

**Report of the Chief Officer – Financial Services  
Report to Executive Board  
Date: 12<sup>th</sup> February 2020**

**Agenda Item 15 (A)**

**Subject: 2020/21 Revenue Budget and Council Tax**

Are specific electoral wards affected? If relevant, name(s) of ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Will the decision be open for call-In? Recommendations 18.1 and 18.2 are not eligible for call in; Recommendations 18.3 and 18.4 are eligible.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary**

**1. Main issues**

- This report seeks the approval of the Executive Board in recommending to Council a revenue budget and council tax for the 2020/21 financial year. The report sets out the framework for compiling the 2020/21 budget, taking into account the provisional Local Government Finance Settlement, including the return to 50% business rates retention in 2020/21, the Initial Budget Proposals that were agreed by the Executive Board in January 2020, the results of budget consultation and other factors that have influenced the final budget. The report provides an update to the equality impact assessment that was developed as part of the Initial Budget Proposals. Further this report notes the updated indicative budgets for 2021/22 and 2022/23.
- The 2020/21 budget now being proposed supports the Council's Best City/Best Council ambitions, policies and priorities as set out in the Best Council Plan. (Please refer to the Best Council Plan for 2020 to 2025, elsewhere on this agenda.)

- The provisional Local Government Finance Settlement was announced on the 20<sup>th</sup> December 2019. The provisional settlement detailed an increase of £3m to the Council's Settlement Funding Assessment, which is £0.13m less than the increase assumed in the Council's Initial Budget Proposals. Government has indicated that the Final Settlement will be published before Parliamentary Recess on 13<sup>th</sup> February 2020.
- The 2020/21 budget proposals are set within the context of the 2020/21 – 2024/25 Medium Term Financial Strategy which was approved by the Executive Board on the 24<sup>th</sup> July 2019 and the Initial Budget Proposals which were received at Executive Board on 7<sup>th</sup> January 2020. The Board will be notified of any changes arising from the Final Settlement once published.
- Since the Initial Budget Proposals report was received at Executive Board in January 2020 there have been a number of changes to the position that was outlined in that report and these are detailed in Section 8. These include changes in business rates income estimates now that the information for the 2020/21 NNDR1 return to Government is available, increased insurance costs, recent grant notifications and the impact of the National Living Wage announcement for 2020/21 on the costs of commissioned services.
- The current financial climate for local government continues to present significant risks to the Council's priorities and ambitions and this report has been prepared against a background of uncertainty with regard to the Government's spending plans from April 2021. The Council continues to make every effort possible to protect the front line delivery of services and to avoid large scale compulsory redundancies while making decisions which are sustainable for the future. It is clear that the position is becoming increasingly challenging to manage and therefore it will be increasingly difficult to maintain current levels of service provision without significant changes in the way the Council operates. Section 13 of this report presents a summary update for the years 2021/22 and 2022/23 reported in the Council's Initial Budget Proposals and a full update of the Medium Term Financial Strategy will be presented at a future meeting of this Board in 2020.
- The forecast position for the financial period to March 2023, as referenced in this report, recognises the requirement to make the Council's budget more financially resilient and sustainable whilst providing increased resources to support demand led services within the Council.
- The headlines from the 2020/21 budget proposals, when compared to the 2019/20 budget, are as follows:
  - An increase in the Council's net revenue budget of £9.0m to £525.7m
  - The Council will receive £28.2m in RSG as a result of returning to 50% Business Rates Retention (BRR);

- A reduction in business rates income of £36.0m which is as a result of a combination of BRR, reduced business rates growth and a deficit on the Collection Fund;
  - An increase in the Settlement Funding Assessment (SFA) of £3.0m (1.6%)
  - An increase in council tax of 1.99% together with a further 2% in respect of the Adult Social Care precept and an increase in the council tax base, generating an additional £16.9m of local funding.
  - Whilst resources receivable from SFA and council tax have increased pay, price and demand pressures mean that the Council will need to deliver £28.4m of savings by March 2021.
  - This requirement to deliver £28.4m of savings is after the use of £10m from the Council's general reserve and the application of an additional £10m in capital receipts which is being used to smooth the impact of Minimum Revenue Provision (MRP) increases.
- In respect of the Housing Revenue Account, the return to the Government's formula of annual rent increases being no greater than CPI+1% from April 2020 will see rents for all tenants increase by 2.7% in 2020/21 whilst service charges will increase by RPI of 2.4%.
  - In respect of the Schools Budget, the High Needs Block budget for 2020/21 proposes £79.8m of funding and £79.8m of spend.
  - The North and West Yorkshire 75% Business Rates Retention pilot pool, of which Leeds City Council is a member, concludes on the 31st March 2020. On 19th December 2019 it was confirmed that an application, submitted by Leeds City Council on behalf of 13 of the members of the current North and West Yorkshire Pool, to form a new pool operating under the national 50% business rates retention scheme had been accepted by the Secretary of State. As such, these budget proposals recognise that Leeds City Council will be required to make a levy payment to this new pool in 2020/21.
  - From 1st April 2013 to 31st March 2018 Leeds City Council charged a 50% council tax premium on empty dwellings unoccupied for more than two years. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 permitted councils to increase this premium incrementally from 1st April 2019. In January 2019 Full Council agreed to increase the long term empty premium from 50% to 100%. The 2018 Act permits councils to increase the premium for properties that have been empty for at least five years to 200% from 1st April 2020. The proposal to implement this additional premium was agreed by Full Council in January 2020 and the additional premium has been included in the calculation of the Council Tax base.
  - In the Autumn Budget 2018 the Chancellor announced new business rates reliefs for small retail businesses with a rateable value of less than £51,000, who were to receive a one third reduction in their business rates liability for the two years 2019/20 and 2020/21. In the Queen's Speech in December

2019 Government indicated that this relief would be increased to 50% in 2020/21. The Business Rates Information Letter published in January<sup>1</sup> has extended this relief to eligible music venues and cinemas with a rateable value of less than £51,000. These budget proposals reflect this increase in the relief to 50%. Also confirmed in January, the £1,500 temporary rates relief to local newspapers, originally expected to end on 31<sup>st</sup> March 2020, will continue until 2024/25 and public house relief will be reintroduced for 2020/21 providing a discount of £1,000 to eligible pubs. These reliefs are given using the Council's discretionary powers but if an award meets the Government's criteria they compensate the Council in full for any loss of income. The Government is to publish amended guidance reflecting these changes.

- In the Spring Budget 2017 the Chancellor announced a four year funding scheme for billing authorities to offer discretionary relief to businesses most impacted by the 2017 Business Rates Revaluation. Billing authorities were obliged to design their own local discount schemes, with Executive Board approving the proposed scheme for Leeds in June 2017. 2020/21 is the final year in which the funding will be made available, with the Council able to distribute just under £0.05m in reliefs to businesses and the full cost being met by Government grant. In January 2020 Executive Board approved the proposal to target this funding to childcare businesses in the city, one of the sectors most severely affected by the 2017 revaluation. Within the remaining funding envelope, up to £500 in relief can be offered to each of these businesses across the city.

## **2. Best Council Plan Implications**

- The Best Council Plan is the Council's strategic plan which sets out its ambitions, outcomes and priorities for the City of Leeds and for the Local Authority. The City ambitions are that the Council, working in partnership, will continue to tackle poverty and inequalities through a combination of strengthening the economy and doing this in a way that is compassionate and caring. Three pillars underpin this vision and these are inclusive growth, health and wellbeing and the climate change emergency which aims to embed sustainability across the Council's decision making. The Authority's internal "Best Council" focus remains on becoming a more efficient, enterprising and healthy organisation.
- The Best Council Plan can only be delivered through a sound understanding of the organisation's longer-term financial sustainability which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints. This is the primary purpose of the Medium Term Financial Strategy which provides the framework for the determination of the Council's annual revenue budget, with the 2020/21 proposals contained in this report.

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<sup>1</sup> Business Rates Information Letter (1/2020): Rate Reliefs and Provisional 2020-21 Business Rates Multipliers, MHCLG 27 January 2020

- The 2020/21 submitted budget continues to both ensure that resources are directed towards the Council's priorities and that the requirement to identify budget savings does not impact upon the level of service delivered in these priority areas. The 2020/21 submitted budget still demonstrates that over 60% of the Council's net revenue charge is spent within Adults and Children's services.

### **3. Resource Implications**

- The financial position as set out in the report to October's Executive Board identified an estimated budget gap of £161.5m for the period 2020/21 – 2024/25, reflecting the requirement to make the Council's revenue budget more financially resilient and sustainable over the medium term whilst at the same time recognising increased demand pressures for the services that we deliver.
- Within the reported position at October a gap of £36.6m was identified for 2020/21 and budget savings proposals to address this position and deliver a balanced budget position are contained within this report.
- After taking account of increased resources from SFA and Council Tax, a review of all other pressures including price and demand means that the Council will now need to deliver £28.4m of savings by March 2021. Further detail is provided in Sections 4 to 7 below.

### **Recommendations**

1. To recommend to Council that they note the recommendation of the Council's statutory officer (the Chief Officer – Financial Services) that the proposed budget for 2020/21 is robust and that the proposed level of reserves is adequate, as set out at Section 12 of this report.
2. To recommend to Council the adoption of the following resolutions:
  - i) That the revenue budget for 2020/21 totalling £525.7m be approved. This means that the Leeds element of council tax for 2020/21 will increase by 1.99% plus the Adult Social Care precept of 2%. This excludes the police and fire precepts which will be incorporated into the report to be submitted to Council on the 26<sup>th</sup> February 2020;
  - ii) Grants totalling £65.7k 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:

- An increase of 2.7% (CPI+1%) in dwelling rents;
  - A 2.4% RPI increase in charges for all District Heating schemes;
  - That service charges for low/medium and multi-storey flats are increased by RPI of 2.4%;
  - That the charge for tenants who benefit from the sheltered support service is increased to £14.71 per week to reflect full cost recovery. The charge is eligible for Housing Benefit;
  - That the subsidy for tenants who are not eligible for benefits but receive the sheltered support service is set at £4.71 per week; Therefore the amount payable by these tenants will increase from £8 per week to £10 per week;
  - That any overall increase to tenants in respect of rents, service and sheltered support will be no more than £3.50 per week;
- v) In respect of the Schools Budget, that the High Needs Block budget for 2020/21, as set out in paragraph 5 of the Schools Budget Report at Appendix 8 be approved.
3. That Executive Board authorise officers to grant relief against business rates liability in line with Business Rates Information Letter (1/2020), for which the Council will be fully compensated for any loss of income.
4. That Executive Board thanks Scrutiny Boards for their comments and observations made in consideration of the Council's Initial Budget Proposals.

## **1. Purpose of report**

- 1.1 This report sets out the Council's budget for 2020/21, set within the context of the Council's Initial Budget Proposals which were agreed by the Executive Board in January 2020 and the Provisional 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 have also been used as a basis for wider consultation.
- 1.2 This report seeks approval from the Executive Board to recommend to Council that the revenue budget for 2020/21 be approved at £525.7m. 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 £55.64 to £1,449.00 for 2020/21.
- 1.3 Detailed budget proposals for each directorate are set out in the 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 2020/21, 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 This report also provides an update on the indicative budgets for 2021/22 and 2022/23 and Executive Board are asked to note these revised positions.
- 1.5 In addition, as part of the refreshed Best Council Plan suite of documents, a graphical design summary will be produced to show how the budget supports the delivery of the Council's priorities. This will again provide a useful one-sided overview for staff, partners and the public.
- 1.6 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 in paragraphs 18.1 and 18.2 are not subject to call in as the budget is a matter that will ultimately be determined by Full Council. However, the recommendations in paragraph 18.3 concerning the granting of business rates reliefs and paragraph 18.4, that Executive Board thanks Scrutiny for their comments, are subject to call in.
- 1.7 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**

2.1. The Chancellor announced the Government's 2019 Spending Review on 4<sup>th</sup> September, which covers the financial year 2020/21 only. A full multi-year spending review will be conducted in 2020 for capital and revenue resource budgets beyond 2020/21. The economic context in which this Spending Review must be considered will be influenced by the impact of the UK leaving the EU and the strength and resilience of the national economy.

### **2.2. Spending Review 2019**

2.2.1. The headline announcements in the 2019 Spending Review are outlined below and the implications for Leeds are detailed in Sections 4 to 7:

- No Government Department to face cuts to its day to day budget, each will increase at least in line with inflation.
- In 2020/21 there will be a £13.4 billion increase in total public spending: £11.7 billion in revenue Departmental Expenditure Limits (DEL) and £1.7 billion in capital DEL.
- An assumption that the core council tax increase is limited to 2% - this position was included as part of the Provisional Settlement consultation.
- The Chancellor announced that councils will "have access to new funding of £1.5 billion for social care next year, on top of the existing £2.5 billion social care grants". These existing social care grants are Improved Better Care Fund, Winter Pressures Grant and Social Care Support Grant. The new funding is comprised of £1 billion additional social care funding. Government expect a 2% Adult Social Care precept to generate the further £0.5 billion funding nationally.
- Confirmation that local authorities will receive additional resources through a real terms increase in the Public Health Grant and through the NHS contribution to adult social care through the Better Care Fund.
- The Business Rates baseline will increase with inflation.
- No changes to New Homes Bonus.
- The settlement includes continued funding for the Northern Powerhouse and Midlands Engine.
- The Troubled Families Programme will have its funding continued.
- An additional £54 million for homelessness/rough sleeping funding taking the total to £422 million next year.
- Confirmation of £3.6 billion new Towns Fund.
- The Integration Areas Programme is to receive an additional £10 million funding for English as a second language provision.



- A pledged funding increase for schools of £7.1 billion by 2022/23.
- Day to day funding for every school to rise by at least inflation and pupil numbers. Secondary schools will receive a minimum of £5,000 per pupil, every primary at least £3,750 rising to at least £4,000 in the following year.
- The additional schools funding includes over £700 million for special educational needs (SEN), paid through Dedicated Schools Grant (DSG).
- The Government will also increase early years spending by £66 million to increase the hourly rate paid to childcare providers through the Government's free hours offer.
- An additional £400 million in 2020/21 for Further Education, increasing core funding and supporting targeted interventions.

### 2.3. **The March 2020 Budget and the Office for Budget Responsibility (OBR) Financial Forecasts**

- 2.3.1. The 2019 Autumn Budget was due to be announced on the 6th November 2019. Following the announcement of the General Election on the 12th December 2019, it was made clear that the Budget would not be held until after the General Election and it has now been announced that the next Budget will be on Wednesday 11th March 2020.
- 2.3.2. As such these budget proposals are based on the announcements made during the 2019 Spending Review, referenced above, and the Provisional Local Government Finance Settlement published on 20th December 2019, discussed in more detail in paragraph 2.5 of this report.
- 2.3.3. Following the postponement of the Budget, the Office for Budget Responsibility (OBR) was minded to publish a restated version of their March 2019 public finance forecast, incorporating subsequent ONS classification and other statistical changes. The OBR subsequently announced that it was no longer possible to do this as it would not be consistent with the Cabinet Office's General Election Guidance.
- 2.3.4. The next OBR Economic and Fiscal Outlook will be released alongside the Budget on 11th March 2020. Consequently, the following statistical forecasts are based on the most recent OBR release in March 2019:
- Economic growth is forecast to be 1.4% of GDP in 2020/21, this is slightly higher than the forecast for 2019/20 but significantly lower than earlier statistical forecast releases. The OBR identify Brexit uncertainty and a global slowdown, especially in Europe, as the main reasons for this forecast slowdown in the UK.
  - Longer term forecasts for growth, assuming an orderly exit of the UK from the European Union, returns to, or improves on, previous forecasts as the economy bounces back from the current uncertainty.

- Borrowing continues to be forecast to fall in every financial year to £13.5 billion in 2023/24. This is a significantly lower deficit than forecast in the Budget in October 2018 following continued higher than expected tax revenues over the last six months.
- National debt as a share of GDP is falling more quickly than forecast in the October 2018 Budget, continuing a pattern that has established over the last four fiscal events. In the 2019 Spring Statement the Chancellor commented that this allowed more headroom within the Government's fiscal rules, for the 2019 Autumn Budget and spending, but stressed that this was in the context of an orderly Brexit.
- Public Sector Current Expenditure (PSCE) is forecast to be slightly higher in 2020/21 than was forecast in the Autumn Budget in October 2018. Again, the Chancellor noted that additional funding would be available if the UK had an orderly Brexit.

2.3.5. Average earnings are expected to grow by 2.5% in 2019, rising to 2.8% in 2020 and 3.0% in 2021. The forecast fall from 2.8% in 2018 to 2.5% in 2019 reflected the impact of Government policy in the main, including the Apprentice Levy and continued pension auto-enrolment.

2.3.6. Having averaged 1.8% in the second quarter of 2019, CPI inflation is forecast to rise slightly to 1.9% and 2.0% respectively in 2020 and 2021.

2.3.7. At the time of the March 2019 announcement, all of these forecasts were based on there being a Brexit deal, and the OBR had previously stated that “a disorderly [Brexit] could have severe short-term implications for the economy, the exchange rate, asset prices and the public finances”<sup>2</sup>. It is within this economic context that the Budget Proposals for 2020/21 need to be considered.

## 2.4. **The 2019 Indices of Multiple Deprivation (IMD)**

2.4.1. The 2019 Indices of Multiple Deprivation (IMD) were released in late September (IMD), following the previous 2015 update. The IMD is the official measure of relative deprivation in England and ranks each Lower Super Output Area (LSOA: a small area with a population of around 1,500 people) from the most deprived (1) to least deprived (32,844). The ranking is based on 39 separate indicators organised across seven distinct domains of deprivation, which are combined and weighted to calculate the overall IMD. Key headlines for Leeds include:

- 24% of Leeds' LSOAs now fall within the most deprived 10% nationally, compared with 22% in 2015 which highlights some increase in relative deprivation.

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<sup>2</sup> OBR, Economic and Fiscal Outlook – October 2018, p7, para 1.12

- Leeds ranks 33 out of 317 (where 1 is most deprived and 317 is least deprived) local authorities when looking at proportions of LSOAs in the most deprived 10% nationally.
- The most deprived areas are concentrated in the inner east and inner south of the city.
- 12 LSOAs in Leeds have been ranked in the most deprived 1% nationally which compares to 16 in 2015.

2.4.2. In December 2017, the Government launched its Fair Funding Review of Local Government finance, to refresh the methodology on which local authority needs and resources are assessed and levels of government funding are determined. It was initially intended that this new methodology would be in place by 2020/21, but this has been delayed pending the expected multi-year Spending Review in 2020.

2.4.3. In the context of budget setting and financial planning this increase in relative deprivation in Leeds is significant as deprivation will be reflected in the Fair Funding formula being developed. Consultation regarding the new funding formula and the extent to which deprivation will be reflected is ongoing. These budget proposals do not currently assume any impact of the increase in relative deprivation as sufficient detail is not known at this time.

## 2.5. **2020/21 Provisional Local Government Settlement**

2.5.1. The Secretary of State for Communities & Local Government published a written statement on the Provisional Local Government Finance Settlement 2020/21 to the House of Commons on 20th December 2019. This largely mirrored the measures included in the Local Government Finance Settlement Technical Consultation in October 2019 and reflected in the Initial Budget Proposals approved by Executive Board in January 2020.

2.5.2. The key headlines from the Provisional Local Government Finance Settlement were:

- Settlement Funding Assessment (SFA), Revenue Support Grant, and Baseline Funding Levels are uplifted based on the increase in the small business rates multiplier, 1.6%.
- Core Spending Power will increase by 6.3%.
- The maximum increase in core Council Tax is up to 2% with a further maximum increase of 2% for the Adult Social Care precept.
- The new £1 billion social care grant, announced in the 2019 Spending Review, will be distributed as proposed in the Technical Consultation, with the majority allocated using Adults Relative Needs Formulae and £150 million equalised using a Council Tax income measure.

- Other grants remain the same, although Winter Pressures grant will now be rolled into the Improved Better Care Fund and the ring-fence removed.
- This is the final year of the New Homes Bonus. Legacy payments already earned will continue based on the current system but the new allocation for 2019/20 which is payable in 2020/21 will not give rise to further legacy payments. Government will consult on a future incentive scheme in due course.

### 3. **Developing the 2020/21 Budget within the context of the Medium Term Financial Strategy and the 2020-2025 Best Council Plan.**

- 3.1. Between the 2010/11 and 2019/20 budgets, the Council's core funding from Government has reduced by around £266m. Additionally the Council has faced significant demand-led cost pressures, especially within Adult Social Care and Children's Services. 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 the council tax base from new properties and a significant programme of organisational efficiencies, including reducing staffing levels by over 3,000 (2,300 FTEs).
- 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. This is reflected in comparative levels of spend, for example in the final quarter of 2018/19 Leeds had 25 people registered in Temporary Accommodation whilst Birmingham and Manchester had 2447 and 1971 respectively. Similarly for the same period Leeds didn't have anybody in Bed and Breakfast whilst Birmingham and Manchester had 364 and 173 respectively. The Children Looked After (CLA) rate per 10,000 in Leeds has reduced significantly in the past few years although this rate has remained constant for the last two years. Leeds benchmarks favourably against most Core Cities and our Regional and Statistical neighbours, and this position with CLA has been achieved within the context of significant demographic growth in Leeds, particularly in the more deprived areas of the city.
- 3.3. In February 2019, Council approved the 2019/20 – 2020/2021 Best Council Plan and the supporting budget for 2019/20. A refreshed Plan for 2020-2025 is being presented to the Board at today's meeting. The Best Council Plan is the Council's strategic planning document and sets the context and policy direction against which the Medium Term Financial Strategy and the budget are developed. The policy direction is clearly explained in the 2019/20 Best Council Plan: with an overarching vision of reducing poverty and tackling inequalities, the authority's "Best City" ambition is articulated around having a strong economy and being a compassionate city; the "Best" Council ambition to be an efficient, enterprising and healthy organisation.

- 3.4. Whilst this paper proposes a balanced and robust budget for 2020/21, the lack of clarity as to the Government's funding intentions beyond 2020/21 presents significant uncertainty and challenge to the Council's ambitions and its financial planning.
- 3.5. Inevitably, managing the large reduction in Government funding combined with increasing cost pressures has meant that the Council has had to make some difficult decisions around the level and quality of services that it delivers. As signposted in the Council's Medium Term Financial Strategy 2020/21 – 2024/25 and the Revenue Budget Update for 2020/21 to 2024/25 report to October's Executive Board, 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 2020/21**

##### **4.1. Settlement Funding Assessment – increase of £3.0m**

- 4.1.1. Settlement Funding Assessment is essentially the aggregate of core government grant and business rate baseline funding for a local authority. 2019/20 is the final year of a 4-year funding settlement for the period 2016/17 to 2019/20.
- 4.1.2. During 2019/20 councils expected to be notified of a further, multi-year, spending review. However, following the ongoing delays to Brexit, a one-year Spending Review was announced on 4th September 2019, with a full multi-year spending review to be conducted in 2020 for capital and revenue resource budgets beyond 2020/21. The review will take into account the impact of the UK leaving the EU and set out further plans for long-term reform.
- 4.1.3. Table 1 sets out the Council's Settlement Funding Assessment for 2020/21, as provided in the Provisional Local Government Finance Settlement published in late December 2019. This represents a small increase of £3.0m compared to 2019/20 which is equivalent to a 1.6% increase. In 2020/21 the Government has uprated Settlement Funding Assessment across England in line with the change in the Small Business Rates Multiplier, which the Provisional Local Government Settlement shows has led to an aggregate increase in Settlement Funding Assessment of £237.8m nationally.

**Table 1 – Settlement Funding Assessment**

	2019/20	2020/21	Change	
	£m	£m	£m	%
Revenue Support Grant	0.0	28.2	28.2	
Business Rates Baseline Funding	183.7	158.4	(25.2)	
<b>Settlement Funding Assessment</b>	<b>183.7</b>	<b>186.6</b>	<b>3.0</b>	<b>1.6</b>

- 4.1.4. The business rates element of the Settlement Funding Assessment is determined by taking the 2019/20 baseline business rates amount and uplifting it by inflation. This has then been adjusted to allow for the move from 75% retention to 50% retention and the associated tariff payment due to Government. The business rates baseline continues to be uplifted by CPI, rather than RPI, with Local Authorities continuing to receive full compensation for the difference.
- 4.1.5. A number of funding streams notionally make up the Settlement Funding Assessment. These funding streams include general grant and also early intervention, homelessness prevention, lead local flood authorities and learning disability & health reform funding.

**Table 2 - Breakdown of the Settlement Funding Assessment**

	2019/20	2020/21	Change
	£m	£m	£m
<b>Settlement Funding Assessment</b>	<b>183.66</b>	<b>186.65</b>	<b>2.99</b>
<b>Which includes:</b>			
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	13.73	13.96	0.23
Preventing homelessness	0.86	0.88	0.02
Lead local flood authority grant	0.24	0.25	0.01
Learning disability & health reform grant	11.46	11.65	0.19
Local welfare provision	2.59	2.64	0.04
Care act funding	6.62	6.73	0.11
Sustainable drainage systems	0.02	0.02	0.00

## 4.2. Business Rates Retention

- 4.2.1. Leeds has the most diverse economy of all the UK's main employment centres and has seen the fastest rate of private sector jobs growth of any UK city in recent years. Yet this apparent growth in the economy has not translated into business rate growth; in fact the income from business rates available to the Council declined from 2015/16 to 2017/18, only returning to 2014/15 levels in 2018/19 with the introduction of the 100% retention pilot.
- 4.2.2. The total rateable value of businesses in Leeds as at 3<sup>rd</sup> January 2020 is £937.3m which would generate gross business rates income of £467.7m.

Further business rates growth anticipated in 2020/21 increases the gross business rates collectable to £473.3m. However, as shown in Table 3, the impact of a range of business rate reliefs (discussed in paragraph 4.3) and statutory adjustments reduces this to a net income figure of £374.8m.

- 4.2.3. Under the 50% Business Rates Retention (BRR) scheme, Leeds City Council's share of this income is £183.7m (49%). The Authority then pays a tariff of £14.4m to Government because Leeds is assessed to generate more business rates income than it needs and the Council must also meet its share of the business rates deficit created in 2019/20, a further £5.5m. This leaves net income of £163.8m which contributes to the Council's net revenue budget.

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

	£m
<b>Rateable Value in Leeds as at 3 January 2020</b>	<b>937.29</b>
multiplied by business rates multiplier	0.499
<b>Gross business rates based on projected rateable value</b>	<b>467.71</b>
Estimated Growth	5.59
<b>equals gross business rates to be collected in Leeds</b>	<b>473.30</b>
less: -	
Uprated Mandatory Reliefs	-67.83
Uprated Discretionary Reliefs	-9.96
Transitional Adjustments (year 3)	3.05
<b>equals net business rates paid by ratepayers</b>	<b>398.55</b>
less adjustments for: -	
Bad debts and appeals	-17.04
Cost of collection	-1.26
Projected Enterprise Zone and renewable energy projects yield	-2.38
Transitional Adjustments repaid to Government	-3.05
<b>equals non-domestic rating income in Leeds</b>	<b>374.82</b>
Split into shares: -	
<b>Leeds City Council (49%)</b>	<b>183.66</b>
<i>West Yorkshire Fire Authority (1%)</i>	<i>3.75</i>
<i>Central Government (50%)</i>	<i>187.41</i>
less deductions from operation of business rates retention scheme: -	
Leeds City Council's tariff from Local Government Finance Settlement	-14.36
Leeds City Council's share of deficit from 2019-20	-5.53
<b>Leeds City Council 's 2020/21 income from business rates</b>	<b>163.78</b>

- 4.2.4. As shown above, business rates income is shared between local and central government. Under the 50% Business Rates Retention scheme local authorities experiencing business rates growth are able to retain 49% of that growth locally, but also bear 49% 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.
- 4.2.5. 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 2019 there were around 1,140 outstanding appeals against the 2010 ratings list in Leeds.

4.2.6. A new rating list, primarily based on rental values in 2015, was introduced on 1<sup>st</sup> 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 1<sup>st</sup> April 2017. This, together with the impact of the new 'check, challenge, appeal' appeals process also introduced on 1<sup>st</sup> April 2017, should reduce business rate appeals and volatility going forward. At the end of December 2019, the Council has received 3,057 checks and challenges against the 2017 ratings list, with 502 of these remaining outstanding. Whilst a number of amendments have been made as a result of these earlier check and challenge stages, only 2 cases from the Leeds area have so far reached the final 'appeal' stage, both of which have now been determined by the Valuation Tribunal.

4.2.7. Since 2013/14 the total amount repaid by way of business rate appeals is £151.0m, at a cost to the Council's general fund of £79.8m. The provision for business rate appeals within the collection fund has been reviewed and recalculated to recognise new appeals and the settlement of existing appeals, and the 2020/21 budget proposals provide for an additional £5.9m contribution from the general fund to fund this provision.

### 4.3. **Small Business Rates Relief and other mandatory reliefs**

4.3.1. 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 immediately paid no business rates at all and in total almost 12,600, about 40%, of business properties in Leeds will pay no business rates in 2020/21. Of these businesses just over 9,500 receive 100% Small Business Rates Relief. Whilst Small Business Rates Relief and other threshold changes reduce the business rates income available to Leeds, the Authority recovers 69.1% of the cost of the relief through Government grant. A fixed grant of £0.8m is paid by the Government for the changes to the multiplier threshold and a further £9.2m is recovered through the ratepayers in more valuable properties who still 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.

4.3.2. Unlike Small Business Rates Relief, in 2020/21 Leeds will bear 49% 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: in real terms mandatory charity relief alone has increased by almost 30%, from approximately £21.9m in 2012/13 to £27.4m in 2019/20, costing the Council an estimated £4.1m more in lost income under 75% retention in 2019/20.

4.3.3. 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 were to receive a reduction in their liability for business rates of a third in 2019/20 and 2020/21. However in the Queen's Speech in December 2019 the Government announced that this relief would be increased to one half of an eligible ratepayer's liability in 2020/21, confirmed in the Business Rates Information Letter (1/2020), published on 27<sup>th</sup> January which also extends this relief to eligible music venues and cinemas with a rateable value of less than £51,000. Although detailed guidance has not yet been published, the Council has included the increased cost of Retail Relief in these budget proposals by mirroring the criteria in the 2019/20 scheme. The Business Rates Information Letter also extends temporary local newspaper relief, previously expected to come to an end on 31<sup>st</sup> March 2020, to 31<sup>st</sup> March 2025. Likewise public house relief will be reintroduced for 2020/21, providing a £1,000 discount to eligible pubs. These reliefs are given using the Council's discretionary powers but if an award meets the Government's criteria they compensate the Council in full for any loss of income. The Bill to introduce a statutory 100% relief for standalone public lavatories fell with the proroguing of Parliament before the Election and therefore has not been included in these budget proposals.

4.3.4. In the Spring Budget 2017 the Chancellor announced funding for billing authorities to offer discretionary relief to businesses most impacted by the 2017 Revaluation. Billing authorities were obliged to design their own local discount schemes in order to receive this funding over four years. In June 2017 Executive Board approved the proposed four year scheme in Leeds and 2020/21 will be the last year additional funding will be made available. The Council will be able to distribute just under £0.05m in reliefs to businesses in the city with the full cost to the Council of awarding these reliefs being met by Government grant. At its meeting in January 2020 Executive Board agreed that this much reduced level of funding be distributed to childcare businesses in the city, one of the sectors most severely affected by the 2017 Revaluation. Within the remaining funding envelope up to £500 in relief can be offered to these businesses across the city.

#### 4.4. **Business Rates Retention and the Budget Proposals**

4.4.1. In terms of the budget proposals, it is estimated that the local share of business rates funding in 2020/21 will be £183.7m, as set out in Table 3. As per Table 4, the budget proposals recognise business rate growth above the baseline of £10.9m, a decrease of £5.9m from the 2019/20 budget. Whilst this is a significant decrease (35.2%), it is a consequence of the

move from 75% Business Rates Retention in 2019/20 to 50% Business Rates Retention in 2020/21.

4.4.2. **Table 4 – Business Rates, Estimated Growth above the Baseline**

	2019/20	2020/21	Change
	£m	£m	£m
Business rates local share	273.55	183.66	(89.88)
Less: business rates baseline	256.77	172.79	(83.98)
Growth above baseline	16.78	10.87	(5.91)

4.4.3. The £183.7m local share of business rates funding is then reduced by a £14.4m tariff payment and £5.5m deficit on the collection fund to give the £163.8m estimated business rates funding shown in Table 5.

