.24. Debt – The Council forecasts that the cost of external debt will increase by £5.1m, offset by an increase of £2m in prudential borrowing charges to directorates, reflecting the impact of invest to save schemes within the capital programme. Within the overall increase in debt costs £2.1m relates to funding the existing and new borrowing requirements of the capital programme. The additional costs reflects the full year effects of the 2018/19 capital programme, new 2019/20 capital programme borrowing requirements, increased forecast interest rate assumptions and a provision to secure fixed rate long term borrowing. The Council will continue to challenge scheme proposals to ensure that they are robust and deliver the Council’s priorities. It will also continue to monitor the markets to ensure that the exposure to interest rate risk is managed.
- 6.25. Offsetting the additional debt costs above is a proposal to fund PFI lifecycle costs through borrowing rather than by applying PFI grant to the capital programme. Prior to 2018/19 the council chose to fund its capital expenditure on lifecycle costs by applying an element of PFI grant to capital to fund them rather than treating them as funded by borrowing. From 2018/19, instead of applying PFI grant to capital, the Council will fund its PFI lifecycle costs by borrowing and will apply appropriate MRP charges, based on useful life of capital spend. In 2019/20 the benefit to the Council will be £9.0m. This change in the accounting for PFI lifecycle costs has been discussed with the council’s external auditors, Grant Thornton, and whilst confirmation is awaited, which in any event probably would not be final until the accounts are signed off, it is not anticipated that there will be any fundamental challenge to treatment of PFI lifecycle costs.
- 6.26. Clean Air Zone (CAZ) – The Council are under instruction from Government to formulate a plan to achieve compliance with air quality standards within the shortest possible timescales. Following a public consultation process, proposals for implementing a charging CAZ were approved at the Council’s Executive Board in October 2018. The commencement date of the CAZ go-live is the 6th January 2020. From this date the Council will be able to introduce a charge for any buses, coaches, HGVs and taxi and private hire vehicles that operate within the CAZ boundary and which do not meet pre-determined emission standards. Any year-end surplus (or deficit) which arises as a result of the CAZ will be transferred to an earmarked reserve. Balances held in this reserve are to be used to improve air quality and support the delivery and ambitions of the zone. As such there is not expected to be any impact on the 2019/20 budget.
- 6.27. The draft 2019/20 budget for the West Yorkshire Combined Authority (WYCA) includes a reduction of £0.3m in the levy when compared to 2018/19. In addition there is a rebate of £0.7m in the contribution to the West Yorkshire Transport Fund. In respect of the West Yorkshire Joint Services Committee (WYJSC) the contribution from Leeds will be consistent with contribution in 2018/19. The final determination as to how much Leeds will contribute to both WYCA and the WYJSC is subject to a separate approval process.

6.28. Contingency – the budget provides £0.8m in contingency, which will be subject to release by Executive Board.

6.29. **Other Pressures** - other budget pressures of £5.9m have been identified for 2019/20. These pressures include:

- Additional provision for property maintenance costs in Corporate Property Management £0.2m;
- Increased security costs of £0.1m at Community hubs across the city;
- An additional £0.3m for the West Indian Carnival to ensure that there is an appropriate level of budget provision for this event and that project support and event management is strengthened;
- Service charges and insurance costs for Merrion House requires an additional £0.2m;
- As previously agreed by Executive Board, to establish a team (£0.1m) to monitor compliance with the requirement for providers commissioned by Adult Social Care to pay their staff a wage that is consistent with either the Real Living Wage or the elements of the Ethical Care Charter that have been implemented.
- The continuation of level 2 and level 3 immigration advice for more complex cases requires a contribution of £0.1m;
- An increase in grant funding of £0.2m to Leeds Credit Union, details of which are contained in another report on this agenda;
- An increase of £0.2m provides for the operational and maintenance costs associated with the flood alleviation scheme;
- There is a £0.9m variation in income receivable within both Legal Services and the former PPPU;
- Other pressures total £3.6m of which £1.1m is in Adults and Health, £0.4m is within the Children & Families directorate, £0.3m in Communities & Environment, £0.4m in Resources & Housing directorate and £1.4m in Strategic & Central Accounts.

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

7. The Budget Gap – Savings Options - £22.6m

7.1. After taking into account the impact of the anticipated changes in funding of £18.3m and cost pressures of £40.9m outlined above, it is forecast that the council will need to generate savings, efficiencies and additional income to the order of £22.6m in 2019/20 to balance to the anticipated level of resources available.

7.2. Table 13 below summarises the proposed savings to balance the 2019/20 budget with additional detail in the sections below and in Appendix 8.

7.3. **Table 13 Proposals to Balance**

	£m
Planned Fallout of Grant-related Expenditure	(6.8)
Efficiencies	(8.1)
Changes to services	(0.1)
Income - fees & charges	(2.1)
Income - traded services, partner & other income	(4.0)
Other Income including Capital Receipts Flexibilities	(1.1)
Use of Section 106 balances	(0.5)
	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> (22.6)

7.4. Recognising the financial challenge detailed in the Medium Term Financial Strategy 2019/20 – 2021/22 received at Executive Board in July 2018, and in order to protect front line services as far as possible, especially those that provide support to the most vulnerable, the Council has embarked upon a number of cross cutting budget workstreams that will contribute towards bridging the estimated budget gaps. With regard to 2019/20, savings of £3.2m will be realised, largely through both the application of benchmarking to inform where cost efficiencies/additional income can be realised in Adults and Health and efficiencies realised through the digitalisation of processes across a number of different services. These budget workstream savings are included within Table 13 above.

7.5. **Planned fallout of grant-related expenditure £6.8m**

7.5.1. The proposed Adult Social Care budget incorporates a reduction of £4.7m and £2.1m in the level of income receivable from the 2018/2019 Spring budget money and 2018/19 Adult Social Care grant respectively. These reductions are being managed through a combination of ceasing to make a budgeted contribution to an earmarked reserve and the non-recurrence of expenditure attached to this short term funding.

7.6. **Efficiencies – savings of £8.1m**

7.6.1. 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.

7.6.2. Efficiency of the Council’s own operations remains important and we have reduced budgets in all areas of the Council and will continue to do so, whilst protecting frontline services and those for the most vulnerable. At the centre of this work is a ‘whole organisation’ cultural change programme coupled with

modernisation of the work environment creating the necessary conditions for fundamental organisational change and efficiency improvements.

- 7.6.3. Directorate reports in Appendix 8 provide the detail of a range of proposed efficiency savings across all directorates which total £8.1m in 2019/20. 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;
 - Closer working between services and across Directorates;
 - Realising savings by cash-limiting and reducing non-essential budgets;
 - Ongoing procurement and purchasing savings.

7.7. **Changes to Services – savings of £0.1m**

- 7.7.1. Appendix 8 sets out the detail of these service change proposals, which together target savings of £0.1m by March 2020.

7.8. **Fees & Charges – additional income of £2.1m**

- 7.8.1. 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.
- 7.8.2. The 2019/20 budget proposals continue to reflect these principles and assume a general increase in fees and charges of 3%, and Appendix 8 sets out detailed proposals around a number of fees, charges and subsidised services. Contained within these increases in charges is an inflationary uplift within bereavement services to cover an increase in costs associated with providing the service. If approved, in totality these proposed increases will generate an additional net £2.1m of income in 2019/20.

7.9. **Traded Services, partner income & other income – additional income of £4.0m**

- 7.9.1. Directorate reports at Appendix 8 provide details across directorates of a number of proposals that together would generate additional net income of £4.0m.

7.10. **Other Income - £0.6m**

- 7.10.1. Other income variations of £0.6m largely relate to increased charges to capital (£0.5m).

7.11. **Other Income-Flexible use of Capital Receipts - £0.5m**

- 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 assume that capital receipts are set aside to resource similar transformational expenditure in 2019/20.
- 7.11.2. In addition it is proposed to extend the use of capital receipts flexibilities through funding £0.5m of activities that are driving a digital approach to the delivery of more efficient public services. In accordance with the statutory guidance on the flexible use of capital receipts, full details of this expenditure are detailed in Appendix 9.
- 7.11.3. Using capital receipts in the manner described above will increase the estimated budget gaps for future years, since the pressure identified in the Medium Term Financial Strategy 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. **Use of Section 106 balances - £0.5m**

- 7.12.1. 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 consequence of a new development taking place.
- 7.12.2. At 1st April 2018 the Council had £32m 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 a further £0.5m of these balances held are used to support the 2019/20 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 future expenditure commitments that would previously have been funded through Section 106 balances.

7.13. Summary Budget By Directorate

- 7.13.1. Table 14 below shows the share of the council's net managed expenditure between directorates for 2018/19 and the proposed allocations for 2019/20 based on these budget proposals.

Table 14 – Comparison of Net Directorate Budgets 2018/19 to 2019/20 (% share)

	2018/19 (Restated) %	2019/20 Budget %
Adults & Health	40.4	39.3
Children & Families	23.5	23.2
City Development	6.3	6.8
Communities & Environment	14.5	15.0
Resources & Housing	15.3	15.7
Directorate Budgets	100.0	100.0

- 7.13.2. The revenue budget proposals would mean that whilst the Council's spend on Children and Families and Adult Social Care will decrease slightly from 63.9% of service budgets in 2018/19 to 62.5% in 2019/20, the spending power within Adult Social Care will increase as a result of targeted Government funding. The size of this overall share of the Council's resources continues to reflect the Council's priorities around supporting the most vulnerable across the city and therefore to prioritise spending in these areas.

8. Impact of proposals on employees

- 8.1. The Council has operated a voluntary retirement and severance scheme since 2010/11 which has already contributed significantly to 3,300 head count or over 2,600 ftes reduction in the workforce since April 2010.
- 8.2. The budget proposals outlined in this report provide for an estimated net increase of circa 3 FTEs by March 2020. In the context of the future staffing reductions that will be required to meet the estimated revised budget gap of £65.4m for 2020/21 and 2021/22, as set out in Section 12 of this report, the Council issued an updated S188 notice on 19th December 2018.
- 8.3. The Council remains committed to doing everything it can to try to avoid compulsory redundancies through natural turnover, continuing the voluntary early leaver scheme, staff flexibility, reviewing and reducing both agency and overtime spend and continuing the positive consultation and joint working with the trade unions.
- 8.4. Details of the movements in full time equivalents by directorate are shown in Table 15 below.

Table 15 – Estimated Movements in Full Time Equivalents

	2019/20 Budget		
	+	-	Net
Adults and Health	11	0	11
Children and Families	0	0	0
City Development	18	(5)	13
Communities and Environment	14	(14)	0
Resources and Housing	25	(66)	(41)
	68	(85)	(17)
HRA	26	(6)	20
	94	(91)	3

9. Breakdown of the 2019/20 budget

- 9.1. Annex 1 to this report provides a summary of the budget changes by directorate and in total.
- 9.2. Annex 2 provides a detailed analysis of the 2019/20 revenue budget at directorate level.

10. Reserves Strategy and General Reserve

- 10.1. 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.
- 10.2. 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.
- 10.3. 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.

- 10.4. The revenue budget proposals for 2019/20 assume a budgeted contribution of £2.8m to the general reserve and the level of general reserves at 31st March 2020, as set out in Table 16 below, is projected to be £34.1m. Due to the incidence of the receipt of the final payment of the Partners in Practice grant, which has been delayed until 2019/20 at the DfE's request, Executive Board in October 2018 agreed the release of £1.7m from the general reserve to support the revenue budget. Table 16 below reflects the release of this amount in 2018/19 with the subsequent re-imburement in 2019/20.

Table 16 - General Reserve

General Reserve	2018/19	2019/20
	£m	£m
Brought Forward 1st April	25.7	29.6
Change in Incidence of Receipt of Innovation Grant	(1.7)	1.7
Budgeted Contribution/(Use) in-year	1.0	2.8
Additional Contribution/(Use) in-year	4.6	
Carried Forward 31st March	29.6	34.1

- 10.5. 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 generally lower than those of other local authorities of a similar size. KPMG's Annual Audit letter for 2017/18 concluded that the "Authority had adequate arrangements in place regarding the management of its financial risks and potential impact on resource deployment."
- 10.6. 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.

11. Robustness of the Budget and the adequacy of reserves

- 11.1. The Local Government Act (Part II) 2003 places a requirement upon the Council's statutory 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.
- 11.2. In considering the robustness of any estimates, the following criteria need to be considered:

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

11.3. In coming to a view as to the robustness of the 2019/20 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 2018/19 have been recognised in preparing the 2019/20 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 2019/20 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 2019/20.
- 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 the level of provisions set aside for the impact of business rates appeals has reduced by £1.1m.
- Unlike the 2018/19 100% business rates pilot which included a 'no detriment' guarantee from Government which ensured that no pool of authorities would be worse off as a result of piloting 100% retention, the 2019/20 75% pilot contains no such guarantee from Government. Whilst the governance agreement for the North and West Yorkshire pilot guarantees that no member authority will be worse off as a result of piloting 75% retention funding to implement this will have to come from within the local authorities in the pool..
- 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.

11.4. In the context of the above, the Chief Officer – Finance considers the proposed budget for 2019/20 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 2019/20.
- 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 2019/20 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.

11.5. In making this statement as to the 2019/20 budget, given the uncertain but likely significant financial challenge facing the Council beyond 2019/20, it is clearly right and prudent that the Council takes the opportunity presented by this budget to bolster reserves.

12. Medium Term Financial Strategy update

12.1. At its meeting in July 2018 the Executive Board approved the 2019/20 - 2021/22 financial strategy. The agreed financial strategy identified a headline budget gap of £96.8m for the three year period up to March 2022. Of this £83.0m related to 2020/21 and 2021/22. 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.

12.2. In the context of both the Local Government Finance Settlement and other variations identified during the determination of the 2019/20 budget proposals, the financial projections for 2020/21 and 2021/22 have been refreshed to reflect the latest implications of these. In addition the revised position reflects assumed council tax increases of 1.99% in 2020/21 and 2021/22. 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.

12.3. The Government have stated their intention to move to 75% business rate retention in 2020/21. Given the uncertainty about how this will impact on local authority funding, 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 that there is no baseline gain. For calculating SFA a reduction of 3.6% is assumed (being approximately 50% of the average reduction in 2018/19 and 2019/20, i.e. a continuation of austerity albeit at a slower rate).

12.4. In the determination of the revised financial projections for both 2020/21 and 2021/22 the significant areas of uncertainty, compounded by Brexit, as to the Council's financial position in respect of both funding and spending assumptions needs to be recognised. Specifically the implications of the Government's future spending plans from 2020/21 onwards remain unclear, the implications of implementing 75% business rate retention nationally have yet to be finalised by Government, the outcome of the Government's own Fair Funding review won't

be known until the autumn of 2019 and the future funding of adult social care awaits the publication of the Green Paper in April 2019.

- 12.5. After taking account of revised funding assumptions outlined in 13.2 and 13.3 and the variation in pressures/savings that have been identified during the process for determining the 2019/20 budget proposals, the revised position for 2020/21 and 2021/22 are detailed in Table 17 below.

Table 17 – Indicative Estimate of Medium Term Financial Strategy Gap

	2020/21	2021/22
	£m	£m
July Executive Board	52.0	31.0
Revised Pressures since July 2018		
Pay	0.0	(0.8)
Energy Inflation	1.1	1.2
Debt	0.7	3.1
Other	1.1	1.8
	3.0	5.3
Effects of Proposals not in 19/20 Budget	1.0	0.0
Revised Savings	1.1	(0.3)
Changes to Funding	(10.4)	0.4
Treatment of PFI Lifecycle Costs	(9.5)	(8.2)
Revised Gap	37.2	28.2

- 12.6. As can be seen in the table above the estimated budget gap has reduced to £37.2m and £28.2m in 2020/21 and 2021/22 respectively. Following the approval of the 2019/20 budget the intention is to present a fully updated medium term financial strategy to the Executive Board at its meeting in July 2019.
- 12.7. The revised estimated budget gaps for 2020/21 and 2021/22, which are outlined in Table 17 above, now incorporate both the implications of the 2019/20 budget submission and any significant variations to the position detailed in the Council's medium term financial strategy.
- 12.8. The position set out above contains a number of assumptions for which updated information would alter the projected financial position outlined in Table 17. For instance the projected financial position assumes the continuation of austerity, however if it were to cease then the Council's position would improve by £6.6m and £6.4m in 2020/21 and 2021/22 respectively. Similarly notification of further improved Better Care funding for 2020/21 and 2021/22 would reduce the estimated budget gap for these respective years.

13. Housing Revenue Account

- 13.1. 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.
- 13.2. The determination of the 2019/20 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.
- 13.3. Details of the 2019/20 Housing Revenue Account can be found in Appendix 8.

14. Corporate Considerations

14.1. Consultation and Engagement

- 14.1.1. Following agreement of the Initial Budget Proposals by Executive Board, a public consultation exercise ran between 20th December 2017 and 20th January 2018. The consultation presented findings from last year along with a summary of the key budget proposals, and explored whether peoples priorities had changed.

The consultation was primarily carried out through an online survey (paper versions were also available), advertised on the website and social media, via email to partner organisations, Equality Hub members and the Citizens' Panel, and circulated to staff. The challenge of balancing the budget was also the theme for the Equality Assembly Conference in November, and a broad range of issues were raised.

- 14.1.2. A total of 1,241 surveys were completed, across a range of respondents from different age groups, ethnicities and genders, which generally represented the population of Leeds. Responses from younger (18-29) and BAME people were found to be slightly underrepresented, however statistically significant numbers were received from each group. In total, 94% of respondents said that they live in Leeds, almost half (49%) work in Leeds and around 1 in 7 (14%) said they work for Leeds City Council.
- 14.1.3. Participants were informed that last year the majority of respondents agreed we should balance the budget by reducing or cutting some services and increasing tax and charges, and asked whether these changes have affected them personally. In total, 1,087 comments were made by 957 people, of which the highest reported issues were:
- Increased Council Tax (163) – of which a quarter said they are noticeably worse off (42) and some said that they struggle to pay (19).

- New charges at recycling depots (88) – of which nearly half reported a noticeable or perceived increase in fly tipping (39).
- Roads and Highways (57) – most of which were about the general condition of roads.

14.1.4. Thinking about making efficiencies, participants were asked for suggestions on how we can save money. In total 638 comments were made from 541 people, of which the largest numbers referred to:

- More efficient work practices and staff arrangements (83), including some referring to a need for more collaborative working (16).
- Better use of contracts, procurement and spending (39).
- That tax and charges should be increased (37).

14.1.5. Participants were asked how much they agree or disagree with our approach for increasing Council Tax in 2019/20:

- Over 3 in 5 agreed with our approach (62%)
- Those that disagreed were asked why (498 comments from 427 people):
 - Over a quarter of comments said the increase is already too high or increasing beyond wages and inflation (131).
 - A quarter of comments were concerned with affordability (121), over half worrying about the impact on others (75) and the rest saying they will struggle to pay (46).
 - 1 in 5 comments were concerns around how we spend money (98), with most of these stating that further efficiencies can be made (60).

14.1.6. Participants were asked whether they think any of the services we provide should be ranked higher or lower than they were rated last year. In total, there were 1,225 suggestions from 649 people:

- Three quarters of comments were to suggest a service should be ranked higher (942), including:
 - Preventing and tackling homelessness (175)
 - Improving the environment and air quality (96)
 - Encouraging people to live a healthier lifestyle (81)
 - This was also the most suggested to be a ranked lower (40)
 - Helping people to live in good quality housing (80)

14.1.7. Participants were asked how much they agree or disagree with how we propose to spend the money we receive:

- Over three quarters said they agree with our proposed revenue budget (77%).
- A similar number agreed with our investment plans laid out in our capital programme (75%).

14.1.8. We also received 622 comments from 497 respondents around how we propose to spend money, which covered a range of services and themes, including:

- City Development, roads and transport (154) - of which half said to prioritise these (76). Some commented there have been poor decisions around

transport infrastructure (27) or that we should prioritise healthier/green transport initiatives (24).

- Housing (104) - of which two thirds said this is a priority (69).
- Adults and Health (46) - of which two thirds said we need to challenge or reduce spending (30)
- The Environment (38) – of which two thirds said this is a priority (24)

It is hoped that we will gain further insight from considering survey responses by different demographic groups, to identify their different values and service priorities. This could provide useful evidence to support future strategic planning

- 14.1.9. 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.

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

- 14.2.1. 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”.
- 14.2.2. 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.
- 14.2.3. Equality impact assessments will continue to be carried out on specific proposals in relation to implementing the Best Council Plan and Budget during 2019/20 through the Council’s decision making processes.
- 14.2.4. A joint equality assessment of the proposed budget 2019/20 and Best Council Plan 2019/20 – 2020/21 at a strategic level has been carried out and this is attached as Appendix 6.

14.3. **Council Policies and Best Council Plan**

- 14.3.1. The refreshed Best Council Plan 2019/20 – 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 by staffing and other resources.
- 14.3.2. The budget proposals will, if implemented, have implications for Council’s policy and governance and these are explained within the report.

14.3.3. 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.

14.4. **Resources and Value for Money**

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

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

14.5.1. This report has been produced in compliance with the Council's Budget and Policy Framework.

14.5.2. 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.

14.5.3. Details of the decisions that will required to be taken to deliver the budgeted assumptions contained in this document are included in Appendix 4.

14.5.4. 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 paragraph 16.1 are not subject to call in.

14.6. **Risk Management**

14.6.1. The Council's current and future financial position is subject to a number of risk management processes. Not addressing the 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.

14.6.2. Failure to address these issues will ultimately require the Council to consider even more difficult decisions that will have a far greater impact on front-line services including those that support the most vulnerable and thus on our Best Council Plan ambition to tackle poverty and reduce inequalities.

14.6.3. 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 will continue to be included in the in-year financial health reports brought to Executive Board.

- 14.6.4. In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required. Specific risks relating to some of the assumptions contained within these budget proposals are identified below.

Risks to Funding

- 14.6.5. The level of business rates appeals continues to be a risk. Whilst there is very limited scope for new appeals against the 2010 list and the Council has appropriate provision for these, there is very little information available on which to assess appeals against the 2017 list. Therefore income could be adversely affected both by appeals against the 2017 list and by business rate growth being less than assumed. This in turn would reduce the overall level of resources available to fund the services that the Council provides.
- 14.6.6. The level of council tax collected could be affected by either the increase in the Council tax base being less than assumed and/or collection rates being below budgeted assumptions.

Key risks to cost and income assumptions

- 14.6.7. Demographic and demand pressures, particularly in Adult Social Care and Children's Services, could be greater than anticipated.
- 14.6.8. The implementation of proposed savings and additional income realisation could be delayed. Equally, the level of savings generated and/or the level of additional income realised could be less than that assumed in this Budget report.
- 14.6.9. Inflation could be higher than that assumed in this report. In addition these budget proposals make a number of assumptions about the costs associated with managing the Council's debt. Currently the Council benefits from low interest rates but there is an anticipated upward movement in rates which, if greater than assumed in the budget proposals, will lead to a further increase in the costs associated with financing the Council's debt portfolio.
- 14.6.10. The Council's and City's economic and fiscal position is clearly impacted upon by the wider national economic context. The UK's withdrawal from the EU could potentially weaken the pound, increase inflation, reduce domestic and foreign direct investment and impact upon borrowing costs. Conversely the UK's exit from the EU could have the opposite effect upon the economy. What is also unclear is to what extent the UK's exit from the EU will impact upon the level of resources available to the Council and the level of demand for the services that it provides.
- 14.6.11. 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 and new risks and budget variations are contained in

the in-year financial health reports submitted to the Executive Board.

15. Conclusions

- 15.1. The Budget Proposals for 2019/20 reflect the Government's planned reductions in public sector funding as set out in the current Comprehensive Spending Review and assumptions around the level of resources available through Council Tax and Business Rates. They also take account of increasing costs from rising demands for services, inflation and cost pressures.
- 15.2. Based on the Government's multi-year settlement there will be a further reduction in the Settlement Funding Assessment for 2019/20 of £15.2m. This is offset by additional funding from business rates and council tax of £21.0m to give an increased net revenue budget of £516.7m in 2019/20. However, the budget proposals for 2019/20 set out in this report will still require savings and additional income of £22.6m to produce a balanced budget.
- 15.3. These budget proposals need to be seen in the context of a challenging economic outlook which, combined with the uncertainty around the implications of the UK's exit from the EU, could have the potential to impact on both the Council's resources and levels of demand for its services. Where it is possible to determine the financial implications of these they have been accommodated within the 2019/20 Budget Proposals.

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 2019/20 totalling £516.7m be approved. This means that the Leeds element of the council tax for 2019/20 will increase by 2.99% plus the Adult Social Care precept of 1%. This excludes the police and fire precepts which will be incorporated into the report to be submitted to Council on the 27 February 2019.
 - ii) Grants totalling £65k 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 3.4% in dwelling rents in PFI areas.
 - A 3.3% increase in district heating charges.
 - That service charges for multi-story flats are increased by £0.75p per week.

- That service charges for low/medium rise properties are increased by 3.3%.
- That the charge for tenants who benefit from the sheltered support service currently paying £6 a week be increased to £8 per week.
- That any overall increase to tenants in respect of rents, service and sheltered support charges are capped at £3.50 per week.
- That an overall freeze is applied to any tenant who would have seen a weekly increase of less than £1 per week.

17. Background documents²

None.

² The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

Statement of 2018/19 and 2019/20 budgets

Annex 2

Service	2018/19			2019/20		
	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	355	89	444	499	91	590
Access and Care	194,900	1,793	196,693	205,927	1,948	207,875
Service Transformation Team	1,301	123	1,424	1,493	160	1,653
Strategic Commissioning	(12,089)	1,456	(10,633)	(26,104)	1,426	(24,678)
Resources & Strategy	4,302	1,158	5,460	4,866	1,125	5,991
Provider services	18,427	2,402	20,829	19,273	2,981	22,254
Leeds Safeguarding Adults Board	184	22	206	226	25	251
Public Health	382	56	438	343	103	446
Pensions adjustment	0	(3,851)	(3,851)	0	(4,635)	(4,635)
	207,762	3,248	211,010	206,523	3,224	209,747
Children and Families						
Partnership and Health	18,022	14,374	32,396	18,253	16,230	34,483
Learning	3,437	892	4,329	4,894	1,081	5,975
Social Care	94,947	6,525	101,472	93,654	7,398	101,052
Resources and Strategy	5,121	(5,963)	(842)	4,948	(5,583)	(635)
Pensions adjustment	0	(1,120)	(1,120)	0	(2,591)	(2,591)
	121,527	14,708	136,235	121,749	16,535	138,284
City Development						
Planning and Sustainable Development	1,851	602	2,453	1,945	672	2,617
Economic Development	1,537	1,133	2,670	1,643	862	2,505
Asset Management & Regeneration	(1,423)	5,518	4,095	(3,242)	6,383	3,141
Employment & Skills	1,715	27	1,742	1,694	173	1,867
Highways and Transportation	14,859	38,385	53,244	17,115	41,950	59,065
Arts and Heritage	10,286	1,546	11,832	10,863	7,027	17,890
Sport and Active Recreation	4,573	3,980	8,553	5,139	4,062	9,201
Resources and Strategy	1,126	(518)	608	1,026	(332)	694
Markets and City Centre	(703)	125	(578)	(292)	123	(169)
Pensions adjustment	0	(5,405)	(5,405)	0	(6,277)	(6,277)
	33,821	45,393	79,214	35,891	54,643	90,534
Resources and Housing						
Strategy and Improvement	4,962	564	5,526	4,973	72	5,045
Finance	6,676	(554)	6,122	7,138	(466)	6,672
Human Resources	5,563	372	5,935	6,088	395	6,483
Digital and Information Services	19,590	6,908	26,498	20,328	7,662	27,990
Procurement & Commercial Services	1,522	18	1,540	1,324	66	1,390
Legal Services	2,759	259	3,018	2,895	339	3,234
Democratic Services	4,910	(4,816)	94	4,989	(4,999)	(10)
Leeds Building Services	(9,611)	3,084	(6,527)	(11,009)	3,322	(7,687)
Special Contracts & Secc	6,083	42	6,125	6,083	44	6,127
Strategic Housing Partnership	2,445	9,200	11,645	1,091	1,406	2,497
Corporate Property Management	5,831	257	6,088	6,170	404	6,574
Shared Services	19,384	1,996	21,380	19,189	2,097	21,286
Commercial Services	3,202	3,600	6,802	4,381	5,692	10,073
Facilities Management	7,570	913	8,483	8,244	1,845	10,089
Sustainable Energy and Air Quality	1,046	132	1,178	332	459	791
Pensions adjustment	0	(11,919)	(11,919)	0	(13,379)	(13,379)
	81,932	10,056	91,988	82,216	4,959	87,175
Communities and Environment						
Communities	4,979	294	5,273	5,356	1,202	6,558
Customer Access	19,477	2,304	21,781	20,012	2,390	22,402
Elections, Licensing and Registration	753	291	1,044	820	387	1,207
Welfare and Benefits	3,874	542	4,416	4,527	547	5,074
Car Parking Services	(8,232)	872	(7,360)	(8,280)	885	(7,395)
Community Safety	2,170	518	2,688	2,392	641	3,033
Waste Management	33,801	1,874	35,675	35,044	1,306	36,350
Parks & Countryside	7,034	3,684	10,718	7,268	3,894	11,162
Environmental Action - City Centre	1,584	150	1,734	1,652	167	1,819
Environmental Health	1,492	2	1,494	1,594	42	1,636
Cleaner Neighbourhood Team	7,946	2,961	10,907	8,186	2,995	11,181
Pensions adjustment	0	(6,945)	(6,945)	0	(7,810)	(7,810)
	74,878	6,547	81,425	78,571	6,646	85,217
Strategic and Central Accounts						
Strategic and Central accounts	(10,042)	(52,501)	(62,543)	(12,758)	(61,248)	(74,006)
Pensions adjustment	0	(27,451)	(27,451)	0	(24,759)	(24,759)
	(10,042)	(79,952)	(89,994)	(12,758)	(86,007)	(98,765)
NET COST OF CITY COUNCIL SERVICES	509,878	0	509,878	512,192	0	512,192
Contribution to/(from) General Fund Reserves	1,006	0	1,006	4,485	0	4,485
NET REVENUE CHARGE	510,884	0	510,884	516,677	0	516,677

Initial Budget Proposals 2019/20

- Consultation Report

Consultation held December 2018 - January 2019

Contents

1. Introduction and approach.....	2
2. Analysis of respondents	2
3. Executive summary	3
4. The impact of last year’s spending decisions	5
5. Delivering our services more efficiently.....	6
6. Council Tax.....	9
6.1 Comments from those that disagree with the council tax increase	9
7. Priorities for the city of Leeds.....	11
7.1 Comments suggesting a service should be a higher priority	12
7.2 Comments suggested a service should be a lower priority	13
8. Our approach to spending the money we receive.....	13
8.1 Comments around our approach to spending the money we receive.....	15
Appendix 2. Questionnaire.....	17

1 . Introduction and approach

Public consultation on the council's Initial Budget Proposal (IBP) for 2019/20 took place between the 20th December 2018 and 20th January 2019, through an online survey, with paper versions available on request. The full IBP can be viewed in the [public reports pack](#) for the 19th December 2018 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 previous budget consultation (2018/19) comprehensively explored people's views on how we should fund services and which should be prioritised. Rather than repeat this process, since the financial challenges and strategic direction of the council remain similar to last year, the consultation instead presented findings from last year along with a summary of the key points from the IBP, and explored whether peoples priorities had changed.

The consultation was primarily carried out through an online survey, advertised through a number of channels including the website and social media, emails to partner organisations and members of the Equality Hubs, and to staff via InSite and Essentials. Members of the Citizen's 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 of younger people (bringing in 70% of all responses from this group).

Many of the questions in the survey invited participants to provide comments or suggestions. For the purpose of analysis these have been coded to reflect dominant themes, with the larger groups coded into sub-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.

2. Analysis of respondents

A total of 1,241 responses were received from a range of respondents from different demographic groups, of which 1,053 (85%) were completed online and 188 (15%) were from the postal paper survey. Well over half of surveys were completed by members of the LCC Citizen's Panel (58%), and more than 1 in 5 of the remainder (113 in total) were attracted by paid advertising on social media.

The responses were found to be generally representative of the demographic breakdown of the population of Leeds, as shown below in Table 1. Comparison of respondents to Census 2011 which compares against the 2011 Census (aged 18 and over only – no respondents were below aged 18). Responses from younger (18-29) and BAME people were found to be slightly underrepresented, however statistically significant numbers were received from each group. 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	10%	27%	Residents of Leeds, aged 18 and over only
	30 - 44	22%	26%	
	45 - 64	39%	29%	
	65+	29%	18%	
Gender	Female	46%	52%	
	Male	54%	48%	
Ethnicity	BAME*	9%	17%	
	White: British	91%	83%	
Disability	No	85%	92%	All Leeds Residents - day to day activities limited a lot
	Yes	15%	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 +/-2.8% (with 95% confidence).

In total, 94% of respondents said that they live in Leeds, with a similar proportion giving an 'LS' postcode. Almost half (49%) work in Leeds and 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

Participants were informed that last year the majority of respondents agreed we should balance the budget by reducing or cutting some services and increasing tax and charges, and asked whether these changes have affected them personally. In total, 646 comments were made by 507 people, of which the highest reported issues were:

- Increased council tax (163) – of which a quarter said they are noticeably worse off (42) and some said that they struggle to pay (19).
- New charges at recycling depots (88) – of which nearly half reported a noticeable or perceived increase in flytipping (39).
- Roads and Highways (57) – most of which were about the need for road maintenance.

Thinking about making efficiencies, participants were asked for suggestions on how we can save money. In total 635 comments were made from 541 people, of which the largest numbers referred to:

- More efficient work practices and staff arrangements (85), including some referring to a need for more collaborative working (16).
- Reduce staff, management and salaries (67).
- That council tax and charges should be increased (52).

Participants were asked how much they agree or disagree with our approach for increasing Council Tax in 2019/20:

- Over 3 in 5 agreed with our approach (62%)
 - Young people and BAME people were more likely to disagree
- Those that disagreed were asked why (498 comments from 427 people):
 - Over a quarter of comments said the amount is already too high or increasing beyond wages and inflation (131).
 - A quarter of comments were concerned with affordability (121), over half worrying about the impact on others (75) and the rest saying they will struggle to pay (46).
 - 1 in 5 comments were concerns around how we spend money (98), with most of these stating that further efficiencies can be made (60).

Respondents to the consultation last year suggested a ranking for the services that matter most to the city of Leeds and the people that live, work and visit. This year we asked whether any of these services should be ranked higher or lower than last year. In total, there were 1,225 suggestions from 649 people:

- Three quarters of comments were to suggest a service should be ranked higher (942), including:
 - Preventing and tackling homelessness (175)
 - Improving the environment and air quality (96)
 - Encouraging people to live a healthier lifestyle (81)
 - This was also the most suggested to be ranked lower (40)
 - Helping people to live in good quality housing (80)

Participants were asked how much they agree or disagree with how we propose to spend the money we receive:

- Over three quarters said they agree with our proposed revenue budget (77%).
 - Young people and BAME people were more likely to disagree.
 - LCC Employees were more likely to say they agree.
- A similar number agreed with our investment plans laid out in our capital programme (75%).
 - Younger people, especially those aged between 30-44, and BAME respondents were more likely to say they disagree.
 - LCC Employees were more likely to say they agree.

We also received 621 comments from 497 respondents around how we propose to spend money, which covered a range of services and themes, including:

- City Development, roads and transport (154) - of which half said to prioritise these (76). Some commented there have been poor decisions around transport infrastructure (27) or that we should prioritise healthier/green transport initiatives (24).
- Housing (104) - of which two thirds said this is a priority (69).
- Adults and Health (46) - of which two thirds said we need to challenge or reduce spending (30).
- The Environment (43) – of which over half said this is a priority (24).

4. The impact of last year's spending decisions

Participants were informed that last year the majority of respondents agreed that we should balance the budget by reducing or cutting at least some services, and by increasing tax and charges, and that following the consultation we went ahead and increased some fees and charges and changed some services to target them at the people with most need.

They were then asked how any changes we've made to the way we deliver services in the last 12 months, including new or increased charges, have affected them personally. In total there were 646 comments from 507 respondents. These have been grouped into principal themes, with sub-themes also detailed, and examples provided in Table 2 below.

The largest numbers of responses related to the impact of the council tax increase, with the next largest group new and increased charges for using recycling and household waste sites.

Table 2. Comments around the effect of changes to services and charges in the last 12 months.

Theme of Comment	Count	Example Comments
Council tax increase	163	
Generally affected by	80	"Increased council tax, otherwise little impact." "Wages are simply not growing at the same rate as inflation. That coupled with increased bills (council tax) means there is less money to actually live!" "The council tax increase is crippling - I'm struggling as a single, self-employed person on a low income."
Worse off	42	
Cannot afford	19	
Affected but can afford	11	
Too much	11	
Recycling and household waste	90	
Unhappy with charges	49	"The introduction of charging at recycling centres for certain items was unexpected and unwelcome." "Locally fly tipping has increased on the roads surrounding where we live. I'm sure this is as a result of the charge now being made at the local waste tip for some materials, especially building related waste"
Visual increase in fly tipping	24	
Perceived increase in Fly tipping	15	
Condition of highways	57	
General condition	55	"Increase in the poor maintenance of roads; crumbling surfaces and potholes damaging my car."
Gritting	2	
Environmental impact	39	
Litter/street cleaning	24	"The Estate is a constant mess mostly due to the recycling areas which are not policed, meaning that litter is scattered around the estate by birds and animals and the weather. Over the holiday period the area has been inaccessible due to dumping of Cardboard boxes and house clearance waste." "Just slightly gradual change. The park opposite isn't being kept as well-branches falling off trees and left for a while. The state of paths are in decline."
Parks & open spaces	7	
Other	7	

Social Care	38	
Reduction / lack of Services	23	"The waiting times for social care have increased. We're on a waiting list for mental health services. We had to fight for post 16 transport to be continued for disabled children. My daughter can't access all of her EHCP due to cuts in budgets. We can't get more social care support even though we have the allocation due to lack of capacity in the system. "Not really noticed any new hardships personally except my husband's private care home fees."
Charges	11	
Other	4	
Personal income	34	
General cost of Living	15	"It's been a very difficult year financially. Everything has gone up apart from wages." "Increased charges has had an effect on my household personally and a greater effect on those who I care for and support with reduction of services" "Less money left for food and clothing, making people with low income more poor"
Less money due to charges	11	
Cannot afford/worried	8	
Other themes	225	
Unhappy with council spending / policy	33	"The Council spent huge amount of money to upgrade your office accommodations e.g. Morrison Centre, etc. and now ask people to pay the bill. Is it fair?"
Parking charges	27	"Parking charges in Leeds town centre has stopped us shopping in town, we now go to outlet places that do not charge. Also the cost of leisure services are too expensive. eg Swimming, Classes."
Refuse collection	26	"Bins seem to be missed regularly and I don't think it is by accident."
Policing / ASB	16	
Public transport	12	
Leisure centre charges	11	
Schools	11	
Customer Services	12	
Public libraries	11	
Housing/ homelessness	7	
Other	59	

5. Delivering our services more efficiently

The consultation informed respondents that reduced funding and additional cost pressures mean the council needs to make further savings of £24.3m to balance the budget for 2019/20. Proposals to meet this gap, including £16m through efficiencies, were shown in the questionnaire. Participants were then asked for any comments and suggestions on how we can deliver services differently to save money.

In total 635 comments were made from 541 people. The comments have been grouped into principal themes, with sub-themes also detailed, and examples provided in Table 3 below.

The highest number of comments referred to more efficient working practices and staffing arrangements, followed by reducing staff numbers, management and salaries.

Table 3. Comments around how we can deliver services differently to save money.

Theme of comment	Count	Examples
More efficient working practices and staffing arrangements	85	
General	19	<i>General</i>
Collaborative working and co-operation	18	"There are always savings to be made by reviewing back office operations."
Unnecessary waste and duplication	16	<i>Collaborative working and co-operation</i>
Staff training, support and supervision	11	"Ensure that different parts of the council work with each other and not against each other. I'm a retired council worker, and in my experience council departments often seemed to compete or undermine one another instead of working together."
More intelligent, commercial approach	6	<i>Unnecessary waste and duplication</i>
Flexible Working Patterns	5	"Reduction in waste is important. However savings should not impact in ways that increase costs or make life more difficult for business and general public."
Contractors appear overstaffed	4	
Better use of Council buildings	3	"There sometimes seems to be duplication of effort between Council departments."
Reduce agency workers	3	
Reduce staff numbers, management and salaries	67	
Reduce non-productive staff	16	<i>Reduce non-productive staff</i>
General	15	"Don't cut the jobs that are needed, cut those that get paid to do very little."
Too many managers	12	<i>Too many managers</i>
Pay cut for high earners	11	"Take a serious look at managers pay. Assess whether all staff at management level are actually required, especially where managers are in place due to historic rather than current requirements."
Remove high paid positions	6	
Monitor staff performance	5	
No pay rise for high earners	2	
Increase council tax and other charges	52	
Increase Charges (non specific)	21	<i>Increase charges (non specific)</i>
Council Tax Increase	15	"Charge more taxes/fees for services provided to residents to raise the income especially services to big businesses, large houses in nice areas etc"
Charge for waste collection	4	
Congestion charge	3	<i>Council Tax Increase</i>
Tax according to income	3	"I believe we should pay more tax to pay for services and not make cuts"
Other	6	
Better use of contracts, procurement and spending	39	
Procurement process not best value for money	16	<i>Procurement process not best value for money</i>
Better contract management/supervision	9	"The Council approved providers list are always so expensive. When I worked there we couldn't just buy a light bulb or find a competitive price for an office repair but had to use approved providers that were much more expensive."
Use local/smaller suppliers	8	"Try for better deals with contractors who work for the council"
Use of FMS and P Cards	2	<i>Better contract management/supervision</i>
Procurement process not cost effective	2	"... I would urge the council to look very closely at any contracts it has with any private sector suppliers in order to ensure that these are cost-effective and have appropriate sanctions for poor performance. There is no suggestion here that the council is not already doing this."
Unhappy with contractors	2	

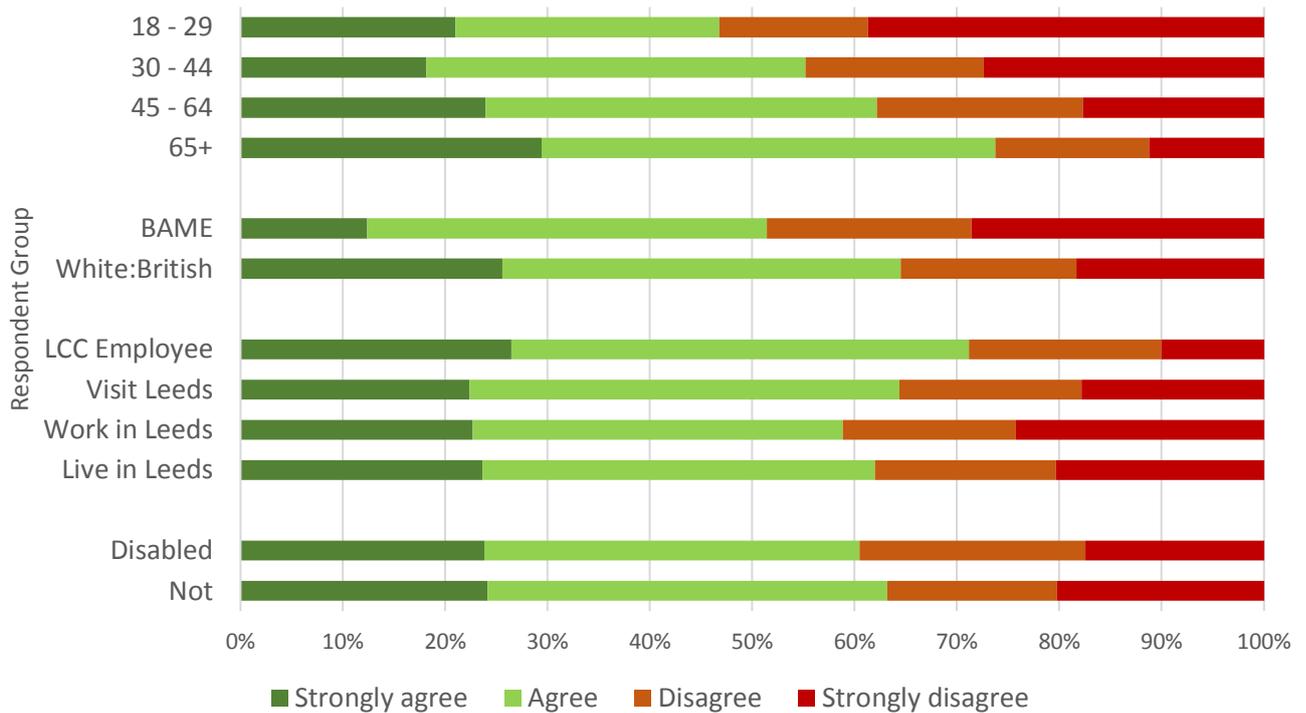
		<i>Use local/smaller suppliers</i> "I believe LCC could still reduce costs and increase local wealth and stability by replacing some large scale commercial supplier contracts with smaller scale local contracts. Putting money back into Leeds and creating revenue for local businesses, whilst reducing unnecessary cost for LCC in contractual rates."
Refuse collection efficiencies	27	
Reduce collection frequency	12	<i>Reduce collection frequency</i>
Recycle more and reduce landfill	7	"Greater efficiencies - less frequent wheelie bin collections in areas where wheelie bins can be stored in gardens - not inner city areas"
Other	8	
Other themes	365	
Stop vanity projects	28	
Reduce Councillors or expenses	23	
More commercial ventures and income generating schemes	22	
More partnership working and collaboration	22	
Digitalisation and modernisation	19	
Generate income through enforcement, fines and penalties	19	
Better use of in-house services	19	
Prioritise services	17	
Use volunteering sector more	17	
Get it right first time	12	
Invest to save initiatives	12	
Reduced street lighting at night	11	
Parking fees	9	
Preventative support	8	
Charge for events or hold fewer	7	
Fewer cycle lanes	7	
Reduce highways repairs /improvements	7	
Reduce benefits	6	
Less bureaucracy and red tape	5	
Pass costs to businesses	5	
Scrap the Managed Area Zone (Holbeck)	4	
Utilise empty properties	4	
Sale of assets	3	
Other	79	

6. Council Tax

Participants were informed that we propose to increase the core council tax in Leeds by 2.99%, plus an additional 1% to support adult social care services. They were then asked how much they agree or disagree with our proposals.

In total over 3 in 5 respondents agreed with our approach (62%). Young people and BAME people were more likely to disagree with our proposal to increase council tax, as shown in Figure 1 below.

Figure 1: Level of agreement with council tax proposals by different groups



6.1 Comments from those that disagree with the council tax increase

Those that disagreed with our approach to increase council tax were asked why. In total there were 498 comments made from 427 respondents. The comments have been grouped into principal themes, with sub-themes also detailed, and examples provided in Table 4.

The highest number of comments said the amount is already too high or increasing beyond wages and inflation, followed by concerns with affordability, and followed by lack of trust in how we spend money.

Table 4. Reasons given for disagreeing with council tax increase.

Theme of Comment	Count	Examples
Amount is too high	131	
Already too high	61	"Because the council tax is already high, especially for people with a low-income including myself." "Because our income hasn't gone up by the same % leaving us worse off"
Rising higher than wages	53	
Is higher than inflation	17	
Affordability	121	
Impact on the livelihood of families/people	75	"Too large an increase compared to inflation - working families will be hit again, especially those on lower incomes"
I will struggle to pay	28	"I'm struggling to afford the council tax as it stands now. It is the biggest bill I have after my mortgage. Households are making their own cutbacks already plus the uncertainty of Brexit around the corner." "Being a pensioner this increase is above the amount my state pension will increase by next year, given increases in fuel costs, the likely massive price increases we will see because of Brexit this means oaps are going to face a serious cut in our standards of living, which increases the risk of going without essentials etc."
The impact on pensioners	18	
Mistrust in spending	98	
Further savings can be made	60	"Efficiency should be increased further and tax increases kept to a minimum."
Lack of trust in LCC regarding expenditure	23	"...People have less money and L.C.C waste more money on ideas like cycle lanes, clean air proposals, faster bus routes, all they ever do is waste money and make things worse than they were originally"
Vanity Projects	15	
Other themes	148	
Poor service provision	39	"You put it up last year and still there is loads of potholes not been fixed, road issues, bins not been emptied on the correct day, lack of street maintenance."
Shouldn't be used for Adult Social Care	26	"...The ordinary tax payer cannot keep footing the bill. Some adult social care families must have assets - homes or inheritance over £150,000-£350,000 that can contribute to care. The public council tax payer should not be protecting inheritance for the middle classes."
Council tax is unfairly distributed	23	"It would be ok if everyone paid council tax. However many households don't so this puts an unfair burden on those who do.£ "...Higher band houses are paying more than lower bands but getting the same services"
Funding should come from government	14	
High band properties / businesses should pay	14	
Other	32	

7. Priorities for the city of Leeds

In our budget consultation last year we asked people to rate how much some of our services matter to the city of Leeds and the people that live, work and visit here. Fifteen priorities were identified with 'Keeping children safe' ranked as the top priority, followed by 'Supporting older and vulnerable people'. This year we listed the priorities in a chart showing the percentages of people's previous responses and asked whether any of the services should be ranked higher or lower as a priority.

There were 1,225 suggestions from 649 people. Three quarters of these comments (942) were to suggest a service should be ranked higher up the list of priorities, with the rest saying a service should be ranked lower (283). The majority of these related to services in the middle of the rankings (8 to 10).

Table 4 shows the services in the order that they were ranked from last year, along with the number of comments increase or decrease a rank. Many had large numbers of comments both to increase and decrease a service ranking. The services with the greatest numbers of comments saying to either increase or decrease a rank have been highlighted in red and green in the table.

Table 4: Counts of comments to suggest an increase or decrease to the rank of a service priority.

Service priority ranking from 2018/19 consultation	Lower	Higher
1. Keeping children safe	28	0
2. Supporting older and vulnerable people	9	37
3. Working with the police to prevent and tackle crime and anti-social behaviour	16	58
4. Keeping streets and neighbourhoods clean and dealing with the city's waste	24	32
5. Making roads safe, reducing congestion and making it easier to get around	35	59
6. Working with schools and families to help children to do well in learning	15	49
7. Helping people earn enough to support themselves and their families	19	53
8. Helping people to live in good quality, affordable housing	7	80
9. Protecting the environment and improving air quality	16	96
10. Preventing and tackling homelessness	9	175
11. Supporting people into jobs, training and apprenticeships	11	71
12. Investing in parks and playing facilities	11	60
13. Encouraging people to live healthier lifestyles	40	81
14. Investing in sport and leisure facilities	15	54
15. City wide cultural events/festivals	28	37
Total Comments	283	942

7.1 Comments suggesting a service should be a higher priority

Table 5 details the services receiving the greatest number of comments suggesting the service should be ranked higher as a priority, and provides indicative examples.

‘Preventing and tackling homelessness’ was the key area that people suggested should be a higher priority, with many more comments than other services (175).