4.4.4. Comparing the £163.8m of business rates funding against the £158.4m business rates baseline (Government’s assessment of what it expects a local authority to collect before any local growth is taken into account) produces a surplus of £5.3m which is a £10.8m net deterioration against the budgeted surplus in the 2019/20 financial year. Contained within this £10.8m net deterioration is a £4.9m increase in the budgeted deficit (£0.6m in 2019/20 and £5.5m in 2020/21), and a £5.9m reduction in retained growth because of the move from 75% retention to 50% retention.

**Table 5 – Business Rates Retention 2019/20 & 2020/21**

	2019/20	2020/21
	£m	£m
<b>Business rates baseline (including tariff)</b>	<b>183.7</b>	<b>158.4</b>
Projected growth above the baseline to March	12.8	8.3
Estimated growth in the year	3.9	2.5
<b>Total estimated growth</b>	<b>16.8</b>	<b>10.9</b>
Estimated provision for appeals	(1.0)	(5.9)
Additional cost of transitional arrangements and provision for bad debts	0.3	0.4
<b>Estimated year-end Collection Fund deficit (Leeds Share)</b>	<b>(0.6)</b>	<b>(5.5)</b>
<b>Estimated Business Rates Funding</b>	<b>199.8</b>	<b>163.8</b>
<b>Increase/(reduction) against the Business Rates baseline</b>	<b>16.2</b>	<b>5.3</b>
<b>Business Rates Retention - Additional General Fund Income</b>		<b>(10.8)</b>

4.5. **North and West Yorkshire application to pool 50% Business Rate Retention**

4.5.1. In December 2018, Government announced that a joint North and West Yorkshire Business Rates Pool bid to pilot 75% Business Rates Retention in 2019/20 had been successful. The North and West Yorkshire Pool (NWX Pool) was established on the 1st April 2019.

- 4.5.2. On the 4th September 2019, the Chancellor of the Exchequer announced the 2019 Spending Review, for the financial year 2020/21 only. The announcement clarified that 75% Business Rates Retention nationally would be delayed by a year to 2021/22.
- 4.5.3. Following this announcement and discussions with MHCLG (Ministry of Housing, Communities and Local Government) it was understood that business rates retention pilots at 75% were for one year only and therefore will not roll forward to 2020/21. As a result these pools will return to the rules governing 50% retention - this excludes the original 'Devo areas' (areas with devolution deals and elected mayors) who will continue to retain 100% of business rates.
- 4.5.4. Following discussions with NWY Pool member authorities, 13 of the 14 original member authorities agreed to submit an application for a new business rates pool. Due to the legislation surrounding the designation of business rates pools, this process included requesting the revocation of the existing 2019/20 North and West Yorkshire Pool and the designation of a new North and West Yorkshire Pool for 2020/21. The Council was informed that this application had been successful in December 2019.
- 4.5.5. Under the 50% scheme the advantage of forming a business rate pool is the retention of levy payments within the region that would otherwise have to be made to central government. Whilst this is a significantly lower financial gain than from 75% retention, we estimate the gains to the region to be around £9.6 million for this Pool. Leeds City Council's financial commitment to the new pool is in the region of £2.2 million. These budget proposals recognise that Leeds City Council will be required to make this levy payment in 2020/21.
- 4.5.6. At its January 2020 meeting Executive Board agreed that, should the application for a business rates pool at 50% retention be successful, Leeds should become a member of this new Business Rates Pool and should act as lead authority for it.

#### 4.6. **Council Tax**

- 4.6.1. The 2019/20 budget was supported by a 3.99% increase in the level of council tax, 1% of which was attributable to the Adult Social Care precept. Leeds council tax remains the 2<sup>nd</sup> lowest of the English core cities and mid-point of the West Yorkshire districts, as detailed in Table 6.

**Table 6 – 2019/20 Council Tax Levels (Figures include Police and Fire Precepts)**

<b>Core Cities</b>	<b>Band D £:p</b>	<b>West Yorkshire Districts</b>	<b>Band D £:p</b>
Nottingham	2,038.06	Kirklees	1,761.13
Bristol	1,982.11	Calderdale	1,740.50
Liverpool	1,949.87	<b>Leeds</b>	<b>1,644.90</b>
Newcastle	1,860.03	Wakefield	1,635.97
Sheffield	1,826.47	Bradford	1,624.61
Manchester	1,646.02		
<b>Leeds</b>	<b>1,644.90</b>		
Birmingham	1,594.00		

- 4.6.2. The 2020/21 budget recognises £4.4m of additional income from increases to the Council Tax base (3,169 band D equivalent properties) but also an increase in £0.4m in the deficit on the collection fund to £1.6m in 2020/21.
- 4.6.3. Under section 11B of the Local Government Finance Act 1992, from 1st April 2013 to 31st March 2019 Leeds City Council 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, permitted councils to increase this premium on dwellings unoccupied for more than two years to 100% from 1st April 2019. In respect of the financial year 2020/21, from 1st April 2020 the Act permitted that from this date the maximum premium is 200% in respect of any dwelling where the empty period is at least 5 years. Additionally, from 2021/22 the maximum premium is 300% in respect of any dwelling where the empty period is at least 10 years. A proposal to implement the second year of this additional premium, specifically, to charge a 200% premium on any dwelling where the empty period is at least 5 years, was agreed by Full Council as part of their approval of the Council Tax base in January 2020. The estimated change in the Council Tax base for these budget proposals assumes that this additional premium will be implemented.
- 4.6.4. In 2019/20 Government have maintained the limit of council tax increases at up to but not including 3%, above which a Local Authority must seek approval through a local referendum. Announcements in the 2019 Spending Review and the Provisional Local Government Finance Settlement indicated the Government's intention to reduce this limit to 2% in 2020/21.
- 4.6.5. Also in the 2019 Spending Review, the Chancellor of the Exchequer announced an Adult Social Care precept of 2% in addition to the core council tax of up to 2%. In the absence of an Autumn Budget, this was further confirmed in the provisional Local Government Finance Settlement

2020/21. The increase for adult social care is further to the additional flexibility given in the 2017/18 Provisional Local Government Finance Settlement, which permitted local authorities to increase council tax by up to an additional 3% each year between 2017/18 and 2019/20 specifically to fund adult social care services, with the maximum total increase in these three years not exceeding 6%. Leeds City Council maximised the funding made available over these three years.

4.6.6. Whilst the referendum ceiling for 2020/21 has yet to be confirmed, the draft document, The Referendums Relating to Council Tax Increases (Principles) (England) Report 2020/21, is consistent with the announcements referenced above, whereby the council tax referendum limit for a 'relevant local authority', i.e. those with social care responsibilities, is excessive if the authority's relevant basic amount of council tax for 2020/21 is 4% greater than that for 2019/20 (comprising 2% for expenditure on adult social care and 2% for other expenditure). Subject to confirmation, the Council Tax Report (to be received at Full Council in February 2020 alongside this report) proposes that core council tax is increased by 1.99% in 2020/21, and that Leeds City Council maximises the 2% Adult Social Care precept and those assumptions are reflected in this report.

4.6.7. Table 7 sets out the estimated total council tax income in 2020/21, recognising the £4.4m estimated increase in the council tax base and the £1.6m estimated deficit on the collection fund together with £6.4m of additional income generated from the Adult Social Care precept and the general £6.4m increase in the council tax rate. In total the level of Council Tax receivable by the Council in 2020/21 will increase by £16.9m when compared to that receivable in 2019/20.

**Table 7 – Estimated Council Tax Income in 2020/21**

	2019/20	2020/21
	Baseline	Forecast
	£m	£m
Previous year council tax funding	301.7	316.8
Change in tax base - increase / (decrease)	4.4	4.4
Increase in council tax level	9.0	6.4
Adult Social Care precept	3.1	6.4
<b>Council Tax Funding before surplus/(deficit)</b>	<b>318.2</b>	<b>334.1</b>
Surplus/(Deficit) 2018/19	0.2	
Surplus/(Deficit) 2019/20	(1.1)	(1.1)
Surplus/(Deficit) 2020/21		(1.6)
<b>Change in collection fund contribution - increase/(decrease)</b>	<b>(1.4)</b>	<b>(0.4)</b>
<b>Total - Council Tax Funding</b>	<b>316.8</b>	<b>333.7</b>
Increase from previous year		<b>16.9</b>

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 pro-rated in line with the assumptions for Leeds's overall change in the Settlement Funding Assessment, an increase of 1.6% for 2020/21 from £64.6k to £65.7k. 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 2020/21 also reflect additional grant monies made available by Government for social care. Together the precept and a share of the new Social Care Grant announced in the 2019 Spending Review allocated to adult social care, as referenced in paragraph 5.3.2, will contribute towards funding a range of adult social care pressures and priorities.

4.7.2. Specifically these pressures within the Adult Social Care service include the cost of the pay award for 2020/21 including commissioned care services, cost pressures associated with demand including demography, other inflationary pressures, the cost of the national living wage and of further developing the Ethical Care Charter.

4.7.3. As discussed above in paragraph 4.6.7, it is proposed that the Leeds element of the council tax is increased by a 2% Adult Social Care precept in 2020/21. The additional £6.4m realised through the Adult Social Care precept along with £7.5m of additional social care grant will contribute towards funding the pressures outlined in 4.7.2. and which are detailed further in the Adults and Health Directorate report in Appendix 8.

4.7.4. In applying the precept, in 2019/20 Government required Councils to certify that they had increased their council tax in order to fund adult social care services in that year. Based on the format of the certification made in 2019, the 2020/21 budget proposals for Adults and Health are consistent with this requirement.

#### 4.8. **The Net Revenue Budget 2020/21**

4.8.1. After taking into account the changes to Settlement Funding Assessment notified in the Provisional Local Government Finance Settlement, business rates and council tax, the Council's overall net revenue budget is anticipated to increase by £9.0m or 1.7% from £516.7m to £525.7m, as detailed in Table 8 and at Annex 1.

**Table 8 – Estimated Net Revenue Budget 2020/21 compared to the 2019/20 Net Revenue Budget**

	2019/20 £m	2020/21 £m	Change £m
Revenue Support Grant	0.0	28.2	28.2
Business Rates Baseline	183.7	158.4	(25.2)
<b>Settlement Funding Assessment</b>	183.7	186.6	3.0
Business Rates Growth	16.8	10.9	(5.9)
Business Rates Deficit	(0.6)	(5.5)	(4.9)
Council Tax (incl. Adult Social Care Precept)	318.0	335.3	17.3
Council Tax surplus/(deficit)	(1.1)	(1.6)	(0.4)
<b>Net Revenue Budget</b>	<b>516.7</b>	<b>525.7</b>	<b>9.0</b>

- 4.8.2. Table 9 analyses this £9.0m estimated increase in the net revenue budget between the Settlement Funding Assessment and locally determined funding sources.

**Table 9 – Increase in the Funding Envelope**

Funding Envelope	2020/21 £m
Government Funding	
Settlement Funding Assessment	3.0
<b>Sub-total Government Funding</b>	<b>3.0</b>
Locally Determined Funding	
Council Tax (incl tax base growth)	16.9
Business Rates	(10.8)
<b>Sub-total Locally Determined Funding</b>	<b>6.0</b>
<b>Increase/(decrease) in the Net Revenue Budget</b>	<b>9.0</b>

## 5. Revenue Budget Proposals 2020/21

- 5.1. The submitted budget needs to be seen in the context of the Council's forecast financial position from 2021/22 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. This section summarises the 2020/21 budget proposals and provides an overview of the changes in funding, primarily specific grants (paragraph 5.3), and cost increases (paragraphs 6.1 to 6.24) which the Council is facing in 2020/21 and concludes with the savings proposals (paragraphs 7.1 to 7.5) to balance the 2020/21 budget to the estimated available resources. Table 10 provides a high level of summary of these changes:

**Table 10 Summary of Changes in Funding, Cost Increases and Savings Proposals**

	£m
<b>Funding</b>	
Additional Net Revenue Charge	(9.0)
Other Non-Collection Fund Business Rates Movement	(0.5)
Increases in Specific Grant	(18.0)
Fall Out of Specific Grant	7.4
Contribution to/from General Reserve	(13.5)
Change in Use of Earmarked Reserves	5.3
	<b>(28.4)</b>
<b>Pressures</b>	
Pressures - Pay Inflation	7.1
Pressures - General Inflation	12.9
Pressures - Other	36.8
	<b>56.8</b>
<b>Total: Funding and Pressures</b>	<b>28.4</b>
<b>Actions to Reduce the Budget Gap</b>	
	£m
Business As Usual	(26.3)
Service Delivery	(1.1)
Workforce	(0.7)
Service Delivery/Workforce	(0.3)
Service Review	(0.1)
	<b>(28.4)</b>

### 5.3. Decreases/(Increases) in Funding

- 5.3.1. Changes in both the Settlement Funding Assessment (SFA) of (£3.0m) and local funding (£6.0m), a net increase of £9.0m, as summarised in Table 9 are detailed in Section 4.

- 5.3.2. **Specific Grant Funding Changes – Adults and Health (£8.7m).** The technical consultation in respect of the 2020/21 Local Government Finance Settlement not only set out the Government’s intention to protect all social care grants that were receivable in 2019/20, but in addition it referenced an injection of £1 billion of new Social Care grant funding in 2020/21 for adults and children’s services. Of this Leeds will receive £14.0m of which £7.5m will be used within adult social care. It is proposed that the application of the grant to adults and children’s social care is used to target priority areas.



- 5.3.3. In the 2019 Spending Review the Government outlined its intention for real term increases in the amount it spends on Public Health. Consequently the level of Public Health grant receivable in 2020/21 will increase by £1.2m from £43.1m to £44.3m.
- 5.3.4. **Specific Grant Funding Changes – Children and Families Directorate (£6.5m).** The residual sum of Partners in Practice Innovation Grant (£1.7m) will no longer be receivable in 2020/21, however the services that this grant supported continue to be provided. It is assumed that School Improvement Monitoring and Brokerage Grant will continue to be receivable and that this will increase by £0.4m in 2020/21. The Directorate received notification in January 2020 of a £0.3m reduction in Troubled Families Programme: Earned Autonomy grant. As detailed in paragraph 5.3.2, the Government announced £1 billion of additional funding for social care. Of the £14.0m receivable by Leeds in 2020/21 £6.5m will be used to support children’s social care.
- 5.3.5. In the 2018 autumn budget the Treasury committed £84m to the scaling up of three programmes from the first two waves of the innovation programme. The DfE subsequently launched the **Strengthening Families** Protecting Children (SFPC) Programme to support the spread of innovation programmes across 20 local authorities over the next five years. Leeds is one of three authorities to receive funding through the programme to support the other local authorities. The SFPC funding award to Leeds is £8.2m over 5 years and the 2020/21 budget for the Children and Families Directorate includes additional grant of £1.6m.
- 5.3.6. **Specific Grant Funding Changes – Communities and Environment** The Housing Benefit Administration Subsidy and Localised Council Tax Support Administration Subsidy grant budgets are expected to reduce by £0.1m based on the provisional funding allocations announced in January 2020. Following the Prime Minister’s announcement in March 2018, parents will no longer have to meet the costs of burials or cremations, with fees waived by local authorities and met instead by a Government Funeral Fund for grieving parents who have lost their child. Leeds City Council had already announced that it would abolish fees as a part of the 2018/19 approved budget, thus the assumed level of Government funding of £0.1m will partially offset the loss of income already provided for.
- 5.3.7. **Specific Grant Funding Changes – Resources and Housing (£0.7m).** The Council will receive an additional £0.3m in Homelessness Reduction Grant in 2020/21. This grant helps local authorities to meet the new burdens costs associated with additional duties contained within the Homelessness Reduction Act. A bid has been submitted to Government for funding covering the Rough Sleeper grant and the Rapid Rehousing programme and £0.35m of additional income is assumed in these budget proposals.

- 5.3.8. **Specific Grant Funding Changes – Brexit Grant £0.1m.** In order to support local authorities to prepare for leaving the European Union additional resources have been provided by Government. In 2020/21 it is assumed that the additional £0.1m provided to Leeds in 2019/20 will no longer be receivable. A corresponding reduction in the authority's expenditure has also been assumed, so that the impact on the revenue budget will be nil.
- 5.3.9. **Specific Grant Funding Changes – New Homes Bonus £5.2m**  
Government introduced the New Homes Bonus 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 'legacy payments' are receivable from six to four years and imposing a 0.4% growth baseline on new allocations before any Bonus is paid. In the Technical Consultation for the 2020/21 Local Government Finance Settlement, published in September 2019, the Government proposed that new allocations earned in 2019/20 and paid in 2020/21 would be paid in the first year but not for the following three years as would normally be the case. Leeds accounts for the receipt of this grant in the year in which the housing growth has taken place, with the grant actually received in the following year. As the allocation earned in 2016/17 will also drop out in 2020/21 two years of allocations will no longer form part of the grant in 2020/21, resulting in a shortfall of £5.2m. Since New Homes Bonus is funded by a top slice from local government funding, a 'refund' is assumed, possibly through an increase to the SFA, but this would not be received until 2021/22 and cannot be accounted for in advance. The budget proposals assume that the remaining two years of legacy payments from 2017/18 and 2018/19 will continue to be paid in 2020/21.
- 5.3.10. **Other Non-Collection Fund Business Rates Movements – (£0.5m)**  
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. These budget proposals reflect the Council returning to 50% Business Rates Retention in 2020/21 from 75% in 2019/20, resulting in a reduction in business rates income. Consequently section 31 grant compensation is estimated to reduce by £4.5m in 2020/21. The historic capping of business rates multipliers will continue to be compensated, although this will reduce because of lower retention, and Government has confirmed it will continue to compensate authorities for capping the multiplier at CPI in 2020/21 instead of RPI. The net result is that compensation for under-indexing the multiplier is estimated to increase by £1.2m in 2020/21.
- 5.3.11. In addition to these movements in section 31 grants, under the 75% Retention pilot in 2019/20 the levy payments that had previously to be paid to the North & West Yorkshire Pool were replaced by a complex scheme of

contributions to and from the North & West Yorkshire Business Rates Pool resulting in an overall net gain to Leeds estimated at £9.2m compared to 50% Retention. With the return to 50% Retention in 2020/21 the normal levy calculations will apply and, although Leeds will no longer make net contributions to the Pool of £6.0m, the Council will incur a cost of £2.2m for the levy payment.

- 5.3.12. Overall the return to 50% Retention in 2020/21 represents an increase in Non-Collection Fund Business Rates income compared to 2019/20 of an estimated **£0.5m**.

### **Reserves and Balances**

- 5.4. **Contributions from the General Reserve** – the movement of £13.5m in the use of the general reserve reflects the £10m being used to support the 2020/21 revenue budget, compared to the budgeted contribution of £4.5m in 2019/20. In September 2019, Executive Board agreed the release of £1m from the general reserve to enable the Authority to convert some of its short term borrowing into longer term borrowing at record low interest rates. Whilst this results in an additional cost in 2019/20, this is offset by multi-year savings in the following years, thus the movement in general reserve also reflects repayment of this £1m in 2020/21.
- 5.5. **Changes in the use of Earmarked Reserves** – the £5.3m change in the use of earmarked reserves reflects a reduction in the contributions from the reserve to fund Schools PFI payments of £1m, the Early Leaver's Initiative Reserve of £2m, Public Health reserves of £0.7m and the Flexible Homelessness Grant reserve of £0.7m. The budget proposals also provide for contributions to the Insurance Reserve and the Capital Reserve of £2.2m and £0.1m respectively.
- 5.6. These budget proposals for 2020/21 assume contributions from the Selective Licencing Reserve of (£1.1m) and from the Clean Air Zone Grant reserve of (£0.9m), both with related expenditure detailed at Paragraphs 6.14 and 6.15. Contributions from general balances of (£0.5m), the BCF reserve (£0.5m), Adults & Health reserves of (£1.1m), the Wellbeing reserve (£0.2m), the Invest to Save reserve (£0.15m) and the Waste Management reserve (£0.4m) are also assumed.
- 5.7. **Use of Section 106 balances** – 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. Subject to satisfying any legal requirements contained in the agreement e.g. clawback, Section 106 balances have been used to support the revenue budget. However in order to make the Council's financial position more financially sustainable and resilient it is proposed to reduce by £1.9m the contribution that Section 106 balances make to support the

revenue budget. This variation has been included in the £4.2m overall change in the use of earmarked reserves.

- 5.8. The Budget Proposals provide for the creation of two new reserves totalling £1.5m – an Investment Fund and an Innovation Fund. The Investment Fund will focus upon service improvement, service transformation or additional income generation where an additional investment would generate cost reductions or income for the Council. There will be a requirement for schemes to repay the Fund with the aim of it becoming self-financing in the future. The Innovation Fund will support those more conceptual schemes which need to be developed further. The schemes supported by these funds strengthen the Council's longer term resilience.

## 6. Cost Increases

- 6.1. Table 11 summarises the projected cost increases in the 2020/21 budget.

### 6.2. *Table 11 Cost Increases*

	<b>£m</b>
Pay - Leeds City Council	9.2
Wage costs - commissioned services	7.8
Employer's LGPS contribution	(0.9)
Fall-out of capitalised pension costs	(1.2)
Inflation: General	4.5
Inflation: Electricity and Gas Tariffs	0.7
Demand and demography - Adult Social Care	7.2
Demand and demography - Children Looked After	1.6
Demand and demography - Other	0.2
Income pressures	2.0
Strengthening Families Increased Expenditure	1.6
Spend funded by Selective Licencing Income	1.0
Spend funded by Clean Air Zone Grant	0.9
Migration to Microsoft Cloud	0.8
Insurance	0.8
Transforming Care Programme	0.5
Investment in Climate Emergency	0.4
Housing Benefit Overpayment income	0.4
Rough Sleepers and Rapid Rehousing Funded Spend	0.4
Homelessness Reduction Act Increased Expenditure	0.3
Other Pressures/Savings	4.7
Debt - external interest / Minimum Revenue Provision	14.1
<b>Cost Increases</b>	<b>56.8</b>

- 6.3. **Inflation** - the budget proposals include allowance for £19.9m of net inflation in 2020/21. This includes provision of £9.2m which largely provides for a 2% pay award and for the costs of the Council's minimum pay rate (see paragraph 6.5). The budget proposals allow for net price/income inflation of £4.5m where there is a contractual commitment, but anticipate

that the majority of other spending budgets are cash-limited. Specific energy increases for gas and electricity of £0.7m have been incorporated into these budget proposals and this additional provision is consistent with projected price increases for both metered and unmetered usage. The budget assumes an inflationary uplift on fees and charges where they can be borne by the market.

- 6.4. **Local government pensions** - the most recent actuarial valuation took place in November 2019 and this showed that the West Yorkshire Pension Fund is in a surplus position. As a result of this position, the Council has been notified that that the employer's contribution will reduce from 16.2% to 15.9% from the 1<sup>st</sup> April 2020. This reduction results in a saving of £0.9m which has been incorporated into these budget proposals for 2020/21.
- 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 Real Living Wage of £8.25 per hour (outside London) and this was implemented by the Council in January 2017. Since then the Council has maintained its commitment to be a real living wage employer and the budget submission provides for further increases in the Leeds City Council minimum wage, which will now rise to £9.36 per hour for employees which is 6p above the announced Real Living Wage rate of £9.30 per hour from the 1<sup>st</sup> April 2020. Apprentices and new starters on the Scale Point 1 spinal point will be paid £9.30 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 £7.8m has been included and this is consistent with the national minimum wage assumptions of £8.72 per hour from 1<sup>st</sup> April 2020. 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 2020/21 will permit further developments in this area.
- 6.7. In addition, the Communities and Environment budget provides for an additional £0.1m in respect of the streetscene grounds maintenance contract to allow for the implementation of a minimum pay scale which is aligned to that of the Council. The increased costs associated both with the Real Living Wage and the National Living Wage have been resourced by the Council without the receipt of any additional funding from the Government.
- 6.8. 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 £1.2m in 2020/21.
- 6.9. The budget proposals recognise the increasing **demography**, complexity and consequential **demand pressures** for services in Adults and Health,

Children and Families and Communities & Environment. Within Adults and Health the population growth forecast assumes a steady increase from 2019 in the number of people aged 85-89 between 2020 and 2025. These increases of 2.8%, 2.7%, 1.8%, 2.6% and 1.3% respectively result in additional costs for domiciliary care and care home placements. In addition, the current Medium Term Financial Strategy reflects the anticipated impact of increasing cash personal budgets through to 2025. The Learning Disability demography is expected to grow by 2.3% (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 £7.2m has been built into these budget proposals for 2020/21 to deal with this demand and demographic growth.

- 6.10. 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 £1.6m for the projected growth in the 0-19 population to increase the Children Looked After budget and the transport budget.
- 6.11. As a result of further demand pressures due to assumed household growth, provision of £0.2m has been made for the increased disposal costs of waste to the Recycling and Energy Recovery Facility (RERF).
- 6.12. The budget proposals include £2.0m for a number of income variations. Specifically £0.9m provides for a reduction in car parking and bus lane enforcement income resulting from major city centre developments; a reduction of £0.5m reflects the requirement to more closely align fee income receivable at nurseries to current activity levels; there is a £0.2m reduction in income for the schools catering function reflecting a reduction in the number of meals sold, reduced partnership income in Children and Families of £0.2m, reduced Shared Services income of £0.1m and court fee income is projected to fall by £0.1m as a result of fewer prosecutions for non-payment of council tax.
- 6.13. As detailed at paragraph 5.3.5, Leeds is one of three authorities to receive funding through the **Strengthening Families** Protecting Children (SFPC) Programme. The funding award to Leeds is £8.2m over 5 years and the 2020/21 budget for the Children and Families Directorate includes expenditure of £1.6m associated with this grant.

- 6.14. Members approved the implementation of **Selective Licensing** schemes for privately rented residential properties in areas of Beeston and Harehills at Executive Board in July 2019. The scheme became operational on 6th January 2020. The budget proposals for 2020/21 include the estimated total annual cost of operating the scheme(s) at £1m. The scheme will be cost neutral to the budget as it is offset by income collected from the licence fees paid by landlords, as outlined at paragraph 5.6.
- 6.15. The Council continues to work proactively towards tackling the Climate Emergency in Leeds. One of the key programmes is the **Clean Air Zone (CAZ)**. The zone is anticipated to come into effect in the summer of 2020, however this is contingent on Government systems being delivered on time. An update report will be brought to a future Executive Board in 2020 together with an indication of the projected costs and income associated with the CAZ. However, set up spend funded by Clean Air Zone grant, including staffing and financing of taxi loans, will continue to be incurred prior to the scheme going live. Costs of £0.9m, fully funded from DEFRA grant (paragraph 5.6), have been included in these budget proposals.
- 6.16. A combination of **Microsoft** encouraging organisations to move to cloud based services and the end of a three year price fix on all Microsoft product licences will require an additional payment to Microsoft of £0.8m in 2020/21.
- 6.17. The cost of **Insurance** is estimated to increase by £0.8m in 2020/21. This increase is largely due to a combination of having to provide for new large insurance claims and a re-assessment of the amounts set aside for previously submitted claims. In addition, the increase reflects the assumed impact of the Government's intention to directly provide risk protection arrangements to local authority maintained schools.
- 6.18. **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 £0.5m in 2020/21.
- 6.19. A further £0.4m is to be provided to help resource the Council's ambition to increasingly become carbon neutral whilst at the same time address the **climate emergency** that the Council has declared.
- 6.20. 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 rollout of Universal Credit which is now live in Leeds. The net impact on the 2020/21 budget is estimated to be £0.4m.
- 6.21. A funding bid for £0.35m has been submitted to Government covering the **Rough Sleeper grant and the Rapid Rehousing** programme and related spend of 0.35m is assumed in these budget proposals.

- 6.22. The Council will incur new expenditure of £0.3m in relation to the additional £0.3m in **Homelessness Reduction** Grant received in 2020/21. This grant is to help local authorities to meet the new burdens costs associated with additional duties contained within the Homelessness Reduction Act.
- 6.23. Changes approved at Full Council in 2017 to previous years' **Minimum Revenue Provision (MRP)** policy, based on the fact that MRP had been overprovided for between 2008/09 and 2014/15, enabled the Council to benefit from reduced MRP payments for the three years 2017/18 to 2019/20. However from 2020/21 this position starts to unwind and MRP will increase by £27.6m in this year. In order to smooth the impact of this increase on the Council's revenue budget, interest rate savings have been realised by taking advantage of falls in the bond markets which has created the opportunity for the Council to convert some of its short term borrowing to longer term borrowing at record low interest rates. By locking in this opportunity the Council will de-risk its exposure to higher rates in the future, generating savings of £2m in 2020/21. In addition it is proposed to utilise an additional £10m of capital receipts to help meet the MRP revenue budget requirement in 2020/21 along with other treasury management savings of £0.9m. As a result of interest rate reductions, the utilisation of additional capital receipts and other treasury management savings, the revenue pressure of the impact of MRP on the 2020/21 budget has reduced to £14.1m.
- 6.24. Other Net Pressures – other net budget pressures of £4.7m have been identified for 2020/21. The key pressures include:
- The cost of the apprenticeship levy will increase by £0.2m largely due to variations in the number of staff within the Council;
  - Additional funding of £0.5m in Adults and Health to fund additional temporary staffing within social work and service transformation to assist in delivering savings plans;
  - Funding of £0.15m to be invested in a dementia strategy including the development of a dementia unit within the South Recovery Hub for people with high support needs, net of financial contributions from the CCG and a transfer from existing residential care provision;
  - Additional investment of £0.15m into the expansion of Asset Based Community Development;
  - Additional resources of £0.2m provides for further work to be undertaken with schools to facilitate school improvements;
  - An additional £2.1m is provided for delivery of the Council's Waste Strategy and to support implementation of the waste review, with further investment planned for 2021/22;
  - Reduced reliance on general capitalisation of £0.5m.
  - Other variations across directorates of £0.9m.

## **7. The Budget Gap – Savings Options - £28.4m**

- 7.1. After taking into account the impact of the anticipated changes in funding of £28.4m and cost pressures of £56.8m outlined above, it is forecast that the



Council will need to generate savings, efficiencies and additional income of £28.4m in 2020/21 to balance to the anticipated level of resources available.

7.2. The requirement to deliver savings of £28.4m needs to be seen in the context of the Council's gross revenue budget of £1,352m (excluding schools and the Housing Revenue Account) and its current net revenue charge of £516.68m. This requirement to make savings for 2020/21 is in addition to delivery of over £570m in savings since 2010 in order to address both a reduction of £266m in core funding from the Government and having to provide for pay, price and demand pressures for the services that it provides.

7.3. Table 12 summarises the proposed savings to balance the 2020/21 budget with additional detail in the sections below and in Appendix 8. The savings identified fall into one of the following categories:

- **Business as Usual** which are savings proposals that do not require any consultation. They include;
  - **Identification of alternative funding to continue with the service**
  - Generation of additional income for the Council without impacting on service users
  - Improving the efficiency of the service
  - Cost reduction measures with no impact on service users.
- **Service Review** which relates to a review of a service to identify options for savings, which will then be considered in accordance with the Council's decision making arrangements.
- **Service Delivery** which relates to changes in the way that a service is delivered and therefore consultation will be required with service users;
- **Workforce Proposal** which relates to the restructure of a service and consultation with staff will be required;
- **Service Delivery/ Workforce Proposal** budget savings proposals may require consultation with service users and staff on options for future service delivery.

**Table 12 – Actions to reduce the budget gap**

**Actions to Reduce the Budget Gap**

	<b>£m</b>
Business As Usual	(26.3)
Service Delivery	(1.1)
Workforce	(0.7)
Service Delivery/Workforce	(0.3)
Service Review	(0.1)
	<hr style="width: 100%; border: 0.5px solid black;"/> (28.4)

7.4. In the identification of these savings proposals the Council remains committed to delivering efficiencies in both its own and commissioned operations in all areas of the Council whilst at the same time protecting frontline services and those for the most vulnerable. Savings will largely be realised through a number of Business as Usual proposals that include;

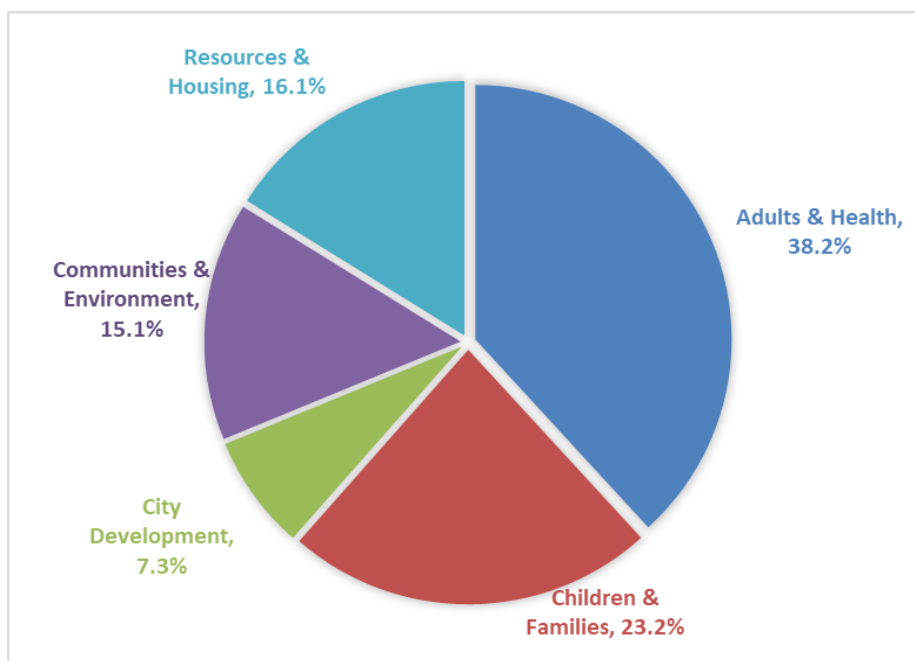
- Organisational design;
- Continuing demand management through investment in prevention and early intervention particularly in Adult Social Care and Children's Services.
- Savings across the range of support service functions;
- Ongoing recruitment and retention management;
- Closer working between services and across Directorates;
- Realising savings by cash-limiting and reducing non-essential budgets;
- Ongoing procurement and purchase savings;
- Increased income from fees and charges.