Table 5: Comments suggesting a service should have a higher priority

Priority should be ranked higher	Count	Examples
Preventing and tackling homelessness		
Previous ranking 10	175	<p><i>Compassionate city agenda</i></p> <p>“Tackling homelessness in a holistic manner should be higher (in the top 3-5), if Leeds wants to be a truly compassionate and economically prosperous city.”</p> <p>“Supporting the homeless population should be higher on the agenda, homelessness has increased and the number of deaths of homeless people has also increased.”</p> <p><i>Would reduce other costs</i></p> <p>“I think tackling homelessness should be a much higher priority. I believe it is shameful that people do not have a roof over their heads and that homelessness also costs the city in other ways - health care, drug addiction etc. Tackling this issue would help reduce pressure in other areas as well.”</p>
Protecting the environment and improving air quality		
Previous ranking 9	96	<p><i>Reduce impact on health</i></p> <p>“Reducing pollution should be a higher priority; it benefits health and therefore feeds into many other priorities.”</p> <p><i>Improve Leeds City appeal</i></p> <p>“Protecting environment should be higher. Leeds as a green sustainable city would be a strong signal and attractor to businesses and attract people to move to the city. This goes hand in hand with developing strategy for sustainable, modern, integrated transport system.”</p>
Encouraging people to live a healthier lifestyle		
Previous ranking 13	81	<p><i>Preventative agenda</i></p> <p>“Encouraging people to live healthier - need to think long term and prevent problems down the line.”</p>
Helping people to live in good quality affordable housing		
Previous ranking 8	80	<p><i>Housing a core need</i></p> <p>“I would like to see No. 8 ranked higher because good quality affordable housing is extremely important for people's wellbeing.”</p>

7.2 Comments suggested a service should be a lower priority

Table 6 details the services receiving the greatest number of comments suggesting the service should be ranked lower as a priority, and provides indicative examples.

‘Encouraging people to live a healthier lifestyle’ received the most comments to reduce it as a priority (40). Clearly there is divided opinion on this service as Table 5 shows it had received twice as many comments suggesting it should be raised higher as a priority (81).

Table 6: Comments suggesting a service should have a lower priority

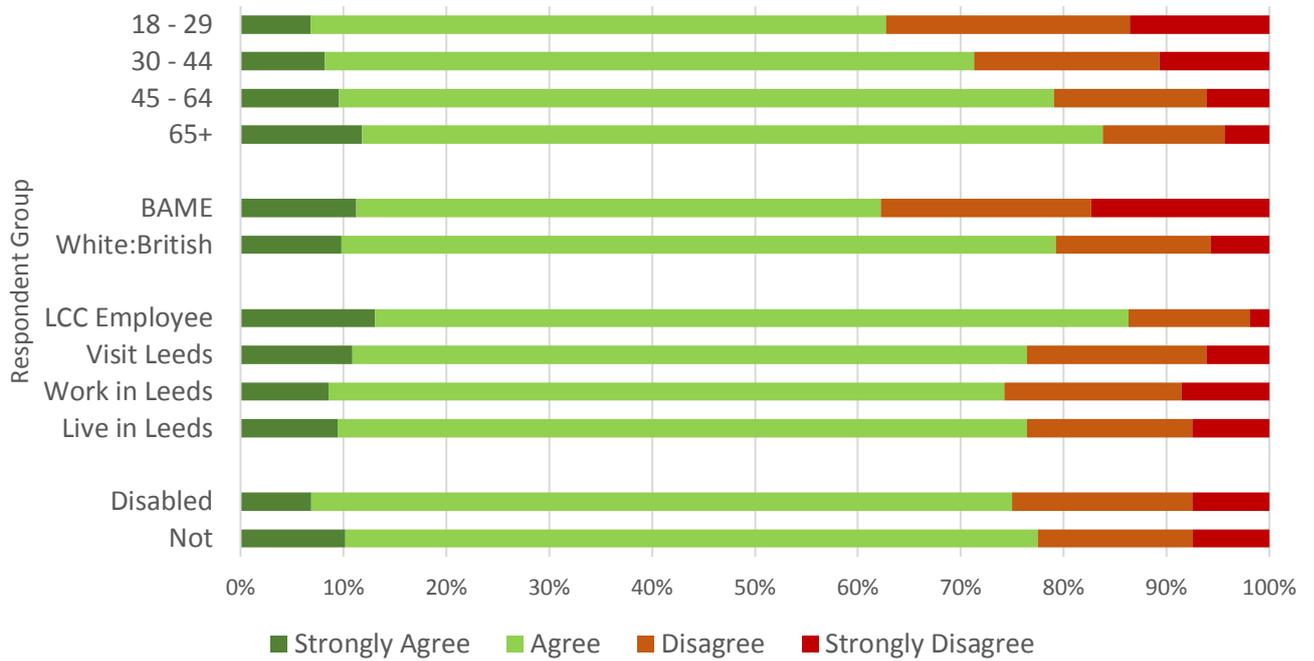
Priority should be ranked lower	Count	Examples
Encouraging people to live a healthier lifestyle		
Previous ranking 13	40	<i>Not up to the council</i> “Encouraging people to live healthier lifestyles should be downgraded. I don’t believe that should be a council priority at all, that’s up to each individual.” “I think encouraging people to live healthier lifestyles should be the least important priority because there is a lot of information available nationally”
Making roads safe, reducing congestion and making it easier to get around		
Previous ranking 5	35	<i>Other needs more important</i> “Keeping roads safe I wouldn't consider as higher priority as it is ranked here, the quality of the roads on the whole seems sufficient and beyond necessary upkeep I don't see that it makes sense to put roads above vital and very basic needs such as housing.”
Cultural events / festivals across the city		
Previous ranking 15	28	<i>A luxury we can no longer afford</i> “At the moment the luxury of certain spending should be capped. Festivals etc and maybe sports. It is a very difficult decision”
Keeping children safe		
Previous ranking 1	28	<i>Role of parents and schools</i> “It’s their parents and schools who are responsible for keeping children safe not the council.”

8. Our approach to spending the money we receive

Participants were presented with a summary of how we plan to spend our revenue budget of £516.9m for 2019/20, split by directorate area and compared to 2018/19. They were then asked how much they agree or disagree with this approach.

In total more than three quarters said they agree with our proposed revenue budget (77%). Young people and BAME respondents were more likely to say they disagree, as shown in Figure 2. Leeds City Council employees were more likely to agree.

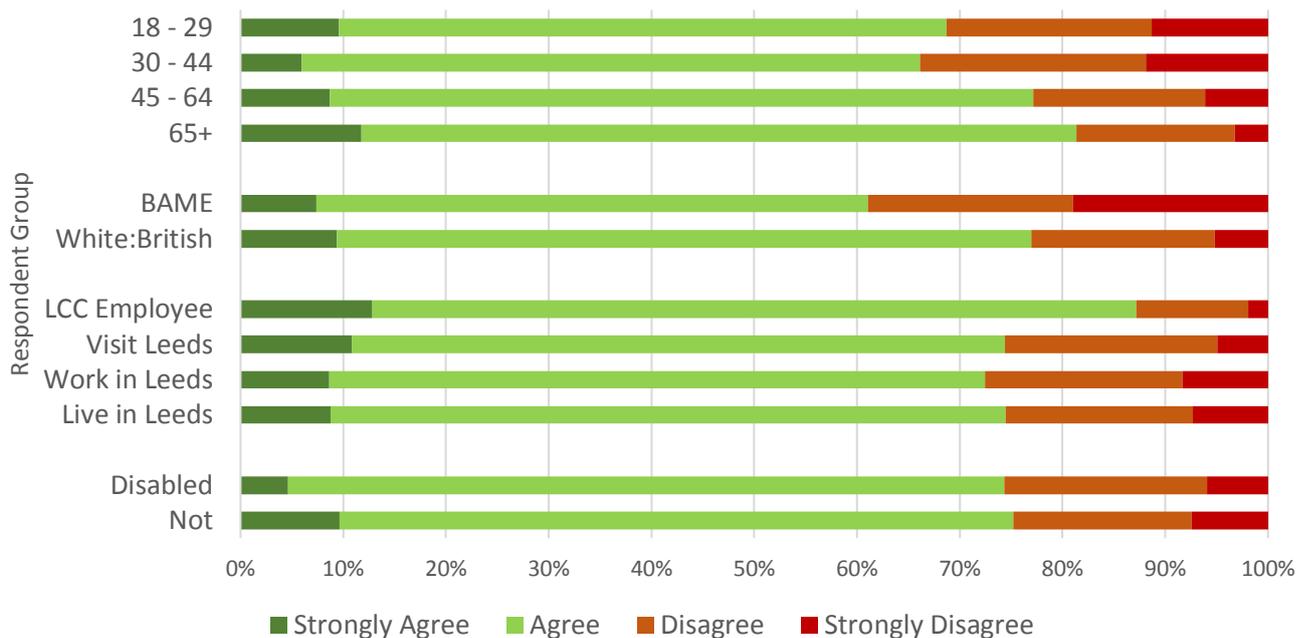
Figure 2: Levels of agreement with our revenue budget



The consultation then presented a summary of our capital programme for 2017/18 to 2020/21 and listed some of the ways this is being used. Participants were asked how much they agree or disagree with these investment plans.

In total three quarters said they agreed with our investment plans laid out in our capital programme (75%). Younger people, especially those aged between 30-44, and BAME respondents were more likely to say they disagree. Leeds City Council employees were more likely to agree.

Figure 3: Levels of agreement with our investment plans



8.1 Comments around our approach to spending the money we receive

Participants were then invited to make any comments around our overall approach to how we spend the money we receive. The comments have been grouped into principal themes, with sub-themes also detailed, and examples provided in Table 7 below.

We also received 621 comments from 497 respondents around how we propose to spend money, which covered a range of services and themes. The highest number of comments referred to City Development, roads and transport (154), of which half said to prioritise these (76). The second greatest number of comments were around Housing (104), of which two thirds said this is a priority (69).

Table 7: Comments around how we spend the money we receive

Theme of comment	Count	Examples
City Dev, Roads, Transport	154	
Prioritise City Development	45	<p>“City development is really important in terms of keeping jobs and money in the city and keeping it a great place to live with positive attitudes. The proportion seems quite low for this”</p> <p>“Too little emphasis on transport, enabling people to get around the city easily and clean air.”</p> <p>“Stop wasting money on park and rides. People aren’t interested. The proposal for the one at Alwoodley is a joke and will cause significant car congestion as people won’t change to buses. They’re hot, sweaty, unreliable and far too expensive.”</p> <p>“Stop spending money on transport areas such as building the cycle super highways which very few people use.”</p> <p>“Park and ride should be investigated and installed asap. Leeds city centre should become a car free zone to reduce air pollution and make Leeds a more attractive city to live and work in.”</p> <p>“I disagree with investment plans to spend so much on roads, unless this includes a significant improvement to public transport.”</p>
Prioritise Transport	31	
Poor decisions around roads and transport	27	
Prioritise healthier / green transport	24	
Spend less on roads	19	
Don’t waste money on Park and Ride	8	
Housing	104	
Prioritise Housing	69	<p>“There is a national social housing crisis we should invest more money in this.”</p> <p>“Stop providing housing. There are plenty of other providers out there that could take over your stock. Use that money then towards other stuff”</p> <p>“People should improve own houses or charge them for improving adults needs to be responsible for their lives”</p>
Don't spend so much on council housing	15	
Improvements should be funded by tenants	12	
Stop 'Right to Buy'	8	
Supportive	66	
Agree in general	51	<p>“Seems to be a balance between urgent current needs and planning for a sustainable future. ...I think generally the approach is fair considering all the cuts and increase in vulnerable older people.”</p> <p>“I'm amazed at how you've collectively managed to deliver the services you do, in the face of financial constraints. Brilliant teamwork across the board.”</p>
Doing well under difficult circumstances	15	

General principals	54	
Focus on efficiencies	17	<p>“There are more efficiencies which can be gained. This should be achieved and any increase to council tax should not occur.”</p> <p>“Need to focus on activities which are solely the responsibility of the council and, elsewhere, encourage individuals and organisations to be more involved/responsible.”</p>
Those that use services should pay	14	
Focus on prevention rather than short term	11	
Use more intelligence to help prioritise spend	8	
Focus on the vulnerable	4	
Adults and Health	46	
Reduce/challenge spending on Adults and Health	30	<p>“Adult health could be reduced by making them responsible for their own health and not the community”</p> <p>“Adult services are appalling so spending less this year will not help anyone. Money is thrown down the drain with unorganised & uncoordinated services. Needs tightening and you need to uphold the care act.”</p>
Prioritise Adult Social Care	8	
Prioritise Health	8	
Environment	43	
Prioritise Environment	24	<p>“Spend more on environment- improve everyone's health that way. Air quality/waste/tree planting and improved street cleaners.”</p> <p>“The percentage to reduce carbon emissions and fuel bills is too high. In my opinion this should not be a priority given the more important issues and should go towards service priority I.e. providing and maintaining good service and staff. Fuel bills will rise guaranteed as private companies increase prices when they like.”</p>
Don't spend so much on green policies	14	
Prioritise Community	5	
Consultation	37	
Need more information	32	<p>“The areas you are spending on are a bit vague need precise areas defined”</p>
Too complex	5	
Children and Families	31	
Prioritise Children & Families	12	<p>“Generally I agree with the proposals and I appreciate that much of the money allocated to all of the areas will also impact children and families, which I believe should be the focus for the spending.”</p>
Reduce/challenge spending on Children's Services	11	
Prioritise Education	8	
Other themes	86	
Reduce management	6	
Don't waste money on Culture and Events	6	
Prioritise Policing	4	
Disagree in general	14	
Other	56	

Leeds City Council Budget Consultation 2019-20

From December 2018 to January 2019

Public consultation document and questionnaire

Introduction

We're currently proposing our budget for the next financial year (2019/20), and we want to hear your views on how we should continue to fund the services we provide. Councillors will see the results of this consultation before they make a final decision on the budget in February.

In our last budget consultation, which was carried out during December 2017 and January 2018, we asked a range of questions around the principles of how we fund services and how we prioritise funding to different services. We received a thoughtful response of 1,984 completed surveys from a range of people from different backgrounds, which broadly represented the population of Leeds residents. This has given us some really useful information about what matters most to people who live and work in Leeds.

Local government funding reductions, economic uncertainty and pressure on services have changed very little over the past year, so rather than repeat the full exercise 12 months later, this consultation will present and consider what people told us last year, along with the broad principles of how we should fund services in 2019/20.

The last day you can take part in this consultation is 18th January 2019. The survey should take around 10 to 15 minutes to complete. Questions will not focus on any specific changes that are being proposed to our services. In general, residents and people who would be affected by such changes are given the opportunity to get involved with separate detailed consultations before they are agreed.

To help you consider your responses 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 or at one of our Community Hubs. Simply ask staff to assist you with accessing this document.

Privacy notice (data protection)

Please note - this survey is anonymous. Your information will be kept safe and secure in line with data protection legislation with Leeds City Council as data controller. All returned questionnaires will be processed by Leeds City Council Research Team. We are asking for your views under the legal basis of public task, as we have a statutory duty to consult (under the Local Gov't Finance Act 1992).

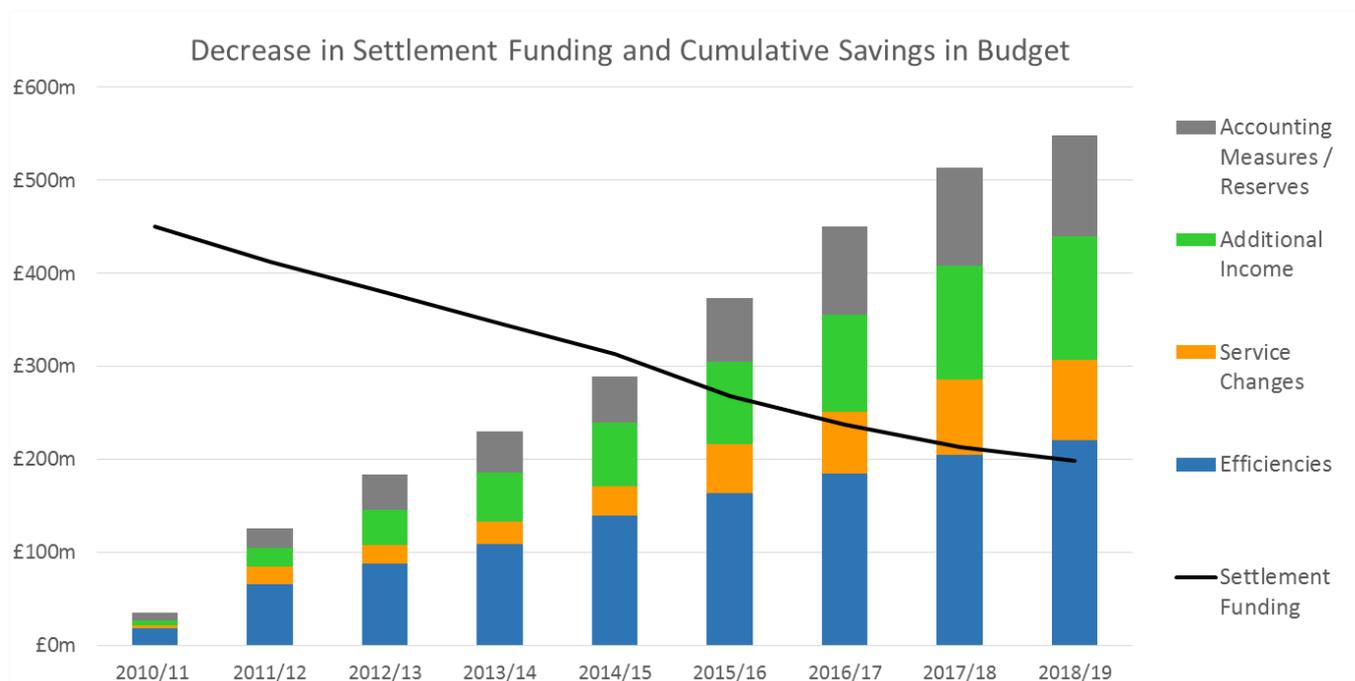
When responses are shared with any other teams in the Council, or if they are shared publicly or with other organisations, we will ensure that any information that could identify an individual/s is removed. We will store your response for up to 6 years. You have rights under data protection legislation. Visit www.ico.org.uk (the data protection regulator) to learn more.

The continuing challenges for our growing city

Our proposed budget supports our ambition for Leeds to have a strong economy and be a caring and compassionate city - with a focus on tackling poverty and reducing inequalities. It also supports our ambition as a council to be an efficient and enterprising organisation. These ambitions to be the 'Best City' and the 'Best Council' are explained in more detail in our Best Council Plan 2018/19–2020/21.

Since 2010 our core 'settlement funding' from government has reduced by around £251m 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: so far we have reduced staff numbers by over 3,200 full time equivalent posts, and reduced the number of buildings that we use.

This chart shows the decrease in settlement funding and cumulative savings that we have made to balance the budget year on year.



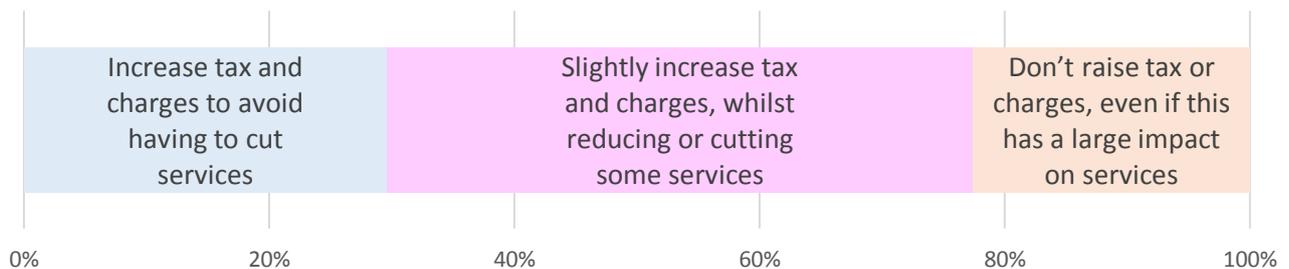
For the upcoming financial year, the settlement funding that we receive from the government has been cut by £15.3m from the current year to £183.5m, which is a further drop of 7.7%. The reducing money that we get from the government, coupled with increasing costs and demand for services, will result in a funding gap of £24.3m in 2019/20.

Unless the government changes its current plans for how councils are funded, we expect even greater funding gaps over the following years. 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.

Your thoughts on last year's decisions

In our budget consultation last year we asked people how they thought we should balance raising funds through increasing taxes and charges with reducing or cutting the services we provide. With the largest number of responses, almost half (48%) agreed that we should raise money through slightly increasing tax and charges, whilst reducing or cutting some services. In total, 7 out of 10 of these responses (70%) agreed that we should balance the budget by reducing or cutting at least some of the services we provide.

How should we fund the services we provide?



When asked how we should raise money to help us to deliver services, the highest proportion agreed that we should introduce new charges for some services (60% of all responses), with slightly fewer saying we should increase existing charges (50% of all responses).

During the current year we needed to make savings of £34m to balance the budget. Following the consultation we went ahead and brought in additional income from increasing fees and charges and changed some services to target them at the people with most need.

Q1. Thinking about the last 12 months, how have any changes we've made to the way we deliver services, including new or increased charges, affected you personally?

Carrying through to next year

Reduced funding for the upcoming year and additional cost pressures mean we need to make further savings of £24.3m to balance the budget for 2019/20. We propose to meet £16m of this funding gap through efficiencies, including savings across back office support services, closer working across directorates, ongoing procurement and purchasing savings, and managing demand for social care services through prevention and early intervention. This reflects what many people told us last year in our budget consultation, with a number of comments relating to finding further efficiencies either internally or when procuring products and services from partners.

The table below shows how we propose to balance the 2019/20 budget:

Solutions	Savings
Efficiencies	£16.0m
Changing services	£ 0.1m
Income from increasing fees and charges	£ 2.3m
income through trading services with partners	£ 3.5m
Other income	£ 2.4m
Total additional savings	£24.3m

Q2. Do you have any comments or suggestions on how we can deliver services differently to save money?

Where does the money come from?

The settlement funding that we receive from the government includes money raised through business rates, also set by the government. This is only one of the ways the council gets money to spend on local services. 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 when setting the budget are limited.

At a local level, the council raises money by charging for certain services like leisure centres, trade waste, pest control and parking.

Contributing through a local tax

Councils also raise income through setting a local level of council tax. This is an important contribution that makes up almost a quarter of the total revenue income we receive. In Leeds council tax is currently the 2nd lowest of the 8 'core cities' in England (the 8 largest cities outside Greater London).

In our budget consultation last year over half of people that responded (56%) said that we should raise additional funds by increasing council tax. For 2019/20, in order to help balance the budget and reduce any impact on services we are proposing to increase the core council tax in Leeds by 2.99%. Local authorities are, for a limited period, allowed to include a further increase to council tax, specifically to help pay for adult social care services. This additional 1% would bring our total proposed council tax increase to 3.99%, which would cost a Band D property £62.50 more during 2019/20.

Q3. How much do you agree or disagree with our approach for increasing Council Tax in 2019/20 by 3.99%, an increase to the core rate of 2.99% plus 1% to support adult social care services?

Strongly agree

Agree

Disagree

Strongly disagree

Q4. If you said you don't agree with our approach, please tell us why:

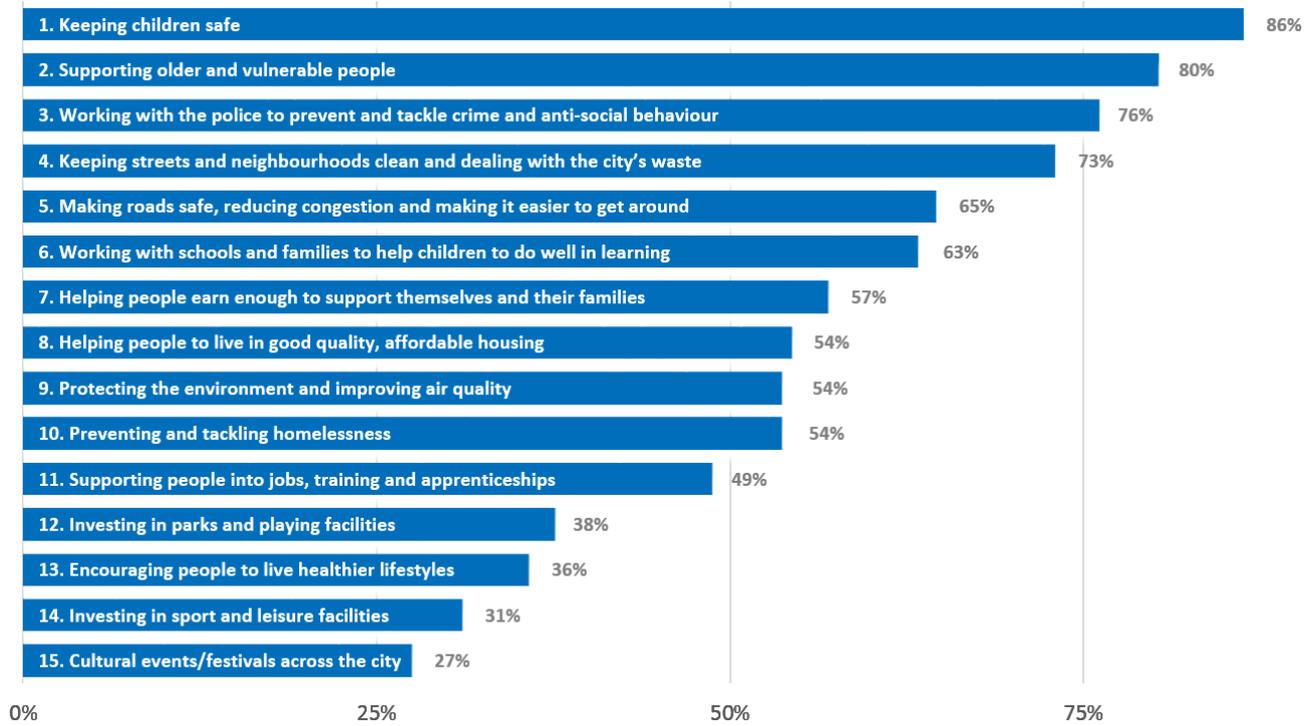
Providing services for Leeds

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.

In our budget consultation last year we asked people to rate how much some of our services matter to the city of Leeds (and the people that live, work and visit here). The priorities that people said matter the most were 'keeping children safe' (86%) and 'supporting older and vulnerable people' (80%). These are the two areas of highest revenue spend for the council.

We've used what we were told to help support strategic planning, including when we reviewed our Best Council Plan earlier this year.

This chart shows percentages of people’s responses, ranked in order of how many people said they matter a lot to the city of Leeds (and the people that live, work and visit here):



Q5. For the year to come, do you think any of these services should be ranked higher or lower as a priority for the city of Leeds, and if so why?

How we propose to spend the money we get

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 £516.9m for 2019/20, of which almost two thirds (63.1%) will fund adult social care and children’s services, reflecting our priorities around supporting the most vulnerable people across the city. Although this is a slight decrease from 64.2%, in 2018/19 the spending power within adult social care will increase as a result of targeted government funding. This chart shows how much of our money is allocated to each of our directorates (our groups of services).

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 £388m to maintain roads and improve transport, £256m to improve council housing, £191m for building, improving and maintaining schools, £76.2m to build new council homes, £41m for projects to reduce fuel bills and carbon emissions, £16.5m to help prevent flooding and £3.3m for new park and ride schemes.

Q8. How much do you agree or disagree with the following?

	Strongly agree	Agree	Disagree	Strongly disagree
How we propose to spend our revenue budget for 2019/20	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our investment plans laid out in our 2017/18 to 2020/21 capital programme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q9. Please use this space to make any comments around our overall approach to how we spend the money we receive:

About you

Q10. Do you? Please cross (x) all that apply.

Live in Leeds Work in Leeds Visit Leeds Work for Leeds City Council Study in Leeds

Q11. Please tell us the first part of your postcode (e.g. LS8 or LS16)

Q12. How old are you?

Under 18 18 - 29 30 - 44 45 - 64 65+

Q13. What best describes your gender?

Male (including Trans) Female (including Trans)

Q14. Do you consider yourself to be disabled?

Yes No

Q15. What is your ethnic group?

White:	- English / Welsh / Scottish / Northern Irish / British	<input type="checkbox"/>
	- Irish	<input type="checkbox"/>
	- Any other White background	<input type="checkbox"/>
Mixed / multiple ethnic group:	- White and Black Caribbean	<input type="checkbox"/>
	- White and Black African	<input type="checkbox"/>
	- White and Asian	<input type="checkbox"/>
	- Any other Mixed / multiple ethnic background	<input type="checkbox"/>
Asian or Asian British:	- Indian	<input type="checkbox"/>
	- Pakistani	<input type="checkbox"/>
	- Bangladeshi	<input type="checkbox"/>
	- Kashmiri	<input type="checkbox"/>
	- Chinese	<input type="checkbox"/>
Black or Black British:	- Any other Asian background	<input type="checkbox"/>
	- African	<input type="checkbox"/>
	- Caribbean	<input type="checkbox"/>
Other ethnic groups:	- Any other Black background	<input type="checkbox"/>
	- Arab	<input type="checkbox"/>
	- Gypsy or Traveller	<input type="checkbox"/>
Prefer not to say	- Any other background	<input type="checkbox"/>
		<input type="checkbox"/>



**Initial 2019/20 Budget
proposals
Summary of Scrutiny
Board comments.**



Report of the Scrutiny Boards
Statement for Executive Board – February 2019
Best Council Plan Refresh
2019/20 – 2020/21

Introduction

1. At its meeting on 19th December 2018, the Executive Board set out, for consultation, its Initial Budget Proposals for 2019/20. The proposals were subsequently submitted to each of the Council's Scrutiny Boards for consideration, review and comment.
2. Consideration of the Initial Budget Proposals for 2019/20 by Scrutiny took place over a series of meetings in January 2019, as follows:
 - Infrastructure, Investment and Inclusive Growth Scrutiny Board – 9th January 2019
 - Adults, Health and Active Lifestyles – 15th January 2019
 - Strategy and Resources Scrutiny Board – 21st January 2019
 - Children and Families Scrutiny Board – 23rd January 2019
 - Environment, Housing and Communities Scrutiny Board – 23rd January 2019
3. Across all 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.
4. Whilst no formal recommendations have been made by the Scrutiny Boards in relation to the Initial Budget Proposals for 2019/20, 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

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

Infrastructure, Investment and Inclusive Growth

6. The Board acknowledged that opportunities are being sought to improve and/or support service provision in the context of rising costs and budget pressures.
7. In particular the Board noted the focus on utilising the Council's commercial asset portfolio to generate income and the importance of initial investment to generate income growth schemes such as the Leeds Arena and the Park & Ride Schemes.
8. The Board also recognised the savings proposals planned through capitalisation, reducing void management costs, and through savings in relation to LED street lighting conversion.

Adults, Health and Active Lifestyles

9. The Board acknowledged the continuing financial pressures across the internal Adult Social Care and Public Health budgets; and more broadly across the local health and social care system. In considering the 2019/20 budget proposals, the Board specifically noted:
 - The Adults and Health directorate had achieved £100m savings since 2010.



Report of the Scrutiny Boards
Statement for Executive Board – February 2019
Best Council Plan Refresh
2019/20 – 2020/21

Strategy and Resources

- The additional £14.6M proposed to support demand based services, including an additional £2M to support homecare services.
 - An allowance of £2M to support the transforming care agenda
 - Reduction in some short-term social care grant areas (approx. £6.8M).
 - A further cut to the Public Health grant (approx. £1.1M) and the level of reserves being used to support and protect some Public Health services.
 - Proposals to increase income through improved internal processes to improve the collection of charges.
 - Proposals to increase income through improved contributions from partners.
10. As part of the Transforming Care agenda, the Board considered the substantial cost associated with external residential care packages for Leeds residents with learning disabilities, often due to appropriate services not being available in Leeds for people with challenging behaviours and complex needs. The Board was advised of a regional collaborative commissioning framework being developed, which would aim to support people with complex needs moving away from long-term hospital care.
11. The Board also noted that the delay to the refurbishment of Aireborough Leisure Centre was largely due to the discovery of asbestos throughout the various stages of ongoing work. This had impacted on the ability to generate revenue and provide fully functioning facilities to encourage active lifestyles.
12. The Executive function for setting, supporting and monitoring the Council's Financial Strategy falls within the remit of the Strategy and Resources Scrutiny Board. As such, particular regard was given to the Council's broader strategic approach towards meeting the statutory requirement of setting a balanced annual budget and also achieving financial sustainability.
13. This was set within the context of recent national studies and reports from the Comptroller and Auditor General of the National Audit Office which recognise that local authorities have faced significant challenges since 2010-11, with reductions in spending power and increased demands in key service areas, such as looked after children and adult social care, creating risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations.
14. The Scrutiny Board therefore discussed the Council's overall approach towards managing such risks and in doing so, particular importance was placed upon the Council having robust and transparent governance arrangements in order to maintain tight budgetary control and scrutiny. This was a particularly relevant point given that the loss of effective budgetary control and budget setting scrutiny were identified as significant factors by the Secretary of State following a governance inspection of Northamptonshire County Council last year.
15. The general role of Scrutiny is clearly a key element of the Council's internal checks and balances arrangements



Report of the Scrutiny Boards
Statement for Executive Board – February 2019

Best Council Plan Refresh
2019/20 – 2020/21

and in addition to this, the monthly Financial Health Monitoring reports to Executive Board also allows for public accountability and tracking of any variances across the budget, including any proposed remedial actions.

16. Particular acknowledgment was given to the Council's focus on targeting resources into preventative measures. In doing so, the implications of demand and demographic pressures, particularly surrounding Adult Social Care and Children's Services which have resulted in significant costs pressures, have been contained in order to avoid Leeds being at crisis point like many other Local Authorities.
17. The Board also identified the importance of building risk management into service provision to avoid over-spend due to other external factors and uncertainties, such as variances in energy prices. However, the Board particularly acknowledged the impact that the current Business Rates regime has on the functionality of the Local Authority and the risk factors associated with potential settlement costs of business rates appeal cases and the corresponding need to make provision for these variances in the budget each year. This volatility contributes to uncertainty and service risk particularly when coupled with the substantial proportion of the budget being targeted to vulnerable people. Linked to this, particular reference was made to the anticipated outcome of an appeal to the Supreme Court by the Valuation Office seeking a review of 300 appeal cases relating to ATM's attached to shop premises. In view of its significance and building on the work undertaken by the Strategy and Resources Scrutiny

Board last year, issues surrounding the Business Rates regime remains a key area of interest to Scrutiny.

18. The Board also discussed the need to prepare for service provision post 29th March 2019 and the UK's planned exit from the European Union; including information from Electoral and Regulatory Services in relation to Nationality Checking services.
19. There was also discussion surrounding the implications of the Right to Buy process and the Board noted that a representation was to be made to Central Government raising concerns that the Right to Buy process could be undermined by the claims that private landlords buy the properties to rent and seeking to ensure that the whole of Right to Buy receipts are retained by Local Authorities.
20. Whilst recognising the difficulties encountered setting departmental budgets for the coming year in view of such current external factors and uncertainty, a broader issue was also raised by the Board in terms of the wider consideration of the core spending power assessment of funding coming to Leeds, often used by the Government, which factors in funding from other organisations too. However, particular emphasis was again made to the statutory duty placed upon the Council to demonstrate value for money and financial sustainability with regard to the management of the Settlement Funding Assessment. Linked to this, the Board acknowledged and expressed further concern that 2019/20 represents the final year of the agreed 4-year funding offer, thereby



Report of the Scrutiny Boards
Statement for Executive Board – February 2019
Best Council Plan Refresh
2019/20 – 2020/21

intensifying financial uncertainty for the future.

Children and Families Scrutiny Board

21. The Board noted the context of the projected overspend within the 2018/19 C&F budget and the continuing challenges for 2019/20 which were planned for – inflation, particularly pay inflation; and demand & demography challenges associated with children looked after and transport.
22. The Board noted the complimentary comments made by the Department for Education regarding how the High Needs Block had been managed, however no further funding commitment had been forthcoming.
23. The Board also heard details of how managing the finance budget on costs for legal services had in previous years masked overspend, however the use of the West Yorkshire Legal Framework in the future would aim to achieve a reduction in external legal costs – which were dependent on the complexity of the cases dealt with by external legal service suppliers.

Environment, Housing and Communities

24. In considering the Budget 2019/20 proposals, the Board noted the inflation related bereavement charge increases proposed in order to offset cost increases.
25. In the context of the provision of street support and the 'Big Change' campaign, the Board welcomed the commitment to increase investment in concierge services in council high rise

buildings, which will help to aid the teams providing intervention services.

26. During the meeting the Board had previously discussed the impact of the roll-out of Universal Credit on residents and raised concern regarding potential rent arrears increases for the local authority. The Board acknowledged the robust support processes being provided to tenants who are claimants in order to assist them with their financial management in order to avoid arrears. The Board has committed to continue to monitor the impact of Universal Credit on Leeds residents and on Council resources going forward.

**Scrutiny Boards
Joint Statement for the Executive Board
Best Council Plan Refresh 2019/20 – 2020/2021
February 2019**

www.scrutiny.unit@leeds.gov.uk
www.twitter.com/scrutinyleeds

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

VITAL have considered the 2019/20 Outline Budget Proposals and would like to make the following comments as part of the budget consultation process.

- VITAL understand that for 80.5% of tenants the general cost of rent (including any service charge increase) will decrease due to the annual 1% rent reduction. However, VITAL would like to request the council conduct an analysis of the 7.4% of tenants who will see an overall rent increase, albeit capped at £3.50 a week. This is to understand if there are any particular groups, either types of tenants or homes of a certain type or location, who will be most impacted. The council would then be better placed to consider any appropriate additional support or advice for these groups.
- VITAL welcome the identification in the budget proposals to support the continued investment in homes, and to replace homes lost through the Right to Buy. In particular investment that supports improved fire safety. VITAL remain of the view that investment in homes to improve fire safety should be a national and central government responsibility, with every tenant having the same right to be as safe as possible, regardless of the local authorities ability to fund works of this type.
- VITAL accept the principle that service charge increases be made to ensure that the actual costs of providing these services are met by the tenants receiving them, and not subsidised by others. However, VITAL would like Housing Leeds to give more feedback to sheltered and high/low rise residents who pay for these charges so tenants are clear on the levels of service they should expect for consistent levels of quality to be delivered across the city to justify the increases.
- VITAL acknowledge the potential impact of Universal Credit and the extent to which this risks increasing the rent owed to the council, and therefore the income to the Housing Revenue Account to be able to deliver day to day services. VITAL remain committed to working with Housing Leeds and others to further the support and advice available to tenants claiming Universal Credit and welcome the continued investment in the Enhanced Income Team as one of the range of mitigating actions the council has developed.

VITAL would like to thank Kevin Mulvaney in attending VITAL and sharing the budget proposals with them.

2019/20 Budget Consultation - Feedback on behalf of the HAP Chairs Group.

On Behalf of the Chairs/Vice-Chairs and all HAP members of the 11 Housing Advisory Panels (HAPs) I would like to respond to the 2019/20 budget consultation process with the following comments.

For a number of years HAPs have supported projects that without doubt helped Leeds City Council (LCC) deliver its local and citywide priorities. For example, HAPs have funded physical improvements to communal spaces, security lighting, CCTV schemes, recycling and waste improvements and various landscaping, signage and parking improvements. HAPs have also funded activities that support tenants and resident's health and well-being and projects that aim to support or increase residents digital skills and/or employability whilst also trying to help tackle isolation.

The funding of HAPs also supports:

- a) How we listen and build relationships with local and city-wide tenants and residents - Housing Advisory Panel budgets being a way of getting small/modest things done to improve the environment that are noticeable and beneficial to tenants. These may have been raised by tenants themselves or are generated from wider tenant engagement activity like estate walkabouts.
- b) Many longstanding/respected voluntary partners – from large organisations through to small tenants, residents and voluntary groups that offer activities and provide support to residents at a very local level in response to local needs and issues.
- c) Other council teams, especially Communities Teams, who often apply to HAPs to seek a contribution to help fund local projects and Internal Service Providers, especially Parks & Countryside, who generate income from HAP activity to help them re-invest in wider services.

The HAP Chairs, Vice Chairs and all HAP members remain fully supportive of the need to continue to increase the amount of joint funding on local community and environmental projects and we are committed to working with the council to continue to keep doing this. HAP Chairs are also working in partnership with the council to deliver the outcomes of the HAP Review which ensures HAPs stay connected and relevant to local communities, adopting more flexible, inclusive and broader approaches to how they work.

2 years ago, we saw a 50% reduction in funding to the HAPs. Significantly reducing the number of specific projects that no longer could be carried out. We have learned to match fund but this is very much reliant on others outside our control, notwithstanding this, there are other organisations/departments who have worked with us to deliver projects to achieve mutual interests however we feel that there is justification for us to ask for an increase in funding to allow us to do more.

LCC funding allows local tenants to be involved in local decision-making matters that has helped make communities a better place to live. We feel that an increase in the funding to HAPs for 2019/20 would improve decision making abilities that are seen to be made by tenants for tenants therefore I urge you to consider an increase in funding.

Ted Wilson
HAP Chairs Group

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2019/20 Budget Amount £	Decision Maker
Children and Families Revert to the original November 2015 transport policy	Original proposal to implement changes to the policy have been reconsidered following additional feedback and consultation. Savings on the transport budget now realised through Personal Travel Allowances.	There are no particular risks with this proposal	Extensive consultation on original proposals and follow up consultation.		March 2019		Director of Children's and Families
Schools Funding Transfer of £800k from the Central Schools Services Block to the High Needs Block	There is surplus funding in the CSSB as some costs have now fallen out. The HNB has a number of financial pressure and the additional resources will	There are no particular risks with this proposal	Consultation with all schools and Schools Forum in October and November 2018 with overwhelming for the proposal.	The proposed transfer will provide additional funding to support the most vulnerable pupils.	February 2019	800,000	Director of Children's and Families

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality impact assessment	Expected decision date	2019/20 Budget Amount £	Decision Maker
Approval of the schools funding formula for 2019/20	<p>help ensure a balanced budget can be set in 19/20.</p> <p>Two options for the 2019/20 schools funding formula were consulted on in October. The additional HNB funding has meant that the options have been reviewed with a lower transfer from the SB to the HNB now proposed.</p>	<p>There are no specific risks but the Council has a statutory responsibility to approve a schools funding formula</p>	<p>All schools and schools forum were consulted on two options. The responses were equally split between the two options. Schools Forum requested the Council's preferred option was amended to reflect the concerns of some schools. The proposed formula is an amended formula that takes account of this.</p>		February 2019	<p>Over £500,000,000 to be distributed to schools</p>	Director of Children and Families

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality impact assessment	Expected decision date	2019/20 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	No increase or decrease from 2018/19 base revenue budget (budgeted return on investment of £3.3m)	Director of City Development

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality impact assessment	Expected decision date	2019/20 Budget Amount £	Decision Maker
Increase commuter car parking tariffs by 50p per day 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 2019	£0.11m additional income	Chief Officer – Environmental Services
Increase Sunday/Evening parking charges by 10%	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 2019	£0.06m additional income	Chief Officer – Environmental Services
Increase bereavement charges (3%) to offset cost increases	The proposed price increase will ensure there continues to be no subsidy for this service	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 2019	£0.18m additional income	Chief Officer – Parks and Countryside
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	In line with our ambitions to work with the 3 rd sector, a full review of the work is already underway in conjunction with the 3 rd sector.	To be undertaken as a part of the decision process	March 2019	£0.03m reduced costs	Chief Officer – Communities

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality impact assessment	Expected decision date	2019/20 Budget Amount £	Decision Maker
<p>Reduce current level of subsidy to Community Centres by</p> <ul style="list-style-type: none"> transferring assets to community organisations considering an increase in prices 	<p>Continue to review arrangements to reduce the net cost of community centres</p>	<ul style="list-style-type: none"> Loss of control by the Council, need to ensure third party plans provide level of service needed Demand risk of a price increase 	<ul style="list-style-type: none"> Consultation already taken place with regards to Community Asset Transfers To be undertaken as a part of the decision process 	<ul style="list-style-type: none"> Completed in respect of each Community Asset transfer decision To be undertaken as a part of the decision process 	<p>November 2018</p> <p>Sept 2019</p>	<p>£0.1m reduced costs</p>	<p>Chief Officer – Communities</p>
<p>Libraries & Information Service restructure</p>	<p>To review current structure to deliver staffing efficiencies</p>	<p>Final structure doesn't deliver sufficient savings</p>	<p>To be undertaken as a part of the decision process</p>	<p>To be undertaken as a part of the decision process</p>	<p>March 2019</p>	<p>£0.2m reduced costs</p>	<p>Chief Officer – Customer Access</p>
<p>Registrars – review fee structure</p>	<p>To ensure service continues to cover its costs</p>	<p>The increase in fees may impact on demand and the assumed increase in income may not be achieved</p>	<p>No requirement</p>	<p>No implications</p>	<p>November 2018</p>	<p>£0.1m additional income</p>	<p>Chief Officer – Elections & Regulatory</p>
<p>Review and standardise Leeds card discount at Attractions</p>	<p>To remove inconsistencies identified in level of discount</p>	<p>The reduction in discounts may impact on demand and the</p>	<p>To be undertaken as a part of the decision process</p>	<p>To be undertaken as a part of the</p>	<p>March 2019</p>	<p>£0.03m additional income</p>	<p>Chief Officer – Parks and Countryside</p>

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2019/20 Budget Amount £	Decision Maker
Review commercial income generating opportunities within Parks & Countryside	available across the Council's Attractions. Enhancement of existing facilities/development of new facilities and opportunities will result in enhanced visitor experiences and increased income	assumed increase in income may not be achieved The opportunities identified don't result in the assumed increase in income	To be undertaken as a part of the decision process along with that undertaken in respect of any statutory requirements (e.g. planning).	decision process To be undertaken as a part of the decision process	March 2019	£0.05m additional income	Chief Officer – Parks and Countryside

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality impact assessment	Expected decision date	2019/20 Budget Amount £	Decision Maker
CEL management restructure.	To enable the service and the directorate to remain within a reduced funding envelope.	Slight increase in the risk around management capacity.	To be undertaken as the same time as the decision.	To be undertaken at the same time as the decision.	TBC	£75k	Chief Officer Civic Enterprise Leeds
Human Resources – Proposal for a car loan scheme for ULEV.	To enable the Directorate to promote cleaner transport alternatives in the City.	Proposals are at an early stage and need to be worked up.	To be undertaken as the same time as the decision.	To be undertaken at the same time as the decision.	TBC	£60k	Chief Officer Human Resources

Proposed Council Tax Support Payments to Parish/Town Councils

	£
Aberford and District	335
Allerton Bywater	2,010
Alwoodley	777
Arthington	35
Bardsey cum Rigton	630
Barwick in Elmet and Scholes	1,255
Boston Spa	1,444
Bramham cum Oglethorpe	606
Bramhope and Carlton	787
Clifford	549
Collingham with Linton	744
Drighlington	1,112
East Keswick	282
Gildersome	1,352
Great and Little Preston	564
Harewood	19
Horsforth	4,576
Kippax	2,594
Ledsham	91
Ledston	124
Micklefield	3,482
Morley	12,441
Otley	15,157
Pool in Wharfedale	780
Rawdon	1,483
Scarcroft	139
Shadwell	317
Swillington	2,012
Thorner	785
Thorp Arch	226
Walton	76
Wetherby	7,855
TOTAL	64,639

Equality Impact Assessment: Best Council Plan 2019/20 to 2020/21 and Budget 2019/20

Introduction

This paper outlines the equality analysis and strategic equality assessment of the proposed Best Council Plan for 2019/20 to 2020/21 and proposed Budget and Council Tax for 2019/20 (as detailed in the accompanying reports to the Executive Board meeting 13 February 2019 recommending proposals to Full Council on 27 February 2019). 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	Intelligence and Policy Manager
Joanna Rowlands	Senior Policy Development Officer
Ruth Addison	Senior Intelligence Officer

Overview

The Best Council Plan is Leeds City Council's strategic plan, both bringing together and also informing and being informed by the aspirations from a range of supporting council and partnership plans to set out the authority's overall ambitions, policy direction and priorities for city and organisation. It underpins 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. Whilst the Best Council Plan is written as a multi-year, long-term strategic document, as with the council's medium-term financial plan, it is reviewed and refined annually as needed.

The Best Council Plan 2019/20 to 2020/21 and the 2019/20 Budget have been developed in the context of the approach agreed by the Executive Board on 19th December 2018 through the Initial Best Council Plan proposals and the Initial Budget Proposals. The 2019/20 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 2019/20 to 2020/21 maintains the clear, strategic message expressed over several years around Best City meaning a strong economy in a compassionate city with the city's Inclusive Growth and Health & Wellbeing Strategies as key drivers in tackling poverty and reducing inequalities. Key changes from the 2018/19 Best Council Plan include strengthening the environmental aspects of sustainable development by establishing a 'Sustainable Infrastructure' priority (replacing 21st Century Infrastructure) and highlighting linkages across all priorities; also introducing a new 'Age-Friendly Leeds' priority based on the existing, well developed ambition for Leeds to be the best city to grow old in, a place that both values older people recognising the contribution they can make, but also prioritises

their needs. The 'Best Council' ambition of being 'An Efficient and Enterprising Organisation' is kept but extended to include 'Healthy', adding further focus to the health and wellbeing of staff, and with updated detailed narrative on how the authority will enact this in support of the Best City ambition. The Best Council Plan key performance indicators are also updated. The Best Council Plan ambitions, outcomes and priorities underpin the Medium-Term Financial Strategy approved by the Executive Board in July 2018 and the proposed 2019/20 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 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).

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 2019/20 to 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 eight 'Best City' priorities:
 - Inclusive Growth
 - Health and Wellbeing
 - Child-Friendly City
 - Age-Friendly Leeds
 - Safe, Strong Communities
 - Housing
 - Sustainable Infrastructure
 - Culture

- A 'Best City' section that provides an introduction to each of the priorities and signposts the reader to the key supporting strategies for further information.
- A 'Best Council' section, explaining our approach to being an efficient, enterprising and healthy organisation with our five council values underpinning everything 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 £22.6m in 2019/20 to balance to the anticipated level of resources available.

The council remains committed to protecting front line services as far as possible especially those that provide support to the most vulnerable and is planning to meet the challenge of the estimated budget gap for 2019/20 through a combination of efficiencies, changes to service, increased income (generated through fees, charges and traded services), increased grant and changes in the funding of lifecycle costs on PFI contracts. Details of these proposals can be found in the directorate reports appended to the Budget 2019/20 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 staffing since then.

In July 2018 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 £96.8m. (An updated financial forecast for 2020/21 and 2021/22 is included in section 12 of the 2019/20 Budget report for consideration by Executive Board and Full Council in February 2019.)

The council reissued a S188 notice on 19th December 2018 which indicated that an estimated reduction of a further 69 FTEs would be required by 2020. The notice also identified that with an identified funding gap of £65.6m for 2020/21 and 2021/22 some of the budget savings options to address this will inevitably include a reduction in the number of staffing FTEs.