7.5. Through a combination of the utilisation of reserves and a reduction in expenditure on bus tendered services, the levy payment to the West Yorkshire Combined Authority (WYCA) will reduce by £0.67m in 2020/21. The final determination as to how much Leeds will continue to contribute to both WYCA and West Yorkshire Joint Services Committee (WYJSC) is subject to a separate approval process.

#### 7.6. **Summary Budget By Directorate**

7.6.1. The pie chart shows the proposed share of net managed expenditure between directorates for 2020/21 based on these budget proposals.

#### 7.6.2. **Share of Net Managed Expenditure 2020/21(Proposed)**



- 7.6.3. Net managed expenditure represents the budgets under the control of individual directorates and excludes items such as capital charges, pensions adjustments and allocation of support costs in directorate budgets.
- 7.6.4. The revenue budget proposals would mean that whilst the Council's spend on Children and Families and Adult Social Care will decrease slightly from 62.3% of service budgets in 2019/20 to 61.5% in 2020/21, 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. Changes from the Initial Budget Proposals**

8.1. Since the Initial Budget Proposals were received at Executive Board in January 2020 there have been a number of changes to the 2020/21 budget submission which now reflects the provisional Local Government Finance Settlement and other variations that have emerged. The key headline changes can be summarised as:

- The Settlement Funding Assessment as set out in the Provisional Local Government Financial settlement is £0.1m lower than the figure reported in the Initial Budget Proposals;
- Based on the most up to date business rates position to be reported on the 2020/21 NNDR1 return to Government, which includes the estimated impact of the Government's announced intention to increase retail relief, the contribution of business rates to the Net Revenue Charge has reduced by £0.9m. Conversely, additional Section 31 grant of £2.7m will be received from Government to compensate for the higher relief. The updated business rates levy payable to the North and West Yorkshire Pool has increased by £0.2m;
- The budget proposals include a contribution of £2.2m to the Insurance Reserve and a reduction of £0.5m in the general capitalisation budget, both of which will contribute to improved financial resilience for the Authority;
- The budget recognises the receipt of an additional £1.1m of Section 278 income;
- The declared deficit in the Collection Fund for Council Tax and Business Rates is £0.1m worse than the position detailed in the Initial Budget Proposals;
- The level of Homelessness Reduction grant will increase by £0.3m and the budget proposals reflect additional Rough Sleepers and Rapid Rehousing funding of £0.35m subject to a successful bid for funding, whilst the Children and Families Directorate will receive

£1.6m of additional Strengthening Families grant in 2020/21. Associated spend is also included in the budget proposals.

- Other funding variations of £0.5m include a £0.3m improvement against the previously assumed reduction in Housing Benefit Admin grant but a reduction of £0.1m in the previously assumed level of Housing Benefit New Burdens grant, and a reduction of £0.1m in the level of anticipated grant receivable for children's funerals. In addition there has been an increase of £0.3m in Public Health grant and a reduction of £0.3m in Troubled Families grant;
- The cost of insurance is estimated to increase by £0.8m in 2020/21, as detailed in paragraph 6.17. This increase has been funded through a reduction in the costs associated with servicing the Council's debt;
- Income variations of £0.2m within the Communities and Environment Directorate reflect slippage in the development of the indoor play area at Tropical World and non-implementation of proposed charges for delivery of replacement bins;
- The Government have recently announced that the National Living Wage will increase from £8.21 per hour to £8.72 per hour from April 1st 2020. In respect of services commissioned from external providers by both Adults and Health and Children and Families directorates, this is £0.6m higher than assumed in the Council's Initial Budget Proposals and this additional cost will be managed largely through the use of earmarked reserves;
- Further increased usage of earmarked reserves within Adults and Health of £0.7m;
- The application of £0.9m of Treasury Management savings to reduce debt costs in 2020/21;
- An additional £0.1m has been provided to help resource the Council's ambition address the climate emergency that the Council has declared;
- Other variations largely reflect increased provision for demand and demography within Children's Services and a reduction in the saving from the fall out of capitalised pension costs.
- Other minor movements since the Initial Budget Proposals were published reflect changes in a number of income and expenditure assumptions across all Directorates. Updated assumptions have been incorporated into Directorate reports in Appendix 8.

## **9. Impact of proposals on employees**

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

the workforce of around 3,045 or 2,300 full time equivalents (ftes) to March 2019.

- 9.2. The budget proposals outlined in this report provide for an estimated net increase of 380 full time equivalents by 31st March 2021, as summarised in Table 13. Of the gross additional 478 ftes, 399 are funded through capital or external grant, income generation or other means including staffing reductions such that an increase of 79 ftes will impact on the revenue budget. In the context of future staffing reductions that will be required to meet the estimated revised budget gap of £128.3m for 2021/22 to 2024/25, it is the Council's intention to issue an updated S188 notice in February 2020.
- 9.3. In managing any future staff reductions 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.
- 9.4. Details of the movements in full time equivalents by directorate are shown in Table 13:

**Table 13 – Movements in Full Time Equivalents**

	<b>2020/21 Budget</b>		
	+	-	Net
Adults and Health	41	0	41
Children and Families	135	0	135
City Development	68	(15)	52
Communities and Environment	77	(10)	67
Resources and Housing	117	(63)	54
	<b>438</b>	<b>(88)</b>	<b>349</b>
HRA	41	(10)	31
	<b>478</b>	<b>(98)</b>	<b>380</b>

## **10. Breakdown of the 2020/21 budget**

- 10.1. Annex 1 to this report provides a summary of the budget changes by directorate and in total.
- 10.2. Annex 2 provides a detailed analysis of the 2020/21 revenue budget at directorate level.

## 11. Reserves Strategy and General Reserve

- 11.1. Under the 2003 Local Government Act, the Council's Statutory Financial Officer is required to make a statement to Council on the adequacy of reserves as a part of the annual budget setting process. It is also good practice for the Authority to have a policy on the level of its general reserve and to ensure that it is monitored and maintained.
- 11.2. The purposes of the general reserve policy are to help longer-term financial stability and mitigate the potential impact of future events or developments which may cause financial difficulty. General and useable reserves are a key measure of the financial resilience of the Council, allowing the Authority to address unexpected and unplanned pressures.
- 11.3. The general reserve policy encompasses an assessment of financial risks both within the Medium Term Financial Strategy and also in the annual budget. These risks should include corporate/organisation wide risks and also specific risks within individual directorate and service budgets. This analysis of risks should identify areas of the budget which may be uncertain and a quantification of each "at risk" element. This will represent the scale of any potential overspend or income shortfall and will not necessarily represent the whole of a particular budget heading. Each assessed risk will then be rated and scored in terms of impact and probability.
- 11.4. The revenue budget proposals for 2020/21 assume a contribution of £10m from the general reserve and the level of general reserves at 31st March 2021, as set out in Table 14, is projected to be £22.5m. In September 2019, Executive Board agreed the release of £1m from the general reserve to enable the Authority to convert some of its short term borrowing into longer term borrowing at record low interest rates. Whilst this results in an additional cost in 2019/20, this is offset by multi-year savings in the following years, enabling repayment of the £1m to the general reserve in 2020/21. Table 14 reflects both the release of this amount in 2019/20 and the repayment in 2020/21.

**Table 14 - General Reserve**

General Reserve	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Brought Forward 1st April	28.0	31.5	22.5	22.5
Change in Incidence of Receipt of Innovation Grant	1.7	0.0	0.0	0.0
Approved Use in Year (Treasury Management Savings)	(1.0)	1.0	0.0	0.0
Budgeted Contribution/(Use) in-year	2.8	(10.0)	0.0	0.0
Carried Forward 31st March	<b>31.5</b>	<b>22.5</b>	<b>22.5</b>	<b>22.5</b>

- 11.5. Whilst the Council maintains a robust approach towards its management of risk and especially in the determination of the level of reserves that it

maintains, it is recognised that levels of reserves are lower than those of other comparable local authorities.

- 11.6. The recent launch of CIPFA's Financial Resilience Index means that there is increased scrutiny upon the level of reserves that local authorities hold. The Financial Resilience Index uses a selection of indicators to measure an individual Authority's resilience to continue to deliver annual savings and manage significant financial shocks while still pursuing ambitious goals for local communities. These indicators can be used to compare against similar authorities. Contained within the nine selected indicators are three that relate to reserves. Specifically these are Reserves sustainability measure; level of Reserves and Change in Reserves. Through the utilisation of these Reserves indicators the Authority can gain additional assurance about the robustness of its reserves strategy.
- 11.7. As referenced in the Revenue Budget Update for 2020/21-2024/25 report, received at October's Executive Board, Grant Thornton have issued their "Annual Audit Letter" for the year ended 31<sup>st</sup> March 2019 in which they note that "the Council has continued to maintain reserves at around 5% of net revenue expenditure" and that with future projections "the level of reserves may reduce. We recommend there is a need for the Council to consider the adequacy of its reserves going forward." In accordance with this requirement the current Medium Term Financial Strategy which covers the period to March 2025 provides for a £3m contribution to the General Reserve in 2023/24.
- 11.8. Whilst the pressures faced continue to make the current financial climate challenging, the Council will continue to keep the level of the Council's reserves under review to ensure that they are adequate to meet identified risks.

## **12. Robustness of the Budget and the adequacy of reserves**

- 12.1. The Local Government Act (Part II) 2003 places a requirement upon the Council's statutory officer (the Chief Officer – Financial Services) in Leeds to report to members on the robustness of the budget estimates and the adequacy of the proposed financial reserves.
- 12.2. In considering the robustness of any estimates, the following criteria need to be considered:
- The underlying budget assumptions such as:
    - The reasonableness of provisions for inflationary pressures.
    - The extent to which known trends and pressures have been provided for.
    - The achievability of changes built into the budget.
    - The realism of income targets.
    - The alignment of resources with the Council's service and organisational priorities.
  - A review of the major risks associated with the budget.

- The availability of un-earmarked reserves to meet unforeseen cost pressures;
- The strength of the financial management function and reporting arrangements.

12.3. In coming to a view as to the robustness of the 2020/21 budget the Chief Officer – Financial Services has taken account of the following issues:

- Detailed estimates are prepared by directorates in accordance with principles laid down by the Chief Officer – Financial Services 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 2019/20 have been recognised in preparing the 2020/21 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 2020/21 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 2020/21.
- 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 2020/21 budget assumes the generation of additional capital receipts from property and land sales will be utilised to offset PFI liabilities, repay MRP and fund redundancy payments. Since there is a risk that not all of the assumed receipts will be receivable in 2020/21 the timing of the delivery of these receipts needs to be closely monitored and contingency actions identified should there be any slippage to budgeted assumptions.
- 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 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 business new-builds in Leeds and secondly that business rates growth that does occur has been offset by successful appeals and other reductions to the rating list - either through closure or Valuation office reviews.
- 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 although this will be an issue in future financial years.
- 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.
- In July 2019 this Board agreed the adoption of principles which were developed to support both the determination and management of the revenue budget, provided at Appendix 10. Adoption of these principles results in a more robust and accountable approach to budget management which closely aligns itself with the principles set out in CIPFA's Financial Management Code which all local authorities will be required to fully implement by 31st March 2021.

12.4. In the context of the above, the Chief Officer – Financial Services considers the proposed budget for 2020/21 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.
- Risk based budget reporting to members will continue in 2020/21.
- 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 Medium Term Financial Strategy via the Collection Fund and will therefore not impact on the 2020/21 budget.
- There is a clear understanding of the duties of the Council's statutory financial officer and that the service implications of these being exercised are fully understood by members and senior management alike.

### **13. Revenue Budget Update 2021/22 and 2022/23**

- 13.1. At its meeting in January 2020 Executive Board received the Council's Initial Budget Proposals report for 2020/21. Contained within this report were the initial budget positions for 2021/22 and 2022/23 which showed budget gaps of £47.4m and £29.9m respectively. The report recognised that savings would be required to be identified in order that a balanced budget position could be delivered in 2021/22 and 2022/23.
- 13.2. In the context of both the Provisional Local Government Settlement and variations identified during the determination of this 2020/21 revenue budget the financial projections for 2021/22 and 2022/23 have been refreshed to reflect these latest assumptions. The revised position reflects assumed core council tax increases of 2.99% in each year and no Adult Social Care precept. However it should be stressed that under the Council's constitution the decision to set the council tax base and 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. The Government's spending review in 2020 will provide some clarification as to what future Council Tax increases are assumed for the period covered by the review.
- 13.3. The Government's intention is to move to 75% business rate retention from 2021/22. Given the uncertainty about how this will impact on local authority funding, the initial budget for 2021/22 and 2022/23 assumes that any increases in business rates income are offset by a commensurate increase in the business rate tariff paid to the Government so that there is no baseline gain. Similarly the 2021/22 and 2022/23 projection assumes that the impact of any business rates reset and the implications of the outcome of the Government's Fair Funding review, which is expected in the autumn of 2020, is revenue neutral upon the Council with any impacts being addressed through transitional arrangements. For calculating SFA no increases have been assumed for either 2021/22 or 2022/23.
- 13.4. In the determination of the revised financial projections for both 2021/22 and 2022/23, significant areas of uncertainty remain as to the Council's financial position in respect of both funding and spending assumptions, compounded by any impact of the UK leaving the EU and the spending priorities of the current Government. Specifically the implications of the Government's future spending plans remain unclear, the implications of

implementing 75% business rate retention nationally have yet to be finalised by Government, the outcome of the Government's Fair Funding review won't be known until the autumn of 2020 at the earliest and the future funding arrangements for social care remain unknown.

- 13.5. After taking account of the funding assumptions outlined in 13.2 and 13.3 above and the variation in pressures and savings that have been identified in the determination of the 2020/21 budget proposals, the revised indicative positions for 2021/22 and 2022/23 are detailed in Table 15.

**Table 15 - Revenue Budget 2021/22 and 2022/23**

	2021/22	2022/23
	£m	£m
<b>Initial Budget Proposals</b>	<b>47.4</b>	<b>29.9</b>
<b>Revised Pressures since January 2020</b>		
Price Inflation (net)	(2.5)	(2.5)
Demand and Demography	5.2	5.2
Income Pressures	0.2	(0.3)
Debt	0.9	0.0
Other	0.7	0.0
	<b>4.5</b>	<b>2.4</b>
<b>Revised Savings</b>		
	0.9	0.3
	<b>5.4</b>	<b>2.7</b>
<b>Changes to Funding</b>		
Reserves	(0.6)	(1.0)
<b>Revised Gap</b>	<b>52.2</b>	<b>31.7</b>

- 13.6. As can be seen in Table 15, the estimated budget gap has increased to £52.2m in 2021/22 and to £31.7m in 2022/23. Since the IBP was presented to January's Executive Board the 2021/22 estimated gap has increased by £4.8m and the 2022/23 position by £1.8m. These movements largely reflect a net movement in pressures and savings of £5.4m in 2020/21 and of 2.7m in 2021/22, mainly due to the requirement for additional provision in Adults & Health to reflect the demand and demographic pressures experienced for care packages during 2019/20 and forecast to continue, partly offset by a review of price inflation by the directorate. Contributions to reserves have decreased by £0.6m in 2021/22 and £1m in 2022/23 reflecting fall out of one-off contributions in prior years.

- 13.7. The position set out above contains a number of assumptions, as set out in paragraphs 13.2, 13.3 and 13.4, for which updated information would alter the projected financial position. Any such changes in these assumptions will be incorporated into an updated Medium Term Financial Strategy report that will be presented to a future meeting of this Board.

## 14. **Schools Budget**

- 14.1. The schools budget is funded by the Dedicated Schools Grant (DSG). The DSG is a ring-fenced grant and is funded in four separate blocks for Early Years, High Needs, Schools and Central Schools Services. The details of 2020/21 funding for each of the blocks is set out in the Schools Budget 2020/21 report at Appendix 8.
- 14.2. The allocation of funding for each of the blocks is determined by the Government with new national funding formulas for the Schools Block, High Needs Block and Central Schools Services Block implemented in 2018/19. Whilst funding allocations are determined by the Government there is still some local discretion with various decisions made locally. In terms of the Schools Block, Early Years Block and Central Schools Services Block there are some decisions that are made by the Leeds Schools Forum following appropriate consultation. These include the transfer of funding between the Schools Block and the High Needs Block, the retained element of the Central Schools Services Block and the rate paid to providers through the Early Years Block.
- 14.3. Approval of the High Needs Block budget is a Council decision and paragraph 5 of the Schools Budget 2020/21 report provides a summary of the proposed High Needs Block budget for 2020/21 of £79.8m funding and £79.8m spend.

## 15. **Housing Revenue Account**

- 15.1. 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.
- 15.2. The determination of the 2020/21 budget proposals for the Housing Revenue Account needs to be seen in the context of the 2016 Welfare Reform and Work Act which has required all registered social housing providers to reduce social housing rents by 1% 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. The Government has confirmed a return to allowing up to a CPI+1% rent increase for five years from 2020/21.
- 15.3. Details of the 2020/21 Housing Revenue Account can be found in Appendix 8.

## **16. Corporate Considerations**

### **16.1. Consultation and Engagement**

- 16.1.1. The Financial Strategy and budget proposals have been driven by the Best Council Plan ambitions and priorities which, as detailed in the Best Council Plan 2020 to 2025 report on today's agenda, has been subject to consultation in its development with members and officers with additional extensive consultation carried out on the range of supporting plans and strategies.
- 16.1.2. Following Executive Board's approval of the Initial Budget Proposals in January, a public budget consultation exercise ran between 7<sup>th</sup> and 28<sup>th</sup> January 2020. Though focused on the Budget, the survey also 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.
- 16.1.3. The consultation was carried out through an online survey, advertised on social media, the Council's [leeds.gov.uk](http://leeds.gov.uk) website, the Council's internal 'InSite' website, and directly to Citizens' Panel members, third sector and business partners. With a shorter timescale available than usual to carry out the consultation and analyse the results (due to the snap General Election in December 2019), paper versions were not available. However, in the past two years where paper surveys have been offered as an option, only 15% of responses have been received via this method and these overwhelmingly from groups of people already over-represented in the total number of respondents.
- 16.1.4. A total of 1,537 responses were received (up on the total 1,241 last year) from a range of people from different demographic groups, broadly representative of the population of Leeds residents as compared with the 2011 Census. The majority (96%) of respondents said that they live in Leeds and over half (55%) work in Leeds. Around 1 in 7 (15%) said they work for Leeds City Council and a smaller group (3%) that they study in Leeds. Only 11 respondents (1%) said that they solely visit the city and neither live nor work here.
- 16.1.5. Respondents were informed of the challenges that Leeds City Council has faced through reduced funding and increasing demand, and that the Council has had to change the way that services are delivered in the last 12 months, including increasing the price of some services, in order to achieve the savings needed to meet the budget. They were asked how much these changes had affected them personally:
- Over half of respondents said that changes in services in the last 12 months have affected them to some degree (54%), with 1 in 7 reporting that they have been greatly affected (14%).

16.1.6. Where respondents said they had been affected they were asked how they had been affected. A total of 670 comments were made by 538 people, which were coded and grouped into dominant themes:

- Over 1 in 3 (91) gave a comment relating to Environmental Services and Waste Management, with over half of these about new charging for charges for waste collection/disposal and a perceived increase in fly tipping.
- The second highest number, around 1 in 3 (171) commented on how they have been affected financially, in particular through increased Council Tax.
- Further comments related to road maintenance (46), Social Care (37), staff workloads (23), and increased anti-social behaviour (12).

16.1.7. In response to the challenges that Leeds City Council faces, people were asked which option they agreed with most in response to the statement: 'Reduced funding from the government will impact on our ability to deliver the services we (the Council) currently provide, unless we find other ways of raising money'.

- Over three quarters (76%) agreed we should raise money through increasing council tax and charges, with over a third (35%) saying we should raise enough to avoid having to cut services. 2 in 5 (41%) of all respondents said that this should be balanced with cuts and a reduction of services.
- Almost a quarter of respondents (24%) agreed with the statement that we should not raise council tax or charges, even if this has a large impact on the services we can provide.
- When compared to 2018/19, the proportion of respondents who agree that we should not raise tax or charges even if this has a large impact on services, has stayed much the same (+1%) at around a quarter (24%). However, a higher proportion (+5%) said this year that we should raise enough through tax and service charges to avoid having to cut services (35%).

16.1.8. Respondents were asked how much they agree or disagree with our proposal to increase the core council tax in Leeds by 1.99%, plus an additional 2% to support adult social care services:

- In total 3 in 5 respondents agreed with our approach (60%).
- Around 1 in 5 (21%) strongly disagreed with the proposal to increase council tax.
- Comparison with the same question for 2019/20 showed no significant difference.

16.1.9. Those who disagreed with our approach to increase council tax were asked why. In total, there were 682 comments made from 554 respondents, which were coded and grouped into dominant themes:

- 1 in 3 comments (227) disagreed with the principle of increasing council tax, with many of these saying that the increase is too high.
- A further third of comments (223) related to the financial impact of raising council tax.
- In total 1 in 4 (169) said that we should use other means, such as cutting services or making further savings, instead.

16.1.10. Participants were presented with a summary of how we plan to spend our revenue budget, and asked how much they agree or disagree with this proposal. 7 out of 10 (70%) respondents said they agree with our proposed revenue budget.

16.1.11. Participants were then invited to make any comments around our overall approach to how we spend our revenue budget. In total there were 936 comments made from 739 respondents, which were coded and grouped into dominant themes:

- Almost 1 in 4 (223) commented about City Development issues, most saying this should be prioritised or commenting on the need for improved public transport.
- Around 1 in 6 (161) comments related to Communities and Environment, almost all of which said these areas should be prioritised, including climate change and clean air.
- Around 1 in 8 (119) comments related to Housing, most of which said this should be prioritised, including to build more affordable, social and other housing.
- Other areas of comments included Adults and Health (64), Children and Families (64), efficiencies (58) and vulnerable people (58).

16.1.12. A further question asked participants if they had any comments or suggestions on how we can deliver services differently to make the best use of the resources we have available. A total of 729 valid comments were made, which were coded and grouped into dominant themes:

- Around 1 in 6 (125) made suggestions for efficiency savings, including to reduce wastage, and make better use of technology.
- A similar amount (113) suggested changes to roads, transport and city development.
- Around 1 in 7 (99) comments related to working smarter, including partnership working, using less contractors and income generation.
- Further areas of comments related to investing in the environment (69), staff resources and wages (68), consultation and engagement (64), and further charges/fees (40).

16.1.13. 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.

## 16.2. **Equality and diversity / cohesion and integration**

- 16.2.1. 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”.
- 16.2.2. 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.
- 16.2.3. Equality impact assessments will continue to be carried out on specific proposals in relation to implementing the Best Council Plan and Budget during 2020/21 through the Council’s decision making processes.
- 16.2.4. A joint equality assessment of the proposed budget 2020/21 and Best Council Plan 2020 to 2025 at a strategic level has been carried out and this is attached as Appendix 6.

## 16.3. **Council policies and Best Council Plan**

- 16.3.1. The Best Council Plan sets out the Council’s ambitions and priorities. The Plan’s development and implementation continues to inform, and is informed by, the authority’s funding envelope and by staffing and other resources. The current Plan and its proposed update for 2020 (please refer to the Best Council Plan refresh item on today’s agenda) is therefore aligned with both the Council’s Medium-Term Financial Strategy and its annual budget.
- 16.3.2. The budget proposals will, if implemented, have implications for the Council’s policy and governance and these are explained within the report.
- 16.3.3. 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 at Appendix 7.

### Climate emergency

- 16.3.4. There are no implications for the climate emergency resulting from this report. Where specific decisions are to be made to implement budget proposals then the decision report will address any specific climate emergency issues.



#### 16.4. **Resources, procurement and value for money**

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

#### 16.5. **Legal implications, access to information and call-in**

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

16.5.2. 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 be subject to separate consultation and decision-making processes, which will operate within their own defined timetables and be managed by individual directorates.

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

16.5.4. 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 in paragraphs 18.1 and 18.2 are not subject to call in as the budget is a matter that will ultimately be determined by Full Council. The recommendations at paragraph 18.3 concerning the granting of business rate reliefs and at paragraph 18.4, that Executive Board thank Scrutiny for their comments, are subject to call in.

#### 16.6. **Risk management**

16.6.1. 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.

16.6.2. 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.

16.6.3. 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.

- 16.6.4. 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**

- 16.6.5. The period covered by the Government's current spending review will end in March 2020. Whilst the Provisional Local Government Financial Settlement published on the 20<sup>th</sup> December detailed the Government's spending intentions for 2020/21 these will need to be ratified in the Final Local Government Financial Settlement which is expected to be received before the Parliamentary recess in February.
- 16.6.6. The 2020/21 budget submission contains a number of assumptions about the level of resources receivable through some specific grants. Where the Government has yet to announce or finalise how much grant will be receivable in 2020/21 then a number of assumptions will be made in the determination of the budgeted figures receivable. Examples of grants where the Council is waiting for final confirmation of how much will be receivable in 2020/21 include the Housing Benefit and Localised Council Tax Support Administration Subsidy Grants and the Public Health Grant. Where the grant received is less than assumed in the budget then, as per the Revenue Budget Principles approved at Executive Board in June 2019, the directorate concerned will need to manage the reduction in both expenditure and income through the identification and implementation of an exit strategy.
- 16.6.7. 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.
- 16.6.8. 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**

- 16.6.9. Demographic and demand pressures, particularly in Adult Social Care and Children's Services, could be greater than anticipated.
- 16.6.10. 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.

- 16.6.11. Inflation could be higher than that assumed in this report. If the pay award from 1<sup>st</sup> April 2020 is higher than the 2% budgeted level, given that the outcome of pay negotiations won't be known until after Council approves this budget in February, any additional cost will be required to be managed within the approved budget: a 1% increase would cost around £4.4m.
- 16.6.12. In addition these budget proposals make a number of assumptions about the costs associated with managing the Council's debt. Whilst the Council has benefited from converting some of its shorter term borrowing into longer term borrowing at record low interest rates, it still has debt at short term rates which means that it is exposed to any upward movement in rates which would result in an increase in costs to the Council.
- 16.6.13. 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.
- 16.6.14. 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.
- 16.6.15. From the 1<sup>st</sup> April 2020 the DfE will be offering risk protection arrangements to local authority maintained schools. The 2020/21 budget makes assumptions about the Council continuing to sell insurance services to schools but there is a risk that an increasing number of schools may choose the DfE as their provider for insurance services and this will impact on the level of income receivable by the Council.

## **17. Conclusions**

- 17.1. The Budget Proposals for 2020/21 and the indicative budgets for 2021/22 and 2022/23 need to be seen in the context of significant inherent uncertainty for the Council in respect of future funding and spending assumptions. Specifically the implications of the Government's future spending plans with regard to local government and other areas of the public sector after 2020/21 remain unknown. To compound this uncertainty the Government remains committed to move to 75% business rate retention nationally and to implementing the Fair Funding review of the methodology which determines current funding baselines which are based on an assessment of relative needs and resources. The outcomes of both these changes, and the subsequent implications for Leeds, won't be known until the autumn of 2020. In addition it remains uncertain how the

Government intend to fund social care in future years and the implications of the UK leaving the EU are as yet unknown.

- 17.2. In the determination of these budget proposals, and the forecast position for 2021/22 and 2022/23, a number of assumptions have been made as to the level of resources available to the Council. These assumptions are under constant review to reflect any changes in circumstances or if further information emerges in respect of known risks.
- 17.3. Based on the details contained in Government's provisional Local Government Finance Settlement for 2020/21, the Settlement Funding Assessment will increase by 1.6% or £3.0m with a corresponding increase in funding from council tax of £16.9m. These offset a business rates variation of £10.8m and give an increased net revenue budget of £525.7m in 2020/21. However, the budget proposals for 2020/21 set out in this report will require savings and additional income of £28.4m to produce a balanced budget.
- 17.4. As set out in both the Medium Term Financial Strategy 2020/21-2024/25 and Revenue Budget Update reports to the July and October 2019 Executive Boards respectively, the budget proposals detailed in this report need to be viewed within the context of the longer term approach to increase the financial sustainability and resilience of the Council's financial position.

## **18. Recommendations**

- 18.1. To recommend to Council that they note the recommendation of the Council's statutory officer (the Chief Officer – Financial Services) that the proposed budget for 2020/21 is robust and that the proposed level of reserves is adequate, as set out at Section 12 of this report.
- 18.2. To recommend to Council the adoption of the following resolutions:
- i) That the revenue budget for 2020/21 totalling £525.7m be approved. This means that the Leeds element of the council tax for 2020/21 will increase by 1.99% plus the Adult Social Care precept of 2%. This excludes the police and fire precepts which will be incorporated into the report to be submitted to Council on the 26<sup>th</sup> February 2020;
  - ii) Grants totalling £65.7k 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:
    - An increase of 2.7% (CPI+1%) in dwelling rents;
    - A 2.4% RPI increase in charges for all District Heating schemes;

- That service charges for low/medium and multi-storey flats are increased by RPI of 2.4%;
  - That the charge for tenants who benefit from the sheltered support service is increased to £14.71 per week to reflect full cost recovery. The charge is eligible for Housing Benefit;
  - That the subsidy for tenants who are not eligible for benefits but receive the sheltered support service is set at £4.71 per week. Therefore the amount payable by these tenants will increase from £8 per week to £10 per week;
  - That any overall increase to tenants in respect of rents, service and sheltered support will be no more than £3.50 per week.
- v) In respect of the Schools Budget, that the High Needs Block budget for 2020/21, as set out in paragraph 5 of the Schools Budget Report at Appendix 8 be approved.
- 18.3. That Executive Board authorise officers to grant relief against business rates liability in line with Business Rates Information Letter (1/2020), for which the Council will be fully compensated for any loss of income.
- 18.4. That Executive Board thanks Scrutiny Boards for their comments and observations made in consideration of the Council's Initial Budget Proposals.
19. **Background documents**<sup>3</sup>
- None.

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<sup>3</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

2020/21

	Adults & Health	Children & Families	City Development	Communities & Environment	Resources & Housing	Strategic & Central	Total Net Revenue Budget
	£m	£m	£m	£m	£m	£m	£m
<b>Net managed budget (2019/20) - RESTATED</b>	<b>206.37</b>	<b>122.19</b>	<b>36.86</b>	<b>78.88</b>	<b>82.85</b>	<b>(10.46)</b>	<b>516.68</b>
Pay - Leeds City Council	1.53	1.81	1.38	1.68	2.83		9.22
Wage costs - commissioned services	7.09	0.65		0.05			7.78
Employer's LGPS contribution	(0.11)	(0.18)	(0.13)	(0.19)	(0.34)		(0.94)
Fall-out of capitalised pension costs	(0.26)	(0.32)	(0.16)	(0.26)	(0.24)		(1.23)
Inflation: General	1.75	0.79	1.40	0.40	0.12		4.45
Inflation: Electricity and Gas Tariffs	0.01	0.04	0.50	0.04	0.06		0.65
Demand and demography - Adult Social Care	7.18						7.18
Demand and demography - Children Looked After		1.60					1.60
Demand and demography - Other				0.19			0.19
Income pressures		0.70		0.96	0.31		1.97
Strengthening Families Increased Expenditure		1.62					1.62
Spend funded by Selective Licencing Income					0.99		0.99
Spend funded by Clean Air Zone Grant					0.86		0.86
Migration to Microsoft Cloud					0.81		0.81
Insurance	(0.01)	0.55	(0.03)	0.22	0.06		0.77
Transforming Care Programme	0.51						0.51
Investment in Climate Emergency					0.43		0.43
Housing Benefit Overpayment income				0.40			0.40
Rough Sleepers and Rapid Rehousing Funded Spend					0.35		0.35
Homelessness Reduction Act Increased Expenditure					0.32		0.32
Other Pressures	0.99	(0.44)	0.97	2.42	0.28	0.50	4.72
Debt - external interest / Minimum Revenue Provision	(0.28)			0.01		14.38	14.11
New Homes Bonus						5.19	5.19
Impact of 50% Business Rates Retention						(3.84)	(3.84)
S31 Business Rate grants						3.30	3.30
Public Health grants	(1.21)						(1.21)
Additional Social Care Grant (SR2019)	(7.50)	(6.50)					(14.00)
School Improvement Monitoring and Brokerage Grant		(0.43)					(0.43)
DfE Innovations Grant (Slippage)		1.70					1.70
Strengthening Families Grant		(1.62)					(1.62)
Troubled Families Programme: Earned Autonomy		0.32					0.32
Housing Benefit Admin Grant				0.09			0.09
Childrens Funeral Fund				(0.12)			(0.12)
Rough Sleepers and Rapid Rehousing Fund					(0.35)		(0.35)
Homelessness Reduction Act Grant					(0.32)		(0.32)
Brexit Grant						0.10	0.10
Net other grant changes						0.01	0.01
Contribution to / (from ) General Reserve						(13.49)	(13.49)
Change in Use of Earmarked Reserves	(1.21)	1.51	0.74	(0.30)	(1.31)	5.84	5.27
<b>Total - cost and funding changes</b>	<b>8.48</b>	<b>1.81</b>	<b>4.67</b>	<b>5.59</b>	<b>4.84</b>	<b>11.99</b>	<b>37.39</b>
Budget savings proposals							
Business As Usual	(13.61)	(1.63)	(1.93)	(4.36)	(2.39)	(2.33)	(26.25)
Service Delivery	0.00	0.00	(1.00)	0.00	(0.08)		(1.08)
Workforce	0.00	0.00	0.00	(0.33)	(0.35)		(0.68)
Service Delivery/Workforce	0.00	0.00	(0.25)	0.00	0.00		(0.25)
Service Review	0.00	0.00	0.00	(0.10)	0.00		(0.10)
<b>Total - Budget savings proposals</b>	<b>(13.61)</b>	<b>(1.63)</b>	<b>(3.18)</b>	<b>(4.79)</b>	<b>(2.82)</b>	<b>(2.33)</b>	<b>(28.36)</b>
<b>2020/21 Submission</b>	<b>201.24</b>	<b>122.37</b>	<b>38.34</b>	<b>79.69</b>	<b>84.87</b>	<b>(0.80)</b>	<b>525.71</b>
<b>Increase/(decrease) from 2019/20 £m</b>	<b>(5.13)</b>	<b>0.18</b>	<b>1.48</b>	<b>0.81</b>	<b>2.02</b>	<b>9.66</b>	<b>9.03</b>
<b>Increase/(decrease) from 2019/20 %</b>	<b>(2.48%)</b>	<b>0.15%</b>	<b>4.02%</b>	<b>1.02%</b>	<b>2.44%</b>	<b>92.34%</b>	<b>1.75%</b>

Service	2019/20			2020/21		
	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
<b>Adults and Health</b>						
Health Partnerships	499	91	590	532	121	653
Access and Care	205,833	1,938	207,771	216,570	2,373	218,943
Service Transformation Team	1,493	160	1,653	1,991	249	2,240
Strategic Commissioning	(26,104)	1,426	(24,678)	(42,820)	1,115	(41,705)
Resources & Strategy	4,866	1,135	6,001	5,013	1,077	6,090
Provider services	19,367	2,991	22,358	19,385	3,922	23,307
Leeds Safeguarding Adults Board	226	25	251	226	31	257
Public Health	343	103	446	344	167	511
Pensions adjustment	0	(4,635)	(4,635)	0	(6,549)	(6,549)
	<b>206,523</b>	<b>3,234</b>	<b>209,757</b>	<b>201,241</b>	<b>2,506</b>	<b>203,747</b>
<b>Children and Families</b>						
Partnership and Health	18,253	16,220	34,473	18,471	17,930	36,401
Learning	4,894	1,081	5,975	5,400	1,597	6,997
Social Care	93,632	7,397	101,029	93,063	9,857	102,920
Resources and Strategy	4,970	(5,582)	(612)	5,437	(5,524)	(87)
Pensions adjustment	0	(2,591)	(2,591)	0	(5,688)	(5,688)
	<b>121,749</b>	<b>16,525</b>	<b>138,274</b>	<b>122,371</b>	<b>18,172</b>	<b>140,543</b>
<b>City Development</b>						
Planning and Sustainable Development	1,945	672	2,617	1,683	940	2,623
Economic Development	1,643	862	2,505	1,731	137	1,868
Asset Management & Regeneration	(2,482)	6,384	3,902	(3,232)	4,614	1,382
Employment & Skills	1,694	173	1,867	1,713	429	2,142
Highways and Transportation	17,115	41,950	59,065	17,909	47,718	65,627
Arts and Heritage	10,863	7,027	17,890	12,382	3,111	15,493
Sport and Active Recreation	5,139	4,062	9,201	6,172	4,191	10,363
Resources and Strategy	1,026	(333)	693	1,045	(377)	668
Markets and City Centre	(1,052)	123	(929)	(1,064)	135	(929)
Pensions adjustment	0	(6,277)	(6,277)	0	(8,467)	(8,467)
	<b>35,891</b>	<b>54,643</b>	<b>90,534</b>	<b>38,339</b>	<b>52,431</b>	<b>90,770</b>
<b>Resources and Housing</b>						
Strategy and Improvement	4,973	72	5,045	5,170	(735)	4,435
Finance	7,138	(466)	6,672	7,247	(104)	7,143
Human Resources	6,088	395	6,483	5,962	463	6,425
Digital and Information Services	20,328	7,662	27,990	21,148	7,498	28,646
Procurement & Commercial Services	1,324	66	1,390	1,390	227	1,617
Legal Services	2,895	339	3,234	3,084	517	3,601
Democratic Services	4,989	(4,999)	(10)	5,095	(4,972)	123
Leeds Building Services	(11,009)	3,322	(7,687)	(10,655)	3,669	(6,986)
Supporting People Contract	6,083	44	6,127	6,083	32	6,115
Strategic Housing Partnership	1,091	1,406	2,497	1,409	9,993	11,402
Corporate Property Management	6,170	404	6,574	6,320	294	6,614
Shared Services	19,189	2,097	21,286	19,234	2,612	21,846
Commercial Services	4,381	5,692	10,073	4,421	7,118	11,539
Facilities Management	8,244	1,845	10,089	7,916	892	8,808
Sustainable Energy and Air Quality	332	459	791	1,046	281	1,327
Pensions adjustment	0	(13,379)	(13,379)	0	(17,881)	(17,881)
	<b>82,216</b>	<b>4,959</b>	<b>87,175</b>	<b>84,870</b>	<b>9,904</b>	<b>94,774</b>
<b>Communities and Environment</b>						
Communities	5,356	1,202	6,558	4,852	1,237	6,089
Customer Access	20,012	2,390	22,402	20,546	2,865	23,411
Elections, Licensing and Registration	820	387	1,207	411	489	900
Welfare and Benefits	4,527	547	5,074	5,105	629	5,734
Car Parking Services	(8,280)	885	(7,395)	(7,385)	959	(6,426)
Community Safety	2,392	641	3,033	2,338	802	3,140
Waste Management	35,044	1,306	36,350	34,513	3,456	37,969
Parks & Countryside	7,268	3,894	11,162	7,767	4,074	11,841
Environmental Action - City Centre	1,652	167	1,819	1,692	213	1,905
Environmental Health	1,594	42	1,636	1,457	150	1,607
Cleaner Neighbourhood Team	8,186	2,995	11,181	8,390	3,182	11,572
Pensions adjustment	0	(7,810)	(7,810)	0	(10,534)	(10,534)
	<b>78,571</b>	<b>6,646</b>	<b>85,217</b>	<b>79,686</b>	<b>7,522</b>	<b>87,208</b>
<b>Strategic and Central Accounts</b>						
Strategic and Central accounts	(12,758)	(61,248)	(74,006)	8,198	(58,700)	(50,502)
Pensions adjustment	0	(24,759)	(24,759)	0	(31,835)	(31,835)
	<b>(12,758)</b>	<b>(86,007)</b>	<b>(98,765)</b>	<b>8,198</b>	<b>(90,535)</b>	<b>(82,337)</b>
<b>NET COST OF CITY COUNCIL SERVICES</b>	<b>512,192</b>	<b>0</b>	<b>512,192</b>	<b>534,705</b>	<b>0</b>	<b>534,705</b>
Contribution to/(from) General Fund Reserves	4,485	0	4,485	(9,000)	0	(9,000)
<b>NET REVENUE CHARGE</b>	<b>516,677</b>	<b>0</b>	<b>516,677</b>	<b>525,705</b>	<b>0</b>	<b>525,705</b>

# Initial Budget Proposals for 2020/21 - Consultation Report

## Public consultation held January 2020

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## 1. Introduction and approach

The public consultation on the council's Initial Budget Proposals (IBP) for 2020/21 was open from Tuesday 7th January until Tuesday 28th January 2020. This is slightly later and running for a shorter period of time than in previous years due to the snap General Election being held on 12th December 2019. This delayed the council's decision-making processes through which the Executive Board agrees the IBP; the Board usually meets in December but on this occasion deferred its meeting to 7<sup>th</sup> January 2020 to reduce the risk of breaching rules around purdah. The full IBP can be viewed in the public reports pack for the January 2020 Executive Board (available [here](#) at Item 128).

The shorter timescale available to carry out the consultation and analyse the results required this to be an online only survey. In the two previous years, where paper surveys have been offered as an option, we have received just 15% of surveys through this method. These are overwhelmingly from groups of respondents that are already over-represented in the survey respondents.

The survey (attached at Appendix 1) included a brief summary of the key points from the IBP, interspersed with single and multiple-choice questions that focussed on the principles of the council's budget and service priorities. Open response questions were also included to give respondents flexibility to share any views they wished. 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.

Residents were primarily invited to take part through social media and a news item on the council's website. Staff and elected members were invited to share their views through a news item on the intranet (InSite) and through the email newsletter Essentials. Invitations were also emailed to partner organisations, requesting that they share through their networks. Members of the Citizens' Panel who have given their email address (3,223 people) received an email with a link to the survey. Those Citizens' Panel members who prefer postal surveys (612 people) were sent a letter advising that they would need to complete the survey online this year, explaining the reasons for this, and how they could complete an online response. Further targeted advertising, carried out through Facebook, was found to be highly successful in increasing engagement of younger people aged under 29.

## 2. Analysis of respondents

A total of 1,537 responses were received, up from 1,241 in 2019/20, from a range of respondents from different demographic groups, broadly representative of the population of Leeds residents as compared with the 2011 Census. This is shown in Table 1 below - please note that the percentages of respondents relate only to those who answered the relevant question (on their age, gender etc.), and the % 'Valid' respondents excludes those who preferred not to say.

Table 1. Comparison of respondents to Census 2011

		% Survey Respondents	% Valid Respondents	% Leeds Residents - Census 2011	
Age / years	Under 18	1%	<b>1%</b>	-	Residents of Leeds, aged 18 and over only
	18 - 29	9%	<b>9%</b>	27%	
	30 - 44	27%	<b>27%</b>	26%	
	45 - 64	40%	<b>40%</b>	29%	
	65+	22%	<b>22%</b>	18%	
Gender	Female (incl' trans)	49%	<b>51%</b>	52%	
	Male (incl' trans)	46%	<b>49%</b>	48%	
	Other	0%	<b>0%</b>	-	
	Prefer not to say	4%	-	-	
Ethnicity	BAME*	11%	<b>11%</b>	17%	
	White: British	89%	<b>89%</b>	83%	
Disability	Yes	12%	<b>12%</b>	8%	All Leeds Residents - day to day activities limited a lot
	No	83%	<b>88%</b>	92%	
	Prefer not to say	5%	-	-	
Sexuality	Heterosexual / Straight	79%	<b>89%</b>	90%	Estimate – Leeds City Council (not available in the last Census)
	Lesbian / Gay / Bisexual	9%	<b>10%</b>	10%	
	Other	0%	<b>1%</b>	-	
	Prefer not to say	11%	-	-	
Religion	No religion or belief	48%	<b>52%</b>	30%	Residents of Leeds, aged 18 and over only
	Christian	39%	<b>43%</b>	60%	
	Other religion or belief	5%	<b>5%</b>	10%	
	Prefer not to say	8%	-	-	

\* This refers to all respondents who did not select '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 +/-2.5% (with 95% confidence).

The majority of respondents (96%) said that they live in Leeds and over half (55%) work in Leeds. Around 1 in 7 (15%) said they work for Leeds City Council and a smaller group said they study in Leeds (3%). Only 11 respondents (1%) said that they solely visit the city and neither live nor work here.

Throughout the report responses to questions are explored by different groups. For the purposes of this analysis all respondents aged under 30 are grouped together and due to the very low number of responses to 'Other' gender (6), these have been excluded.

### 3. Executive summary

Respondents were informed of the challenges that Leeds City Council has faced through reduced funding and increasing demand, and that the council has had to change the way that services are delivered in the last 12 months, including increasing the price of some services, in order to achieve the savings needed to meet the budget. They were asked how much these changes had affected them personally:

- Over half of respondents said that changes in services in the last 12 months have affected them to some degree (54%), with 1 in 7 reporting that they have been greatly affected (14%).

Where respondents said they had been affected they were asked how they had been affected. A total of 670 comments were made by 538 people, which were coded and grouped into dominant themes:

- Over 1 in 3 (91) gave a comment relating to Environmental Services and Waste Management, with over half of these about new charges for waste collection/disposal and a perceived increase in fly tipping.
- The second highest number, around 1 in 3 (171) commented on how they have been affected financially, in particular through increased Council Tax.
- Further comments related to road maintenance (46), Social Care (37), staff workloads (23), and increased antisocial behaviour (12).

In response to the challenges that Leeds City Council faces, respondents were asked which option they agreed with most in response to the statement: 'Reduced funding from the government will impact on our ability to deliver the services we (the council) currently provide, unless we find other ways of raising money':

- Over three quarters of respondents (76%) agreed we should raise money through increasing council tax and charges, with over a third (35%) saying we should raise enough to avoid having to cut services, and 2 in 5 (41%) of all respondents said that this should be balanced with cuts and a reduction of services.
- Almost a quarter of respondents (24%) agreed with the statement that we should not raise council tax or charges, even if this has a large impact on the services we can provide.
- When compared to 2018/19, the proportion of respondents who agreed that we should not raise tax or charges even if this has a large impact on services, has stayed much the same (+1%) at around a quarter (24%). However, a higher proportion (+5%) said that we should raise enough through tax and service charges to avoid having to cut services (35%).

Respondents were asked how much they agree or disagree with our proposal to increase the core council tax in Leeds by 1.99%, plus an additional 2% to support adult social care services:

- In total 3 in 5 respondents agreed with our approach (60%).
- Around 1 in 5 (21%) strongly disagreed with the proposal to increase council tax.
- Comparison with the same question for 2019/20 showed no significant difference.

Those who disagreed with our approach to increase council tax were asked why. In total, there were 682 comments made from 554 respondents, which were coded and grouped into dominant themes:

- 1 in 3 comments (227) disagreed with the principle of increasing council tax, with many of these saying that the increase is too high.
- A further third of comments (223) related to the financial impact of raising council tax.
- In total 1 in 4 (169) said that we should use other means, such as cutting services or making further savings, instead.

Participants were presented with a summary of how we plan to spend our revenue budget, and asked how much they agree or disagree with this proposal:

- In total 7 out of 10 respondents said they agree with our proposed revenue budget (70%).

Participants were then invited to make any comments around our overall approach to how we spend our revenue budget. In total there were 936 comments made from 739 respondents, which were coded and grouped into dominant themes:

- Almost 1 in 4 (223) commented about City Development issues, most saying this should be prioritised or commenting on the need for improved public transport.
- Around 1 in 6 (161) comments related to Communities and Environment, almost all of which said these areas should be prioritised, including climate change and clean air.
- Around 1 in 8 (119) comments related to Housing, most of which said this should be prioritised, including to build more affordable, social and other housing.
- Other areas of comments included Adults and Health (64), Children and Families (64), efficiencies (58) and vulnerable people (58).

A further question asked participants if they had any comments or suggestions on how we can deliver services differently to make the best use of the resources we have available. A total of 729 valid comments were made, which were coded and grouped into dominant themes:

- Around 1 in 6 (125) made suggestions for efficiency savings, including to reduce wastage, and make better use of technology.
- A similar amount (113) suggested changes to roads, transport and city development.
- Around 1 in 7 (99) comments related to working smarter, including partnership working, using less contractors and income generation.
- Further areas of comments related to investing in the environment (69), staff resources and wages (68), consultation and engagement (64), and further charges/fees (40).

Respondents were asked to rate some of our service priorities by how much they think they matter for the city of Leeds (and the people that live, work and visit here). The services that they were most likely to rate as mattering a lot to the city of Leeds were:

1. Keeping children safe (85%)
2. Working with police to prevent and tackle crime and ASB (80%)
3. Keeping streets and neighbourhoods clean and dealing with waste (79%)
4. Supporting older and vulnerable people (77%)
5. Making roads safe, reducing congestion and making it easier to get around (77%)

Comparing the results of this question to 2018/19 it can be seen that:

- In general respondents are now more likely to say that things matter a lot to the city.
- Supporting older and vulnerable people is now ranked lower (4<sup>th</sup> compared to 2<sup>nd</sup> in 2018/19)
- Preventing and tackling homelessness is now ranked higher (7<sup>th</sup> compared to 10<sup>th</sup> in 2018/19)

The same five services were identified as the highest priorities for respondents personally, though in slightly different order of ranking; in addition, 'tackling climate change and protecting the environment' now ranks in joint 5<sup>th</sup>:

1. Keeping streets and neighbourhoods clean and dealing with waste (77%)
2. Working with police to prevent and tackle crime and ASB (71%)
3. Keeping children safe (70%)
4. Making roads safe, reducing congestion and making it easier to get around (68%)
5. Supporting older and vulnerable people (61%)
5. Tackling climate change and protecting the environment (61%)

Participants were also given the opportunity through a free text field to say if there were any other issues they thought should be a priority for the council. 659 responses were received which are currently being analysed and will be included in an updated version of this report to Full Council later in February 2020.

#### 4. The impact of last year's spending decisions

The introduction to the survey explained the context in which the budget is being set, with Leeds having received a reduction in core funding from central government of nearly 66% (around £266 million) over the last ten years, while at the same time the demand for council services has continued to increase.

The first question focused on the changes over the last financial year where the council has had to make almost £25 million in savings. The consultation informed respondents that this has been achieved through changes to the way the council works, including changes to the way services are delivered, increasing the price of some council services and the introduction of a small number of new charges. Respondents were asked: 'Thinking about the last 12 months, how much have any changes we've made to the way we deliver services, including new or increased charges, affected you personally?' Responses are shown in Table 2 below. Those that responded as 'Unsure/don't know' have been excluded from the valid %.

Table 2. How much have the changes in services over the last year affected you personally?

How much changes over the last year have affected you personally	Valid %	Count
Greatly affected	14%	174
Affected a little	40%	512
Not affected at all	46%	596
Unsure / don't know	-	253
Didn't respond	-	2
<b>Total</b>	<b>100%</b>	<b>1,537</b>

Over half of respondents said that changes in services in the last 12 months have affected them to some degree (54%), with 1 in 7 reporting that they have been greatly affected (14%).

##### 4.1 Responses by different group

Figure 1. How much have the changes in services affected you personally? By different group

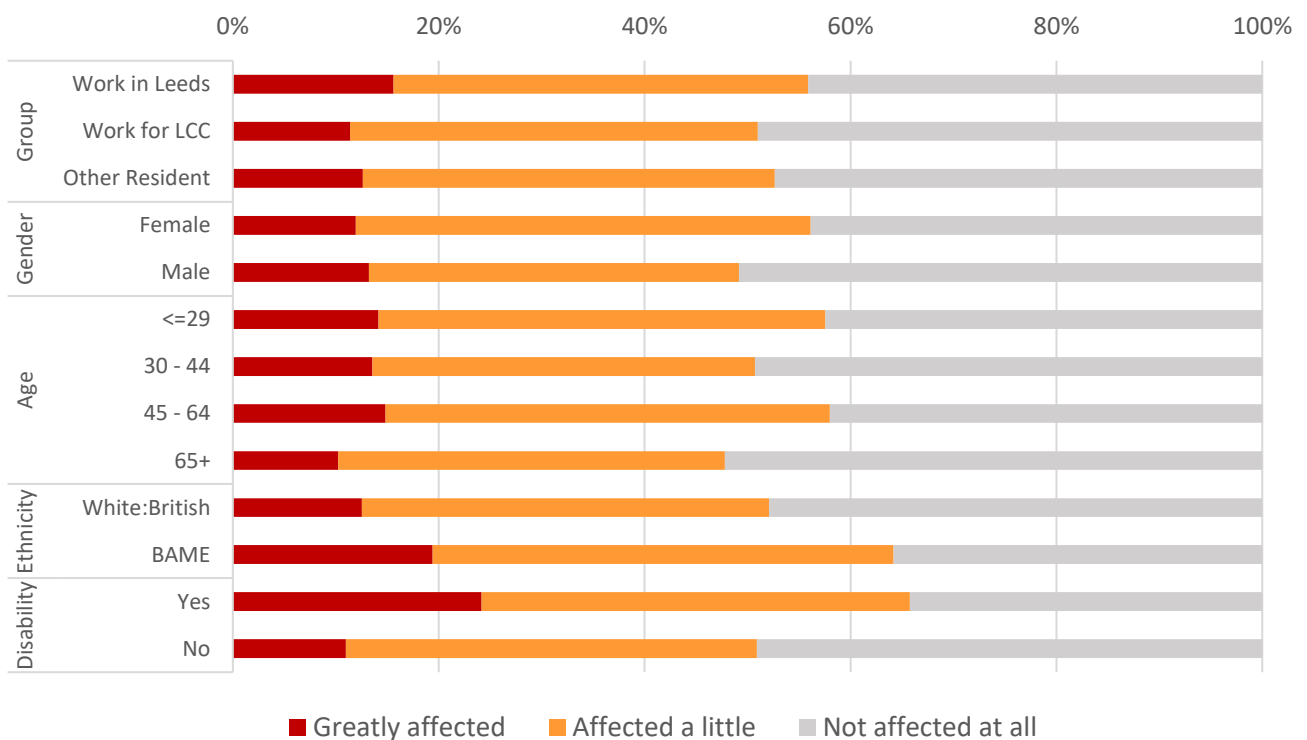


Figure 1. How much have the changes in services affected you personally? By different group shows the responses made by different groups.

- Female respondents were more likely to say they have been affected a little by service changes (56% compared to 49% for male)
- Younger people (aged under 30) and those aged 45-64 were more likely to say that they have been affected a little by service changes
- BAME respondents were much more likely to say they have been affected by service changes (64% compared with 52% for White:British)
- Disabled respondents were much more likely to say that they have been affected greatly by service changes (24% compared to 11% for non-disabled).

#### 4.2. Comments on the changes to the way we deliver services

Participants were asked to provide further comments on how the changes to the way we deliver services have affected them. A total of 670 comments were made by 538 people. The comments have been grouped into principal themes, with sub-themes also detailed, and examples provided Table 3 below.

The most common principal theme was environmental issues such as the cost of disposing of waste and the general appearance of the environment. The most common repeating single sub-theme was the increase in council tax.

Table 3. How the changes (to the way we deliver services) has affected you

Theme of Comment	Count	Examples
<b>Environment</b>	<b>190</b>	
Tipping charges	91	"Upset by the increased amount of fly tipping everywhere due to the £20 charge to remove large items by the council. Surely this must now be costing the council money?"
Litter / Grass cutting / General appearance	57	"The litter in the city seems to be increasing and the Council don't seem to be able to keep up with it. This affects the wellbeing of people who live in littered inner city areas"
Refuse collection issues	42	"Bin collections every 2 weeks on a street where we have to put out rubbish bags which attracts animals."
<b>General reduction in services</b>	<b>129</b>	
Reduction in service	91	"Opening hours at library, staff not replaced at sports centres, reduction in adult education classes"
Staff concerns/resources	23	"I feel I have been given extra areas of responsibility not currently in my job description and with no added payment."
Inefficiencies/wastage	15	"Very little but major infrastructure schemes either slow to progress or cancelled - disappointing"



<b>Financial</b>	<b>171</b>	
Council tax increase	113	"We are on a low income, so the increase in council tax has been noticed."
Financially impacted	30	"Any cost increases affect how much income I have overall, which is not much to start with"
Extra charges for services	28	"I have less money as I have to pay more for services"
<b>Transport</b>	<b>54</b>	
Road maintenance	46	"Road resurfacing and pothole repairs have not been as regular as previous years."
Parking charges	8	"Extra parking charges for evenings in city centre. Continued gridlock when driving anywhere and no real practical alternative. "
<b>Social care issues</b>	<b>37</b>	"I have children with additional needs and the support they need is just not available"
<b>Anti-social behaviour/policing</b>	<b>12</b>	"Anti-social behaviour is worse. Fly tipping worse. Area is disgusting. No visible police presence"
<b>Other</b>	<b>77</b>	

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

The next section explained that the majority of the council's funding comes from central government. However, the council is able to raise additional income through council tax or increasing the price charges for some services.

Respondents were asked which option they agreed with most in response to the statement: 'Reduced funding from the government will impact on our ability to deliver the services we (the council) currently provide, unless we find other ways of raising money'. Responses are shown in Table 4 below.

Table 4. How should we deal with the challenges of reduced funding?

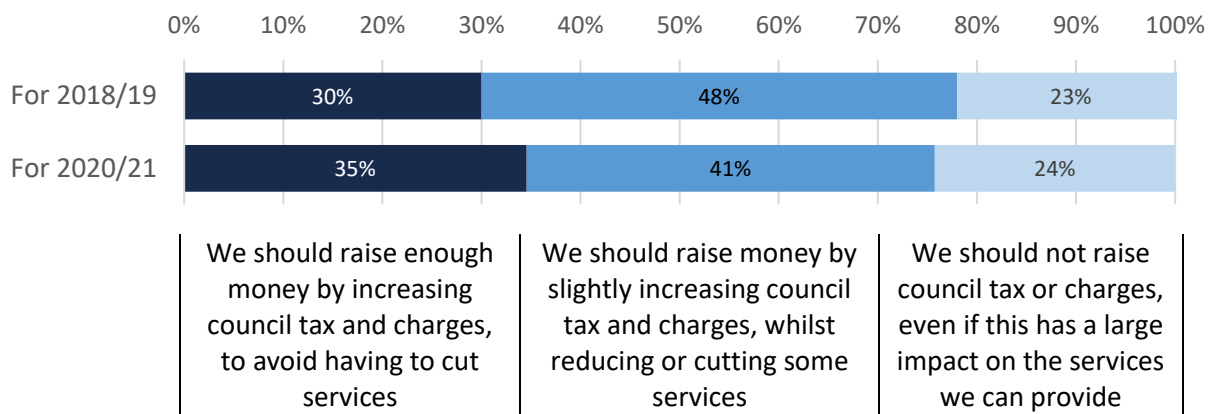
Which option do you agree with most?	Valid %	Count
We should raise enough money by increasing council tax and charges, to avoid having to cut services	35%	526
We should raise money by slightly increasing council tax and charges, whilst reducing or cutting some services	41%	627
We should not raise council tax or charges, even if this has a large impact on the services we can provide	24%	369
Did not respond to this question	-	15
<b>Grand Total</b>	<b>100%</b>	<b>1537</b>

Over three quarters of respondents (76%) agreed we should raise money through increasing council tax and charges, with over a third (35%) saying we should raise enough to avoid having to cut services and 2 in 5 (41%) of all respondents saying this should be balanced with cuts to services.

Almost a quarter of respondents (24%) agreed with the statement that we should not raise council tax or charges, even if this has a large impact on the services we can provide.

The same question was asked during the budget consultation for 2018/19. Figure 2 overleaf shows the different responses between the IBP for 2018/19 and the IBP for 2020/21.

Figure 2. Comparison with results from two years before (IBP for 2018/19)



Comparing the responses, it can be seen that the proportion of respondents who agreed that we should not raise tax or charges, even if this has a large impact on services, has stayed much the same (+1%) at around a quarter (24%).

Of those that said we should raise money by increasing council tax and charges, a higher proportion (+5%) said that we should raise enough to avoid cutting services (35%).

### 5.1 Responses by different demographic group:

Figure 3. How should we deal with the challenges of reduced funding? By different group

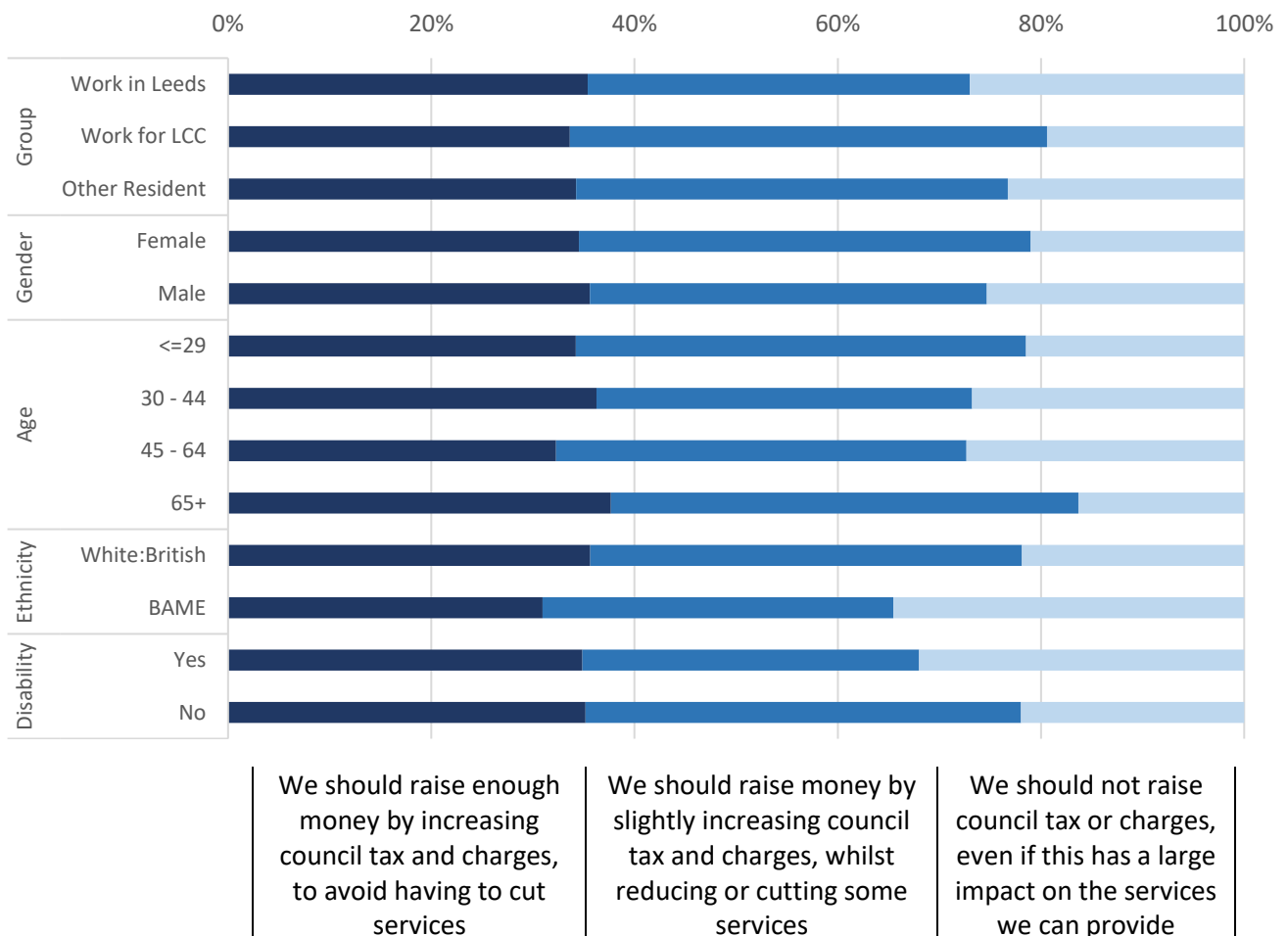


Figure 3 shows the responses made by different groups.