Fact finding – what do we already know

Demographics: A Changing Population

- The population of Leeds is estimated to be 784,800¹ people in 2017 (ONS mid-year estimate) - an increase of 0.5% (3,800 people) in the year since the previous 2016 estimate.
- One in ten people (10.1%) are in the 20-24 age band reflecting the large student population.
- In the 10 years (2007-2017), the Leeds population has increased by 6.3% (46,300 people). The working age population had a smaller percentage increase (3.2%) than both the population of children and young people (12.6%) and the population aged 65 and over (12.7%).
- In the 10 years (2007-2017), the increase in the children's and young people's population has been in the primary school age groups, with an increase of 19,435 children in the 0-10 age group.
- Over 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 18,348 more young people aged between 11 and 19 years old in 2027 compared to 2017.
- The population of older people aged 65 and above has increased by 13,700 people (2007-2017). In the next 10 years, the increase in the older population will be even bigger, with 17,100 more people aged 65 and over resident in Leeds in 2027 than in 2017.
- 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 8,300 more men aged 65 and over resident in Leeds in 2017 than in 2007 (compared to 5,400 more women).
- Leeds continues to become more ethnically diverse, with the greatest ethnic diversity in younger age groups. The proportion of the school population from

¹ Rounded to 100. Office for National Statistics (ONS) 2017 Mid-Year Estimates

BME backgrounds has nearly doubled since 2005, increasing from 17.9% in 2005 to 33.8% in 2018.

- 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 826,500² in 2027. This is a 5.1% increase in the 10 years 2017 to 2027. The working age population will have a smaller percentage increase (2.4%) than the population of children and young people (7.4%) and the population aged 65 and over (14.1%).
- 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 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 2018 Leeds Joint Strategic Assessment, analysis based on the 2015 Index of Multiple Deprivation and the 2019 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.

² Rounded to 100. Office for National Statistics (ONS) 2016-based projections

The Indices of Multiple Deprivation 2015 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 2018 Joint Strategic 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.

- In 2016/17 almost a fifth of the Leeds population – around 150,000 people across the city were 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.)³
- Over 28,000⁴ (19.6%) Leeds Children under 16 were in poverty in 2015. In 2016/17 there has been an increase in the number of people in employment who are living in poverty. Nationally 5.4 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 2016/17, in-work poverty was estimated to affect over 71,000 Leeds adults. Over 27,000 Leeds residents in full-time work earn less than the Real Living Wage of 2018 and over 10,900 Leeds workers are on zero hour contracts.
- In 2016, almost 43,000 Leeds households were in fuel poverty and almost 10,000 of these households were paying their fuel bills via prepayment meters during 2016.
- 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 two measures which identify local authority districts with large numbers of people experiencing deprivation. These are the income scale and the employment scale:
 - Income scale – this counts the number of individuals (adults and children) experiencing income deprivation in the local authority area. Leeds had the 3rd highest number (Birmingham had 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 had the 3rd highest number (Birmingham had 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

³ The Leeds Poverty Fact Book includes measures for Relative and Absolute Poverty, both before and after housing costs are deducted. ‘Absolute Poverty’ measures individuals who have income below 60% of median incomes, but uses the median income from 2010/11 and adjusts this in line with inflation. This is designed to assess how low incomes are faring with reference to inflation/living standards. Absolute Poverty falls when individuals with low incomes see their incomes rise by more than inflation.

⁴ Children in Low Income Families Local Measure (Source: HMRC data published March 2018, representing Child Poverty in Leeds 2015)

parents, and people with mental health problems. For example, in recent research commissioned by Leeds City Council into Financial Exclusion and Poverty in Leeds, it was found that families with children were much less likely to save and therefore less resilient to any changes in their finances. Survey results of 600 deprived area households found that 47% of lone parent households in deprived areas said they never save, compared to 38% of all households surveyed (University of Salford, 2018). A report by the Money and Mental Health Policy Institute found that nearly a quarter of people (23%) who attempted suicide in 2017 were in problem debt. People with multiple debt problems are at significantly higher risk of suicide than those with just one problem debt. (A Silent Killer, Breaking the link between financial difficulty and suicide, 2018). 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 2017/18 the council saw almost 3,800 awards to people accessing its Local Welfare Support Scheme for both emergency (food and fuel) and basic needs provision (household goods), totalling almost £560,000 in direct awards.
- Further welfare changes, including the under-occupancy charges, have affected over 5,200 Leeds households. In January 2017, the Benefit Cap reduced to £20,000 per annum and affected over 800 households during September 2018.
- Over 19,000 households in Leeds 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 28,000 people in Leeds have needed assistance with food via a food bank between April 2017 and March 2018.
- 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

Third sector

The council has a long tradition of working in collaboration with the third sector in order to deliver the best possible outcomes for the people of Leeds. The council recognises and values the critical and significant role that the third sector plays in the life of the city and the importance of a diverse sector as articulated in the Leeds Third Sector Ambition Statement. The council demonstrates its commitment to the sector in many ways.

The council invests financial and staff resource in the development and maintenance of partnership and engagement relationships with the sector, 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. 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.

The council makes a significant financial investment in the sector. In 2017/18 £125.1m was invested in the sector through transactions with 1392 individual third sector organisations. Of these:

- 719 organisations received payments of less than £1000 (predominantly small, local, community and sports organisations)
- 25 organisations / consortiums received £80.3m between them (principally agencies focusing on health, social care and the children's agenda's)
- 197 faith organisations received £14.8m for their secular work in communities
- Members Improvement in the Community and Environmental (MICE) allocation totalling £240k was invested in third sector-led, community-based initiatives.
- The total investment in the sector by the council has been broadly maintained despite the £251m funding reduction experienced by the council over the period of austerity. This is a positive picture, but the council along with third sector partners, is continuing to review the analysis of the council's financial relationship with the sector in order to understand whether the approach is supporting our shared ambitions for the sector and the city.

There is ongoing dialogue with the third sector regarding the budget challenges and future plans, for example:

- The Third Sector Partnership has received regular updates on the council's financial position. In November 2018, 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 2019/20 and 2020/21. Directorate commissioning colleagues also shared information about their respective emerging budget positions.
- 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. There is a well-established expectation that they are in regular detailed discussions with organisations that will be impacted by any budget reductions or changes.

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:

- In March 2018 the council endorsed the Compact for Leeds, the Commissioning and the Working Together Codes of Practice. The Commissioning Code is of particular significance as it was developed through a long process of collaboration between health, council and third sector partners and provides an important framework to support coherence and consistency with their collective and individual commissioning.

- The council coproduces the annual Lord Mayor's Small Groups and Charities Event which celebrates the work of small groups, volunteers and active citizens, but also provides them with an opportunity to link into a range of organisational and funding support and advice.
- The council facilitates the cross sector Funding Leeds Partnership, which has been leading on ambitions to maximise external investment into Leeds through the third sector. This includes:
 - The development and promotion of a programme of training, funding fairs and workshops to enable front line third sector organisations to access information about funding opportunities and to develop skills and access support to maximise their success in bidding for funding.
 - Investment in and further development and promotion of the Funding Leeds website which provides a comprehensive accessible database of local, regional and national funding opportunities and provides information and links to local training and support.
- The council has also further developed its employer-supported 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, with 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.

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 city ambitions.

The council's workforce profile

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

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 2018 the council's minimum hourly rate was increased to £8.75 which mirrored the Living Wage Foundation recommended minimum rate of pay, 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.

- From the 1st April 2019 a new National Joint Council (NJC) pay spine will be introduced with a minimum rate of £9.00 for new starters. The pay for all existing staff will be £9.18 or more which exceeds the Living Wage Foundation minimum. These changes have a positive impact on in-work poverty, particularly for women, under 25s and part-time workers.

In December 2018 there were 14,736 people employed in the council (excluding schools and casual staff). The workforce profile of all employees is shown below.

Profile area	Number	Percentage
Gender		
Male (including Trans)	5,820	39%
Female (including Trans)	8,916	61%
<i>Total</i>	<i>14,736</i>	<i>100.0%</i>
Disability		
Not disabled	12,394	84%
Disabled	835	6%
Not specified/prefer not to say	1,507	10%
<i>Total</i>	<i>14,736</i>	<i>100%</i>
Ethnic origin		
Non BME	10,911	74%
BME	2,032	13%
Not specified/prefer not to say	1,793	13%
<i>Total</i>	<i>14,736</i>	<i>100%</i>
Sexual orientation		
Heterosexual	7,800	53%
Lesbian, gay, bisexual & other	363	3%
Not specified/prefer not to say	6,393	44%
<i>Total</i>	<i>14,736</i>	<i>100%</i>
Religion or belief		
Religion	8,991	61%
Not specified/prefer not to say	5,745	39%
<i>Total</i>	<i>14736</i>	<i>100%</i>
Age / years		
16 – 25	1,004	7%
26 - 64	13,404	91%
65 +	328	2%
<i>Total</i>	<i>14,736</i>	<i>100%</i>

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. We are working hard to encourage staff that have not specified/prefer not to

say to update their equality information so we have a more accurate picture of our workforce; though 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, and this year part of the reporting is being linked to how they develop their own workforce around the inclusion agenda. Political support remains strong and a comprehensive programme of work is in place, with strong links to our Staff Network groups and community hubs where appropriate. Our graduate and apprenticeship programmes provide opportunities to further diversify our workforce.

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

Apprentices

Since the announcement of the Apprenticeship Levy in April 2017, the council has worked to improve its apprenticeship offer and grow the apprenticeship programme and opportunities across all services within the organisation to make best use of levy funds.

Currently (January 2019) the council employs 636 apprentices, from level 3-7, across more than 70 standards, covering traditional entry roles, through to technical professionals. These are a mix of new recruits and conversions of current employees onto apprenticeship training.

Although recruitment to new apprenticeship posts is limited within the current budget position, we are taking steps to engage communities and underrepresented groups within areas of deprivation and diversity across the city in order to widen participation and encourage inclusiveness and accessibility for all. As a result we are continuing to work with 6 target high schools across the city to encourage and build awareness to school age students and their parents, 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.

In addition to this, work has been carried out within community hubs to raise awareness with hub staff of apprenticeships and particularly council opportunities, to assist in their advisory capacity to communities.

Recent analysis of diversity data indicates that in terms of apprenticeships, the number of BME apprentices is slightly raised above that of the makeup of the workforce at 17% BME (against 14% for the council). This appears to be a significant achievement against the Census 2011 figures which show Leeds population is around 19% BME. This comes against a backdrop of diversity data in apprenticeship starts across the city as a whole which have recently shown BME take up to be around 11.7%.

Looking at areas of deprivation across the city, analysis suggests that in 2017, when looking at all employed apprentices (both new recruits and current employees) approximately 54% of our apprentices came from the 40% most deprived postcodes in the city. In 2018 we looked solely at new start data and as such can demonstrate a relative increase, as 55% of just our new recruits are now coming from these top most deprived areas. This hopefully reflects the work mentioned above.

Equality Impacts and Improvement Work

During 2017 council's Equality Improvement Priorities were reviewed and refreshed. Approved and published in the summer 2018, the Equality Improvement Priorities 2018–2022 ensure that the council meets its legal duties under the Equality Act 2010 and 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 continues to be used to set the council equality improvement priorities and 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 still take 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:

- Improve housing options for young people and disabled people;
- 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;
- Prevent and reduce levels of hate incidents by ensuring victims, witnesses and third parties of hate incidents are supported and offenders are brought to justice;
- Improve access to cultural opportunities and sport;
- Improve access to transport and quality of service for all to enable people to use public transport;
- Increase digital inclusion, particularly for those in poverty to provide greater access to jobs, skills and learning;
- Reduce the gaps in learning outcomes for vulnerable learners;
- Support people out of financial hardship; and
- Develop a skilled and diverse council workforce.

Full details of this improvement work can be found in the Annual Equality Progress Report 2017 - 2018, which can be accessed [here](#).

These continue to be priority areas of work for the council for the coming years with the addition of:

- Improving equality outcomes across the six priority neighbourhoods with a focus on addressing inequality and poverty;
- Improving the approach to migration in Leeds;
- Developing a quality mark for (regulated) services to demonstrate their appropriateness of delivery to LGBT+ individuals and communities;
- Ensuring fair and equal access to taxi and private hire services for disabled people; and
- Improving the walkability and accessibility of Leeds City Centre by developing and expanding a user friendly wayfinding system.

The 2018-2019 Annual Equality Progress Report will be available during the summer of 2019.

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 2019/20 to 2020/21 and Budget 2019/20 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 2019/20 to 2020/21 and Budget 2019/20 reports for consideration by the council's Executive Board and Full Council in February 2019.

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 2019/20 considered by the Executive Board in December 2018.

The public consultation on the council's Initial Budget Proposals for 2019/20 took place between 20th December 2018 and 20th January 2019. Though focused on the budget, the survey presented findings from the previous year's consultation exercise and explored whether the public's views and perceptions of the council's priorities had changed in that time. As such, the results of that consultation exercise are relevant to the proposals to update the Best Council Plan.

The consultation was primarily carried out through an online survey that was advertised on the council's website and social media sites, via email to partner organisations, Equality Hub members and the Citizens' Panel, and circulated to staff; paper versions were also available. The challenge of balancing the budget was also the theme for the Equality Assembly Conference in November 2018, and a broad range of issues were raised.

A total of 1,241 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 the Budget 2019/20 report for consideration by the council's Executive Board and Full Council in February 2019 with summaries in the cover reports for both the Best Council Plan 2019/20 to 2020/21 and Budget 2019/20.

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 2019/20 to 2020/21 and Budget 2019/20 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 2019/20 through the council's decision-making processes.

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 2019/20 BUDGET REPORT

Directorate: Adults and Health

1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2019/20 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 and 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 have 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). 2019/20 is the last year of increased funding. 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. The 2019/20 budget will include the last 1% applied to Council Tax. 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. 2019/20 sees the final year of this funding. The Government has recently announced additional funding under the heading Winter Pressures for 2018/19 and 2019/20. Though there is an expectation that money will be spent on adult social care that benefits health partners and the acute sector in particular with its winter pressures.
- 2.3 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 Green Paper on the Future of Adult Social Care Funding was due to be issued in the summer of 2018, has been deferred with an issue date not yet available, although this will only address the issue of older people's care.
- 2.4 Adults and Health will continue to develop and implement 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. In addition, we will be working with health partners to develop plans for meeting the needs of the NHS England led Transforming Care programme, as well as undertaking a feasibility study to develop and enhance provision for citizens with dementia.

2.5 **Public Health:** Public Health commissions a wide range of providers to deliver Public Health services. These include 3rd sector providers, GPs, Pharmacists and Leeds Community Healthcare. 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 2019/20 budget has been set at £206,523k representing a net decrease of £982k (0.46%) when compared to the adjusted budget for 2018/19. This net decrease comprises a number of pressures totalling £11,260k offset by savings of £12,241k 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 2019/20 budget.

3.2.2 A further transfer of staff to the Specialist Admin function requires a budget transfer of £152k.

3.2.3 The management of the Children's and Families Bereavement contract has been transferred to the Children's and Families Directorate and requires a budget transfer of £150k.

3.2.4 A number of minor budget adjustments have been made which have a net impact of increasing the Adults and Health budget by £44k.

3.3 **Changes in prices – pressure of £5,088k**

3.3.1 The budget includes provision of £1,511k reflecting the National Employers' two year pay offer made in December 2017. For 2019/20 this offer increased above 2% for spinal column points (SCP) 1 to 23 and 2% increases for SCP 23 and above. As a result of this pay offer, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.18 per hour which is 18p above the Real Living Wage rate. Apprentices and new starters on the A1 spinal point will be paid £9 per hour for the first year only.

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 £3,621k for care packages, £157k for client transport and £50k for NNDR.

3.3.3 Inflationary increases in the level of income from other organisations are estimated to generate additional income of £250k. Many adult social care fees and charges are related to Department for Works and Pensions benefits rates and will be uplifted accordingly from April 2019. 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 £111k

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 15.9% to 16.2% in 2019/20. This increase is estimated to cost £111k.

3.5 Capitalised Pension Costs – saving of £158k

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 £158k.

3.6 National Living Wage/Ethical Care Charter Commissioned Services – pressure of £6,368k

3.6.1 The Government announced an increase to the National Living Wage from £7.83 per hour to £8.21 from April 2019 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 proposed budget also includes provision to enable a continuation of meeting the aims of the Ethical Care Charter. The impact of the National Living Wage and the Ethical Care Charter in 2019/20 is estimated at £6,368k.

3.7 Demand and Demography – pressure of £4,282k

3.7.1 Additional provision of £1,580k has been made to reflect the demand and demographic pressures experienced during 2018/19 and forecast for 2019/20 for care packages. 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 £1,540k are included under the service changes heading for the estimated financial impact of strengths based social work and service reviews. 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 A provision of £2,180k has been built in to the budget recognising the national Transforming Care agenda which 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.

3.7.3 £222k has been provided for the Hospital Stay scheme which enables home care providers to retain staff for a short period whilst a client is in hospital. £200k has been introduced to enhance the Short Breaks for Carers scheme. The budget provides for an additional £100k for client equipment with the Leeds Community Equipment Service.

3.8 Specific Grant Funding Changes - saving of £5,727k

3.8.1 2019/20 sees additional base funding from the Improved Better Care Fund (iBCF), and an additional £10,100k is expected.

- 3.8.2 As mentioned at 2.2 above, the Government has announced an additional £3,300k funding under the heading Winter Pressures for 2019/20. There is an expectation that money will be spent on adult social care that benefits health partners and the acute sector in particular with its winter pressures.
- 3.8.3 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 £2,069k receivable in 2018/19. The contra entry to the grant was a transfer to reserves to offset anticipated future pressures. The second year reduction in the short-term iBCF 'Spring Budget' monies of £4,700k has also seen a matched reduction in spend provision.
- 3.8.4 The Public Health grant allocation for 2018/19 has now been confirmed at £43,141k, a reduction of £1,170k which is a reduction of 2.64% compared to the 2018/19 grant allocation. Use of £304k of Public Health reserves has partially offset this impact.
- 3.8.5 Fall out of £38k Big Lottery Funding has been allowed for.
- 3.9 **Other budget pressures – £1,297k**
- 3.9.1 The introduction of the Ethical Care Charter requires monitoring to ensure the agreed aims are being implemented, a budget of £100k has been created to support assurance of its delivery.
- 3.9.2 In addition to the inflationary increase referenced above, Client transport is expected to increase by £258k, representing the increased cost of this service.
- 3.9.3 Recognising the need to improve the quality of the service provided to clients, providers and the need to improve the income collection process additional resources are to be employed in the Operational Finance team at a cost of £397k.
- 3.9.4 £356k has been injected into the costs of Provider Services; this relates to the in-house provision for older people and is the cost required to meet the needs of this increasingly complex client group.
- 3.9.5 There are a number of income pressures within 2018/19 which are expected to continue into 2019/20. These total £86k and relate primarily to reductions in client income, in particular lower than anticipated attendance at day centres.
- 3.9.6 An additional £100k has been provided for the cost of the Meals on Wheels service representing an increase in costs to the directorate.
- 3.10 **Savings**
- 3.11 **Efficiencies – £9,726k**
- 3.11.1 As highlighted at 3.8.1 there are grant reductions of £4.700m (Spring Budget) and £2.069m (Social Care Grant). The funding time frame of these grants was known and this expenditure was tailored appropriately. The former was used to fund pressures which have now been resolved and the latter was used as a transfer to reserves for future adult social care pressures.

- 3.11.2 The financial impact of a small number of leavers via the Early Leavers Initiative and recognising that there is an ongoing level of staff turnover, vacancy and turnover factors totalling £717k have been applied to the staffing budgets.
- 3.11.3 Use of one off resources means that the requirement for prudential borrowing has been removed and the budget has been adjusted by £160k to reflect this.
- 3.11.4 An ongoing review of the pattern of expenditure on services has identified that spend per head in Leeds is higher than comparator authorities for learning disability services in particular. Along with the strengths-based approach for providing support and a strong recovery offer, Adults and Health are working to ensure that, in meeting client needs, the most cost effective package of care is in place; savings of £1,575k are included for adult social care and public health to meet these twin aims. The impact of these reviews may include customers being transferred to different services and some reduction in the level of care provided if eligible needs have reduced.
- 3.11.5 A number of contracts and projects are due to cease and a number that are demand led have shown underspends within the last two years. A saving of £383k is expected from these areas.
- 3.11.6 A target of delivering smaller efficiencies via non-demand budgets is expected to deliver £100k of efficiencies. Further the net impact of a number of other small adjustments leads to a small saving of £22k.

3.12 **Income – Fees and Charges £1,021k**

- 3.12.1 The directorate is reviewing its processes to ensure it collects all income due and has set a target of an additional £900k. In addition the increase in service offer of the Short Breaks service (3.7.3 above) is expected to deliver £121k in client contributions.

3.13 **Income – Traded Services and Other £954k**

- 3.13.1 The directorate is targeting £954k additional funding from partners towards costs incurred by the Council on their behalf.

3.14 **Income – Grants and Other Income £540k**

- 3.14.1 The Public Health grant for 2018/19 is projected to underspend, primarily due to staffing vacancies, by £387k. In line with the ring-fenced requirements of this grant, this will be carried forward into 2019/20.
- 3.14.2 The receipt of the Advonet grant is being reinstated into the budget, it had been erroneously presumed that the funding had ceased in 2017/18. The sum is receivable in 2018/19 and is expected to continue into 2019/20.

4 **Risk Assessment**

- 4.1 In determining the 2019/20 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 2019/20 budget for the Adults and Health Directorate 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 2019/20 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 two to three years. While some of the people within the cohort are known to Leeds and their costs of care can be managed within the allocated 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 continued 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.
- 4.6 There is an overarching risk covering Public Health and social care relating to changes in national policy, practice and legislation e.g. the Cheshire West judgement on the extent of Mental Capacity Act assessments and the Employment Tribunal judgement on how 'sleep-in' care should be costed.

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Directorate - Adults & Health

	2019/20 £m	FTEs
Net managed budget 2018/19	207.76	
Adjustments		
Transfers of function	(0.30)	
Other adjustments	0.04	
Adjusted net managed budget	207.50	
Budget Pressures:		
Inflation		
Pay	1.51	
Price	3.83	
Income	(0.25)	
Employers Pension	0.11	
Capitalised Pensions	(0.16)	
National Living Wage - commissioned services		
National Living Wage/Ethical Care Charter	6.37	
Demographic and demand pressures		
Demand and demography	1.58	
Home Care - Hospital Stay	0.22	
Community Based Respite - short breaks	0.20	
Leeds Equipment Service	0.10	
Transforming Care	2.18	
Grant Changes		
iBCF - year three of planned growth	(10.10)	
Winter Pressures	(3.30)	
iBCF - Spring Budget	4.70	
Social Care grant cessation	2.07	
Public Health grant cut (net of usage of reserves)	0.87	
Big Lottery	0.04	
Other		
Ethical Care Charter - compliance	0.10	
Client transport	0.26	
Operational Finance	0.40	11.00
Provider Services	0.36	
Income Pressures	0.09	
Meals on Wheels	0.10	
Total Pressures	11.26	11.00
Savings Proposals:		
Efficiencies		
Reduction in spend in line with cut in short term funding	(4.70)	
Reduction in spend in line with cut in short term funding	(2.07)	
Use of vacancy factor/ELI impact	(0.72)	
Prudential Borrowing - remove provision	(0.16)	
Supplies and services	(0.10)	
Review care packages/demand management	(1.58)	
Contract cessation and management	(0.38)	
Other	(0.02)	
Service Changes		
Income - Fees & Charges		
Improve collection of assessed income	(1.02)	
Income - Traded Services, Partner Income		
Increased contributions from partners	(0.95)	
Grants and Other Income		
Use of carried forward Public Health grant	(0.39)	
Advonet Grant	(0.15)	
Total Savings	(12.24)	0.00
Net Managed Budget 2019/20	206.52	11.00

LEEDS CITY COUNCIL

2019/20 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 2019/20 financial year.

2 Service Context

- 2.1 The Council has a statutory duty and responsibility to safeguard and promote the welfare of over 175k children and young people (aged 0–18) across Leeds. The Children and Families Directorate has produced the Leeds Children and Families Improvement Plan 2018-2020 which sets out the aims and priorities for the next three years and how the Directorate will continue to work to make Leeds the Best City for Children and Families in the UK. This budget reaffirms the Council's commitment to the plan and once again protects the vital services provided by the Directorate.

- 2.2 The Children and Families Directorate has come a long way in recent years. It is still less than a decade ago that OFSTED found that services to children in Leeds were 'inadequate' and vulnerable children were being left at risk. The most recent OFSTED inspection report, published in December 2018, has rated the services that Leeds provides for children and families as 'outstanding'. Leeds is the first major city to achieve this standard. This national recognition has led to Leeds being awarded significant additional grant funding from the Department for Education (DfE) under the Partner in Practice (PiP) programme with a total of £9.6m invested in Leeds between 2016/17 and 2018/19. In addition, Leeds has been 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 2018/19. This budget ensures that the additional investment in services funded by the DfE PiP can be continued beyond the period of the grant funding.

- 2.3 Recent budgets have provided additional resources for the Directorate to fund the 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 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. However, in 2018/19 there is a projected overspend of £2.1m on CLA and financially supported non-CLA and whilst this is significantly less than in previous years the actual number of children being supported is still higher than budgeted. This budget provides for an increase in the demand led budgets of £2.6m.

- 2.4 The 2019/20 budget proposals ensure ongoing provision to support the Children and Young People's Plan, continue the investment previously funded through 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 also include additional resources to address key budget pressures including the demand-led pressures and loss of specific grant funding. The 2019/20 budget proposals for Children and Families also reflect the position that the changes to the education transport offer for post-16 learners, to introduce personal travel allowances (PTA's) instead of providing transport which were approved by Executive Board in July 2017 are now not proposed to go ahead. This is outlined in section 3.14.