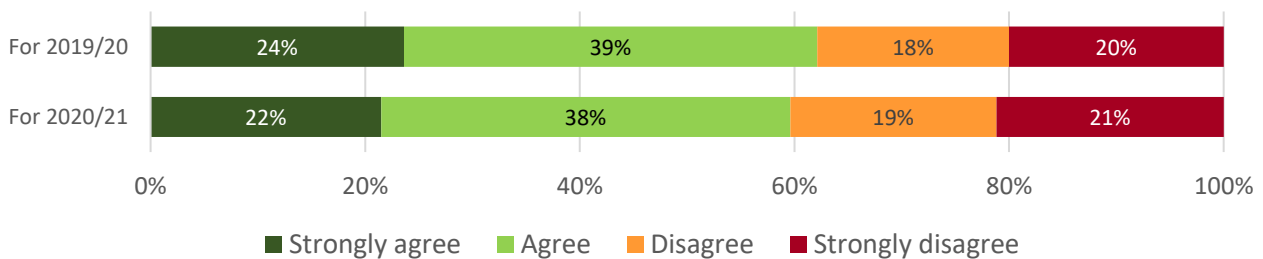
- Respondents who work for the council are less likely than other people who work in Leeds to say that we should not raise tax and charges, even if this has a large impact on services (19% compared to 27% for non-council workers)
- Female respondents were slightly less likely to say we should not raise tax and charges, even if this has a large impact on services (21% compared to 25% for males)
- Older people aged over 65 were much less likely than other age groups to say that we should not raise tax and charges, even if this has a large impact on services (16%)
- BAME respondents were much more likely to say that we should not raise tax and charges, even if this has a large impact on services (35% compared to 22% for White:British)
- Disabled respondents were much more likely to say we should not raise tax and charges, even if this has a large impact on services (32% compared to 22% for non-disabled).

## 6. Council Tax

The consultation informed participants that we propose to increase the core council tax in Leeds by 1.99%, plus an additional 2% to support adult social care services. They were then asked how much they agree or disagree with our proposed council tax increase of 3.99%.

In total 3 in 5 respondents agreed with our approach (60%). Around 1 in 5 (21%) strongly disagreed with the proposal to increase council tax.

Figure 4. Comparison with results from the previous year (IBP for 2019/20)



The same question was included in the budget consultation for 2019/20, although the proposal differed slightly in that it was to increase the core council tax in Leeds by 2.99%, plus an additional 1% to support adult social care services. Comparison shows no significant change in support for the proposed increase in council tax: 62% for 2019/20 (results in Figure 4 have been rounded up to remove decimals), reducing slightly to 60% for 2020/21.

## 6.1 Responses by different demographic group:

Figure 5. Level of agreement with council tax proposals by different groups

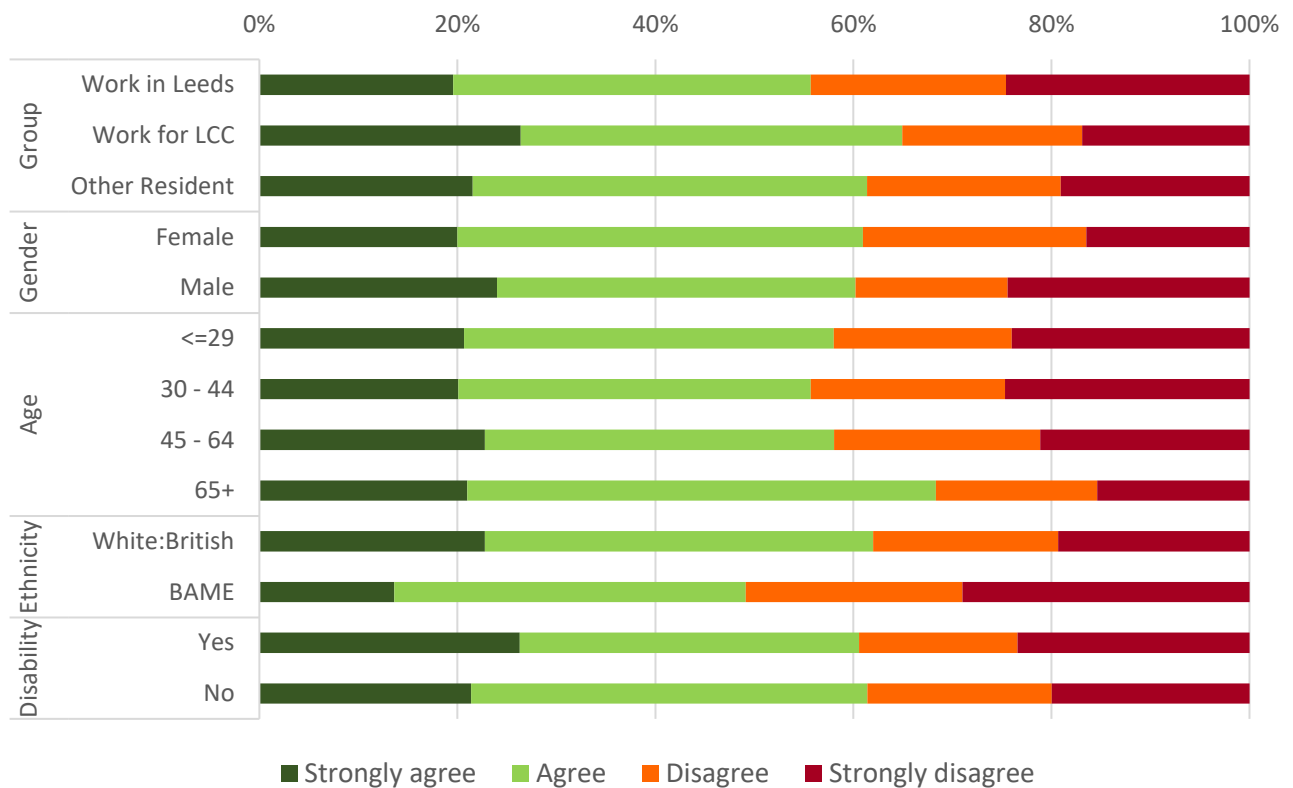


Figure 5. Level of agreement with council tax proposals by different groups shows the responses made by different groups.

- Respondents who work for the council were more likely than other people who work in Leeds to agree with the proposed increase in Council Tax (65% compared to 56% for non-council workers).
- Older people aged over 65 were much more likely than other age groups to agree with the proposed increase in Council Tax (68%).
- BAME respondents were much less likely to agree with the proposed increase in Council Tax (49% compared to 62% for White:British).

## 6.2 Comments from those who disagree with our approach to raising council tax in 2020/21

Those that disagreed with our approach to increase council tax were asked why. In total there were 682 comments made from 554 respondents. The comments have been grouped into principal themes, with sub-themes also detailed, and examples provided in Table 5.

The highest number of comments said that the increase should be sourced through other means, closely followed by those who said that the increase will have a negative financial impact on themselves.

Table 5. Reasons given for disagreeing with our approach to raise council tax

Theme of Comment	Count	Examples
<b>Financial Impact</b>	<b>223</b>	
Can't afford the increase	92	"We can't afford it. My husband's salary isn't rising so how can we pay more taxes? We struggle so badly already on one income"
Increase is higher than pay / pension increase	79	"Because my wage does not increase by 4% making me worse off"
Effect on low income households	30	"Because this will have the greatest effect on poorer households/those that can't afford. It should be raised in line with individual salary."
Pensioner struggling financially	22	"As a pensioner on a fairly low income I would struggle to pay a 3.99% increase on my current council tax"
<b>Use other means</b>	<b>169</b>	
Reduce wastage / Efficiency savings	83	"I think the council wastes a lot of money. That money could be raised by improving efficiency within the council."
Cut cycle lanes / improvements	27	"Far too much is wasted on politically correct projects such as the cycle highway and road changes which have contributed to traffic grid lock in the city."
Cut wages / staff	25	"I consider further cuts to back office roles is more appropriate. Additionally the payment of overtime to front line services should be restricted"
Cut services instead	14	"We pay enough money already - you should look to make cuts in services or processes that aren't running efficiently first before automatically upping the council tax."
Fewer vanity projects	11	"Because you can use the money for 'vanity' projects. Too much of our money is wasted on these pointless projects."
Tackle fraud / use enforcement	9	"I would rather you imposed heavier fines on people who cause misery for others, e.g. people who litter, fly tip, do not pay council tax at all, act fraudulently etc."
<b>Miscellaneous</b>	<b>227</b>	
Increase is too much	87	"I feel the percentage is slightly too high, a slightly (lower) percentage would be better."
Service provided should reflect increase	54	"I wouldn't mind paying more if the services I also pay for (bins etc.) are actually done and can be a reliable service."
It's not fair	32	"I don't want to pay more council tax and don't like that so much money is going on Adult Social services. I don't use these and don't want to pay for them."
Distribution is wrong	25	"I feel like that's a large increase just for adult social care services when it should be shared between other services too"
Central government issue	29	Cost of living and services all going up. Government should give more to local government.
<b>Other</b>	<b>63</b>	

## 7. Our approach to spending the money we receive

Participants were presented with a summary of how we plan to spend our revenue budget of £526.8m for 2020/21, split by directorate area and compared to 2019/20. They were also informed about the capital programme investment of £1.4 billion over the period 2019-20 to 2022-23. Respondents were then asked how much they agree or disagree with the proposal for how we spend the revenue budget.

Table 6. To what extent do you agree with our proposal for how we spend the revenue budget?

To what extent do you agree..?	Valid %	Count
Strongly agree	10%	156
Agree	59%	897
Disagree	23%	347
Strongly disagree	7%	108
Did not respond to this question	-	29
<b>Total</b>	<b>100% (rounded)</b>	<b>1,537</b>

In total 7 out of 10 respondents said they agree with our proposed revenue budget (70%).

### 7.1 Responses by different demographic group:

Figure 6: Levels of agreement with our revenue budget

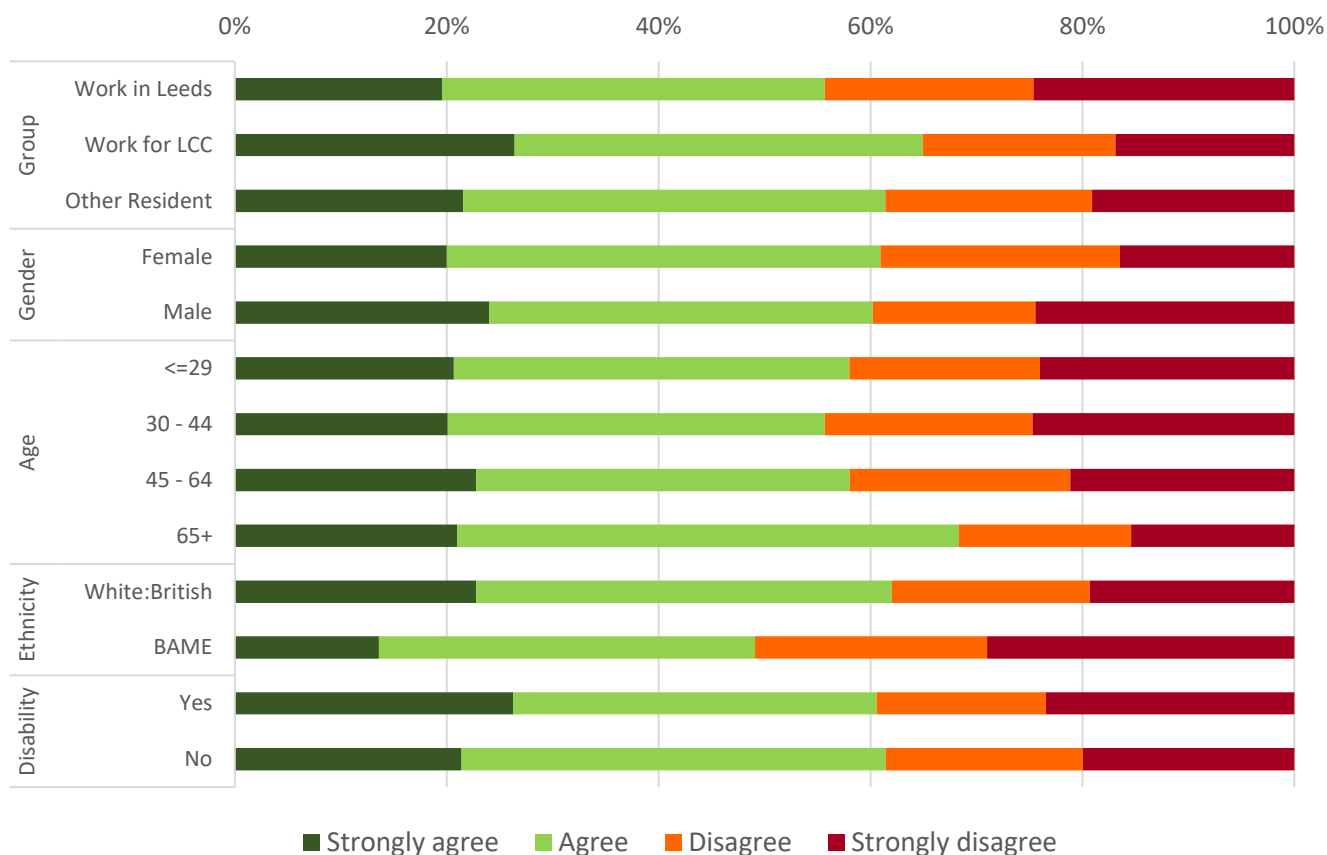


Figure 6 shows the responses made by different groups.

- Respondents who work for the council were much more likely than other people who work in Leeds to agree with our proposed revenue budget (78% compared to 66% for non-council workers)
- Female respondents were much more likely to agree with our proposed revenue budget (74% compared to 67% for male)
- BAME respondents were much less likely to agree with our proposed revenue budget (65% compared to 71% for White:British)

## 7.2 Comments around our approach to how we spend our revenue budget

Participants were then invited to make any comments around our overall approach to how we spend our revenue budget. In total there were 936 comments made from 739 respondents, which were coded and grouped into dominant themes in Table 7 below.

Table 7: Comments around our proposed revenue budget

Theme of Comment	Count	Examples
<b>City Development</b>	<b>223</b>	
Prioritise development of the city	52	<i>"More on city development. Always lagging behind Manchester".</i>
Need reliable / affordable public transport	42	<i>"More should be on City Development, to boost the economy of the city, increasing business rates and the income the council can receive."</i>
Spend less on City Development	36	<i>"The city also needs to invest in attracting businesses and development to the city."</i>
Spend more on transport	31	<i>"Leeds Transport improvement seems to be virtually nil. We are 4th largest UK city and have no modern transport system planned. Moving around the city is becoming a nightmare. Why do we not have an approach to address Trams, Underground as other Cities"</i>
Stop vanity projects	16	<i>"Where possible more should be spent on improving the failing transport network supporting Leeds."</i>
Fewer cycle lanes	14	<i>"But there seems to be too much emphasis on the city development and lack of basic services in the community."</i>
Need long term planning and funding	13	<i>"I think you need to cut back on things like the city of culture 2023 that you are spending millions on. This scheme seems to be focused on the city centre rather than communities."</i>
Wasting money on traffic solutions	10	
Businesses should fund more	4	
More park and ride	3	
Enough retail developments	2	

<b>Communities and Environment</b>	<b>161</b>	
Increase funding for Communities and Environment	70	<i>"Nowhere near enough on community and environment... areas look shabby and neglected; it gives a feel that communities don't care when we do".</i>
Prioritise the climate emergency	57	
Focus on cleaner air	11	<i>"Spend money on cleaning up the city and making areas more pleasant."</i>
Spend less on the environment	6	
Improve recycling and reduce waste	5	<i>"#1 priority is the environmental crisis. Leeds needs to take the lead on this."</i>
More green space needed	5	<i>"Given the climate emergency I believe more should be spent on city development and maintenance."</i>
Spend more on community safety	5	
Ignore 'climate emergency'	2	<i>"You should spend much more on greening the city and suburbs and plant trees on every street and green space." "Environment should be higher; the air is killing us all." "Cut back on communities and environment as where this is where most of the money is wasted."</i>
<b>Budget in General</b>	<b>137</b>	
Consultation lacks detail	59	<i>"Don't have enough info to comment. The only sense I can make of this is that, proportionally, R&amp;H and CD are getting less of an increase than other areas."</i>
Agree	37	
Disagree	14	
Encourage more self-reliance	11	<i>"Money should not be wasted on those who make poor lifestyle choices... People need to learn from their mistakes."</i>
Fairer distribution of resources	8	
Government should pay more	8	<i>"People have to take responsibility - we should not be subsidising for people to be then able to have the latest phone, TV package etc... People need to prioritise what they NEED rather than what they WANT." "Need to consider reallocating more spending to the Leeds suburbs from Leeds city centre. We, in the suburbs, feel like the poor relation."</i>
<b>Housing</b>	<b>119</b>	
Prioritise housing	61	
More affordable / social housing	23	<i>"More funding is needed in providing housing, there is a known shortage, not just Leeds, but across the UK. More buildings (empty and neglected) need to be utilised into housing accommodation owned by the council not private housing."</i>
Build more housing	17	
Spend less on housing	9	<i>"Increase in provision of social rented housing should be a high priority"</i>
Maintain housing stock	4	<i>"We should spend more on investing in our housing stock as the cost of disrepair is quite large and will not ever go away while we have sub-standard stock city wide."</i>
Restore / use empty properties	3	
Use brown field sites	2	
<b>Adults and Health</b>	<b>64</b>	
Spend less on Adults and Health	40	<i>"More adults should accept responsibility for their family members!"</i>
Spend more on Adults and Health	24	<i>"Far too much being spent on Adults &amp; Health when you consider what is also being spent by the NHS."</i>



<b>Children and Families</b>	<b>64</b>	
Prioritise Children and Families	48	<i>"More needs to go to supporting child poverty and helping families."</i>
Spend less on Children and Families	16	<i>"Spend more on kids, educate kids...it will save money in the longer term on health and adult social care. Educate on money, domestic abuse, health... think long term not simply short."</i>
<b>Efficiencies</b>	<b>58</b>	
Council efficiency / salaries	41	<i>"You should ensure you get best value for money. Too many people on the gravy train."</i>
More from private businesses	11	<i>"Stop wasting money, cut everything that is not essential."</i>
Don't sell council assets	5	<i>"Too much money is spent on gold plated pension schemes get rid of them and move to money purchase schemes as in the private sector."</i>
Sell off assets	1	<i>"It's time to stop selling council houses, all council houses should be kept within the council."</i>
<b>Vulnerable People</b>	<b>58</b>	
Prioritise tackling homelessness	30	<i>"There should be consideration for those people sleeping rough. In the past few years the number has increased dramatically."</i>
Prioritise the vulnerable	25	<i>"...those most vulnerable and in need should be supported by the local authorities."</i>
More for alcohol and drug services	3	<i>"Areas of high deprivation and poverty should take priority. It's terrible that these areas have been left to decay."</i>
<b>Other</b>	<b>52</b>	

### 7.3 Comments and suggestions on how we can deliver services differently to make the best use of resources

A further question asked participants if they had any comments or suggestions on how we can deliver services differently to make the best use of the resources we have available. A total of 879 comments were made by 769 participants. Many of these comments were general statements and opinions rather than suggestions on how we can deliver services differently. These were removed from the analysis resulting in a total of 729 comments.

The comments have been grouped into principal themes, with sub-themes also detailed, and examples provided in Table 8 overleaf.

Table 8: Comments and suggestions on how we can deliver services differently to make the best use of resources

Theme of Comment	Count	Examples
<b>Efficiency Savings</b>	<b>125</b>	
Reduce waste	29	<i>"Value for money is the key. One of the things I have noticed for example the bin service is no longer value for money. Managers need to do more in making sure services are delivered better."</i>
Better use of technology	20	<i>"Self serve capabilities and online digital services should be utilised to reduce demand on departmental community based building and estates. More services could be provided through the council website, which at present is outdated and basically a forms repository."</i>
General comments on efficiencies	19	<i>"Look at analysing the efficiency of services and how they could run better and save money."</i>
Better coordination / cooperation between departments	16	<i>"More joint working across council departments"</i>
Get it right first time	11	<i>"Potholes in roads should be repaired properly in the first instance rather than just filling the hole with asphalt and then having to do it again within weeks!"</i>
Improved procurement / contract management	7	<i>"Having worked in the local authority a number of years ago, I'm aware that there is a ridiculous amount of unnecessary costs - such as using specific providers to order goods or services from rather than staff being able to shop around."</i>
Spend money wisely	6	<i>"Look at irresponsible spending. Start treating your budgets as your own money and stop wasting it."</i>
Less bureaucracy / red tape	6	<i>"Less bureaucracy and more spent on actual services."</i>
Project / Procurement management	6	<i>"Shop around for best deals, stop wasting money on silly schemes that achieve little or nothing beneficial"</i>
Other	5	
<b>Roads, Transport &amp; Development</b>	<b>113</b>	
Improve public transport	46	<i>"Take control of the bus services. Electric buses. Have days where it's free to travel into Leeds if you use public transport"</i>
Less development	27	<i>"Stop digging up parts of Leeds Centre over and over again to no avail."</i>
Less cycles lanes	21	<i>"Stop wasting money on cycle lanes that disrupt the flow of traffic and cyclists very rarely use"</i>
Cut vanity projects	19	<i>"Cut out any vanity projects that are being considered. Infrastructure is crumbling and inadequate, need long term thinkers in charge....."</i>

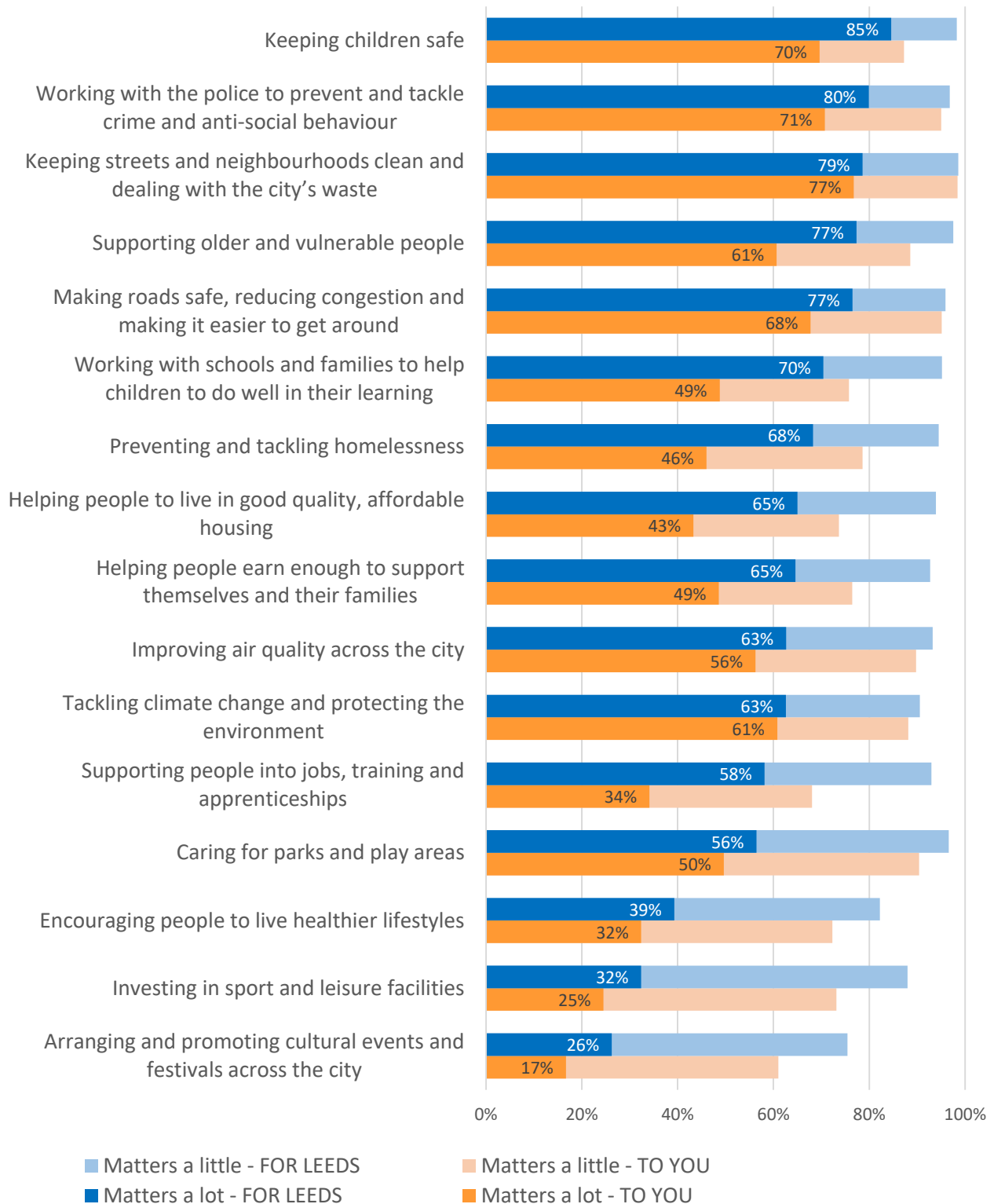
<b>Smarter Working</b>	<b>99</b>	
More partnership working	37	<i>"Work in conjunction with other public services bodies to make sure we are not all delivering the same services."</i>
Use in-house services	22	<i>"Employ more staff, so work is not outsourced to contractors which costs more money"</i>
Income generation initiatives	21	<i>"Can the council have an entrepreneurial arm to raise some funds? Like many universities do. E.g. Providing paid for training to local business?"</i>
Use volunteers	19	<i>"Have a program of volunteering for some jobs to help people gain work experience."</i>
<b>Environmental</b>	<b>69</b>	
Address climate / air quality issues	23	<i>"Investing in cycling, walking, public transport, and green spaces with trees would improve air quality, reduce traffic, improve people's physical and mental health, and reduce healthcare costs"</i>
Improve / build social housing	15	<i>"Yes use the money you are recouping from land sales to private builders and invest in building more social housing"</i>
Improve recycling service	13	<i>"Make second bins available more freely and provide more local recycling, and provide skips at regular intervals in areas where fly tipping is an issue."</i>
Sale / better use of land & buildings	11	<i>"Proactively sell council assets that have become obsolete, promote and support small developers to purchase brownfield sites for affordable houses."</i>
Scrap tipping charges	7	<i>"Arrangements should be made to discourage fly tipping by eliminating charges for disposal at Council sites."</i>
<b>Staffing / General</b>	<b>68</b>	
Reduce management	14	<i>"Too many middle managers that don't do anything. Council structure is poor and untenable and city residents shouldn't have to pay for poor management"</i>
Elected members' pay / expenses	11	<i>"Perhaps Council executives could be payed commensurate with what they actually achieve."</i>
Better use of staff / resources	11	<i>"By doing better assessment so that the right people are put in the right service."</i>
Reduce staff (general)	10	<i>"Get rid of non-jobs. People that just attend meetings and don't actually deliver anything"</i>
Employ the right staff	9	<i>"Making sure all departments fulfill their job description accurately"</i>
Reduce top pay	7	<i>"Stop paying big money to your mates at the top of the tree"</i>
Reduce number of councillors / councils	6	<i>"Have fewer councillors and parish councils especially"</i>

<b>Consultation &amp; Engagement</b>	<b>64</b>	
Listen to what the public want	20	<i>"You need to concentrate on making lives better, transport links, schools, elderly people, listen to people more"</i>
Engage with communities / local groups	16	<i>"Support community initiatives to help the environment. Engage more people on community service in environment improvements."</i>
General	10	<i>"I believe that if possible there should be extensive feedback from the general public in all matters. Especially from those who rely on it the most."</i>
Provide more information / detail	7	<i>"Be more transparent how decisions are arrived at and be open to discussion with those affected. I have found this is not the case."</i>
Local empowerment	7	<i>"Set up a community board of members to discuss ideas, and gain a wider range of views to what people want / what an area needs"</i>
Local initiatives / community activities	4	<i>"More actively promote, support and help resource voluntary groups to improve their local environments, e.g. litter-picking and prevention, tree planting and adoption of wild spaces and environments."</i>
<b>Charges / Fees</b>	<b>40</b>	
Charge or increase fees	22	<i>"Charge for garden waste collection. Source more external funding."</i>
Enforcement income	18	<i>"I think more community enforcement wardens should be employed to enforce dog fouling, littering and other minor offences. They would fund themselves through money raised from fines"</i>
<b>Other</b>	<b>27</b>	
Reduce benefits	11	<i>"Leeds CC and the government are always penalising working people with increases in costs, and those that do not work get everything free or reduced, this is not how you create a working city."</i>
Fewer events	9	<i>"A festival might have happened last year and was enjoyed but with the money available it might not be the correct way to spend money this year."</i>
Address homelessness	7	<i>"I would like to see more help for homeless and rough sleepers."</i>
<b>Miscellaneous</b>	<b>124</b>	

## 8. Budgeting to meet our service priorities

Respondents were asked to rate some of our service priorities by how much they matter to them personally, and by how much they think they matter for the city of Leeds (and the people that live, work and visit here). Figure 7 shows the results for both the city (in blue) and for respondents personally (in orange), listed in order of how much they mattered a lot for the city of Leeds.

Figure 7. How much of a priority are our services for Leeds and to you personally?



The services that the highest proportion of respondents rated as mattering a lot to the city of Leeds:

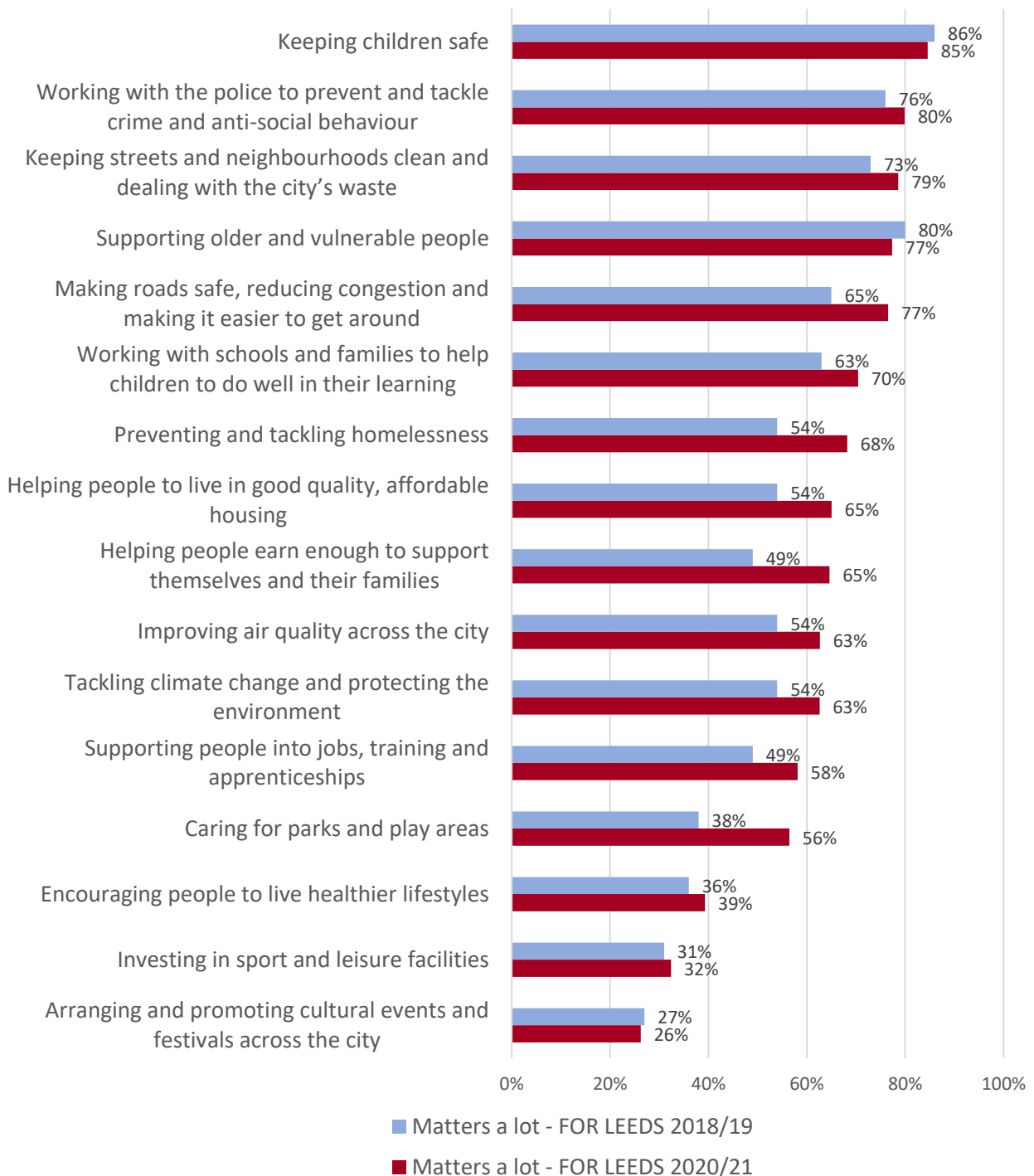
1. Keeping children safe (85%)
2. Working with police to prevent and tackle crime and ASB (80%)
3. Keeping streets and neighbourhoods clean and dealing with waste (79%)
4. Supporting older and vulnerable people (77%)
5. Making roads safe, reducing congestion and making it easier to get around (77%)

The same five services were identified as the highest priorities for respondents personally, though in slightly different order of ranking; in addition, 'tackling climate change and protecting the environment' ranks in joint 5<sup>th</sup>.

1. Keeping streets and neighbourhoods clean and dealing with waste (77%)
2. Working with police to prevent and tackle crime and ASB (71%)
3. Keeping children safe (70%)
4. Making roads safe, reducing congestion and making it easier to get around (68%)
5. Supporting older and vulnerable people (61%)
5. Tackling climate change and protecting the environment (61%)

Figure 8 overleaf compares service priorities for the city of Leeds from the IBP for 2018/19 (in TBC) with that for 2020/21 (in blue). Please note that in 2018/19, a single priority on the environment was included: 'Protecting the environment and improving air quality'. For this year's IBP, the question has been split out into two priorities to better understand respondents' opinions on each: 'Tackling climate change and protecting the environment' and 'Improving air quality across the city'. In Figure 8, results from the 2018/19 single priority have been repeated to compare against the two new separate priorities.

Figure 8. Comparison with service priorities for the city of Leeds between the IBP for 2018/19 and the IBP for 2020/21



- It can be seen that in general respondents are now more likely to say that things matter a lot to the city.
- Supporting older and vulnerable people is now ranked lower (4<sup>th</sup> compared to 2<sup>nd</sup> in 2018/19)
- Preventing and tackling homelessness is now ranked higher (7<sup>th</sup> compared to 10<sup>th</sup> in 2018/19)
- Helping people earn enough to support themselves and their families is now ranked lower (9<sup>th</sup> compared to 7<sup>th</sup> in 2018/19)

## 8.1 Responses by different demographic group:

Figure 9. Services that matter a lot to the city of Leeds, by different groups

Priority service	Group			Age Band				Gender		Ethnicity		Disability	
	Work in Leeds	Work for LCC	Other Resident	<=29	30 - 44	45 - 64	65+	Female	Male	BAME	White: British	Disabled	Non Disabled
Keeping children safe	80%	92%	86%	83%	83%	85%	87%	89%	81%	83%	85%	87%	85%
Supporting older and vulnerable people	73%	80%	80%	74%	75%	77%	83%	83%	72%	75%	78%	85%	77%
Preventing and tackling homelessness	68%	69%	69%	70%	70%	68%	66%	76%	60%	67%	69%	68%	69%
Working with schools and families to help children to do well in their learning	66%	75%	73%	70%	71%	68%	74%	75%	67%	71%	71%	71%	71%
Helping people to live in good quality, affordable housing	63%	70%	66%	74%	65%	62%	67%	74%	57%	64%	66%	73%	65%
Tackling climate change and protecting the environment	61%	66%	63%	71%	61%	61%	65%	70%	56%	62%	63%	56%	65%
Encouraging people to live healthier lifestyles	39%	38%	40%	36%	36%	41%	41%	42%	37%	40%	39%	34%	41%
Helping people earn enough to support themselves and their families	61%	71%	65%	71%	66%	63%	63%	74%	56%	63%	65%	70%	64%
Supporting people into jobs, training and apprenticeships	54%	60%	61%	59%	53%	57%	66%	65%	52%	59%	58%	61%	58%
Working with the police to prevent and tackle crime and anti-social behaviour	77%	77%	83%	72%	77%	81%	84%	83%	77%	74%	81%	83%	80%
Arranging and promoting cultural events and festivals across the city	28%	29%	24%	30%	29%	26%	22%	29%	23%	33%	25%	26%	26%
Improving air quality across the city	61%	62%	65%	63%	61%	61%	69%	69%	57%	63%	63%	56%	64%
Keeping streets and neighbourhoods clean and dealing with the city's waste	76%	72%	83%	65%	78%	78%	86%	80%	76%	79%	78%	83%	79%
Making roads safe, reducing congestion and making it easier to get around	76%	77%	77%	77%	81%	73%	77%	77%	77%	71%	77%	70%	78%
Investing in sport and leisure facilities	32%	26%	35%	27%	35%	32%	33%	33%	33%	38%	32%	37%	32%
Caring for parks and play areas	55%	48%	61%	48%	57%	57%	60%	60%	53%	57%	56%	55%	57%



Figure 9 shows analysis of responses to how much our services matter a lot to the city of Leeds, by different groups. Conditional formatting has been included per row, in order to highlight different results to each priority:

- Council staff were much more likely than other Leeds workers to say that keeping children safe, working with schools and families, and helping people earn enough matter a lot to Leeds.
- Younger respondents were much more likely to say that housing, climate change and the environment, and helping people earn enough matter a lot to Leeds.
- Older respondents were more likely than others to say that supporting older people, supporting people into jobs, working with the police around crime, keeping the streets clean and dealing with waste, and caring for parks matter a lot to Leeds.
- Women were generally very much more likely than men to rate priorities as mattering a lot to the city of Leeds.
- BAME people were more likely than White: British people to say that arranging cultural events and festivals, and investing in sport and leisure facilities matter to Leeds.
- White: British people were more likely to say that working with the police around crime matters a lot to Leeds compared with BAME residents.
- Disabled people were much more likely than non-disabled people to say that supporting older and vulnerable people, housing, and helping people earn enough matter a lot to Leeds.

## Council Budget Consultation 2020-21

### Introduction

Leeds City Council is currently considering its budget for the next financial year (2020-21) as we continue our journey to become the Best City and the Best Council in the UK.

We want to hear your views about how the council allocates the money we have to fund the services that you, your families and communities value.

Over the last ten years budgets for local councils in England have reduced a lot, and in Leeds the council has had its funding by central government reduced by nearly two thirds – that's about £266 million. This has meant we have had to find new and creative ways to deliver our services, and in some cases have had to ask residents to pay a little more or access services in a different way.

This year that same challenge remains. The demand for council services continues to increase while the money we have to deliver them reduces. It is in that context that these proposals focus on how we can maintain high quality council services for everyone, while continuing to protect the vital support we offer to our most vulnerable residents and communities.

### Instructions

The survey should take around 10 to 15 minutes to complete. The final day you can take part is Tuesday 28th January 2020.

Councillors will see the results of this consultation before they make a final decision on the budget in February, and your views will help to make sure the final decision is in the best interests of the city and its residents.

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 in full, you can read this in the Agenda pack (page 295) for the 7th January Executive Board meeting [here](#).

### Privacy Notice

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

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

We will keep your information safe and secure in line with UK data protection law. Your data will be processed by the relevant services (departments) within Leeds City Council. Our software supplier, SmartSurvey Ltd, will also process your data on our behalf but will never

use these for its own purposes. We will store your responses for up to 2 years.

You have rights under UK data protection law including withdrawing your consent for us to use your information. Visit the [ICO website](#) (data protection regulator) to learn more. General information about how Leeds City Council uses your data can be found [here](#).

We use cookies to help improve your experience of using our website. See our [cookies page](#) for more information. If you continue without changing your cookie settings we assume that you are happy with our use of cookies.

Please confirm the following... \*

- I give my consent (permission) for the information entered in this form to be used as described in the privacy notice above.

## How are we doing so far?

In this current financial year, the council has had to make almost £25 million in savings. Most of this has been achieved through reductions in back office support services, closer working across council departments, savings in procurement and purchasing, and managing demand for services like social care through prevention and early intervention.

However there have also been some changes to the way front line services are delivered, some prices for council services have increased and a small number of new charges have been introduced. In making these changes, we have tried wherever possible to protect those who are most vulnerable and avoid affecting those who are unlikely to be able to afford to pay.

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

- Greatly affected
- Affected a little
- Not affected at all
- Unsure / don't know

Please tell us more about how these changes (to the way we deliver services) have affected you.

## Where does the money come from?

The majority of the council's funding comes in the form of a 'settlement' from central government which includes the money raised through business rates. This is supplemented by some one-off government grants which have to be spent on specific projects or services.

At a local level, the council can raise additional income through council tax. Leeds currently has the 2nd lowest rate of council tax amongst England's core cities (the 8 'great cities' excluding London), and is at the mid-point of the 5 West Yorkshire districts. In some cases the council also has to increase the price we charge for certain services so that we are able to keep delivering them.

Reduced funding from the government will impact on our ability to deliver the services we currently provide, unless we find other ways of raising money. Which one of these options do you agree with most?

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

## Where does the money come from?

The budget proposals for 2020-21 include some new approaches to council tax to tackle some of the social problems in our communities. For example, they include a council tax premium of 200% for properties that are left empty for more than two years. This will help to encourage more empty homes back into use to support the council's efforts to tackle homelessness and housing insecurity.

For 2020-21, in order to help balance the budget and minimise any impact of reductions in government funding on services, we are proposing to increase council tax in Leeds by 1.99% together with an additional 2% specifically to help fund adult social care services (known as the 'adult social care precept'). The total proposed council tax increase for next year is therefore 3.99%.

How much do you agree or disagree with our approach for increasing council tax in 2020-21 by 3.99%, an increase to the 'core' rate of 1.99% plus 2% to support adult social care services?

- Strongly agree
- Agree
- Disagree
- Strongly disagree

Please tell us why you don't agree with our approach for increasing council tax in 2020/21:

## How should we spend our money?

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 the assets we already have and create new ones.

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 our services. Our Initial Budget Proposals set this at £526.8 million for 2020-21.

This chart shows how much of our money is allocated to each of our directorates (our groups of services). Almost two thirds (61.6%) will fund adult social care and children's services, reflecting our priorities around supporting the most vulnerable people across the city.

### Where our money is spent...



Levels of spending for Resources & Housing and for City Development will increase slightly to 16.1% (+0.4%) and 7.3% (+0.5%) respectively, following changes to how these areas are funded. This will help us provide homes that meet peoples' needs and minimise homelessness, and help us improve the city's transport and digital infrastructure and tackle climate change.

Over the period 2019-20 to 2022-23 our capital programme includes investment plans totalling £1.4 billion. Around two thirds of this funds key infrastructure that supports the delivery of front line council services, or schemes that generate additional income or save costs. The remaining third is for investment in capital schemes which boost the prospects of the city and help to improve the lives of the people living here.

To what extent do you agree or disagree with how we propose to spend our revenue budget for 2020-21?

- Strongly agree
- Agree
- Disagree
- Strongly disagree

Please use this space to make any comments around our overall approach to how we spend our revenue budget:

Do you have any comments or suggestions on how we can deliver services differently to make the best use of the resources we have available?

## What should our spending priorities be?

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.

These are some of our service priorities. Please rate each one by how much it matters to you personally, and also how much you think it matters to the city of Leeds and the people that live, work and visit here. (Please select one option for you and one for the city, for each priority)

	For you personally	For the city of Leeds
Arranging and promoting cultural events and festivals across the city	<input type="checkbox"/>	<input type="checkbox"/>
Making roads safe, reducing congestion and making it easier to get around	<input type="checkbox"/>	<input type="checkbox"/>
Helping people earn enough to support themselves and their families	<input type="checkbox"/>	<input type="checkbox"/>
Preventing and tackling homelessness	<input type="checkbox"/>	<input type="checkbox"/>
Encouraging people to live healthier lifestyles	<input type="checkbox"/>	<input type="checkbox"/>
Working with schools and families to help children to do well in their learning	<input type="checkbox"/>	<input type="checkbox"/>
Helping people to live in good quality, affordable housing	<input type="checkbox"/>	<input type="checkbox"/>
Working with the police to prevent and tackle crime and anti-social behaviour	<input type="checkbox"/>	<input type="checkbox"/>
Caring for parks and play areas	<input type="checkbox"/>	<input type="checkbox"/>
Supporting people into jobs, training and apprenticeships	<input type="checkbox"/>	<input type="checkbox"/>
Keeping children safe	<input type="checkbox"/>	<input type="checkbox"/>
Tackling climate change and protecting the environment	<input type="checkbox"/>	<input type="checkbox"/>
Supporting older and vulnerable people	<input type="checkbox"/>	<input type="checkbox"/>
Improving air quality across the city	<input type="checkbox"/>	<input type="checkbox"/>
Keeping streets and neighbourhoods clean and dealing with the city's waste	<input type="checkbox"/>	<input type="checkbox"/>
Investing in sport and leisure facilities	<input type="checkbox"/>	<input type="checkbox"/>

Are there any other issues that you think should be a priority for the council?

# 11. About you

We would like to know a little more about you so we can be sure we are hearing from a wide range of people from different backgrounds.

Answering these questions will also help us consider how our policies affect people from different backgrounds; we have a legal duty to do this under the Equality Act 2010.

**Do you? (please tick all that apply)**

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

**Please tell us the first part of your post code. (e.g. 'LS8 1' or 'LS16 2')**

**How old are you?**

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

**What best describes your gender?(If you are one or more of non-binary, transgender or have variations of sex characteristics, please enter the response that you most identify with)**

- Male
- Female
- Prefer not to say
- Other (please specify):



**What is your ethnic group?**

• **White**

- English / Welsh / Scottish / Northern Irish / British
- Irish
- Gypsy or Irish Traveller
- Any other White background
- **Mixed / Multiple ethnic groups**
- White and Black Caribbean
- White and Black African
- White and Asian
- Any other Mixed / Multiple ethnic background
- **Asian / Asian British**
- Indian
- Pakistani
- Bangladeshi
- Kashmiri
- Chinese
- Any other Asian background
- **Black / African / Caribbean / Black British**
- African
- Caribbean
- Any other Black / African / Caribbean background
- **Other ethnic group**
- Arab
- Any other ethnic group

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

**Do you consider yourself to be disabled?**

- Yes
- No
- Prefer not to say

**Please indicate which best describes your sexual orientation:**

- Heterosexual / Straight
- Lesbian / Gay woman
- Gay man
- Bisexual
- Prefer not to say
- Other (please specify):

**Please indicate which best describes your religion or belief:**

- No religion or belief
- Christian (including Church of England, Catholic, Protestant and all other denominations)
- Buddhist
- Hindu
- Jewish
- Muslim
- Sikh
- Prefer not to say
- Any other religion (please describe):

## **14. Final step**

**That is all the questions we have for you.**

**Please now click the Finish button below to save and send your responses to us.**



**Initial 2020/21 Budget  
proposals  
Summary of Scrutiny  
Board comments.**



## Initial 2020/21 Budget Proposals

### Introduction

1. At its meeting on 7<sup>th</sup> January 2020, the Executive Board set out, for consultation, its Initial Budget Proposals for 2020/21. 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 2020/21 by Scrutiny took place over a series of meetings in January 2020, as follows:
  - Adults, Health and Active Lifestyles – 7<sup>th</sup> January 2020
  - Infrastructure, Investment and Inclusive Growth Scrutiny Board – 8<sup>th</sup> January 2020
  - Environment, Housing and Communities Scrutiny Board – 9<sup>th</sup> January 2020
  - Strategy and Resources Scrutiny Board – 20<sup>th</sup> January 2020
  - Children and Families Scrutiny Board – 22<sup>nd</sup> January 2020
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. The general role of Scrutiny is clearly a key element of the Council's internal checks and balance arrangements and in addition to this, the monthly Financial Health Monitoring reports to Executive Board also allow for public accountability and tracking of any variances across the budget, including any proposed remedial actions.
5. It is also proposed that consideration be given to reviewing the way in which Scrutiny Boards are engaged with (including at an earlier stage of formulation) and consulted as part of the annual development of the Budget.

### Comments and observations from Scrutiny Boards

6. No specific recommendations to amend the initial Executive's budget proposals have been made by Scrutiny Boards.
7. However a number of issues featured in Scrutiny deliberations which are worthy of being highlighted to Executive Board in formulating the final Budget proposals to be recommended to Full Council.
8. A summary of the main issues and areas highlighted by the Scrutiny Boards are detailed below:

#### Adults, Health and Active Lifestyles

9. The Board is concerned at 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. The Board noted the initial budget proposals recognise Leeds' increasing demography and consequential demand pressures; and specifically that:
  - Proposals are included to in-source private hire routes; The Board noted the service requirements for Client Transport services and Meals-on-Wheels could be better met through in-



## Initial 2020/21 Budget Proposals

house provision of appropriate vehicles, which in turn would provide savings to the authority (with certainty of price and provision), while also providing a price stimulus within the local market.

- Additional resources are planned through a real term increase in the Public Health Grant and through the NHS contribution to adult social care through the Better Care Fund.

10. Whilst noting it was predicted that a large proportion of additional funding would rest with NHS partners upon receipt and may not provide a substantial uplift for the local authority and that any additional funds were likely to be allocated to areas with existing pressures – for example projected increases in the price of certain drug treatments during 2020/21; and supporting people with complex needs moving away from long-term hospital care, the Board encouraged further work to be undertaken to establish, with greater, precision how the additional funds would be allocated once the detail of the grant is known.

11. Within that context the Board were also advised that for Leeds, the Public Health Funding Targets identified when the Public Health function transferred to local authorities, did not match the identified needs of the City.

12. The Board was informed that the Council is £14.4m below the original Department of Health target – consisting of a £7m target gap and £7.4m of subsequent cuts.

13. The Board is concerned at the additional impact that this low initial benchmark and subsequent cuts to Public Health spending have and are continuing to have on Citizens.

### Infrastructure, Investment and Inclusive Growth

14. The Board noted that the initial 2020/21 budget proposals contained fewer variants than in previous years since the start of the national period of austerity.

15. The Board recognises the clear Climate Emergency challenge facing the City and that a key part of the response to that is ensuring the city delivers sustainable development in order to balance the social, economic and environmental needs of the city. The Board encourages use of creative and innovative schemes in order to achieve this within the current context of the ongoing financial constraint.

### Environment, Housing and Communities

16. In considering the Budget 2020/21 proposals, the Board notes that in terms of the assumptions made in the Initial Budget, the Council had received £130k less than predicted in the financial settlement now published by central Government.

17. The Board welcomed the introduction by central Government of the £8.72 per hour minimum wage increase, whilst noting this remained below the £9 p/hr by 2020 previously promised and the likely £0.5m cost to the services contracted by the Council.



## Initial 2020/21 Budget Proposals

### Strategy and Resources

18. 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, the Board has particular regard to the Council's broader strategic approach towards meeting the statutory requirement of setting a balanced annual budget and also achieving financial sustainability.
19. The Scrutiny Board notes that the budget proposals for 2020/21 are based on the assumption that the Council will deliver a balanced budget position against the approved 2019/20 budget.
20. The Board encourages the Executive to continue with (and where necessary further develop) approaches for managing potential financial and other risks. The Board is pleased to note that robust and transparent governance arrangements continue to be at the foundation of the budgetary control arrangements in place.
21. With regard to some of the projected variances reported in Month 7, the Scrutiny Board particularly notes the significant staffing underspend within City Development (£1.661m) primarily linked to recruitment difficulties within Asset Management and Regeneration and also Highways and Transportation, which the Council is working to address.
22. The Scrutiny Board also acknowledges that the Council is continuing to assess the impact of the recent 1% increase in the rate of borrowing from the Public Works Loan Board (PWLB). Further to the concerns raised by the Scrutiny Board on this matter in November 2019, it was also noted that there had been no response to the joint letter sent to Government on 2<sup>nd</sup> December 2019 by the Scrutiny Board Chair and the Executive Board Member for Resources.
23. Having now received confirmation from Government that the 75% Business Rate Retention Pilot will not be continuing, the Board notes the successful outcome of the Council's application submitted on behalf of 13 of the members of the current North and West Yorkshire Pool to form a new pool operating under the national 50% scheme in 2020/21.

### Children and Families Scrutiny Board

24. The Board considered the context of the projected 2019/20 overspend within the continuing financial challenges; particularly noting that there had been no net increase in the Budget. The Board had regard to the demand led and demography challenges associated with Children Looked After and Transport.
25. In reviewing the report, the Board particularly notes the savings proposals linked to the ongoing review work surrounding passenger transport provision and received assurance that that the innovative approach being adopted to provide bespoke family needs based transport for children and young people with SEND would continue.
26. The Board is also pleased to acknowledge the key role and influence of the Children and Young People's



Report of the Scrutiny Boards  
Statement for Executive Board – 12<sup>th</sup> February 2020

## Initial 2020/21 Budget Proposals

Plan in shaping the development of the  
Budget proposals for the Directorate.

**Scrutiny Boards  
Joint Statement for the Executive Board  
Initial 2020/21 Budget Proposals  
February 2020**  
[scrutiny.unit@leeds.gov.uk](mailto:scrutiny.unit@leeds.gov.uk)



## **2020/21 Budget Consultation - Feedback on behalf of VITAL (the Voice of Involved Tenants across Leeds) and Chairs from the Housing Advisory Panels (HAPs)**

As part of the wider budget consultation process, VITAL considered the initial 2020/21 budget proposals at their meeting on the 8<sup>th</sup> January 2020. Comments from VITAL in response to the proposals would be:

- VITAL request the service consider ways to share more widely the budget consultation with tenants as a distinct audience and recipients of council services so that there's greater awareness amongst tenants about this consultation in future years.
- VITAL support the continuation of additional resources for the Contact Centre, helping ensure current performance levels are maintained and that the tenants experience of accessing the service by phone is a good one.
- VITAL will consider earlier engagement with the council about shaping budget priorities earlier in the year (July-Sept), increasing the opportunity for tenant influence in future years.

HAP Chairs on behalf of the 11 local Housing Advisory Panels would also like to respond to the 2020/21 budget consultation process with the following comments.

For a number of years HAPs have supported projects that help deliver local and citywide priorities. For example, HAPs have funded physical improvements to communal spaces, security lighting, 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. Typically funding some 300 local projects a year that help bring communities together and making them nicer places to live.

The funding resources given to HAPs also:

- a) Help us respond to local tenant feedback - HAP budgets being a way of getting small or modest things done to improve the environment that matters to tenants. These may be improvements raised by tenants themselves or are generated from wider tenant engagement activity like estate walkabouts.
- b) Develop and maintain our relationships with community groups – 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) Support the activity of other council teams - especially Communities Teams as HAPs jointly fund activity, inside and outside of Priority Wards and Neighbourhoods and Parks & Countryside, who generate income from HAP activity to re-invest in wider services.

Given the above, and the proposed rental increase of 2.7%, HAP Chairs would like the Council to consider an increase in HAP funding at least in line with the rise in rental income, to continue to allow HAPs to deliver projects in response to local needs and make a positive contribution to local communities.

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2020/21 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	An increase of £750k from 2019/20 base revenue budget (budgeted return on investment of £3.3m now £4.05m)	Director of City Development

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2020/21 Budget Amount £	Decision Maker
Increase commuter car parking tariff 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 2020	£0.1m additional income	Chief Officer – Environmental Services
Reduce current level of subsidy to Community Centres by <ul style="list-style-type: none"> <li>• transferring assets to community organisations</li> <li>• considering an increase in prices</li> </ul>	Continue to review arrangements to reduce the net cost of community centres	<ul style="list-style-type: none"> <li>• Loss of control by the Council, need to ensure third party plans provide level of service needed</li> <li>• Demand risk of a price increase</li> </ul>	<ul style="list-style-type: none"> <li>• Consultation ongoing with regards to Community Asset Transfers</li> <li>• To be undertaken as a part of the decision process</li> </ul>	<ul style="list-style-type: none"> <li>• Completed in respect of each Community Asset transfer decision</li> <li>• To be undertaken as a part of the decision process</li> </ul>	Throughout the year as specific proposals are developed	£0.1m reduced costs	Chief Officer – Communities
Communities staffing restructure	To review current management structure to deliver staffing efficiencies	Final structure doesn't deliver sufficient savings	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2020	£0.075m reduced costs	Chief Officer – Communities

## Communities and Environment

## Appendix 4

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality Impact assessment</b>	<b>Expected decision date</b>	<b>2020/21 Budget Amount £</b>	<b>Decision Maker</b>
Waste Management staffing restructure	To review current management structure to deliver staffing efficiencies	Final structure doesn't deliver sufficient savings	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2020	£0.05m reduced costs	Chief Officer – Environmental Services
Review Welfare & Benefits staffing structure to respond to reduction in Housing Benefit caseloads	To review the current staffing structure to deliver efficiencies	Final structure doesn't deliver sufficient savings	To be undertaken as a part of the decision process	To be undertaken as part of the decision process	March 2020	£0.2m reduced costs	Chief Officer - Customer Access
Inflationary increase in 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 2020	£0.21m additional income	Chief Officer – Parks and Countryside

## Resources and Housing

## Appendix 4

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality Impact assessment</b>	<b>Expected decision date</b>	<b>2020/21 Budget Amount £</b>	<b>Decision Maker</b>
Housing Services – DDN to spend the Homelessness Reduction Act funding	Additional funding of £317k has been received from MHCLG	Funding has only been notified for 1 year	To be undertaken as the same time as the decision.	To be undertaken at the same time as the decision.	Apr 20	£525k (grant funded spend)	Chief Officer – Housing Services
Shared Services – Proposal for automation of invoice processing. (Solution will dictate whether a separate decision is required)	To improve the efficiency of back office processes to prioritise funding for front line services	Delays to implementation impact on the savings assumed.	To be undertaken as the same time as the decision.	To be undertaken at the same time as the decision.	TBC	£150k	Chief Officer Financial Services

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

	£
Aberford and District	340
Allerton Bywater	2,042
Alwoodley	789
Arthington	36
Bardsey cum Rigton	640
Barwick in Elmet and Scholes	1,275
Boston Spa	1,467
Bramham cum Oglethorpe	616
Bramhope and Carlton	800
Clifford	558
Collingham with Linton	756
Drighlington	1,130
East Keswick	287
Gildersome	1,374
Great and Little Preston	573
Harewood	19
Horsforth	4,649
Kippax	2,636
Ledsham	92
Ledston	126
Micklefield	3,538
Morley	12,640
Otley	15,400
Pool in Wharfedale	792
Rawdon	1,507
Scarcroft	141
Shadwell	322
Swillington	2,044
Thorner	798
Thorp Arch	230
Walton	77
Wetherby	7,981
<b>TOTAL</b>	<b>65,675</b>

## Equality Impact Assessment: Best Council Plan 2020 to 2025 and Budget 2020/21

### Introduction

This paper outlines the equality analysis and strategic equality assessment of the proposed Best Council Plan 2020 to 2025 and proposed Budget and Council Tax for 2020/21 (as detailed in the accompanying reports to the Executive Board meeting 12th February 2020 recommending proposals to Full Council at its meeting 26<sup>th</sup> February 2020). 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
Tim Rollett	Intelligence and Policy Manager
Pauline Ellis	Senior Policy and Performance Officer
Pat Fairfax	Policy and Performance Manager
Joanna Rowlands	Financial Inclusion Manager
Ruth Addison	Senior Intelligence Officer

### Overview

The Best Council Plan is Leeds City Council's strategic plan, bringing together the headline aspirations from a range of supporting council and partnership plans to set out the authority's overall ambitions, policy direction and priorities for both city and organisation, underpinned by the authority's values. It informs the council's budget-setting and financial strategies, helps our staff understand how the work they do makes a real difference to the people of Leeds and shows our partners how we contribute to city-wide issues. It is a rolling multi-year document that is reviewed and refined annually as needed. The Best Council Plan proposed update covers the five-year period from 2020 to 2025.

The Best Council Plan 202 to 2025 and the Budget 2020/21 have been developed in the context of the approach agreed by the Executive Board on 7<sup>th</sup> January 2020 through the Best Council Plan update proposals and the Initial Budget Proposals. In accordance with the council's budget and policy framework and as agreed by Executive Board in January, these proposals were subsequently submitted to all Scrutiny Boards for review and consideration, and have also been used as the basis for wider public consultation.

It is proposed that the broad strategic direction of the current Best Council Plan; including the overarching goal of tackling poverty and inequalities and our ambition for Leeds to be the best city in the UK. The Best Council ambition and organisational Values are also retained, though with a renewed focus. The new proposals build on the revisions made in last year's Plan to strengthen the sustainability agenda by focusing this further around the Climate Emergency: with Inclusive Growth, Health and Wellbeing and the Climate Emergency collectively becoming the three 'pillars' that underpin the Best City ambition and supporting priorities.

The Budget proposals are set within the context of the 2020/21-2024/25 Medium Term Financial Strategy which was approved by the Executive Board on the 24th July 2019,



the Council's Initial Budget Proposals which were agreed by the Executive Board in January 2020 and the 2020/21 Provisional Local Government Finance Settlement. Government has indicated that the Final Settlement will be published before Parliamentary Recess on 13th February 2020.

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 frontline service delivery, and whilst we have been able to balance the budget each year since 2010, have continued to deliver a broad range of services despite declining income, and have avoided large scale compulsory redundancies, it is clear that the position continues to be difficult to manage. Resource implications will impact on all communities but those who have been identified at being at the greatest potential risk of negative impact include:

- Disabled people – including all impairment groups;
- Black, Asian and Minority Ethnic (BAME) communities;
- People from new and emerging 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 2020 to 2025 is intended to provide long-term strategic direction rather than being a detailed delivery or action plan. It includes:

- An updated Foreword from the Leader and Chief Executive, articulating the council's ambitions, role and future direction;
- An Introduction to the Plan explaining the Best City and Best Council ambitions.
- A 'Plan on a Page' setting out our vision, ambitions, desired outcomes, eight 'Best City' priorities (Inclusive Growth, Health and Wellbeing, Child-Friendly City, Age-Friendly Leeds, Safe, Strong Communities, Housing, Sustainable Infrastructure, Culture), an overview of the key means of delivering the Best Council ambition (e.g. leadership, partnership working, use of resources etc.) and the five council values underpinning everything we do and how we work.
- 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 set of 'Best City' and 'Best Council' key performance indicators.
- A set of Best Council annexes that explain the strategies for the council's key resources: e.g. our people, our money, our land and buildings. *Please note:*

*these annexes are in development at the time of writing and will be added to the published Best Council Plan in the first half of the financial year 2020/21.*

## *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. 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 and ongoing uncertainty with regard to the Government's future spending plans.

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 £27.3 million in 2020/21 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 2020/21 through a combination of efficiencies, changes to service and increased income (generated through fees, charges and traded services). Details of these proposals can be found in the directorate reports appended to the Budget 2020/21 report to February's Executive Board.

### *Impact of budget proposals on employees*

Following government's 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 S188 of the Trade Union and Labour Relations (Consolidation) Act 1992). Given the scale of this challenge, it was the council's view that this level of reduction could not easily be achieved without compulsory redundancies.

Since May 2016, the council has held extensive discussions with Trade Unions. This engagement has been both positive and constructive and has collectively explored opportunities to manage staff reductions down in a way that avoids compulsory redundancies.

As a result, through a combination of normal turnover, voluntary retirement and severance, and through greater staff flexibility, the required savings have been achieved. Whilst it still may be necessary in some circumstances, the council will continue to strive to avoid compulsory redundancies.

The council has operated a voluntary retirement and severance scheme since 2010/11 which has already contributed significantly to the reduction in the workforce of around 2,300 FTEs or 3,045 headcount to March 2019.

The Budget Proposals for 2020/21 provide for an estimated net increase of 380 FTEs by 31st March 2021. Of the gross additional 478 FTEs, 399 are funded through capital or external grant, income generation or other means including staffing reductions such that an increase of 79 FTEs will impact on the revenue budget. In the context of future

staffing reductions that will be required to meet the estimated revised budget gap of £128.3m for 2021/22 to 2024/25, it is the council's intention to issue an updated S188 notice in February 2020.