3 Budget Proposals

3.1 This 2019/20 budget has been set at £121,749k representing a net increase of £852k (0.7%) when compared to the adjusted budget for 2018/19. This net increase comprises a number of pressures totalling £2,652k offset by savings of £1,800k which are explained below.

3.2 Budget Adjustments and Transfers £630k Cr

3.2.1 There have been a number of service transfers and other budget adjustments which are reflected in the 2019/20 budget.

3.2.2 There has been a net reduction of £287k for the transfer of various budgets to other directorates. The transfers are mainly to Resources and Housing and include the transfer of the Public Access Service.

3.2.3 Budget adjustments include a reduction of £505k for the continued budgeted use of section 106 balances to support the 2019/20 budget. A budget of £92k has been transferred from Civic Enterprise Leeds (CEL) for the additional costs of the living wage in 2018/19 in relation to the transport service provided by CEL. Budget provision of £150k has been transferred from Adults Social Care, Public Health, for the commissioning of a bereavement service which will be managed by Children and Families. There are a number of small adjustments which result in a reduction of £80k.

3.3 Changes in prices – pressure of £3,235k

3.3.1 The budget includes provision of £2,390k reflecting the National Employers' two year pay offer made in December 2017. For 2019/20 this offer increased above 2% for spinal column points (SCP) 1 to 22 and 2% increases for SCP 23 and above and for the impact of the teachers' pay award for staff in the Directorate employed on teaching grades. As a result of this pay offer, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.18 per hour which is 18p above the Real Living Wage rate. Apprentices and new starters on the A1 spinal point will be paid £9 per hour for the first year only.

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. Specifically in respect of energy, £66k provides for a 24.4% increase in electricity and a 14.8% increase in gas. The main provision for price inflation is £550k and provides £300k for CLA external placement costs and £250k for children's transport costs. An additional £115k is provided for an increase in the cost of insurance, a reduction of £93k for National Non Domestic Rates (NNDR) following the revaluation and £207k for an increase in the pay award element of the costs of transport services provided by Civic Enterprise Leeds.

3.4 **Actuarial Review – pressure of £192k**

3.5 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 15.9% to 16.2% in 2019/20. This increase is estimated to cost £192k.

3.6 **Capitalised Pension Costs £173k Cr**

3.6.1 It is proposed to reduce the capitalised pension budget by £173k to reflect projected savings on this budget in 2019/20.

3.7 **National Living Wage Commissioned Services £590k.**

3.7.1 Provision of £590k has been included for the estimated cost of the increase in the national living wage for external residential placements.

3.8 **Demand and Demography £1,500k**

3.8.1 In recognition of the ongoing pressures on the Children and Families budget from increases in the child population and the resulting increase in CLA and children requiring transport, the CLA and financially supported non-CLA budgets have been increased by an additional £1,100k and the transport budget by £400k.

3.9 **Specific Grant Funding Changes £3,350 Cr**

3.9.1 The 2019/20 budget allows for a number of changes to grants in the Children and Families Directorate. The provisional Local Government finance settlement confirmed additional national funding of £410m for Adult's and Children's social care. The Leeds allocation of this is £5,600k and it is proposed that this is used to help fund the budget pressures in Children and Families including the fall out of other grant funding and increases to the demand led budgets.

3.9.2 The grant funding of £9.6m was awarded to the Council following a successful bid to the DfE PiP programme. This funding has now been fully committed. In order to secure the continuation of this significant additional investment, the budget has been increased by £3,050k so that the early intervention services funded through the programme can be continued. During 2018/19 the Council agreed to a request from the DfE to reschedule the final grant payment for the PiP programme from 2018/19 to 2019/20. In order to fund the 2018/19 spend the Directorate received a £1,700k contribution from reserves. The 2019/20 budget includes additional income of £1,700k as a result of the slippage in the payment. This income will be used to repay General Fund reserves.

3.9.3 Two smaller grants received by Children and Families are the School Improvement Monitoring and Brokering grant and the Special Education Needs (SEN) grant. In both cases allocations for 2019/20 have not been announced and for the budget it is assumed that for the School Improvement, Monitoring and Brokering grant only the previously notified sum up to August 2019 will be received, a reduction of £400k on the grant received in 2018/19. If the grant is extended then the funding will be used to enhance the school improvement service. For the SEN grant it is assumed that the full £500k will fall out or an extension of the grant will come with new responsibilities which will require additional expenditure.

3.9.4 As part of the autumn budget in October 2018 the Chancellor of the Exchequer announced an additional £84m grant would be made available over 5 years for up to 20 local authorities to help children stay at home safely. The Chancellor specifically stated that this grant is intended to build on existing innovation in Leeds, Hertfordshire and North Yorkshire programmes. As referred to in paragraph 3.9.2 Leeds has been successful in receiving significant additional funding for innovation in Children's Services from the PiP programme. These budget proposals do not specifically assume any additional funding from this grant as the Directorate is still working on a potential bid. However, the budget proposals do assume an additional £150k in income, see paragraph 3.16.3, which could include this new grant if the bid was successful. It is anticipated though that the majority of any additional funding received under this programme would result in additional responsibilities and hence would incur additional expenditure so would not result in direct savings for the Directorate.

3.10 **Other budget pressures – £2,656k**

- 3.10.1 There is in place within both Children and Families Directorate and Legal Services a strict approval mechanism to control external legal spend but recognising the pressure in 2018/19, the budget for external legal costs in 2019/20 provides for an additional £500k which reflects the increase in external legal costs associated with some of the more complex children cases being dealt with by the Council.
- 3.10.2 As an improvement partner working with the DfE, the Directorate has an income budget for income earned through working and supporting other LAs. This budget was increased in 2018/19 following the partnership agreement with Kirklees MBC. As this agreement will largely come to an end after 2018/19 the income budget is being reduced by £400k in 2019/20. Whilst further partnership work may be undertaken it is unlikely to be of the extent of the Kirklees MBC arrangement and any further agreements may also result in additional costs to the Directorate.
- 3.10.3 An increase in the fees for inter-agency placements during 2018/19 has meant that the local authority contributions that fund One Adoption West Yorkshire (OAWY) have been increased. The budget for the Leeds contribution for 2019/20 been increased by £350k.
- 3.10.4 Other funded pressures include £300k to reverse savings included in the 2018/19 budget that were achieved from the use of non-recurring income.
- 3.10.5 The 2019/20 budget includes a provision of £1,000k to make a one off contribution to schools funding to increase the PFI Factor in the schools funding formula for 2019/20. This follows discussions with the DfE about options to address the projected increase in the unitary charge costs for PFI schools in 2019/20 and future years. This proposal has a neutral impact on the Children and Families budget as the additional funding from reserves in year will be transferred to the schools DSG budget to be distributed to PFI schools as part of their PFI affordability gap funding. The DfE has confirmed that this increase to the PFI Factor will be baselined in future DSG settlements so a one off contribution of £1,000k funded by the Council in 2019/20 will lead to an equivalent increase in total schools funding for the PFI Factor for each subsequent year whilst the PFI contracts are still operating. This proposal protects non-PFI schools from contributing to the increased costs of the PFI contracts and provides more certainty over meeting future cost pressures for PFI schools. More details on this proposal are included in the schools budget report.

3.11 **Reserves - £2,000k Cr**

- 3.11. These proposals include the use of £1,000k of reserves to support the 2019/20 budget.

- 3.12. In addition, it is proposed that £1,000k of reserves in Children and Families will be used to make a one off contribution to schools funding as outlined in paragraph 3.10.5.

3.12 Savings

3.13 Efficiencies – £600k.

- 3.13.1 Savings of £300k have been included in the transport budget in relation to the mainstream school transport services commissioned through the West Yorkshire Combined Authority (WYCA). These are savings that have already been partly achieved and have been delivered through route rationalisation of routes.
- 3.13.2 As part of moving the services funded through the PiP programme DfE grant to baseline Children and Families base budget the service will review the current spend with a view to identifying non-staffing savings. A saving of £150k has been assumed for this.
- 3.13.3 Other running cost savings of £150k include £50k savings on prudential borrowing costs, £50k savings on Independent Support Workers reflecting current savings and £50k general running cost savings.

3.14 Service Changes - £0k

- 3.14.1 As referred to in paragraph 2.4, the report to the July 2017 Executive Board on 'Transport assistance for Post-16 students with SEND' had sought approval to implement a new transport offer for young people with SEND (special educational needs) in post-16 education. The proposal was approved by Executive Board. The changes had been subject to rigorous consultation, a strong communications strategy was conducted and a long phasing-in period included an extended period of no-change for existing students. During the implementation period additional feedback was received from a small number of affected families. The phasing-in period was therefore paused pending further consideration and the effect of cancelling the policy changes in line with the new feedback was considered, with alternative options explored.
- 3.14.2 A pilot scheme to offer PTA's on a voluntary basis to both post-16 and statutory age children has proven very successful with a high level of take-up delivering £360k of savings to date. The scheme continues to be promoted and further take up of the offer is expected. There are now more families in receipt of voluntary PTA's across all year groups than had been expected from across the post-16 cohort. These savings have helped offset the impact of the increase in children requiring transport arrangements and a reduced need for demand and demography funding. In addition, as outlined in paragraph 3.13.1 reviews of mainstream school services commissioned through WYCA have secured efficiencies.
- 3.14.3 It is now proposed that the changes to the post-16 offer approved in 2017 are not implemented and that the Children's Transport service reverts to the November 2015 transport policy. In common with other local authority transport policies, the Leeds policy will continue to be reviewed. The 2019/20 budget therefore provides for an increase in the overall transport budget reflecting an anticipated overall increase in demand for transport services although the overall additional costs has been partly offset by the savings made through the take up of voluntary PTAs. No savings have therefore been assumed from the original proposed changes to the post-16 offer.

3.15 Income – Fees and Charges £200k

3.15.1 Maintaining current trading levels with schools continues to be challenging and therefore no increases in traded income have been assumed except for income from Adel Beck where there will be an increase in charges estimated at an additional £200k. .

3.16 **Income – Traded Services and Other £1,000k**

3.16.1 An additional £600k of grant income is anticipated from the High Needs Block (HNB) of the Dedicated Schools Grant (DSG) in relation to the additional costs incurred by the Directorate for the education costs of children and young people in external residential placements and from recovery of the costs of the voluntary Passenger Transport Agreements for SEN pupils. These additional costs have been taken account of in the High Needs Block five year financial plan.

3.16.2 Income of £200k is expected from the capitalisation of some of the staff of the Children and Health and Disabilities team around the work of the occupational therapists team on adaptations.

3.16.3 As referenced in paragraph 3.9.4 an additional £150k in income has been included on the basis of a number of bids for external funding that the Directorate are currently working on.

4 **Risk Assessment**

4.1 In determining the 2019/20 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 2019/20 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 £2.6m for the budgets for supported children and transport costs. There is a risk that this additional funding is not sufficient to meet the growing demands. To mitigate this risk the budget proposals also provide funding to continue the additional investment in services previously funded by the DfE PiP grant and the budget also protects all the vital services that the Directorate provides.

4.4 These pressures have also impacted on the High Needs budget in recent years which is funded through the Dedicated Schools Grant. 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 2019/20 and to reduce the deficit balance from previous years. On the 17th December 2018 the Secretary of State for Education announced that there would nationally be an additional £250m of high needs funding on top of existing allocations, in recognition of the cost pressures that Local Authorities (LAs) are experiencing on the High Needs Block. The national announcement provides £125m for 2018/19 and £125m for 2019/20. For Leeds this results in an additional £1.76m in funding each year. It should be noted that the additional

grant is for two years only and funding beyond 2019/20 is subject to the outcome of the spending review. Full details are included in the Schools funding budget report. There is still 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 grants 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.

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

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Directorate - Children's and Families

	2019/20 £m	FTEs
Net managed budget 2018/19	121.53	
Adjustments		
Transfers of function	(0.29)	
Other adjustments	(0.34)	
Adjusted net managed budget	120.90	
Budget Pressures:		
Inflation		
Pay	2.39	
Price	0.85	
Income	0.00	
Employers Pension	0.19	
Capitalised Pensions	(0.17)	
National Living Wage - commissioned services	0.59	
Demographic and demand pressures		
CLA and financially supported non-CLA	1.10	
Transport	0.40	
Grant Fallout		
Fallout of DfE Partner in Practice Grant	3.05	
School Improvement Monitoring and Brokering Grant - anticipated reduction	0.40	
DfE Special Educational Needs Grant - reduction/new responsibilities	0.50	
DfE Partner in Practice Grant - final payment	(1.70)	
New grant funding - Adult's and Children's social care	(5.60)	
Other		
Use of earmarked reserves	(2.00)	
Contribution to PFI Factor in the School Funding Formula	1.00	
Legal disbursements	0.50	
Reduction in partnership income following ending of Kirklees partnership work	0.40	
One Adoption West Yorkshire - increase in contribution	0.35	
Other pressures	0.41	
Total Pressures	2.66	0.00
Savings Proposals:		
Efficiencies		
Transport savings - WYCA commissioned services	(0.30)	
Running cost savings from former PiP funded activities	(0.15)	
Other running cost savings	(0.15)	
Service Changes		
Income - Fees & Charges		
Increased charges Adel Beck	(0.20)	
Income - Traded Services, Partner Income		
Grants and Other Income		
Additional Dedicated Schools Grant (High Needs Block) for external placement costs and personal transport budgets	(0.60)	
Additional income from Housing for the capitalisation of 50% of the costs of the Children Health and Disabilities team (occupational therapists)	(0.20)	
New grant income (following local government settlement)	(0.15)	
Other income	(0.05)	
Total Savings	(1.80)	0.00
Net Managed Budget 2019/20	121.75	0.00

LEEDS CITY COUNCIL

2019/20 BUDGET REPORT

Directorate: Children and Families

The Schools Budget 2019/20

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 2019/20 is funded in four separate blocks for early years, high needs, schools and central schools services.
3. A new National Funding Formula (NFF) was implemented in April 2018 for high needs, schools and central schools services. However, local authorities will continue to set local formulae for schools as a transitional arrangement until full implementation of the NFF. This has been delayed until at least 2021/2022.
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 £4,940.00 per full time equivalent for 2 year olds. The grant received will continue to be based on participation. The actual grant received during 2019/20 depends on pupil numbers in the 2019 and 2020 January censuses. The early years pupil premium is included in the early years block 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 2019.
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 2018, though adjustments to this figure are expected up until May 2019. On the 17th December 2018 the Secretary of State for Education announced an additional £250m of high needs revenue funding on top of existing allocations over 2 years. For Leeds this resulted in £1.76m additional funding in 2018/19 and 2019/20. However, the high needs block is facing a number of financial pressures and Schools Forum had previously agreed a transfer of £2.5m from the schools block to help fund these pressures. The additional high needs revenue funding was announced with an expectation that any transfers from the schools block would be re-examined and as a result it is proposed that the transfer from the schools block is reduced to £1.5m. Some of the additional funding would also be used to increase the Funding for Inclusion (FFI) rate for mainstream schools for eligible pupils from £600 to £650. Based on current numbers the annual cost of this is estimated at £1.05m. The remaining additional funding would be used to make a contribution to the DSG deficit. In addition,

there is a proposed transfer of £0.8m from the central schools services block to the high needs block. These proposals were all fully supported by Schools Forum members in the January 2019 meeting.

6. The schools block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11. The grant for 2019/20 is based on pupil numbers (including those in academies and free schools) as at October 2018. Schools have been consulted on options for the local formula in 2019/20. 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 2019.
7. The central school services block (CSSB) 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 2019/20 was issued in December 2018 at £5.33m.
8. The guidance for 2019/20 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	-1.50		1.50
Transfer from CSSB to High Needs		-0.80	0.80
Transfer from Schools to CSSB for new costs	-0.20	0.20	
	<u>-1.70</u>	<u>-0.60</u>	<u>2.30</u>

9. Funding for post-16 provision is allocated by the ESFA. For 2019/20, funding for post 16 high needs pupils will remain in the high needs block and the post 16 grant will reduce correspondingly. Funding for 2019/20 will be based on 2018/19 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 2019/20 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 is expected to remain at £2,300.
11. The Primary PE grant will be paid in the 2018/19 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 2018/19, funding is allocated to schools on the basis that they receive the same overall amount of year 7 catch-up premium funding received in 2017/18. It will be adjusted to reflect the percentage change

in the size of their year 7 cohort, based on the October 2018 census. It is assumed that the 2019/20 grant will be on the same basis and so dependent on the October 2019 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 2018/19 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. A further grant has been announced in relation to additional teacher's pay costs from 1st September 2018. The values below are a part year impact on 2018/19 and the estimated full year grant in 2019/20.
15. PFI schools have different arrangements around a number of cost elements including premises costs and various facilities costs. The funding arrangements for such schools are also slightly different to other schools.
16. A number of financial issues have recently arisen specifically around PFI schools which the Council has been looking to address and has had discussions with the DfE over options to manage these. The main issue is around how the projected increasing costs of the contracts will be funded in the future. The Council has sought a solution which avoids having to take more funding from the Schools Block and provides some financial certainty over the next few years.
17. Leeds has a high number of PFI funded schools with 29 PFI maintained schools and academies across five PFI schemes representing around 11% of schools in Leeds. The PFI contracts are between the council and the PFI contractors and the council is responsible for contract management. The contracts are for 25 years and the schemes will end at various stages up to 2036/37. The budgeted total unitary charge for 2018/19 is £52.1m. The cost of the unitary charge is met through a combination of income received from PFI credits grant from the DfE and contributions from schools through a school budget contribution and a school affordability gap contribution. The affordability gap is the difference between the full cost of the contract and the combined income from the PFI grant and school budget contributions. In order for PFI schools to pay the affordability gap contribution they receive additional PFI Factor funding through the Schools Block of DSG.
18. There are significant differences between the original assumptions in the PFI financial models and what has actually been experienced for variables such as the rate of inflation, the rate of overall increase of the unitary charge payments, lettings income and the available funding to meet the payments. Re-modelling of the financial position for each of the PFI schemes shows increasing and significant funding issues over the remaining lifetime of the schemes, particularly as inflation has increased over the last few years. The options to meet this growing funding gap are limited as most of the funding is fixed or based on previous year spend with an annual uplift for RPIX. In future years it is projected that the uplift will not be sufficient to meet the overall increase in the unitary charge.
19. Following discussions with the DfE it is proposed to increase the PFI factor in the formula through an additional contribution from the Council. The DfE have

confirmed that this would then be baselined in future years. This option protects non-PFI schools from contributing to an increase in the PFI Factor and provides more certainty over meeting the projected increase in costs for the PFI schools. The Council is therefore proposing to make a contribution of £1m from Council reserves to the PFI Factor in the school funding formula in 2019/20. This will then be baselined by the DfE in future years' Schools Block DSG settlements. The additional £1m will be distributed to PFI schools through an increase in their PFI Factor funding.

Schools Funding Summary

20. The grants before ESFA deductions (e.g. for payments to academies) and transfers between blocks for 2018/19 (latest estimate) and 2019/20 are shown in the following table along with the additional contribution to be made by the council to the Schools Block in relation to PFI. Some of the amounts for 2019/20 are subject to final confirmation.

	2018/19 £m	2019/20 £m	Change £m
DSG - Schools Block	498.97	516.32	17.35
Schools Block – additional council contribution	0.00	1.00	1.00
DSG - Central Schools Services Block	5.17	5.33	0.16
DSG - High Needs Block	68.72	72.55	3.83
DSG - Early Years Block	57.15	59.07	1.92
ESFA Post 16 Funding	29.63	27.35	-2.28
Pupil Premium Grant	42.89	42.89	0.00
PE & Sports Grant	4.14	4.06	-0.08
Year 7 Catch-up Grant	0.91	0.91	0.00
Universal Infant Free School Meals Grant	10.01	9.97	-0.04
Teachers Pay Grant	2.69	4.61	1.92
	<u>720.28</u>	<u>744.06</u>	<u>23.78</u>

Briefing note prepared by: Louise Hornsey, Principal Financial Manager
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LEEDS CITY COUNCIL

2019/20 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 2019/20 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. In 2019/20 budgets will again support a number of high profile sporting events including the World Triathlon, Cricket World Cup, Tour de Yorkshire and the World Road Cycling Championships.

3 Budget Proposals

- 3.1 This 2019/20 budget has been set at £35,890k representing a net increase of £3,520k (10.8%) when compared to the adjusted budget for 2018/19. This net increase comprises a number of pressures totalling £5,570k offset by savings of £2,060k 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 between directorates which are reflected in the 2019/20 budget. The overall net impact of these adjustments is to reduce City Development's budget by approximately £1,250k giving an adjusted 2018/19 budget of £32,370k.
- 3.2.2 From April 2018 the (former) Public Private Partnership Unit (PPPU) was disbanded and resources were integrated into existing directorate teams. An exercise to allocate the PPPU's original income budget was completed part-way through 2018/19 and concluded that target income of £2,200k would transfer into the City Development budget.
- 3.2.3 The 2018/19 base budget assumed £1,900k of S106 balances would be used to support the council's revenue budget. Due to a change in accounting treatment, approximately half of these balances (£961k) have been transferred to those directorates responsible for fulfilling the S106 obligations.
- 3.2.4 The balance of the adjustments is made up of a number of transfers of posts/service between directorate's which for City Development include the transfer of the carnival/reggae to Communities and Environments and the transfer of the International Relations Team into City development from Resources with a resultant net reduction in budget of approximately £100k.

3.3 Changes in prices – pressure of £4,330k

- 3.3.1 The budget includes provision of £1,490k reflecting the National Employers' two year pay offer made in December 2017. For 2019/20 this offer increased above 2% for spinal column

points (SCP) 1 to 28 and 2% increases for SCP 23 and above. As a result of this pay offer, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.18 per hour which is 18p above the Real Living Wage rate. Apprentices and new starters on the A1 spinal point will be paid £9 per hour for the first year only.

- 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. Specifically in respect of energy, £300k provides for a 24.4% increase in general electricity whilst £80k provides for a 14.8% increase in gas.
- 3.3.3 The main provision for price inflation relates to the Council's portfolio of 92,000 street lights which, with annual consumption of approximately 40 million kilowatt hours per annum, represent the biggest single user of electricity across the Council. The proposed budget includes provision for inflation on street lighting electricity of £1,700k which reflects the steep increase in unit costs already experienced in 2018/19 and the potential for similar price rises in 2019/20. The Directorate plans to partly mitigate this pressure by upgrading the Council's portfolio of street lights with the latest LED technology (see paragraph 3.11.1)
- 3.3.4 The budget also allows for approximately £490k of pressure on the Directorate's PFI contracts within Sport & Active Lifestyles and Highways & Transportation.
- 3.4 **Actuarial Review – pressure of £120k**
- 3.5 A review of the West Yorkshire Pension Fund was undertaken in the autumn of 2017 and the actuary has confirmed the figures advised to the Council in the last triennial review. As a result of this the rate will increase from the current 15.9% to 16.2% in 2019/20. This increase is estimated to cost the directorate £120k
- 3.6 **Capitalised Pension Costs**
- 3.6.1 The cost of capitalised pensions associated with staff who have left the Council through the Early Leavers initiative (ELI) will reduce by approximately £80k in 2019/20.
- 3.7 **Demand and Demography £150k**
- 3.7.1 Following recent terrorist incidents involving hostile vehicles across a number of European cities including London, the Council's Executive Board agreed to introduce a robust control system for a number of city centre locations. The preferred solution involves the installation of centrally controlled 'rise and lower' bollards. The additional costs associated with operating the new security arrangements are estimated at £150k.
- 3.8 **Specific Grant Funding Changes**
- 3.8.1 There are no specific grant funding changes relevant to the directorate. .
- 3.9 **Other budget pressures – £1,130k**
- 3.9.1 The Directorate's Asset Management function provides a professional property service which includes acquisition/disposal of major development sites and surplus council assets. The function generates income in the form of professional fees which, in the case of asset disposals, are charged against any resultant capital receipts. Following completion of several major sites in 2018/19, the 2019/20 capital receipts programme is forecast to significantly reduce next year with a resultant impact on capital receipts fee income of approximately £600k.

- 3.9.2 The 2019/20 budget proposals also incorporate £190k in recognition of the operating costs associated with the Council's award winning Flood Alleviation Scheme which completed earlier this year.
- 3.9.3 In 2013 the Council introduced a corporate offer to foster carers and care leavers which included access to a range of leisure opportunities free of charge, including Bodyline membership, swimming and free tickets for child-friendly events. In recognition of the continued increase in take-up of this offer, the budget includes £100k as part mitigation of the impact on City Development's revenue budget.
- 3.9.4 The re-occupation of Merrion House early in 2018 gives rise to an associated liability for the Merrion Centre service charge of £170k.
- 3.10 **Savings**
- 3.11 **Efficiencies – £1,100k.**
- 3.11.1 Over recent years the Directorate has closely monitored and evaluated the business case for LED street lighting culminating in a report to Executive Board in October 2018 proposing to invest approximately £30M in new LED technology. The investment includes £5M to install a central monitoring system which will allow the Council to control the operation of all 92,000 street lights remotely.
- 3.11.2 The 2019/20 budget includes revenue savings of circa £700k from the LED programme next year which should be derived from a combination of electricity savings (£500k) and capitalisation of programme management costs (£200k). These savings assume the programme will commence in summer 2019, allowing time for negotiations with the PFI street lighting provider to conclude and amendments to the PFI contract to be agreed and drawn up.
- 3.11.3 The Directorate has set a savings target of £250k in relation to the continuation of its asset management strategy over the next year. The success of this strategy over recent years has centred upon driving efficiencies through the adoption of 'Changing the Workplace' principles and supporting the community asset transfer programme. The Directorates aims to deliver the 2019/20 target by further maximising occupation levels across the estate and reducing the costs of managing void properties.
- 3.11.4 Proposed savings within Sport & Active Lifestyles of £150k will be realised through the delivery of operational efficiencies across all centres.
- 3.12 **Service Changes - £50k**
- 3.12.1 The Employment & Skills service propose to establish a new team to act as a registered training provider generating an associated net income (after salary costs) from the apprenticeship levy of £50k.
- 3.13 **Income – Fees and Charges £360k**
- 3.13.1 The 2019/20 budget assumes further income growth totalling £360k across 3 areas of service, namely Sport & Active Lifestyles (predominantly bodyline memberships), Asset Management (developer payments in relation to easements & covenants) and Planning Services (growth in income from pre-applications).