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

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

- The population of Leeds was estimated to be 789,200 people in 2018 (ONS MYE<sup>1</sup>) - an increase of 0.6% (4,300 people) in the year since the previous 2017 mid-year estimate and of almost 40,000 compared to the 2011 Census.
- Based on the ONS 2018 MYE, there are estimated to be:
  - 152,400 children and young people aged 0-15
  - 514,400 people of working age (16-64)
  - 122,400 older people aged 65 and over
  - 50.9% (402,100) are female and 49.1% (387,100) are male
  - One in ten people (10.0%) are in the 20-24 age band reflecting the large student population.
- Between 2008 and 2018 it is estimated that<sup>2</sup>:
  - The Leeds population increased by 6.4% (47,500 people).
  - The working age population had a smaller percentage increase (3.0%) than both the population of children and young people (13.7%) and the population aged 65 and over (13.1%).
  - The population of older people aged 65 and above increased by 14,200 people. 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 8,400 more men aged 65 and over resident in Leeds in 2018 than in 2008 (compared to 5,800 more women).
  - There was a very significant increase in the number of primary school age children in Leeds, with an increase of 18,900 (20.7%) in the 0-10 age group.
- Over the next 10 years (2018 to 2028), the peak of those primary age increases will start feeding into secondary school, with a large increase in the number of teenagers in Leeds. There are projected to be 12,500 more young people aged between 11 and 17 by 2028 (21.5%)<sup>3</sup>.
- In the next 10 years, the increase in the older population is projected to be even bigger, with 20,000 more people aged 65 and over resident in Leeds in 2028 than in 2018<sup>3</sup>.
- The Leeds population overall is predicted to continue to grow, reaching 830,500 by 2028; a 41,300 (5.2%) increase from 2018. The working age population will

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<sup>1</sup> Office for National Statistics (ONS) 2018 Mid-Year Estimates. Figures rounded to the nearest 100.

<sup>2</sup> Office for National Statistics (ONS) Mid-Year Estimates 2008 to 2018. Figures rounded to nearest 100.

<sup>3</sup> Office for National Statistics (ONS) 2016-based projections. Figures rounded to the nearest 100.

have a smaller percentage increase (2.6%) than both the population of 0 to 15 year olds (6%) and those aged 65 and over (15.3%)<sup>3</sup>.

- Leeds continues to become more ethnically diverse. The national 2011 Census showed that 18.9% of Leeds population was from a BME<sup>4</sup> background.
- According to the most recent 2019 School Census<sup>5</sup>:
  - The proportion of the school population from BME backgrounds has nearly doubled since 2005, increasing from 17.9% in 2005 to 34.6% in 2019.
  - The greatest ethnic diversity is in younger age groups, with 36.1% BME pupils in primary schools and 32.1% BME pupils in secondary and post-16 settings.
  - In 2019, 20.3% of Leeds school pupils speak English as an additional language, with the top 5 main languages being Urdu, Polish, Romanian, Panjabi and Arabic.
- According to the national 2011 Census:
  - The population aged 65 and older is less ethnically diverse than younger age groups, but the proportion from BME backgrounds will increase as people who settled in Leeds as young adults grow older.
  - 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%.

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<sup>4</sup> BME covers all ethnicities apart from White British

<sup>5</sup> January School Census 2019

## ***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 2019 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.

The Indices of Multiple Deprivation (IMD) 2019 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 Joint Strategic Assessment 2018. Based on the IMD 2019:

- Leeds has 114 neighbourhoods in the most deprived 10% nationally. This is 24% of Leeds neighbourhoods. Leeds is ranked at 33 out of 317 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 49% and Manchester has 43%).
- However, if we look at the number of people experiencing deprivation, Leeds is ranked as 3rd or 4th most deprived out of 317 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 4th highest number (Birmingham had the highest number, Manchester the 2<sup>nd</sup> highest and Liverpool the 3<sup>rd</sup> highest number).
  - Employment scale - this counts the number of individuals experiencing employment deprivation in the local authority area. Leeds had the 3<sup>rd</sup> highest number (Birmingham had the highest number and Liverpool the 2<sup>nd</sup> highest).
- For further information on the IMD 2019 and the Joint Strategic Assessment 2018, please visit the Leeds Observatory [here](#).

In 2017/18 almost a fifth of the Leeds population – over 170,000 people across the city - were classified as being in 'relative poverty'. (Relative Poverty measures individuals who have household incomes 60% below the median average.) [Source: [DWP households below average income](#), published March 2019].

- In 2017/18 there was an increase in the number of people in employment living in poverty. For the same period nationally, 5.4 million people were living 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 2017/18, in-work poverty was estimated to affect over 70,000 Leeds adults<sup>6</sup>. Almost 30,000 Leeds residents in full-time work earn less than the Real Living Wage of 2019<sup>7</sup> and over 10,000 Leeds workers are on zero hour contracts<sup>8</sup>.
- In 2017, 11% of Leeds households were in fuel poverty (almost 37,000 households). [Source: Department for Business, Energy & Industrial Strategy, 2017 results published in June 2019. Details are available online [here](#)].
- Over 33,000 (20%) Leeds children below the age of 20 were estimated to be living in poverty in 2016<sup>9</sup>.

### *Financial Hardship*

Poverty is an issue that impacts on equality, and financial exclusion is a barrier to an equal society. We know that poverty and financial exclusion disproportionately affect people within specific equality groups, particularly single parents, and people with mental health problems. Through 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. [Source: [Research into financial inclusion in Leeds](#), University of Salford, 2018].

The Debt Charity StepChange publishes an annual Yearbook with statistics on personal debt in the UK. 36% of StepChange's new clients advised in 2018 that they had an additional vulnerability, including mental health or physical health problems, learning difficulties, visual or hearing impairments. 57% of vulnerable clients were in arrears on their household bills when they contacted StepChange for advice, compared to 39% of all clients. Amongst the calls to StepChange's helpline, 68% were for advice on Credit Card debt, 47% on Overdrafts and 18% on Payday loans. In terms of being behind on priority bills, 30% of clients reported being in arrears with their Council Tax, 23% were behind on their Water bill, 16% were behind on Electricity and 12% behind on Gas.

Below we have provided statistics to show the scale of financial hardship across Leeds:

- In 2018/19 the council saw over 4,000 awards to people accessing its Local Welfare Support Scheme for both emergency (food and fuel) and basic needs provision (household goods), totalling almost £537,000 in direct awards.
- Using the latest data from September 2019, welfare reform, including the under-occupancy charges affects over 4,200 Leeds households. The Benefit Cap is set

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<sup>6</sup> The DWP's estimates for Absolute and Relative Poverty are only available at a national level. An estimate for Leeds is therefore calculated using nationally informed assumptions against the Leeds population figure for the same year. As the latest DWP data refers to 2017/18, the ONS mid-year population estimates for Leeds at 2017 of 781,846 have been used in the estimates above. For example it is reported by the DWP that there are 14 million people living in relative poverty in the UK, after housing costs. This was 22% of the UK population in 2017. Therefore, because Leeds is statistically considered to mirror the UK trend in terms of demographic profile, it can be assumed that 22% of the Leeds population in 2017 was living in relative poverty. This equates to 172,666 people in Leeds.

<sup>7</sup> The 30k estimate was made using the ASHE survey sample of job counts. The ONS state that these are intended to provide a broad idea of the numbers of employee jobs but they should not be considered accurate estimates and caution should be applied when using these numbers. Job count data is based on survey data within a standard variance level of +/-5%. Therefore the same caution should be applied when referencing the estimates for Leeds. See: [Leeds Observatory: People in Leeds earning below the Living Wage Foundation's Real Living Wage](#)

<sup>8</sup> Leeds figures are estimated using the national percentage rates on Employment figures from the APS, April 2019. See [table 3.9](#): Estimates of people on Zero Hours Contracts.

<sup>9</sup> Children in Low Income Families Local Measure (Source: HMRC data published Dec 2018, representing Child Poverty in Leeds 2016)

to £20,000 per annum and affected over 550 households during September 2019. Almost 13,000 households in Leeds have to pay 25% of their Council Tax due to changes to Council Tax Support. (Please refer to the Leeds Observatory section on 'Welfare and Benefits' [here](#) for further data and information.)

- Leeds moved to the full service digital platform of Universal Credit (UC) in October 2018. Full service means that all new claims to benefits that UC is replacing, known as legacy benefits (Job Seekers Allowance, Employment support Allowance, Income Support, Child Tax Credit, Working Tax Credit, Housing Benefit), are now claimed to UC instead.
- Latest data on legacy benefits revealed over 50,000 people were claiming out-of-work benefits (February 2019) and 32,000 were claiming in-work tax credits (April 2019).
- Over 28,000 people were claiming UC in Leeds in October 2019: 53% were female, 47% male. The age breakdown reveals 20% of claimants were aged 16 to 24, 63% were aged 25 to 49 and 17% were aged 50+.
- Latest household data for UC is for August 2019 and revealed 22,325 households were claiming UC in Leeds. Of these, 30% were lone parent households.
- 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 34,000 people in Leeds have needed assistance with food via a foodbank in 2018/19. This is up 21% on 2017/18.
- The Leeds Suicide Audit (September 2019) reported that financial difficulty was observed in 35% of suicides, which equated to 72 individuals. Over half of these cases were experiencing debt.
- Citizens Advice Leeds (CAL) works across Leeds at over 35 outreach locations including GP surgeries, One Stop Centres and mental health services. In 2018/19 CAL provided advice to 33,605 people with almost 70,000 advice enquiries. Of the 33,605 clients: 26% reported experiencing mental health issues; 38% had incomes of less than £600 per month. Of the 70,000 enquiries: 27% were related to Benefits and Tax Credits; 3% for Universal Credit; 18% were for Debt advice.

### ***Third sector***

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 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 demonstrates its commitment to the sector in many ways:

**Partnership and engagement relationships:** 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 through the third sector, 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 the Executive Member for Communities, Cllr Debra Coupar, and is attended by representatives from all council directorates.

**Investment in Third Sector infrastructure support:** The council invests in third sector-based infrastructure which provides a range of support to frontline third sector organisations, including: financial management, fundraising, training, legal, constitutional issues and governance, organisational development, volunteer management and brokerage. This investment has a particularly important role in ensuring that there is support for small and emerging groups and those groups from minority and marginalised communities and priority neighbourhoods.

**Investment in the wider sector:** The council makes a significant financial investment in the sector each year.

An Annual Analysis of the council's investment in the Third Sector is produced and presented to the Third Sector Partnership. This allows council colleagues and partners to track trends, scrutinise and build an overview of where investment is made.

In 2018/19 £127.2m was invested in the sector through transactions with 1,309 individual third sector organisations. Of these:

- 665 organisations received payments of less than £1,000 (predominantly small, local, community and sports organisations).
- 204 organisations received payments of between £1,000 and £5,000 (again these were predominantly payments to support smaller, local, and community-based activities).
- 25 organisations / consortiums received £81.7m between them (principally agencies focusing on health, social care and the children's agendas; is also included some organisations acting as lead bodies for consortiums).
- 154 faith organisations received £19.4m for their secular work in communities. (15.2% of total third sector investment)
- Members Improvement in the Community and Environmental (MICE) allocation totalling £96,605 was invested in third sector-led, community-based initiatives.

The total investment in the sector by the council has been broadly maintained despite the significant funding reduction experienced by the council since 2010. This is a positive picture but the council, along with third sector partners, continues 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.

At Third Sector Partnership in November 2019, the council's Analysis of Investment in the Third Sector in Leeds was complemented by presentations from NHS Leeds Clinical Commissioning Group, National Lottery Communities Fund and Leeds Community Foundation. This enriches and strengthens the understanding of the strength and impact of the sector in Leeds.



**Dialogue with the third sector around the budget pressures, the future direction of travel and investment in the sector:** There is ongoing dialogue with the third sector regarding the budget challenges and future plans, for example:

- Leeds Third Sector Partnership receives updates on the council's financial position. In November 2019, the council's Chief Officer, Financial Services provided an overview of the financial position and the predicted challenges that will need to be addressed in the council budgets 2020 to 2024.
- Council directorates have well-established ongoing 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. The Compact for Leeds sets out well understood expectations that they are in regular detailed discussions with organisations that will be impacted by any budget reductions or changes.

**Ongoing commitments and developments:** The council continues to drive forward and support a range of initiatives to ensure that Leeds has a thriving third sector and strong civil society that can deliver for all of the people of Leeds. For example:

- In January 2019 the Third Sector Partnership approved the Leeds Pledge to Strengthen Civil Society, which aims to mobilise the financial and in-kind commitment of partners across the public, private and third sector to play their part for Leeds. In November 2019 the council's Executive Board endorsed and committed to implement the ambitions in the Pledge.
- The Leeds Commissioning Code of Practice sets out a transparent framework which informs commissioning practice and ensures that the interests of all stakeholder communities are integral to the drafting of specifications for tenders and the focus of grants. The process is subject to a public and third sector co-produced annual review.
- The annual Lord Mayor's Small Groups and Charities Event is co-produced annually with Voluntary Action Leeds. This 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 by making funding information and support accessible. 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.
  - The council funds the Funding Leeds platform: a comprehensive database of funding opportunities with information about local support that is available online and free to access.
- The council is further developing 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, 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; specifically to ensure that there is a diverse and thriving sector that continues to involve, engage with and meet the needs of all communities.

### ***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.

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 2019 the council introduced the new National Joint Council (NJC) pay spine which had a minimum rate of £9.00 for new starter. All existing staff who transferred to the new pay spine received £9.18 or more which exceeds the Living Wage Foundation minimum.
- From 1<sup>st</sup> April 2020 the council’s minimum hour rate will increase to £9.30 which will mirror the Living Wage Foundation’s recommended minimum rate of pay. The changes will have a positive impact on in-work poverty, particularly for women, those under 25 and part-time workers. The council remains committed to annually reviewing pay in the overall context of the budget strategy. Increases are considered in terms of affordability, impact on pay structures and national pay settlements.

As at November 2019 there were 15,049 people employed in the council (excluding schools and casual staff). The workforce profile of all employees is shown below.

<b>Profile area</b>	<b>Headcount</b>	<b>% of overall headcount</b>
<b>Gender</b>		
Male (including Trans)	5,914	39%
Female (including Trans)	9,135	61%
<i>Total</i>	<i>15,049</i>	<i>100%</i>
<b>Age / years</b>		
16 – 25	1,076	7%
26 – 40	4350	29%
41 – 54	5652	37%
55 – 64	3588	24%
Over 65	383	3%
<i>Total</i>	<i>15,049</i>	<i>100%</i>

<b>Profile area</b>	<b>Headcount</b>	<b>% of overall headcount</b>
<b>Ethnicity</b>		
BAME	2,242	15%
Non BAME	11,282	75%
Prefer not to say	25	<1%
Not declared	1,500	10%
<i>Total</i>	<i>15,049</i>	<i>100%</i>
<b>Disability</b>		
Disabled	917	6%
Not disabled	12,508	83%
Prefer not to say	83	1%
Not declared	1,541	10%
<i>Total</i>	<i>15,049</i>	<i>100%</i>
<b>Carer</b>		
Carer	1,455	10%
Not a carer	7,785	52%
Prefer not to say	108	<1%
Not declared	5,701	38%
<i>Total</i>	<i>15,049</i>	<i>100%</i>
<b>Sexual orientation</b>		
Heterosexual	8,672	58%
Lesbian, Gay, Bisexual +	460	3%
Prefer not to say	136	1%
Not declared	5,781	38%
<i>Total</i>	<i>15,049</i>	<i>100%</i>
<b>Religion or belief</b>		
Religion stated	9,942	66%
Prefer not to say	118	1%
Not declared	4,989	33%
<i>Total</i>	<i>15,049</i>	<i>100%</i>
<b>Additional gender details</b>		
Same as assigned at birth	2,475	16%
Not same as assigned at birth	45	<1%
Not declared	12,529	83%
<i>Total</i>	<i>15,049</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. A refreshed People Strategy 2020-25, a key addition to the Best Council Plan 2020 to 2025, keeps inclusion and wellbeing at the centre of our plans and we continue to use our annual staff survey to gain valuable feedback that helps us improve the overall experience at work for our employees.

The council has accreditation and recognition in the following areas:

- We achieved the Government's [Disability Confident Leader Status](#) in 2019
- We are a [Stonewall Top 100 Employer](#).
- We have held Mindful Employer Status since 2011.

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

### *Apprentices*

In order to develop the current and future workforce, the apprenticeship levy is being utilised to develop a wide range of staff. We have seen a significant increase in apprenticeship numbers since the levy was first introduced.

As at November 2019 figures now stand at 661 apprentices (a 301% increase over 3 years). These are a mix of new recruits and conversions of current employees onto apprenticeship training. We now have apprentices training in over 70 different standards across all Levels 2 to 7.

We continue 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.

For example, we work with 6 target high schools across the city to encourage and build awareness to school age students and their parents, with a specific focus on public sector and council apprenticeships. 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 the number of BAME apprentices is at 16% for the council, which compares favourably to BAME apprenticeship starts across the city as a whole (11.7%).

48% of new Leeds City Council apprentices are from the top 30% most deprived neighbourhoods in England.

The Apprenticeship team have recently joined the National Apprenticeship Ambassador network, and as such can draw on best practice from across public, private sector, large employers and SMEs. The team is also looking into joining the National Apprenticeship Diversity Champions network in 2020.

## Equality Impacts and Improvement Work

The council has developed and agreed the Equality Improvement Priorities 2018–2022. These ensure that the authority meets its legal duties under the Equality Act 2010 and they 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 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. Full details of this improvement work can be found in the Annual Equality Progress Report 2018 - 2019, which can be accessed [here](#).

Current priorities include for example:

- 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 inclusion and diversity across Active Leeds Services;
- 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;
- Improve equality outcomes across the six priority neighbourhoods with a focus on addressing inequality and poverty;
- Improve access to social care services for LGBT+ people, through training, quality assurance and redesign of policies and processes;
- Improving the walkability and accessibility of Leeds City Centre by developing and expanding a user friendly wayfinding system.
- Ensuring fair and equal access to taxi and private hire services for disabled people;

- Help people out of financial hardship; tackling the financial challenges of poverty, deprivation and inequality; and
- Develop a skilled and diverse council workforce.

The 2019-2020 Annual Equality Progress Report will be available during the summer of 2020.

## **Consultation and engagement**

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 on Climate.

The Best Council Plan 2020 to 2025 and Budget 2020/21 proposals have been developed through consultation with a range of stakeholders, notably with the Executive Board, all Scrutiny Boards, the council's Corporate Leadership Team and other senior officers. They also draw on insights from the council's 2019 staff survey and priorities set out in existing council and partnership plans and strategies which have themselves been subject to extensive consultation and engagement. Summaries of discussions with all Scrutiny Boards are provided as appendices to the Best Council Plan 2020 to 2025 and Budget 2020/21 reports for consideration by the council's Executive Board and Full Council in February 2020.

Public consultation on the council's Initial Budget Proposals for 2020/21 took place between 7<sup>th</sup> and 28<sup>th</sup> January 2020. 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 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 promoted to staff. Postal-only Citizens' Panel members received a letter explaining that paper versions of the survey had been withdrawn due to timings linked to the general election in December and were advised how to complete the survey online.

A total of 1,537 surveys were completed, making the results statistically robust, by respondents from a range of different demographic groups, broadly representative of the Leeds population. A summary of the public consultation results is included as part of the covering reports for the Best Council Plan 2020-2025 and Budget 2020/21 to February's Executive Board and Full Council, with the results in full appended to the Budget paper.

## **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 2020-2025 and Budget 2020/21 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 and wider financial strategy 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 at being at the greatest potential risk of negative impact include:

- Disabled people – including all impairment groups;
- Black, Asian and minority ethnic (BAME) communities;
- People from new and emerging 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.

Equality impact assessments will continue to be carried out on specific proposals in relation to implementing the Best Council Plan and Budget during 2020/21 and beyond through the council's decision-making processes.

### VIREMENT DECISIONS TO AMEND APPROVED BUDGETS

#### Supplementary Votes (releases from the General Fund Reserve)

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

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

#### Delegated Virements

- 1 Virement between budget book service heads, within the appropriate budget document approved annually by council will only be permitted in accordance with the following rules and value limits, summarised in Table 1. The virement limits and rules are set annually by council as part of the budget approval process. Amendments were subsequently made to 2019/20 virement limits by council at its May 2019 meeting, and this appendix incorporates those amended limits for 2020/21.

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

- 2 Decisions taken in respect of virements will be executive decisions and should be taken in accordance with the requirements for delegated decisions in the council's constitution. Since by definition decisions which require virements do not fall within an existing budget, they should be treated as significant operational decisions unless they meet the threshold to be treated as key decisions. It is expected that any virement decisions arising from substantive operational decisions will form part of an overall decision making report, rather than being treated as a separate decision.
- 3 It should be noted that, whilst directors have delegated authority to approve virements up to £5 million, as with all executive delegations these are made save where the Leader or relevant Portfolio holder has directed, or where the director believes it is appropriate, that the matter should be referred to Executive Board for consideration.
- 4 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 should 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.

- 5 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.
- 6 Where wholly self-financing virements are sought to inject both income and expenditure in respect of, for example, approved external funding bids, there is no specific limit to the amount which can be approved by directors.
- 7 All virement and other budget adjustment schedules should be submitted to the Chief Finance Officer for information and action within the financial ledger.
- 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**

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

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

Decisions taken by directors would be subject to consultation with the Chief Finance Officer as required under delegated decision procedure rules.

# LEEDS CITY COUNCIL

## 2020/21 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 2020/21 financial year.

#### 2. Service Context

- 2.1 **Adult Social Care:** the national context for Adult Social Care continues to be one of demographic increases, increased life expectancy, increasing complexity of need and service user expectations, greater support for people to remain living independently in their own homes for as long as possible, a national drive to improve the quality of social care services and an increasing focus on the integration of health and social care services. These national trends, which are leading to increased cost pressures, have been evident for many years, but the economic climate is putting increasing pressure on public finances and the reductions in public spending have added to the financial challenges faced by Adult Social Care.
- 2.2 In an attempt to mitigate this financial pressure the Government, in its 2019 Spending Review, announced a continuation of funding that was due to cease in 2019/20 and additional funding for social care. The continuation of funding references the Winter Pressures monies and the final year of the Spring Budget funding. Both these sums were built into the directorate's baseline so are not additional funding. A new social care grant was announced that allows local authorities to support social care in both adult and children's social care. The 2019 Spending Review also determined that a consultation would be undertaken to permit local authorities to levy a 2% adult social care precept.
- 2.3 There is a concern that 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 fully address the financial challenges faced, particularly within the context of continuing funding pressures 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, but has been deferred with an issue date not yet available, although this is presently understood to address only the issue of older people's care.
- 2.4 Adult Social Care will continue to develop and implement its 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 continue to work 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. Following three years of grant cuts Public Health will receive an increased grant in 2020/21, which though welcomed, effectively only has the effect of recovering one year of those cuts.

### 3 **Budget Proposals**

3.1 This 2020/21 budget has been set at £201,241k representing a net decrease of £5,127k (2.48%) when compared to the adjusted budget for 2019/20. This net decrease comprises a number of changes in grant funding totalling £9,919k and pressures totalling £18,401k offset by savings of £13,609k which are explained below.

#### 3.2 **Budget Adjustments and Transfers**

3.2.1 There have been a number of budget adjustments and transfers made to the 2020/21 budget which reflect the movement of individual posts between directorates and adjustments required to negate the requirement for recharges to be made between directorates. The overall net impact of these adjustments is to reduce the directorate's budget by £155k.

#### 3.3 **Changes in Specific Grant Funding – increase of £8,711k**

3.3.1 The budget proposals include the receipt of £7,500k of the new Social Care grant announced in the 2019 Spending Review.

3.3.2 The Public Health grant allocation for 2020/21 is estimated at £44,352k, an increase of £1,211k which is an increase of 2.78% compared to the 2019/20 grant allocation.

#### 3.4 **Changes in Use of Reserves and Balances – increase of £1,208K**

3.4.1 In 2019/20 a carry forward of unspent Public Health grant supported planned expenditure. The sum of £387k was a one-off contribution and therefore an adjustment to the use of reserves is required.

3.4.2 Additional Social Care reserves of £1,595k will be utilised in 2020/21. £607k is to be employed to fund short term schemes within Organisational Development, Service Transformation and social work. £1,032k will be utilised to offset expenditure in 20/21, £500k of which represents the unbudgeted element of the 2019/20 inflationary uplift for the improved Better Care Fund. Finally an adjustment is required for the £44k used as a one off contribution to funding in 2019/20.

#### 3.5 **Changes in prices – pressure of £3,290k.**

3.5.1 The budget includes provision of £1,528k to meet a 2% pay award. Within this figure there is a provision reflecting the Council's continuing commitment to be a Real Living Wage employer. Consequently, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.36 per hour which is 6p above the Real Living Wage rate. Apprentices and new starters on the A1 spinal point will be paid £9.30 per hour for the first year only.

3.5.2 No provision has been made for inflation on running cost budgets other than demand based budgets and where there are specific contractual commitments and on utilities. The main provision for price inflation is £2,046k for care packages, £95k for contract uplift, and £15k for energy and £7k for the Apprentice Levy.

3.5.3 Inflationary increases in the level of fees, charges and income from other organisations are estimated to generate additional income of £400k. Many adult social care fees and charges are related to Department for Works and Pensions benefits rates and will be uplifted

accordingly from April 2020. Those charges not linked to benefits rates have been budgeted to increase by 3%. An increase in the charges for adult social care services does not generate a proportionate increase in income as the amount people pay for most services is determined by individual financial circumstances, which in most cases is lower than the headline charge.

### **3.6 Actuarial Review – saving of £106k**

3.6.1 A review of the West Yorkshire Pension Fund has been undertaken in November 2019, and has shown the Fund to be in a surplus position. As a result, a reduction in the employer's contribution rate from the current 16.2% to 15.9% in 2020/21 is assumed. This reduction is estimated to save £106k.

### **3.7 Capitalised Pension Costs – saving of £255k**

3.7.1 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 £255k.

### **3.8 National Living Wage/Ethical Care Charter Commissioned Services – pressure of £7,088k**

3.8.1 The Government announced an increase to the National Living Wage from £8.21 per hour to £8.72 from April 2020 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 towards 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 £7,088k.

### **3.9 Demand and Demography – pressure of £7,178k**

3.9.1 Additional provision of £6,571k has been made to reflect the demand and demographic pressures experienced during 2019/20 and forecast for 2020/21 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. 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.

3.9.2 An additional provision of £508k 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.

### **3.10 Other budget pressures – £697k**

3.10.1 Additional funding of £510k is to be allocated to fund additional temporary staffing within social work and service transformation to assist in delivering a number of the savings plans detailed in section 3.11. £101k is to be added to the Workforce Development budget in recognition of increasing workforce development, supporting both service developments and improvements in quality, both within the directorate and the wider care community.

- 3.10.2 £668k is to be invested in a dementia strategy including the development of a dementia unit within the South Recovery Hub for people with high support needs. Financial contributions of £300k from the CCG and a transfer from existing residential care provision will mean a net increased cost to the Council for this much needed development of £150k.
- 3.10.3 Additional investment of £144k into the expansion of Asset Based Community Development to build on the success of this scheme is planned.
- 3.10.4 Early repayment of debt in 2018/19 allows for a permanent reduction in prudential borrowing charges totalling £277k.
- 3.10.5 There are a number of other smaller adjustments which when added together total £70k.
- 3.11 **Savings - £13,609k**
- 3.12 **Business As Usual – £13,609k**
- 3.12.1 A number of schemes funded by the time limited Spring Budget come to their planned end in 2019/20 and will in a reduction in expenditure generate a saving of £2,519k.
- 3.12.2 Efficiencies against demand budgets total £2,400k; the use of benchmarking data suggest that cost efficiencies can be delivered against the Learning Disability budget, contracting efficiencies and the impact of strengths based social work are expected to deliver an efficiency of £1,000k. The strengths-based approach is expected to deliver a further £700k efficiency against other demand based budgets where it is already embedded. A review of packages within physical impairment and home care to determine best practice are anticipated to deliver £200k. Discussions with health partners will lead to an improved and more appropriate patient flow through to the Enablement Service and are expected to deliver £500k saving against demand budgets and reduce downtime of the team.
- 3.12.3 A plan to expand the benefits of assistive technology to a city-wide self-pay market is anticipated to generate a net income of £200k in the first year.
- 3.12.4 A review of the time spent by Occupational Therapists on work funded by the Disabilities Facilities Grant has identified an increased grant contribution of £200k into the service is now appropriate.
- 3.12.5 Ongoing work and a better understanding of Section 117 and CHC clients and an appropriate apportionment of the costs between the Council and the Clinical Commissioning Group (CCG) for Leeds has led to a reduced spend in this area. It is anticipated that there is still some scope to deliver further appropriate cost allocations which should see a benefit to the Council of £100k.
- 3.12.6 The directorate continues to improve its processes for the billing and collection of assessed client contributions. A full year effect of 2019/20 improvements will deliver £921k whilst the directorate is targeting a further £1,000k in 2020/21.
- 3.12.7 The directorate is targeting funding from the CCG totalling £3,747k, though a significant sum of £847k relates to recognition of current funding; 2019/20 iBCF £500k inflation received above that assumed and budgeted for and £347k to meet the transport costs of clients designated as having a Continuing Health Care. Discussions have been underway for some time with the aim of delivering £2,800k additional funding from the iBCF to maintain social care spend in support of the health service priorities. A review of staffing

costs supporting joint working and subsequent negotiations with the CCG is anticipated to deliver £100k.

- 3.12.8 Based on current trends it is assumed that an additional £930k will be recovered as unspent Direct Payments.
- 3.12.9 Efficiencies through insourcing, route rationalising, improved cost management are expected to deliver £300k within client transport and £200k for the provision of Meals on Wheels, the latter also seeking to increase take-up. Both of these services are provided by Civic Enterprise Leeds.
- 3.12.10 Contract management, including managing of demand and inflationary uplifts are projected to deliver £787k of savings.
- 3.12.11 It is proposed to introduce a vacancy factor of £100k within Strategic Commissioning recognising levels of staff turnover. A review of back-office spend is anticipated to deliver £88k of savings. Improved processes have recently been implemented to ensure that £67k of hospital fines will not be incurred. A target of £50k has been set against the Workforce Development budget which is a formal recognition of income annually achieved, but not previously budgeted for.

#### **4 Risk Assessment**

- 4.1 In determining the 2020/21 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 be carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2020/21 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 the 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 2020/21 budget, as set out in section 3.12.2, 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 £1m to £3m 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 over the last few years. 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. Agenda for Change and the ongoing legal process concerning payments for 'sleep-in' costs.