3.14 **Income – Traded Services and Other £550k**

- 3.14.1 Income derived from the Arena has exceeded the current base budget in each of the last 3 years and a proposed increase of £150k reflects the average annual return from the investment over the last 3 years.
- 3.14.2 The Highways capital programme continues to grow with some significant schemes underway including those relating to the Local Public Transport Investment programme, flood alleviation, HS2 and the Leeds Integrated Station masterplan. The service continues to actively recruit across a range of technical posts in order to create the level of in-house capacity to deliver this growing programme of work. In recognition of this growth, the 2018/19 budget proposals include additional highways and engineering fee income of £400K.

4 **Risk Assessment**

- 4.1 In determining the 2019/20 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 2019/20 budget for City Development are outlined below.
- 4.2 By summer 2019 the Directorate plan to commence on the 4 year LED conversion programme. Savings of approximately of £700k rely upon a prompt start which may be adversely impacted by ongoing and potentially protracted negotiations with the PFI provider.
- 4.3 The 2019/20 budget proposals for City Development incorporate income growth for a number of services including Highways, Sport, Planning and Asset Management. This reflects the Council's ambition to continue to alleviate the financial impact of austerity by adopting a more commercial approach.
- 4.4 Successful delivery of this budgeted growth whilst at the same maintaining existing income streams represents a significant challenge for the Directorate and continues to be reliant upon the outlook for the economy. Bearing in mind the uncertainty around Brexit, the Directorate will need to ensure that income levels and the actions required to deliver them are closely monitored.

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

Directorate - City Development

	2019/20 £m	FTEs
Net managed budget 2018/19	33.72	
Adjustments - Transfers of Function	(1.35)	
Other Adjustments		
Adjusted net managed budget	32.37	0.00
Budget Pressures:		
Inflation		
Pay	1.49	
Price	2.62	
Income	0.00	
Employers Pension	0.12	
Capitalised Pensions	(0.08)	
National Living Wage - commissioned services	0.00	
Demographic and demand pressures		
Programme Management HS2	0.00	5.00
Hostile Vehicle Mitigation Scheme	0.15	5.00
Grant Fallout		
Other		
Shortfall in Fee income	0.60	
Merrion Centre Service Charge	0.17	
Corporate offer to Foster carers	0.10	
NNDR	0.26	
Flood Alleviation Scheme	0.19	
Total Pressures	5.60	10.00
Savings Proposals:		
Efficiencies		
LED Street Lighting conversion	(0.70)	
Asset rationalisation	(0.25)	
Sport Efficiencies	(0.15)	(5.00)
Service Changes		
Apprenticeship levy	(0.05)	
Income - Fees & Charges		
Sport income	(0.22)	
Planning Development	(0.08)	
Commercial property (Easements/covenants)fees	(0.06)	
Income - Traded Services, Partner Income		
Arena Income	(0.15)	
Other		
Mobile refresh	(0.02)	
Highways Capitalisation	(0.40)	8.00
Total Savings	(2.08)	3.00
Net Managed Budget 201819	35.89	13.00

LEEDS CITY COUNCIL 2019/20 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 2019/20 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 when resources continue to diminish, priority has been given to ensure that these services are maintained.

- 2.2 The Directorate 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 contributes to the delivery of the Best City Priorities as described in the Best Council Plan 2018/19 – 2020/21 and the key priorities which this budget is designed to support are as follows:

- 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 inequalities
- Supporting communities and raising aspirations
- Helping people adjust to welfare changes
- Implementing innovative approaches to delivering services for end users

- 2.4 Against a background of significant efficiencies that have been incorporated into budgets in recent years as well as the continuing requirement to identify further savings for 2019/20, the Directorate's 2019/20 budget submission will nevertheless seek to protect services and initiatives which support these priorities.

3 Budget Proposals

- 3.1 The 2019/20 budget has been set at £78,571k representing a net increase of £4,315k (5.8%) when compared to the adjusted budget for 2018/19. This net increase comprises a number of pressures totalling £6,235k offset by savings of £1,920k 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 2019/20 budget. The overall net impact of these adjustments is to reduce the directorate's budget by £622k, giving an adjusted 2018/19 budget of £74,257k.
- 3.2.2 The Leeds West Indian Carnival and Black Music Festival is now managed by Parks & Countryside and a budget adjustment of £199k from City Development reflects this transfer.
- 3.2.3 The responsibility for the management of Porters in the Central Library has transferred to Resources & Housing to ensure a consistent approach across Council Buildings, with a corresponding budget reduction of £159k.
- 3.2.4 The 2018/19 budget included the utilisation of £1,900k of S106 balances to support the Council's revenue budget, of which £456k has been allocated to Communities & Environment in respect of Greenspace balances held.
- 3.2.5 A number of other adjustments resulting in a net budget reduction of £205k have been made to reflect the movement of individual posts between directorates and to negate the requirement for recharges to be made between directorates.

3.3 Changes in prices – pressure of £3,063k

- 3.3.1 The budget includes provision of £2,461k reflecting the National Employers' two year pay offer made in December 2017. For 2019/20 this offer was for an above 2% increase for spinal column points (SCP) 1 to 22 and a 2% increase for SCP 23 and above. As a result of this pay offer, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.18 per hour which is 18p above the Real Living Wage rate. Apprentices and new starters on the A1 spinal point will be paid £9 per hour for the first year only.
- 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 overall provision for price inflation is £970k. Specifically in respect of energy, £124k provides for a 24.4% increase in electricity whilst £33k provides for a 14.8% increase in gas. Other provision includes £335k in respect of waste disposal contracts including the Recycling and Energy Recovery Facility (RERF), £108k relates to fleet transport costs including fuel, £48k is for grounds maintenance and £21k 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 are estimated to generate additional income of £370k. Of this, £180k relates to a 3% increase in bereavement fees which will offset cost increases and £73k for other sales within Parks and Countryside including food/drink at cafes and retail sales, and £65k in respect of Street Cleansing charges to Housing Leeds.

3.4 Actuarial Review – pressure of £185k

- 3.4.1 A review of the West Yorkshire Pension Fund was undertaken in the Autumn of 2017 and 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 15.9% to 16.2% in 2019/20. This increase is estimated to cost the directorate £185k.

3.5 Demand and Demography – pressure of £390k

3.5.1 Anticipated household growth in the city will impact on the volume of waste collected and disposed of and provision of £230k has been made for an additional refuse collection round and £160k for the increased disposal costs of waste to the RERF.

3.6 **Specific Grant Funding Changes – net reduction of £205k**

3.6.1 The Housing Benefit Administration Subsidy and Local Council Tax Support Administration Subsidy grant budgets are expected to reduce by £249k and £42k respectively reflecting the continuing reductions in the national quantum of funding allocated to local authorities. This reduction is partially offset by additional new burdens funding of £86k which is anticipated from the DWP during 2019/20 to compensate local authorities for additional workstreams. In addition, the provisional government contribution for Discretionary Housing Payments indicates a reduction for Leeds of £338k to £1,847k, although expenditure incurred under the scheme will be reduced accordingly, meaning there will be no impact on the budget.

3.7 **Other budget pressures – £2,392k**

3.7.1 In recent years there has been a decline in the average value of Housing Benefit overpayments which the Council can recover and this is expected to be further impacted upon by the introduction of Universal Credit which is now live in Leeds. The net impact on the 2019/20 budget is estimated to be £0.4m.

3.7.2 An additional £210k has been provided for the Managed Approach area in Holbeck. This will fund additional resources from West Yorkshire Police, who will match fund (50/50) with the Council, provide for all street cleansing requirements in the Managed Approach area and resources for enhanced intelligence and safeguarding.

3.7.3 Provision of £90k has been made for the implementation of a Single Point of Contact in respect of the Council's surveillance cameras to ensure that all CCTV systems across the Council are managed in line with the Surveillance Camera Commissioner recommendations and that the risk of data breaches is minimised.

3.7.4 Following a review of security arrangements at the Central Library and Community Hubs, an additional £100k has been provided to ensure there is adequate security at these sites.

3.7.5 The budget for the West Indian Carnival and Black Music Festival has been increased by £250k to reflect the actual spend on this event which has grown significantly in recent years and is now the city's largest participatory event attracting some 200,000+ people every year. As recommended following a recent audit report, there is also a need to enhance the Council's event management arrangements to ensure that the event is appropriately planned and resourced and managed in a safe way.

3.7.6 Funding for Immigration Advice at Chapletown CAB has previously been funded through the Local Welfare Support Scheme but since this scheme is now targeted solely on emergency related support for vulnerable people, the continuation of this advice for the more complex cases requires a contribution of £60k.

3.7.7 Provision of £40k has been made for the net impact on the directorate's revenue budget for borrowing costs relating to previous capital expenditure. An increase of £250k in respect of the cost of developing e-forms for the Contact Centre, which has enabled revenue savings to be made in recent years through the implementation of the Council's Channel Shift

programme, has been offset by savings of £210k within Waste Management, mainly as a result of previous capital expenditure now having been repaid.

- 3.7.8 The 2018/19 budget provided for potential savings of £170k to reflect a review of the basis on which the Council should be collecting clinical waste from domestic householders who are in the care of the NHS or other medical providers. Following a change in relevant regulations, legal advice is that it is unlikely that the Council will be able to recover costs from the NHS as had been expected.
- 3.7.9 Income trends experienced in 2018/19 within the Registrars service are expected to continue in 2019/20 with an estimated reduction in income of £100k being provided. This is largely as a result of the decision at a national level to roll out online forms for the Nationality Checking Service which has impacted on income received by the Council from providing the previous face to face service.
- 3.7.10 There is also an anticipated shortfall in Property Search income of £100k, which reflects recent trends in the number of searches undertaken.
- 3.7.11 An increase in Business Rates of £240k is largely due to the initial assessment of the Rateable Value of The Arium, although the valuation determined by the Valuation Office is subject to finalisation.
- 3.7.12 In previous years, the Financial Inclusion Team has been funded from Social Inclusion Fund income. Provision has been made within the budget to allow £200k of this income to be used instead to provide grant funding to the Leeds Credit Union to ensure it can operate from a stable base from which it can grow its business.
- 3.7.13 The 2018/19 budgeted contribution of £350k from the Wellbeing and Youth Activity Fund Reserve will not re-occur in 2019/20, which will create a budget pressure of £350k in 2019/20.
- 3.7.14 Other variations totalling £83k mainly reflect a £50k net increase in printing and postage costs, with an increase within Registration of Electors partly offset by a reduction within Welfare & Benefits.

3.8 **Savings**

3.9 **Efficiencies – £675k**

- 3.9.1 A targeted 10% reduction on the Third Sector Infrastructure Fund within the Communities budget is anticipated to save £30k.
- 3.9.2 A reduction of £100k in the net cost of Community Centres is anticipated reflecting running cost savings following the transfer of assets to the community, general efficiencies within the service and consideration of a price increase to take account of inflationary pressures.
- 3.9.3 Within the Community Safety service, efficiencies of £60k are anticipated through reviewing commissioning plans and maximising the availability of external funding. A further £10k saving reflects the inclusion of a vacancy factor in the budgeted contribution to the payment made to the West Yorkshire Police and Crime Commissioner (WYPCC) for the provision of Police and Community Safety Officers (PCSOs) in the Leeds district, which will be maintained at 239 in 19/20. In addition, the planned replacement of the Council's CCTV infrastructure will allow savings to be made on the current line rental costs and on the maintenance budget required, with the net saving estimated at £50k.

3.9.4 Staffing efficiencies of £425k have been identified within the directorate, with £200k savings estimated to be generated from a planned restructure of the Libraries & Information service, £150k from the Welfare & Benefits service to partially offset the reduction in Housing Benefit Administration Subsidy grant referred to in paragraph 3.6.1 and further savings of £75k anticipated from within the Communities Team.

3.10 **Service Changes - £40k**

3.10.1 A review of the provision of publications in libraries aimed at ensuring a more consistent approach across the city is anticipated to generate savings of £40k in 2019/20.

3.11 **Income – Fees and Charges £350k**

3.11.1 It is intended to increase the charge for commuter parking at Woodhouse Lane Multi Storey car park by 50p to £8.00 for a full day, which is anticipated to generate additional income of £110k in 2019/20. In addition, a planned 10% increase in Sunday and Evening parking charges is expected to generate an additional £60k of income. This would mean Sunday charges (up to 4 hours) would increase from £2 to £2.20, Sundays (up to 8 hours) would increase from £5 to £5.50 and Evening charges would increase from £3 to £3.30. The proposal to implement charging at District Car Parks is now no longer in the budget submission.

3.11.2 The budget provides for an additional £50k of commercial income to be generated from across the Parks & Countryside service's portfolio of income generating Attractions. It is further proposed to review and standardise the level of discounts available to LeedsCard holders at Attractions which is anticipated to generate an additional £30k of income in 2019/20.

3.11.3 A fee review in respect of charges made within the Registrars service is expected to generate an additional £100k income in 2019/20.

3.12 **Income – Traded Services and Other £855k**

3.12.1 The Council's Local Welfare Support Scheme exists to assist vulnerable citizens in receipt of Housing benefit or Universal Credit in the city with crisis payments for food and fuel and basic households goods, including carpets. As around 90% of all carpet awards are to Council tenants, the budget provides for the estimated cost of £100k to be more appropriately charged to Housing Leeds which will allow the scheme to remain at £600k with a reduction in the cost to the general fund of £100k.

3.12.2 The cost of holding local elections in 2019/20 is expected to reduce by around £100k as the Parish elections will be held at the same time which will allow some of the costs of holding the elections to be shared.

3.12.3 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. Subject to satisfying any legal requirements contained in the Section 106 agreement, it is proposed that a further £0.5m of balances held in respect of Greenspace are utilised to support the 2019/20 revenue budget. This creates an obligation in future years as the Council will be required to meet the expenditure commitments that would previously have been funded through the Section 106 balances.

- 3.12.4 Within Waste Management, additional income of £50k has been provided for to reflect the trends experienced in 2018/19 in respect of the sale of recycled materials and income from the disposal of trade waste at the Council's weighbridge sites.
- 3.12.5 Staff working on the development of capital schemes within the directorate is expected to increase the cost of staff time appropriately charged to capital schemes by £110k which will result in a corresponding reduction in the revenue budget.

4 Risk Assessment

- 4.1 In determining the 2019/20 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 which therefore require careful and regular monitoring has been prepared. The key risks in the 2019/20 budget for Communities & Environment are:
- 4.2 There are further delays in the implementation of the redesigned refuse collection routes, which will impact upon the level of savings assumed in the base budget.
- 4.3 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.
- 4.4 The level of budgeted car parking income receivable from on-street and off-street parking is not realised.
- 4.5 Assumptions in respect of income receivable from Bus Lane and Car Parking Enforcement are impacted upon by a reduction in the number of offences.
- 4.6 The level of demand is less than anticipated for income generating activities within Parks and Countryside.
- 4.7 The budgeted level of income in respect of the recovery of Housing Benefit overpayments is not achieved. The roll out of Universal Credit is expected to increase the pressure in this area in future years.
- 4.8 Staff turnover and the number of vacant posts across the Directorate are less than assumed in the budget.

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Directorate - Communities & Environment

	2019/20 £m	FTEs
Net managed budget 2018/19	74.88	
Adjustments		
Transfers of function	0.04	
Other adjustments	(0.66)	
Adjusted net managed budget	74.26	
Budget Pressures:		
Inflation		
Pay	2.46	
Price	0.97	
Income	(0.37)	
Employers Pension	0.19	
Demographic and demand pressures		
Additional refuse collection route	0.23	5.40
Increased black bin waste disposal volumes	0.16	
Grant Funding Changes		
Reduction in Housing Benefits/Local Council Tax Support Admin grants	0.21	
Other		
Housing Benefits Overpayment income	0.40	
Managed Approach area	0.21	4.00
CCTV Single Point of Contact	0.09	3.00
Security at Central Library & Community Hubs	0.10	
Support to West Indian Carnival	0.25	2.00
Immigration advice	0.06	
Capital financing costs - net impact of previous capital expenditure	0.04	
Medi Waste - non achievement of saving	0.17	
Registrars income trends	0.10	
Property Search income trends	0.10	
Business Rates	0.24	
Financial Inclusion Team	0.20	
Non re-occurrence of contribution from Wellbeing & Youth Activity Fund reserve	0.35	
Other variations	0.08	
Total Pressures	6.23	14.40
Savings Proposals:		
Efficiencies		
Communities - 10% reduction in Third Sector Infrastructure Fund	(0.03)	
Community Centres - Asset transfer savings and general efficiencies	(0.10)	
Community Safety - efficiency savings	(0.06)	
Community Safety - PCSOs vacancy factor	(0.01)	
Community Safety - CCTV Infrastructure efficiencies	(0.05)	
Staffing efficiencies - Communities, Welfare & Benefits and Libraries	(0.43)	(14.50)
Service Changes		
Review and reduce provision of publications in Libraries	(0.04)	
Income - Fees & Charges		
Increase commuter fee at Woodhouse Lane car park by 50p for a full day	(0.11)	
Increase Sunday/Evening parking charges by 10%	(0.06)	
Parks & Countryside - further commercial income generating opportunities	(0.05)	
Review and standardise Leeds card discounts at Attractions	(0.03)	
Registrars - review of fee structure	(0.10)	
Income - Traded Services, Partner Income		
Passport cost of carpets/flooring awarded via LWSS scheme to Housing Leeds	(0.10)	
Shared cost of local elections in 19/20	(0.10)	
Other Income		
Utilisation of Greenspace S106 balances	(0.50)	
Weighbridge/Recycling income trends	(0.05)	
Charges to capital schemes	(0.11)	
Total Savings	(1.92)	(14.50)
Net Managed Budget 2019/20	78.57	(0.10)

LEEDS CITY COUNCIL

2019/20 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 2019/20 financial year.

2 Service Context

- 2.1 The Directorate contains the Council's key professional support services; Finance, Procurement, HR, Digital Information Services, Legal Services, 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 and Leeds Building Services, Fleet Services, Facilities Management, 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 The Directorate is also responsible for the provision of council housing across the city. This is dealt with separately within the HRA budget report.
- 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 preventing homelessness, both of which are key priorities in the Best Council Plan.

3 Budget Proposals

- 3.1 This 2019/20 budget has been set at £82,216k representing a net increase of £3,370k (4.28%) when compared to the adjusted budget for 2018/19. This net increase comprises a number of pressures totalling £8,578k offset by savings / use of balances of £5,201k 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 totalling (£3,186k) which are reflected in the 2019/20 budget.
- 3.2.2 The responsibility for the management of Porters in the Central Library has transferred from Communities and Environment to ensure a consistent approach across Council Buildings, with a corresponding budget adjustment of £159k.

- 3.2.3 The International relations team has transferred to City Development with a corresponding budget adjustment of (£99k).
- 3.2.4 There have been a number of other adjustments regarding the movement of individual posts between Directorates totalling a net £233k.
- 3.2.5 All other adjustments totalling (£3,479k) reflect a number of other budget adjustments which have been made to negate the requirement for recharges to be made between directorates.
- 3.3 **Changes in prices – pressure of £4,950k**
- 3.3.1 The budget includes provision of £4,174k reflecting the National Employers' two year pay offer made in December 2017. For 2019/20 this offer increased pay above 2% for spinal column points (SCP) 1 to 22 and 2% increases for SCP 23 and above. As a result of this pay offer, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.18 per hour which is 18p above the Real Living Wage rate. Apprentices and new starters on the A1 spinal point will be paid £9 per hour for the first year only.
- 3.3.2 The provision for price inflation is £1,414k which includes £570k for Leeds Building Services, £440k for Civic Enterprise Leeds (CEL), £138k for Housing and Property and £266k for the remainder of the services in the directorate.
- 3.3.3 In addition and specifically in respect of energy costs, the budget provides a total of £422k for a 24.4% increase in electricity and a 14.8% increase in gas costs.
- 3.3.4 Inflationary increases in the level of fees, charges and income from other organisations, are estimated to generate £1,300k. Most of this increase, £1,053k, relates to price uplifts within Leeds Building Services.
- 3.4 **Actuarial Review – pressure of £264k**
- 3.5 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 15.9% to 16.2% in 2019/20. This increase is estimated to cost £264k
- 3.6 **Capitalised Pension Costs**
- 3.6.1 The fall out of capitalised pension costs associated with staff who have previously left the Council under the Early Leaver's initiative will save an estimated £128k.
- 3.6.2 There will be additional capitalised pension costs to be incurred in 2019/20 in those services where ELIs may be used as a mechanism to deliver staffing savings that are assumed in the 2019/20 budget. The staffing savings identified in 3.10 of this report are net of an estimated allowance for these new capitalised pensions amounting to £178k
- 3.7 **Specific Grant Funding Changes**
- 3.7.1 The Flexible Homelessness support grant will reduce by £664k from £1,794k to £1,129k in 2019/20. The Council will continue to use the £1.1m of grant to achieve 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. The reduction in the level of grant income will be funded in 2019/20 from reserves held on the balance sheet.

3.7.2 The Sustainable Energy and Air Quality team has been partly funded by an earmarked reserve in 2018/19. This one off source of funding, £178k will fall out in 2019/20 and the base revenue budget in this priority area is therefore increased by this amount.

3.8 Other budget pressures –£1,538k

3.8.1 **Microsoft Cloud** - The Microsoft Enterprise Agreement is renewed every 3 years, it was last signed in September 2016 and this fixed all Microsoft product license prices for 3 years – over this period of time Microsoft have been applying annual price increases ranging from 15% to 22% to their licence price list - which Leeds has been exempt from – however these price increases all impact on the 2019/20 budget as the Council will have to renegotiate renewal pricing effective from September 2019. Microsoft are encouraging organisations to move to cloud based services and this is reflected in the price model as they increase the cost of on premise services. In addition, the Council took a payment holiday on Microsoft Office which removed the costs of Office product software maintenance. Whilst this has delivered revenue savings in excess of £1m, the next renewal will require an upgrade of Office software versions thus re-introducing this cost into the base budget. In total a sum of £850k has been added to the DIS revenue budget to reflect these pressures.

3.8.2 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 investment of £195k which will contribute towards addressing these issues and a further £100k is provided for as part of the inflation figures referred to in para 3.3.2. This total of £295k is in addition to the £500k added to the 2018/19 budget and recognises the commitment to invest in Council assets to ensure they are maintained to an appropriate standard.

3.8.3 Clean Air Zone (CAZ) – The Council are under instruction from Government to formulate a plan to achieve compliance with air quality standards within the shortest possible timescales. Following a public consultation process, proposals for implementing a charging CAZ were approved at the Council's Executive Board in October 2018. The commencement date of the CAZ go-live is the 6th January 2020. From this date the Council will be able to introduce a charge for any buses, coaches, HGVs and taxi and private hire vehicles that operate within the CAZ boundary and which do not meet pre-determined emission standards. Any year-end surplus (or deficit) which arises as a result of the CAZ will be transferred to an earmarked reserve. Balances held in this reserve are to be used to improve air quality and support the delivery and ambitions of the zone. As such there is not expected to be any net impact on the 2019/20 budget.

3.8.4 The HR service centrally manages the Council's occupational health budget and HELP contract. There are spend pressures of £160k in this area particularly arising from spend in referrals to occupational health practitioners. Recognising the commitment to maintaining a healthy workforce, the budget will be increased to reflect current demand.

3.8.5 A sum of £75k is provided in the Finance budget to reflect the additional maintenance costs required for the move to Civica Pay from the existing income management system. This new system will be fully PCI compliant.

3.8.6 A net additional sum of £85k has been included in the legal services budget which reflects an approach to reduce the existing vacancy factor in the service to improve service delivery.

3.8.7 Other minor variations across the Directorate total £168k and include provision for the borrowing costs of replacement mobile devices council wide as some older devices in use will no longer be supported and in time will not meet more up to date security requirements.

3.8.8 Income Pressures - £1,107k

3.8.9 There are income pressures within the HR budget of around £837k. Most of this relates to traded income from schools. In this highly competitive market, this pressure has arisen from a combination of loss of schools from academy conversions, reduced demand from schools for HR services and additionally some schools who do buy back HR services have been buying in lower level packages of support and paying for adhoc HR services when required. The reduction in the income budget is correcting a trend seen over the past couple of years as income has declined to around £460k. This issue has been reported in the monthly financial health monitoring reports.

3.8.10 The budget submission reflects variations associated with both the shortfall in court fee income, £150k and a projected net loss of income receivable from schools for the provision of catering services due to academisation and downward trends in school meal numbers. £100k. Other minor variations are 20k

3.9 Savings

3.10 Efficiencies – £2,643k.

3.10.1 A review of the Council's support services functions which took effect in 2017/18 saw most 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 in excess of £3m have already been realised. In 2019/20, a further £942k of savings are proposed.

3.10.2 Across the remaining professional services in the Resources area, a sum of £640k is proposed to be saved in the following areas.

Financial Services	£295k
HR	£90k
Strategy & Improvement	£255k

These savings are to be delivered through a combination of ELI proposals, service reviews and controlled management of vacancies.

3.10.3 Savings of £100k within Housing Services will be realised through the management of staff vacancies

3.10.4 Within Civic Enterprise Leeds savings of £255k will be realised through management efficiencies (£75k), operational efficiencies within both Facilities Management (£70k) and Fleet Management (£50k). In addition, the service will be looking to insource contracts to deliver target savings of around (£60k).

3.10.5 The Digital Information Service are estimated to deliver cost savings of around £546k across of range of support and maintenance contracts including telephony, printing and

security.

3.10.6 A review of line by line spend across the Directorate has identified savings of £160k across all budget heads.

3.11 **Income – Fees and Charges £170k**

3.11.1 The budget assumes £110k of income within HR to be generated from the apprentice levy for the provision of training.

3.11.2 It is proposed to examine the possibility of establishing a salary sacrifice scheme to provide loans to staff for Ultra Low Emission Vehicles. A sum of £60k has been included in the budget for this.

3.12 **Income – Traded Services and Other £1,728k**

3.12.1 Leeds Building Services will increase their contribution by £1,400k in 2019/20 through a combination of additional turnover, improved productivity following the implementation of additional modules in the Total Mobile system and a review of overhead costs in the service. 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 A further net £328k of income is to be raised from additional charges to capital and internal income of £219k, income from the Leeds City Business Rates Pool (£35k) and a target of £74k of additional income across CEL.

4 **Risk Assessment**

4.1 In determining the 2019/20 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 2019/20 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 2019/20 budget proposals.

4.3 That assumptions in respect of both staff turnover and staff exiting the Authority through the Early Leaver's Initiative are not realised. Any variation could have implications for the delivery of the budgeted level of savings.

4.4 The assumptions around the additional contribution from Leeds Building Services are not deliverable due to operational capacity within the service, i.e. if the service are unable to recruit to the desired number of staff, then the ability to deliver the budgeted turnover level may be compromised.

4.5 The assumptions around the level of traded income and contributions within CEL are adversely affected by any future loss of schools through academisation or loss of service to other providers.

Directorate - Resources & Housing

	2019/20 £m	FTEs
Net managed budget 2018/19	82.03	
Adjustments		
Transfers of function	0.29	
Other adjustments	(3.48)	
Adjusted net managed budget	78.85	
Budget Pressures:		
Inflation		
Pay	4.17	
Price	2.08	
Income	(1.30)	
Employers Pension	0.26	
Capitalised Pensions	(0.13)	
Grant Fall Out		
Flexible Homelessness Support Grant	0.66	
Pressures		
Corporate Property Management -additional maintenance	0.20	
Microsoft Cloud	0.85	
Fall out Air Quality Earmarked reserve	0.18	
Finance Civica Pay PCI compliance	0.08	
HR Occupational Health spend and HELP contract - trend	0.17	
Legal Staffing	0.09	
Other Pressures	0.17	
Income Pressures		
HR Income	0.84	
Catering income	0.10	
Finance income - mainly Court Fees	0.17	
Total Pressures	8.58	0.00
Savings Proposals:		
Efficiencies		
Staffing efficiencies		
Finance	(0.30)	(8.53)
Strategy and Improvement	(0.26)	(3.86)
HR	(0.09)	1.99
DIS	0.01	(0.33)
Shared Services	(0.94)	(32.17)
Housing Services	(0.10)	(3.00)
CEL	(0.08)	(1.00)
Democratic	(0.01)	
Procurement Efficiencies		
DIS Contract Savings	(0.55)	
CEL - Contract Savings	(0.06)	
CEL - energy savings	(0.03)	
Other Efficiencies		
CEL - Fleet Operations	(0.05)	
CEL - Facilities Management - entry systems	(0.04)	(2.00)
Line by Line spend	(0.16)	
Income - Fees & Charges		
Ultra Low Emissions Vehicle Scheme	(0.06)	
Apprentice Levy Income	(0.11)	
Income - Traded Services, Partner Income		
LBS increased net return from additional work	(1.40)	
CEL increased income	(0.07)	8.05
DIS - external income from LCR business rates pool	(0.04)	
DIS - additional income chargeable to capital schemes (net)	(0.16)	
Procurement Income	(0.06)	
Grants and Other Income		
Housing - use of balances to fund fall out of grant	(0.66)	
Total Savings	(5.21)	(40.85)
Net Managed Budget 2019/20	82.22	(40.85)

LEEDS CITY COUNCIL

2019/20 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 2019/20 Housing Revenue Account (HRA) budget.
- 1.2 The 2019/20 budget has been prepared at outturn prices. This means that allowances for inflation have been included in the budget submission.
- 1.3 The appendix below sets out a summary of the HRA Estimate for 2019/20.

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 2019/20 budget will therefore be the fourth and final year of the policy requiring the reduction.
- 2.2 Implementing this policy, when compared to the level of resources assumed in the original 2016/17 Financial Plan, has equated to a loss of £18.5m 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, buying up empty homes and exercising the Right of First Refusal which the Council has to buy back former local authority homes sold under RtB legislation.
- 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 - 2019/20

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 2019/20 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 (2.4% as at Sept 18) + 1% is allowable. This 3.4% increase equates to approximately £0.4m.

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 £0.75p per week increase on multi storey flats with an increase of RPI on low/medium rise flats in 2019/20 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 2019/20. 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 and £6 in 2018/19. It is proposed to increase this charge by a further £2 per week in 2019/20 meaning the subsidy will be £5 per week. 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 5.12.

4. Key movements 2018/19 to 2019/20 - Income

4.1 Dwelling Rents

As detailed in 3.1, the fourth 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 72p 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 £2.88 per week in 2019/20.

Average rent	2018/19	2019/20	Reduction
£ per week non-PFI	72.11	71.39	0.72
£ per year non-PFI	3,760	3,722	38

The budget for 2019/20 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 0.85% 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 acquired during the year.

The impact of all these assumptions is a net reduction in income from dwelling rents of £2,723k in 2019/20.

4.2 Other rents

There is a proposed 3.3% rental income increase from shops, garages and miscellaneous properties in line with RPI.

4.3 Service Charges

Net income from service charges is budgeted to increase by £202k in 2019/20. The main movements are detailed below.

- 4.3.1 **Heat Lease** - income from heat lease charges is budgeted to reduce by £45k in 2019/20 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 £0.75 per week increase on multi storey flats with an increase of RPI per week on low/medium rise flats in 2019/20. This will generate an additional £254k compared to 2018/19. The additional charge in multi storeys is now the maximum planned charge, other than inflationary increases which will be reviewed each year.
- 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 and to £6 in 2018/19. It is proposed to increase this charge by a further £2 per week in 2019/20 meaning the subsidy will be £5 per week. The proposed decrease in the subsidy will generate an additional £81k compared to 2018/19.
- 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 3.3% for 2019/20 in order to reduce subsidisation. This will generate a small increase of £16k over 2018/19 levels.
- 4.3.5 **Contributions from leaseholders to capital works** - The 2019/20 budget reflects the requirement to budget for contributions from leaseholders where their properties have benefited from capital investment. The 2019/20 budget assumes income of £911k. This is an increase of £29k against the 2018/19 budget and reflects RPI.
- 4.3.6 **Extra Care**- The income from service charges for authority's Wharfedale View facility in 2019/20 is budgeted at an increase of £13k to reflect the pattern of income in 2018/19 plus RPI.

4.3.7 **Community Links Furniture** scheme has now ended. The income budget of £142k has therefore been removed, along with associated expenditure budgets.

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 80.5% of tenants will pay less overall than in 2018/19. 12.1% of tenants will pay the same amount as an overall freeze has been applied to any tenant who would have seen a weekly overall increase of less than £1 per week. 2.9% of tenants will pay £2.90 per week more. The remaining 4.5% will pay additional amounts ranging between £1.29 and £3.50.

Where people are affected by multiple increases it is proposed to cap the increase any individual tenant will be charged at £3.50 per week.

These increases will be funded through Housing Benefit for eligible tenants. Approximately 59% of tenants are in receipt of Housing Benefits.

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 as an Appendix to this report.

4.5 **PFI Grant**

The 2019/20 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 2018/19.

4.6 **Internal Income**

The 2019/20 budget for internal income is £2,102k higher than 2018/19. This is largely due to a review of staff related charges which can be charged to various capital projects.

4.7 **External Income**

The increase of £942k from 2018/19 to 2019/20 largely due to the income expected from the Leeds PIPES scheme. £521k of income is budgeted which partly offsets the expenditure on this scheme under Supplies and Services below. The remaining increase is for a £250k expected share of repairs contract savings and inflationary increases on other external income.

5. **Key movements 2018/19 to 2019/20 - Expenditure**

5.1 **Employees**

The 2019/20 budget for employees has increased by £2,823k when compared to the base budget 2018/19.

The budget within Property and Contracts (P&C) has increased by £2,185k. This is mostly due to the transfer of the former PPPU staff and funded from the offset of internal recharges and increased charge to the capital programme.

The remaining increase reflects the pay offer plus 3 additional safety officer posts, 5 posts on the disrepair team and 3 posts on the repair team to tackle disrepair preventative works. There was a reduction in the Technical budget for employees which was transferred to the P&C budget as part of the PPPU transfer.

The budget for the Housing Management function has increased by £698k from the 2018/19 Original Estimate. This reflects the pay offer, an additional post in Extra Care, an additional post in the Enhanced Income Team (funded from reserves) and additional staff for the ICT project (funded through the capital programme).

5.2 Repairs to dwellings

Contract negotiations for the commissioning of planned maintenance programmes has resulted in a £250k saving. A realignment of overheads between capital and revenue of £1,493k has been necessary due to a reduction in externally contracted services. This has resulted in a technical accounting adjustment offset by a reduction in Revenue Contribution to Capital Outlay (RCCO below). The result of these changes is an increase in Repairs and Maintenance budget of £1,243k in 19/20. The proposed repairs to dwellings budget for 2019/20 is therefore £44,791k.

5.3 Premises

The premises budget reflects a net increase of £802k. The increase is primarily due to an extension of the additional concierge service provided by CEL at a cost of £400k. This will fund; additional daily fire safety inspections, the removal of bulky items identified in those inspections, a bookable service for bulky items, an evening/night time concierge service and a fly tipping removals service. The increased cost of utilities of £300k have also led to an increase in the premises budget.

5.4 Supplies & Services- Payments to PFI contractor

The increase in payments to the PFI contractors of £210k between 2018/19 and 2019/20 is consistent with the final model for the PFI programme that was agreed and received at Executive Board.

5.5 Supplies & Services - Other

The budget reflects a net increase of £238k. This is largely as a result of the contribution to the Leeds PIPES energy scheme of £579k, referred to above with regard to External Income. There has been a reduction of £138k in the cost of banking charges as a result of contract changes. The Community Links furniture scheme has come to an end resulting in savings within this category and associated loss of external income.

5.6 Charges for the majority of internal services have increased by the pay award of 2%. These cover; Horticultural Maintenance, Community Safety, Housing Services, Customer Access and Support Services. £150k has been included for the investment in Community Hubs.

Corporate Governance/Other Services – the decrease of £939k largely reflects the transfer of procurement and project management support to deliver housing related priorities directly from the HRA rather than through recharge, 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 2019/20 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 2018/19 levels. The total fee payable to BITMO for 2019/20 is £3,215k which is an increase of £27k from 2018/19.

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 2018/19. An earmarked reserve was first 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 2019/20. Community Partnership funding has increased by pay award assumptions to £102k.

Payments to Leeds Credit Union and the Leeds Tenants Federation have remained in line with 2018/19.

5.8 **Provisions**

(a) **Disrepair**

Work has been continuing to streamline the case management process and provide a robust legal challenge to Disrepair cases. This budget has seen considerable pressure during 2018/19. It is therefore proposed to maintain the contribution to the disrepair provision at £1400k.

(b) **Bad debts**

The budgeted contribution to the bad debt provision will decrease by £634k to reflect the trend over the past few years. An increase of £130k has then been applied to reflect potential consequences of Universal Credit. The budget will therefore be £1,414k for 2019/20.

5.9 **Council Tax on Empty Homes**

A provision of £715k has been included in the 2019/20 HRA budget to fund the requirement to pay council tax on empty homes. This reflects the proposed level of Council Tax increase.

5.10 **Discretionary Housing Payments**

The Ministry of Housing, Communities and Local Government (MHCLG) 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 2019/20 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 2018/19.

5.11 Capital charges

There has been a net increase in capital charges of £298k which reflects an increase in the costs of the borrowing requirement.

5.12 Revenue Contribution to Capital

The 2019/20 budget includes £62,065k to fund the housing capital programme/investment plan. This is £1,944k lower than the amount provided in 2018/19 and is due to less resource available from rental income. The technical accounting adjustment outlined in 5.2 above has also been reflected here. 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 approximately £80.0m 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 2019/20 the contribution to the Sinking Fund will decrease by £593k over 2018/19.

6. HRA Reserves

6.1 The HRA Reserves Statement which is attached at Appendix 2 reflects the projected movement in reserves between April 2019 and March 2020. 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 £6,495k at the end of 2019/20

6.3 £696k of the £1,132k Welfare Change earmarked reserve is planned. This will continue to fund staff to enhance the service to tenants, supporting them through the change from the current system to a system of universal credit.

6.4 Any balance at the end of 2018/19 on the Housing Advisory Panels earmarked reserve will be carried forward to 2019/20 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 2019/20 it is budgeted to use £2,345k of reserves for the two schemes.

6.6 Forecast Level of HRA Reserves

Projected Financial Position on Reserves	Reserves b/f 1st April 2019 £000	Projected use of Reserves £000	Projected cbn to Reserves £000	Projected Closing Reserves 31st March 2020 £000
HRA General Reserve	(6,495)	0	0	(6,495)
Earmarked Reserves				
Welfare Change	(1,132)	696	0	(436)
Housing Advisory Panels	(541)	0	0	(541)
Changing The Workplace	(210)	0	0	(210)
ERDMS	(262)	0	0	(262)
Wharfedale View	(10)	0	0	(10)
Sheltered Housing	(3,238)	0	0	(3,238)
Holdsworth Place - land purchase	(64)	64	0	0
Early Leavers' Initiative	(408)	0	0	(408)
Sub-total Earmarked Reserves	(5,865)	760	0	(5,105)
Total	(12,360)	760	0	(11,600)
PFI Reserves				
Swarcliffe PFI sinking Fund	(4,898)	3,902	0	(996)
LLBH&H PFI Sinking Fund	(4,694)	0	(1,557)	(6,251)
Total PFI Reserves	(9,592)	3,902	(1,557)	(7,247)
Capital Reserve				
MRR (General)	(27,812)			(27,812)
MRR (New Build)	(1,386)			(1,386)
Total Capital Reserve	(29,198)	0	0	(29,198)
Grand Total	(51,150)	4,662	(1,557)	(48,045)

7. Risks

There are a number of risks which, should they materialise would have a significant impact upon the 2019/20 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 depending on the impact and rollout of Universal Credit.
- Property numbers during the year may vary significantly from estimates due to fluctuations in the number of RTB sales and delivery of new homes.
- The number of disrepair claims against the Council may start to increase requiring additional contribution to the provision.

HRA 2019/20 Budget

Budget Heads	Original Estimate 2018/19 £000s	Original Estimate 2019/20 £000s	Variance £000s
Income			
Dwelling Rents Income	(208,758)	(206,036)	2,723
Other Rents (Shops & Garages)	(3,200)	(3,253)	(54)
Service Charges	(7,774)	(7,976)	(202)
PFI grant	(21,385)	(21,385)	0
Internal Income	(7,081)	(9,546)	(2,465)
External Income	(1,678)	(2,619)	(942)
Total Income	(249,876)	(250,817)	(940)
Expenditure			
Employees	27,402	30,225	2,823
Repairs to dwellings	43,548	44,791	1,243
Premises	7,879	8,682	802
Supplies & Services - Payments to PFI contractor	9,476	9,686	210
Supplies & Services - Other	3,930	4,169	238
Transport	414	400	(14)
Horticultural Maintenance	4,317	4,404	86
Environmental Services	4,447	4,610	163
Community Safety	3,559	3,630	71
Supporting People in their own homes	3,617	3,566	(52)
Services to families with Council tenancies	1,236	1,261	25
Housing Services	4,220	4,442	222
Customer Access	5,618	5,800	182
Support Services	8,961	8,804	(157)
Welfare Advice & Support	300	400	100
Community Hubs		150	150
Legal Services	922	1,045	122
Corporate Governance & Other Services	4,160	3,221	(939)
Payments to BITMO, Area Panels & Credit Union	3,747	3,770	23
Provisions			
- Disrepair	1,400	1,400	0
- Bad debts	1,959	1,414	(545)
Council Tax on Empty Homes	687	715	28
Discretionary Housing Payments	500	500	0
Capital charges	44,476	44,774	298
Revenue Contribution to Capital (Investment)	65,502	62,065	(3,437)
Total Expenditure	252,279	253,923	1,643
Appropriations			
General Reserve			
Sinking Funds			
LLBH&H PFI	779	1,557	778
Swarcliffe PFI	(2,531)	(3,902)	(1,371)
Earmarked Reserves			
Welfare Change	(650)	(696)	(46)
Holdsworth Place	0	(64)	(64)
Net (surplus)/deficit	0	0	0

LEEDS CITY COUNCIL

2019/20 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 2019/20 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 2019/20 budget has been set at £8,274k Cr representing a net decrease of £5,287k when compared to the adjusted budget for 2018/19. This net decrease comprises a number of pressures totalling £8,986k offset by savings of £15,115k and an increase of £843k in contributions to reserves, which are explained below.

3.2 Budget Adjustments and Transfers - £6,049k Dr

- 3.2.1 There has been one transfer of £6,049k which is reflected in the 2019/20 budget. This relates to the allocation to directorates of budgets for recharges and for the transfer of income relating to the former PPPU unit. This amount was budgeted for centrally in the 2018/19 budget pending a review, and has been allocated to directorates during 2018/19.

3.3 Specific Grant Funding Reductions - £1,331k

- 3.3.1 There has been a reduction of £1,322k in the expected level of New Homes Bonus grant to be received in 2019/20. This is due to the ongoing effect of structural changes to the grant which were introduced by the government from 2016/17, which reduced the number of years over which the grant was paid and introduced a growth baseline to be met before any grant is paid.
- 3.3.2 A reduction of £9k 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 value of this grant naturally reduces over time, as the level of outstanding debt is reduced.

3.4 Increase in Debt costs - £3,090k and funding of PFI Lifecycle costs – £9,078kCr

- 3.4.1 The budget for debt costs included a net £5,127 increase in external debt costs, reflecting new borrowing to fund the capital programme and expected rises in interest rates. This has been partly offset by an increase of £2,037k in prudential borrowing charges made to directorates, reflecting the level of invest-to-save schemes included in the capital programme.
- 3.4.2 In addition, there has been a budgeted increase of £9,078k in the savings to revenue as a result of the way in which capital costs relating to PFI schemes are funded. This largely relates to PFI lifecycle costs, which are capital expenditure and had previously been funded by PFI grant. From 2018/19 these costs will be funded by borrowing and will therefore give rise to an MRP liability. For 2018/19 and 2019/20, it is intended that this PFI liability will be funded by capital receipts. The Council's MRP policy will be amended to reflect this change in approach.
- 3.5 **Other budget pressures – £3,959k**
- 3.5.1 Other budget pressures include a budget of £1,500k towards preparations for the planned City of Culture event, and the establishing of a £760k corporate contingency budget, which includes £105k of grant funded expenditure to combat the impact of Brexit.
- 3.5.2 There has also been a reduction of £400k 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, and a reduction of £400k in the target for the capitalisation of expenditure which would otherwise be charged to revenue budgets. There is a further reduction of £539k in the extent to which the cost of staff time can be charged to capital, relating to the break-up of the former PPPU unit.
- 3.6 **Changes to levies and other contributions – decrease of £1,019k**
- 3.6.1 Contributions to joint committees and other bodies have decreased by a net £1,019k. Within this figure, the contribution to the West Yorkshire Combined Authority has decreased by £1,016k, reflecting continued efficiencies. This decrease is partially offset by an increase of £7k in the council's contribution to the West Yorkshire Coroners Service, largely reflecting staffing changes. There has been no change in the contribution to the West Yorkshire Joint Services Committee.
- 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			
	2018/19 £m	2019/20 £m	Variation £m %	
Joint Committees				
Joint Services	1.395	1.395	0	0%
Other Bodies				
Flood Defence Levy	0.39	0.38	-0.01	-3%
Combined Authority and Transport Fund	33.756	32.74	-1.016	-3%
Coroners	1.366	1.373	0.007	1%
Probation Service (Debt only)	0.006	0.002	-0.004	-67%

3.7 Income – Impact of Business Rates pooling arrangements £4,270k Cr

3.7.1 Following the success of North and West Yorkshire in being chosen to pilot 75% business rates retention, there are a number of changes to budgets to reflect the new business rates pool arrangements for 2019/20.

3.7.2 The council has budgeted for a reduction of £5,331k in its contributions to the new pool. This has been partially offset by an increase of £1,593k in contributions to other authorities within the pool.

3.7.3 There has also been an increase of £511k in the grant income which the council has budgeted to receive for reimbursement of the costs of various business rate reliefs, and an increase of £20k of retained income relating to business rates from renewable energy schemes.

3.8 Income – Grant Funding Increases £105k Cr

3.8.1 The budget for 2019/20 includes £105k of grant income which has been announced to support councils in dealing with the impact of Brexit.

3.9 Other efficiencies - £650k Cr

3.9.1 The budget for 2019/20 includes a budget of £500k for the use of capital receipts flexibility

3.9.2 There is projected to be a reduction of £58k in the level of historic unfunded pension costs for 2019/20 and other minor savings totalling £91k.

3.10 Contributions to Reserves - £849k Dr increase

3.10.1 The budget for 2019/20 includes an increase in the planned contribution to the General Fund reserve of £3,479k. This includes a figure of £1,700k representing a repayment from the Children and Families directorate of their temporary use of reserves in 2018/19 to cover a delay in receiving expected grant funding.

3.10.2 The planned use of earmarked reserves for 2019/20 has increased by a net £2,630k in comparison to 2018/19. This includes a new budget to use £2,000k of the ELI reserve in 2019/20, and the removal of a one-off budget for a contribution of £750k of the Invest to

Save reserve in 2018/19. The budgeted contribution to the capital reserve has been increased by £120k.

4 Risk Assessment

- 4.1 In determining the 2019/20 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 2019/20 budget for the Central Accounts are:
 - 4.2 The budgeted position on MRP relies on the availability of £19.5m 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 2019/20. If rates are greater than forecast then the actual borrowing costs incurred could be greater.
 - 4.4 There is a budget of £3.5m for the use of section 278 contributions. This is dependent on the authority receiving these contributions from developers, and the related capital works being progressed on schedule.

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Directorate - Strategic Central Accounts

	2019/20 £m	FTEs
Net managed budget 2018/19	(9.04)	
Adjustments		
Transfers of function	6.05	
Other adjustments	0.00	
Adjusted net managed budget	(2.99)	
Budget Pressures:		
Inflation		
Grant Fallout		
New Homes Bonus	1.32	
Other	0.01	
Debt costs		
Increases in external Debt costs	5.13	
Increases in prudential borrowing recharges to directorates	(2.04)	
Other		
Projected reduction in Section 278 income to revenue	0.40	
Funding for City of Culture	1.50	
Reduction in capitalisation target	0.40	
Reduction in staff activity chargeable to capital	0.54	
Contingency budget	0.76	
Other pressures	0.96	
Total Pressures	8.98	0.00
Savings Proposals:		
Efficiencies		
Use of capital receipts to fund PFI lifecycle costs	(9.08)	
Use of capital receipts flexibility	(0.50)	
Reduction in unfunded pension costs	(0.06)	
Other savings	(0.09)	
Levies and other contributions	(1.01)	
Grant Income		
Brexit grant	(0.10)	
Income - Impact of Business Rates changes		
Contributions relating to new pooling arrangements	(3.74)	
Increases in grants to fund reliefs	(0.51)	
Retained income from renewable energy	(0.02)	
Changes in use of reserves		
General reserve	3.48	
Change in use of earmarked reserves	(2.63)	
Total Savings	(14.26)	0.00
Net Managed Budget 2019/20	(8.27)	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 Local Government Finance Settlement for 2018/19 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 2019/2020.
- 2.3 In addition the Council proposes to fund expenditure associated with the delivery of digital projects, which will realise cashable efficiencies, through the flexible use of capital receipts. Specifically £0.2m will fund the continued roll out of Total Mobile within Leeds Building Services and further developments will contribute towards the delivery of £0.3m of recurring savings from 2019/20. In addition £0.2m will fund supporting the anticipated developments of replacing the existing passenger transport solution with targeted savings to be realised beyond 2019/20. Estimated total combined expenditure of £0.1m in respect of developments relating to moving to electronic remittance advice for foster carer payments, reducing mail and postage, increased use of electronic payments and a replacement for the existing Libraries replacement system will generate £0.2m of savings in 2019/2020 with further savings in future years. This is consistent with the Government’s guidance which identifies that capital receipts can be used to “drive a digital approach to the delivery of more efficient public services.”

Project Description	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Restructure costs associated with staff leaving through ELI	2.7	1.8	1.3	1.0
Driving a digital approach				0.5
Total	2.7	1.8	1.3	1.5

2.3 The savings generated directly through both the reduction in staffing and digital efficiencies are estimated to be:

Project Description	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Staff savings realised through ELI	(6.4)	(2.4)	(0.9)	
Savings from a digital approach				(0.5)
Less: Financing costs	0.6	0.5	0.3	0.3
Total	(5.8)	(1.9)	0.6	(0.2)

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

- The original capital scheme provided £5.8m between 2016/17 to 2018/19 is as set out above.
- The capital financing requirement has increased by £3m from 2019/20 onwards 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.