Briefing note prepared by: John Crowther (Head of Finance)  
Telephone: 0113 37 88714

Directorate - Adults and Health

	2020/21 £m	FTEs
<b>Net managed budget 2019/20</b>	206.52	
<b>Adjustments</b>		
Transfers of function		
Other adjustments	(0.16)	
<b>Adjusted net managed budget</b>	206.37	
<b>Grant Fallout</b>		
<b>Grant Increases</b>		
Social Care Grant	(7.50)	
Public Health Grant	(1.21)	
<b>Changes in the use of Reserves &amp; Balances</b>		
Public Health	0.39	
Adult Social Care	(1.60)	
<b>Total Funding Changes</b>	<b>(9.92)</b>	<b>0.00</b>
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	1.53	
Price	2.16	
Income	(0.40)	
<b>Employers Pension</b>	(0.11)	
<b>Capitalised Pensions</b>	(0.25)	
<b>National Living Wage - commissioned services</b>		
National Living Wage/Ethical Care Charter	7.09	
<b>Demographic and demand pressures</b>		
Demand and demography	7.18	
Transforming Care (Learning Disability)	0.51	
<b>Other</b>		
Debt Fallout	(0.28)	
Additional temporary social work posts	0.35	8.00
Dementia Strategy	0.30	
- CCG contribution	(0.15)	
Dementia bed - care costs	0.37	12.00
- CCG contribution	(0.18)	
- existing residential funding	(0.18)	
Service Transformation posts	0.16	4.00
ABCD - enhance	0.14	
Workforce Development (temporary staffing)	0.10	3.00
Other pressures	0.07	
<b>Total Pressures</b>	<b>18.40</b>	<b>27.00</b>
<b>Savings Proposals:</b>		
<b>Business As Usual</b>		
Learning Disability - review	(1.00)	
Income - improved collection of due income	(1.00)	
Cessation of time limited schemes	(2.52)	
Back office spend - efficiencies	(0.09)	
Enablement Service - improvements in productivity	(0.50)	
Client transport - route and cost efficiencies	(0.30)	
Demand - continuation of strengths based approach	(0.70)	
Fines - improve processes to stop fines for delayed transfers of care	(0.07)	
Physical Impairment - review	(0.10)	
Home care - review to ensure assessed care is delivered efficiently	(0.10)	
Meals on Wheels	(0.20)	
Assistive Technology	(0.20)	
Occupational Therapists	(0.20)	
CHC/S117	(0.10)	
iBCF - health funding to support social care	(3.30)	
Direct Payment recovery	(0.93)	
Client income (trend)	(0.92)	
Cost recovery (CHC - Learning Disability/core costs )	(0.45)	
Contracting efficiencies	(0.79)	
Strategic Commissioning - vacancy factor	(0.10)	
Skills for Care	(0.05)	
<b>Service Delivery</b>		
<b>Workforce</b>		
<b>Service Delivery/Workforce</b>		
<b>Service Review</b>		
<b>Total Savings</b>	<b>(13.61)</b>	<b>0.00</b>
<b>Net Managed Budget 2020/21</b>	<b>201.24</b>	<b>27.00</b>

# LEEDS CITY COUNCIL

## 2020/21 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 2020/21 financial year.

#### 2 Service Context

- 2.1 It is important for the 2020/21 budget proposals to be seen in the context of the wider strategy that has been taken forward by the Directorate since it was established in 2010. The strategy developed by Children and Families with partners was implemented through the Children and Young Plan. Critical to the plan was a focus on practice underpinned by a relational approach that focused on working with families to address problems. To improve social work practice a workforce development strategy was established and caseloads reduced. Leeds, despite its size and complexity, has the second best recruitment and retention of social workers in the country.
- 2.2 A key result of the focus on practice since 2010 has been the success in reducing both the number of looked after children and the number placed in external placements; both residential and foster care. The number of looked after children in Leeds has reduced from 1,475 in 2011/12 to 1,330 as at the beginning of December 2019. This has led to a reduction in the rate per ten thousand from 94 to 77. Regional and statistical neighbours, core cities and the national trend have all seen increases in the rate of children looked after with an average increase of 6 per ten thousand. These reductions in Leeds have been achieved at a time when the number of children in the city rose by six per cent, compared to a 3.9 per cent rise across England. Leeds has also been successful in changing the pattern of placements including a reduction in proportion of Children Looked After (CLA) in residential care, again, against the national trend.
- 2.3 The improvements in practice and resulting improvements for outcomes for children and young people in the City resulted in Children's Services in Leeds receiving a judgement of 'Good' from Ofsted in 2015 and 'Outstanding' in 2018. The positive outcome of these inspections was important, not simply as an external verification of the success of the strategy adopted by Children and Families, but because it also enabled the Directorate to bid successfully for additional external funding. Leeds has a strong national reputation and this has led to Leeds being one of a small number of authorities to be given Partner in Practice status and funding by the Department for Education. Leeds was given funding £9.6m through the 2016 Department for Education Innovation Scheme, to pilot the extensive use of restorative practice through the *Family Valued* programme which in turn had been developed with the first tranche of innovation funding. Additional external funding secured over recent and future years (2013/14 to 2023/24) amounts to in excess of £41m and includes £8.3m for the latest externally funding programme, Strengthening Families Protecting Children, which will see Leeds support a number of local authorities over the next four years.
- 2.4 These budget proposals build on the strategy outlined above by maintaining the investment in frontline services, social care and practice, early help and innovation in order to continue to improve outcomes for children and young people and minimise the use of external

placements. The 2020/21 budget also includes £1.6m of additional funding from the Department for Education (DfE) for the Strengthening Families Protecting Children programme and the associated spend which is predominately additional staffing in the Directorate. The 2020/21 budget also recognises the ongoing demand-led pressures in the Directorate and provides for increases in the CLA and transport budgets.

- 2.5 These budget proposals provide for an overall increase in gross expenditure of approximately £12m in Children and Families. However, due to proposals to increase income and the use of an additional £6.5m of Social Care grant the net management budget overall only increases by £0.7m.

### 3 **Budget Proposals**

- 3.1 This 2020/21 budget has been set at £122,371k representing a net increase of £182k (0.15%) when compared to the adjusted budget for 2019/20. This net increase comprises a number of changes in funding totalling an increase of £5,004k and pressures totalling £6,814k offset by savings of £1,628k 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 2020/21 budget.
- 3.2.2 Other adjustments total an increase of £440k and include the transfer of individual posts between Children and Families and Resources and Housing. A budget of £30k has been transferred to Adults and Health for the 3A's Strategy & Reading ABCD initiative. A budget of £500k has been transferred to Children and Families to provide enhanced mental health services for children: this funding was included in the Strategic Central Accounts budget in 2019/20. This investment will include one to one support delivered by life coaches for young people with mental health needs.

#### 3.3 **Changes in Specific Grant Funding – increase of £5,004k**

- 3.3.1 The 2020/21 budget includes a number of changes to grants in the Children and Families Directorate. In terms of grant fallout, the final instalment of £1,700k of the £9,600k Partners in Practice (PiP) funding was received in 2019/20. The 2020/21 budget allows for this fallout of grant funding. The investment in early help services originally enabled by this grant is now fully funded in the 2020/21 Children and Families base budget. The proposed budget also includes a reduction in grant funding for the Autonomy/Troubled Families programme following a recent announcement of the 2020/21 allocations. The Leeds allocation has been reduced by £324k compared to the 2019/20 allocation and budget of £2,739.
- 3.3.2 Additional grant funding included in the 2020/21 budget proposals total £8,538k. This comprises of £6,500k from the Adult's and Children's Social Care funding allocated to Leeds and takes the total Social Care funding included in the Children's and Families budget to £12,100k. The 2019/20 budget included £300k of grant income expected from the School Improvement and Brokerage Grant. It was originally anticipated that the grant would end in August 2019 but it has subsequently been confirmed that the grant will continue in 2020/21 with £712k received in 2019/20 and £725k anticipated to be received in 2020/21. The budget for this grant has therefore been increased by £425k in 2020/21.
- 3.3.3 In the 2018 autumn budget, the Treasury committed £84million to the scaling up of three programmes from the first two waves of the innovation programme which had the strongest

evidence of improvement. These included the Leeds 'Family Valued' Programme and the DfE subsequently launched the Strengthening Families Protecting Children (SFPC) Programme to support the scale and spread of three innovation programmes across 20 local authorities over the next five years. The SFPC funding award to Leeds is £8,239k over 5 years and the 2020/21 budget for Children and Families includes additional grant income of £1,615k and associated spend of £1,615k. The budgeted spend is predominantly the additional salary costs of the core team that would be committed to delivering the programme full time and enhanced leadership capacity within Children and Families.

#### **3.4 Changes in Use of Reserves and Balances – reduction of £1,510K**

3.4.1 The 2019/20 budget included a budgeted use of reserves of £1,000k to make a one off contribution to schools funding as part of an agreement with the DfE to provide additional funding to Leeds PFI schools in the schools funding formula for 2020/21 onwards. As this was a one off contribution in 2019/20 this budgeted use of reserves has been removed from the 2020/21 budget. The 2019/20 budget also included a budgeted use of Section 106 balances of £510k. This use of reserves has also been removed from the 2020/21 budget proposals as part of the move to a more resilient financial position.

#### **3.5 Changes in prices – pressure of £2,641k**

3.5.1 The budget includes provision of £1,892k for a general pay award of 2% across all pay grades. As part of the Council's continuing commitment to be a Real Living Wage employer the minimum hourly rate paid to current Leeds City Council employees will rise to £9.36 per hour which is 6p above the Real Living Wage rate. Apprentices and new starters on the A1 spinal point will be paid £9.30 per hour for the first year only.

3.5.2 No provision has been made for inflation on running cost budgets other than demand based budgets and where there are specific contractual commitments and on utilities. The 2020/21 budget provides £749k for essential inflation. This includes £309k for external placements, £400k for transport costs and £40k for utility costs.

#### **3.6 Actuarial Review – saving of £177k**

3.6.1 A review of the West Yorkshire Pension Fund has been undertaken in November 2019, and has shown the Fund to be in a surplus position. As a result, a reduction in the employer's contribution rate from the current 16.2% to 15.9% in 2020/21 is assumed. This reduction is estimated to save £177k.

#### **3.7 Capitalised Pension Costs – saving of £318k**

3.7.1 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 £318k.

#### **3.8 National Living Wage/Ethical Care Charter Commissioned Services – pressure of £590k**

3.8.1 Provision of £590k has been included for the estimated cost of the increase in the national living wage for external placement costs.

#### **3.9 Demand and Demography – pressure of £1,600k**

3.9.1 In recognition of the ongoing pressures on the Children and Families budget from increases in the child population and the resulting increase in children requiring support and children eligible for transport arrangements the CLA and financially supported Non-CLA budgets have been increased by £900k and the transport budget by £700k. .

### 3.10 **Other budget pressures – £2,424k**

3.10.1 Additional provision of £1,615k has been included in the Social Care budget for the expenditure related to the new Strengthening Families Protecting Children grant funded programme. It is anticipated that this will include £1,415k of staffing costs and £200k other running costs.

3.10.2 The 2020/21 budget proposals include additional staffing costs of £200k to provide for an increase in staffing in the Special Educational Needs Statutory Assessment and Provision (SENSAP) team in recognition of the additional demands on this service due to the significant increase in Education, Health and Care Plans (EHCP) managed by this team.

3.10.3 A key budget pressure during 2019/20 has been a shortfall in fee income against the budgeted income levels at some Council run nurseries. In recognition of this pressure it is proposed to reduce the income target by £500k in 2020/21. The service has also been working on various initiatives to increase income across the centres, including a pro-active marketing and communications strategy and improved website design which should also help mitigate the pressure.

3.10.4 Other funded pressures include £200k additional budget for school improvement work funded by the additional School Improvement and Brokerage grant in 2020/21, £200k reduction in the income target for partnership working with other Local Authorities, £150k for an increase in the rate paid for direct payments.

3.10.5 Offsetting these pressures is a saving of £1,000k for the fallout out of the budgeted contribution to school funding for PFI schools in 2019/20 as referenced in paragraph 3.4.1.

### 3.11 **Savings**

#### **Business As Usual – £1,628k**

3.11.1 Efficiency savings of £443k have been included in the transport budget to reflect the ongoing work by the transport team in Civic Enterprise Leeds and staff in Children and Families to reduce transport costs. Initiatives include route rationalisation reviews, in-sourcing private hire routes, continued roll out of Personal Transport Allowances, private hire contract savings and greater emphasis on independent travel training. As outlined in paragraphs 3.5.2 and 3.9.1 it is proposed to increase the transport budget by £1,100k for inflationary and demand pressures, after allowing for these efficiency savings the actual transport budget will increase by a net £657k.

3.11.2 Additional income of £350k has been assumed for an increase in the recovery of eligible Personal Transport Allowance costs and £150k for an increase in the recovery of the education costs of eligible external residential placements both from the High Needs Block of the Dedicated Schools Grant. In both cases the Council has been under recovering these costs in previous years and the budget strategy in Children and Families has been to gradually move to a full cost recovery basis as the High Needs Block funding has increased through the new national funding formula.

- 3.11.3 Running cost savings of £280k have been included in the Directorate budget proposals. These include £100k for the full year effect of savings delivered across the Directorate in 2019/20 as part of the action plan to mitigate the in-year projected overspend. A further £75k of savings relate to the fallout of previously recharged costs in Partnerships and Health and £50k for a reduction in external legal costs based on current trends.
- 3.11.4 Other income has been increased by £410k including £140k for an increase in traded income in areas where there is growing demand such as education psychology and work force development and £270k for increases in various external funding streams and external contributions.

## 4 Risk Assessment

- 4.1 In determining the 2020/21 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 2020/21 budget for the Children and Families Directorate 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 just under £3m for these budgets. 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. The Directorate continues to develop innovative approaches to the delivery of services to mitigate the demand pressures.
- 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 2020/21 including transfers of funding from the other blocks. There has been a significant uplift in funding of over £12.8m for 2020/21 but even with this increase there is likely to be ongoing financial pressures in the High Needs Block that will need managing.
- 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 and that there will be further reductions in traded income as more schools become academies and financial pressures mean that there is reduced demand for services. The budget proposals do include reductions to some income targets such as nursery fee income and partnership income.

Briefing note prepared by: Simon Criddle (Head of Finance)  
Telephone: 07891274578

## Children and Families

	2020/21 £m	FTEs
<b>Net managed budget 2019/20</b>	121.75	
<b>Adjustments</b>		
Transfers of function		
Other adjustments	0.44	6.70
<b>Adjusted net managed budget</b>	<b>122.19</b>	<b>6.70</b>
<b>Grant Fallout</b>		
DfE Partner in Practice grant funding	1.70	
Reduction in Earned Autonomy Funding	0.32	
<b>Grant Increases</b>		
Additional Social Care Grant	(6.50)	
School Improvement and Brokerage Grant	(0.43)	
Strengthening Families Protecting Children	(1.62)	
<b>Changes in the use of Reserves &amp; Balances</b>		
Use of PFI reserves in 2019/20 to make a contribution to school funding	1.00	
Fallout out of use of Sction 106 balances	0.51	
<b>Total Funding Changes</b>	<b>(5.00)</b>	<b>0.00</b>
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	1.89	
Price	0.75	
Income	0.00	
<b>Employers Pension</b>	(0.18)	
<b>Capitalised Pensions</b>	(0.32)	
<b>National Living Wage - commissioned services</b>		
National Living Wage/Ethical Care Charter	0.65	
<b>Demographic and demand pressures</b>		
Demand and demography	1.60	
<b>Other</b>		
Fall out of the one off contribution to School Funding for PFI costs in 2019/20	(1.00)	
Additional spend funded by the Strengthening Families Protecting Children grant	1.62	20.20
Insurance & NNDR	0.55	
Special Educational Needs Statutory Assessment and Provision team new posts	0.20	6.00
Learning for Life - nursery fee income	0.50	
Additional budget for school improvement work	0.20	
Reduction in partnership work income target	0.20	
Apprenticeship levy	0.01	
Increased costs - direct payments	0.15	
<b>Total Pressures</b>	<b>6.81</b>	<b>26.20</b>
<b>Savings Proposals:</b>		
<b>Business As Usual</b>		
Passenger transport costs - efficiency savings	(0.44)	
Full cost recovery of Personal Transport Allowances from the DSG	(0.35)	
Running cost savings	(0.28)	
Recovery of the education costs of External Residential placements from DSG	(0.15)	
Other increases in income	(0.21)	
Additional traded services income	(0.10)	
Additional Youth Justice Board income	(0.10)	
<b>Service Delivery</b>		
<b>Workforce</b>		
<b>Service Delivery/Workforce</b>		
<b>Service Review</b>		
<b>Total Savings</b>	<b>(1.63)</b>	<b>0.00</b>
<b>Net Managed Budget 2020/21</b>	<b>122.37</b>	<b>32.90</b>



# LEEDS CITY COUNCIL

## 2020/21 BUDGET REPORT

### Directorate: Children and Families

#### The Schools Budget 2020/21

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 2020/21 is funded in four separate blocks for early years, high needs, schools and central schools services.
3. A 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 has been an additional 15 hours per week provision for working families of 3 and 4 year old children. The funding hourly rate has been confirmed as £5.28 for 2 year olds (from £5.20 in 2019/20) and £4.89 for 3 and 4 year olds (from £4.81 in 2019/20) and the grant received will continue to be based on participation. The actual grant received during 2020/21 depends on pupil numbers in the 2020 and 2021 January censuses. The early years pupil premium is also included in this block and is payable to providers for eligible 3 and 4 year olds. The hourly rates for 2020/21 for this element remain at £0.53 per hour. In addition, the Disability Access Fund rate has been confirmed at £615 per eligible child per year. The grant value shown below is based on the actual pupil numbers in January 2019.
5. The High Needs Block supports 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 2019, though adjustments to this figure are expected up until June 2020. The value in the table below is before any deductions are made by the Education and Skills Funding agency (ESFA) in respect of funding for academies, free schools and post 16 places. The High Needs Block is facing a number of financial pressures nationally and in recognition of this the national allocation has increased by £780m for 2020/21. For Leeds the current allocation is an increase of nearly £13m for 2020/21 although there is still a cap on gains within the national funding formula and this has been applied to the funding allocation to Leeds to the value of £4.6m. Despite the increase in funding for 2020/21 the anticipated increase in special school places and pupils eligible for additional top-up funding means that there is expected to be on going funding pressures for the High Needs Block which will need managing within the overall

available funding and there is a risk that costs exceed the budgeted assumptions as a result of the increasing demand. The position will be closely monitored during 2020/21. As part of managing the funding pressures, Schools Forum has agreed to transfer £2.65m from the Schools Block and there will be a further £350k transferred from the Central Schools Services Block. The proposed budget for 2020/21 taking into account the known and estimated changes is as follows:

	<b>2019/20</b>	<b>2020/21</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>High Needs Block DSG Income</b>			
High Needs Block baseline	72,960	85,741	12,781
Places funded directly by the ESFA	-8,871	-8,910	-39
Transferred from Schools Block	1,500	2,650	1,150
Transferred from CSSB	800	350	-450
<b>Total High Needs Grant</b>	<b>66,389</b>	<b>79,831</b>	<b>13,442</b>
<b>High Needs Block Expenditure</b>			
<b>Funding Passported To Institutions</b>			
Specialist settings	30,596	36,391	5,795
Mainstream schools and academies	10,438	13,904	3,466
Post 16 settings	3,979	4,465	486
Out of area and residential placements	6,618	8,954	2,336
Alternative provision	5,256	5,106	-150
Other funding passported to institutions	2,637	3,609	972
<b>Total Passported To Institutions</b>	<b>59,524</b>	<b>72,429</b>	<b>12,905</b>
<b>Commissioned Services</b>	<b>1,702</b>	<b>1,821</b>	<b>119</b>
<b>Directly Managed By Children &amp; Families</b>	<b>5,163</b>	<b>5,581</b>	<b>418</b>
<b>Total High Needs Expenditure</b>	<b>66,389</b>	<b>79,831</b>	<b>13,442</b>

6. The Schools Block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11. The grant for 2020/21 is based on pupil numbers (including those in academies and free schools) as at October 2019. Schools have been consulted on options for the local formula in 2020/21. 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 2020. As part of the consultation a majority of schools which responded supported a proposal to transfer £2.65m to the High Needs Block from the Schools Block. At the Schools Forum meeting on the 14<sup>th</sup> November Schools Forum approved this transfer. A majority of schools who responded to the consultation also supported a proposal for maintained schools to contribute

funding of £150k towards severance costs. Schools Forum also approved this contribution.

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 2020/21 was issued in December 2019 at £5.07m. This is a reduction as funding for the historic commitments element has been reduced by 20% in 2020/21. However, funding of £350k is available to transfer to the High Needs Block with a final decision being made by the Director of Children and Families in early 2020
8. The guidance for 2020/21 allows for funding to be moved within these blocks. Several movements to transfer funding to meet need have been agreed or supported by Schools Forum as detailed below:

	Schools £m	CSSB £m	High Needs £m
Transfer from Schools to High Needs	-2.65		2.65
Transfer from CSSB to High Needs		-0.35	0.35
Transfer from Schools to CSSB for new costs	-0.15	0.15	
	<u>-2.80</u>	<u>-0.20</u>	<u>3.00</u>

9. At the end of 2019/20 it is projected that there will be a deficit balance of £4.1m on general DSG compared to a surplus balance of £1.1m at the end of 2018/19. The deficit balance will be carried forward into 2020/21 and proposals to address the deficit will need to be incorporated into the medium term financial plan for the High Needs Block and DSG funding. A formal deficit recovery plan has to be submitted to the Education and Skills Funding Agency (ESFA) if the deficit exceeds 1% of the total DSG funding for the Local Authority. For Leeds this would apply if the cumulated deficit exceeded £6.9m.
10. Funding for post-16 provision is allocated separately by the ESFA. Funding for high need post-16 pupils is no longer be part of this grant and is now included in the DSG High Needs Block totals. Funding for 2020/21 will be based on 2019/20 lagged student numbers.
11. Pupil Premium grant is paid to schools and academies based on the number of eligible Reception to year 11 pupils on the schools roll in January each year. The rates for 2020/21 are expected to remain at: primary £1,320, 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 also expected to remain the same at £2,300.

12. The Primary PE grant will be paid in the 2019/20 academic year to all primary schools at a rate of £16,000 plus £10 per pupil. It is expected that these rates will remain the same for 2020/21.
13. For the Year 7 catch up grant in 2019/20, funding is allocated to schools on the basis that they receive the same overall amount of year 7 catch-up premium funding received in 2018/19. It will be adjusted to reflect the percentage change in the size of their year 7 cohort, based on the October 2019 census. It is assumed that 2020/21 will be on the same basis and so dependent on the October 2020 census information.
14. 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 2019/20 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.
15. A grant is received in relation to additional teacher's pay costs from 1<sup>st</sup> September 2018 and September 2019. The values below are a full year in 2019/20 and a part year for 2020/21 as the grant ceases at the end of the 2020/21 academic year.
16. A further grant has also been announced in relation to additional costs incurred in respect of increases in the teacher's pension scheme from September 2019. Nationally, £1.5 billion per year will be provided to continue funding these additional pension costs from 2020/2021 through to 2022/2023. The values below are a part year in 2019/20 and an estimate of the full year for 2020/21.
17. 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.
18. 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. Following discussions with the DfE the Council agreed to make a one-off contribution of £1m from Council reserves to the PFI Factor in the school funding formula in 2019/20. This increase in the PFI Factor has now been permanently baselined in the 2020/21 school funding settlement. This increase provides additional funding to cover the anticipated increase in costs of the PFI contracts over the next few years.

### **Schools Funding Summary**

19. The grants before ESFA deductions (e.g. for payments to academies) and transfers between blocks for 2019/20 (latest estimate) and 2020/21 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 in 2019/20. Some of the amounts for 2020/21 are subject to final confirmation by the ESFA.

	2019/20	2020/21	Change
	£m	£m	£m
DSG - Schools Block	516.31	551.64	35.33
Schools block - additional council contribution	1.00	0.00	-1.00
DSG - Central Schools Services Block	5.32	5.07	-0.25
DSG - High Needs Block	72.93	85.74	12.81
DSG - Early Years Block	58.75	59.67	0.92
ESFA Post 16 Funding	26.06	25.77	-0.29
Pupil Premium Grant	39.00	39.00	0.00
PE & Sports Grant	4.30	4.30	0.00
Year 7 Catch-up Grant	0.96	0.96	0.00
Universal Infant Free School Meals Grant	9.51	9.68	0.17
Teachers Pay Grant	6.16	2.56	-3.60
Teachers Pension Grant	11.80	20.32	8.52
	<u>752.10</u>	<u>804.71</u>	<u>52.61</u>

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

# LEEDS CITY COUNCIL 2020/21 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 2020/21 financial year.

### 2 Service Context

- 2.1 City Development is 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 2020/21 budgets will again support a number of high profile sporting events including the World Triathlon and Tour de Yorkshire.

### 3 Budget Proposals

- 3.1 This 2020/21 budget has been set at £38,339k representing a net increase of £1,484k (4.03%) when compared to the adjusted budget for 2019/20. This net increase comprises a number of changes in funding totalling £741k and pressures totalling £3,927k offset by savings of £3,184k which are explained below.

#### 3.2 Budget Adjustments and Transfers

- 3.2.1 There have been a number of budget adjustments and transfers made to the 2020/21 budget which reflect the movement of individual posts between directorates and adjustments required to negate the requirement for recharges to be made between directorates. In addition the base budget of £1,115k for Leeds 2023 has transferred from the Strategic Account to City Development's Arts and Heritage Service. The overall net impact of these adjustments is to increase the directorate's budget by £1,001k, giving an adjusted 2019/20 budget of £36,855k.

#### 3.3 Changes in Specific Grant Funding – no change.

- 3.3.1 There are no changes to grant funding.

#### 3.4 Changes in Use of Reserves and Balances – reduction of £741k

- 3.4.1 The 2019/20 base budget assumed the use of £937k of S106 balances to support the council's revenue budget, this has now been reversed to support the move to a more resilient financial position.

- 3.4.2 However the 2020/21 budget proposals includes a one year only use £500k of other balances to support the revenue budget.

- 3.4.3 The 2019/20 base budget for Active Leeds had £304k of Public Health funding from reserves however this has now been fully utilised so a resource allocation of £304k has been awarded to ensure continuation of service.

### 3.5 **Changes in prices – pressure of £3,280k**

- 3.5.1 The 2020/21 budget includes a provision of £1,377k for a 2% pay award for both NJC and JNC staff that are in post at the time of budget setting.
- 3.5.2 No provision has been made for inflation on running cost budgets other than demand based budgets and where there are specific contractual commitments and on utilities. £501k has been provided for utilities inflation, £250k for PFI contracts inflation, and £1,152k across all services for essential supplies and services.

### 3.6 **Actuarial Review – saving of £129k**

- 3.6.1 A review of the West Yorkshire Pension Fund has been undertaken in November 2019, and has shown the Fund to be in a surplus position. As a result, a reduction in the employer's contribution rate from the current 16.2% to 15.9% in 2020/21 is assumed. This reduction is estimated to save £129k.

### 3.7 **Capitalised Pension Costs – saving of £157k**

- 3.7.1 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 £157k.

### 3.8 **Demand and Demography – there are no direct demand and demography pressures.**

### 3.9 **Other budget pressures – £932k**

- 3.9.1 The budget funds a £600k reduction in the income requirement for the Programmes and Projects team who support the delivery of the council wide Capital Programme, to reflect the work programme of the team.
- 3.9.2 A number of historic and challenging budget action plan savings on staffing in Arts and Heritage have been reversed totalling £322k.
- 3.9.3 In City Development the costs of insurance will decrease by £0.035k in 2020/21. However across the council the cost of insurance will increase. This increase is largely due to a combination of having to provide for new large insurance claims against the Council and a re-assessment of the amounts set aside for previously submitted claims. In addition the increase also reflects the assumed impact of the Government's intention to directly provide risk protection arrangements to local authority maintained schools. This increase has been funded through a reduction in the cost associated with servicing the Council's debt.

### 3.10 **Savings - £3,184k**

#### 3.11 **Business As Usual – £1,934k**

- 3.11.1 £620k will be saved by mitigating pay inflation via charging the cost of the 2020/21 pay award in Highways and Asset Management mainly to capital schemes.
- 3.11.2 £430k of the savings relate to energy costs from the continuation of the Street Lighting LED conversion scheme, this is in addition to the £700k of LED conversion savings in the 2019/20 budget.

- 3.11.3 A further £200k of additional income is budgeted for from external advertising income, increasing the 2019/20 budget from £800k to £1m in 2020/21.
- 3.11.4 An additional £200k saving from the ongoing asset rationalisation programme freeing up existing building capacity is included in the 2020/21 budget increasing the 2019/20 savings target from £250k to £450k.
- 3.11.5 An additional (net) income from changes in the Highways and Utilities Permit scheme where by the council can now charge utility companies for permits for road works which fall on all highways rather than just main carriageways as was the case previously.
- 3.11.6 £214k of savings will be achieved via a directorate wide review and cash limiting of appropriate other operating expenditure budgets.

### 3.12 **Service Delivery £1,000k**

- 3.12.1 The Strategic Investment Fund provides an income stream after borrowing costs to support the council's budget. The 2020/21 budget increases this target by £750k from £3.36m in 2019/20 to £4.11m. The Council will only invest in properties that are considered appropriate to the council values such as supporting inclusive growth.

### 3.13 **Service Delivery/Workforce £250k**

- 3.13.1 £250k of net income is budgeted for from expanding the technical team in Highways Site Development to meet demand for its services including selling to other local authorities and undertaking more work in-house.

## 4 **Risk Assessment**

- 4.1 In determining the 2020/21 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 2020/21 budget for the City Development Directorate are:
  - 4.2 As the majority of their income streams are predicated on a buoyant and active economy, major Capital Programmes, Strategic Investments, Planning and Building Control fees, Advertising, Markets, Active Leeds, and Arts and Heritage income are all affected by local, regional, and national economic conditions and developments and therefore any downturn would be noted sharply in these service areas.
  - 4.3 The increase in the Strategic Investment Fund Target is a key risk as there is already a circa £600k shortfall against the 2019/20 budget. This does not mean that it is unachievable but reflects the Council's intention to not simply chase financial returns but moreover to only invest in suitable and sustainable investments that support the overarching ambitions of Leeds City Council.
  - 4.4 The Directorate had planned to commence the 4 year LED conversion programme by summer 2019. However as anticipated in the 2019/20 Budget Report the savings (£700k 2019/20, £430k 2020/21) "relied upon a prompt start which may be adversely impacted by ongoing and potentially protracted negotiations with the PFI provider". To date the Deed of



Variation contract has not been signed and therefore full commencement of the scheme has not started, although small works instructions have been issued to start some conversions.

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

## Directorate - City Development

	2020/21 £m	FTEs
<b>Net managed budget 2019/20</b>	35.89	
<b>Adjustments</b>		
Transfers of function	0.00	
Other adjustments	0.96	
<b>Adjusted net managed budget</b>	36.86	
<b>Grant Fallout</b>	0.00	
<b>Grant Increases</b>	0.00	
<b>Changes in the use of Reserves &amp; Balances</b>		
Public Health Funding	0.30	
Use of Balances	(0.50)	
Section 106	0.94	
<b>Total Funding Changes</b>	<b>0.74</b>	<b>0.00</b>
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	1.38	
Price	1.90	
Income	0.00	
<b>Employers Pension</b>	(0.13)	
<b>Capitalised Pensions</b>	(0.16)	
<b>National Living Wage - commissioned services</b>		
National Living Wage/Ethical Care Charter	0.00	
<b>Demographic and demand pressures</b>	0.00	
<b>Other</b>		
Former PPPU Surplus	0.60	
Staffing - Arts & Heritage - removal of previous action plan savings	0.32	
Apprenticeship Levy	0.04	
Insurance	(0.03)	
<b>Total Pressures</b>	<b>3.93</b>	<b>0.00</b>
<b>Savings Proposals:</b>		
<b>Business As Usual</b>		
Income - mitigation of pay inflation via charging	(0.62)	
Street Lighting LED Conversion	(0.43)	
Other Operating Expenditure	(0.21)	
Highways Leeds City Council Permit Scheme Income	(0.20)	8.00
Advertising Income	(0.20)	
Asset Rationalisation	(0.20)	
Capital Receipts Fee Income	(0.07)	
<b>Service Delivery</b>		
Strategic Investment Fund	(0.75)	
Planning - Increased fees and services for pre application enquiry services	(0.25)	
<b>Workforce</b>	0.00	
<b>Service Delivery/Workforce</b>		
Highways - Site Development external chargeable works	(0.25)	4.00
<b>Service Review</b>	0.00	
<b>Total Savings</b>	<b>(3.18)</b>	<b>12.00</b>
<b>Net Managed Budget 2020/21</b>	<b>38.34</b>	<b>12.00</b>

# LEEDS CITY COUNCIL 2020/21 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 2020/21 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 savings continue to be required, 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 2020 – 2025 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 2020/21, the directorate's 2020/21 budget submission will nevertheless seek to protect services and initiatives which support these priorities.

### 3 Budget Proposals

- 3.1 The 2020/21 budget has been set at £79,686k representing a net increase of £808k (1.0%) when compared to the adjusted budget for 2019/20. This net increase comprises changes in grant funding totalling (£20k), changes in the use of reserves/balances totalling (£299k) and pressures totalling £5,914k offset by savings of £4,787k which are explained below.

## 3.2 Budget Adjustments and Transfers

- 3.2.1 There have been a number of budget adjustments and transfers made to the 2020/21 budget which reflect the movement of individual posts between directorates and adjustments required to negate the requirement for recharges to be made between directorates. The overall net impact of these adjustments is to increase the directorate's budget by £307k, giving an adjusted 2019/20 budget of £78,878k.

## 3.3 Changes in Specific Grant Funding – net increase of £20k

- 3.3.1 The Housing Benefit Administration Subsidy and Localised Council Tax Support Administration Subsidy grant budgets are expected to reduce by £93k and £7k respectively, based on the provisional funding allocations announced in January 2020. Initial allocations in respect of Discretionary Housing Payments indicate an increase for Leeds of £314k to £2,161k following the announcement in the Spending Round 2019 of an additional £40m funding to Local Authorities for 2020/21. However, as any unused funding has to be returned, expenditure incurred under the scheme will be increased accordingly, meaning there will be no impact on the budget.
- 3.3.2 The Prime Minister announced in March 2018 that bereaved parents will no longer have to meet the cost of their child's burial or cremation. The Children's Funeral Fund was subsequently launched in July 2019 and is available regardless of a family's income to cover costs for children under 18 and stillbirths after the 24th week of pregnancy. Leeds City Council abolished fees for all children under 18 (with no restrictions) prior to the establishment of the fund and the anticipated income of £120k will partially offset the loss of income already provided for in the directorate's budget.

## 3.4 Changes in Use of Reserves and Balances – increased net usage of £299k

- 3.4.1 It is proposed to utilise £150k from the Council's Invest to Save fund to support investment in the Contact Centre (see para 3.10.2 below), £209k from the Wellbeing and Youth Activity Fund earmarked reserve, and a further £440k from the Waste Management earmarked reserve to support the directorate's 2020/21 revenue budget.
- 3.4.2 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. The 2019/20 revenue budget was supported by the use of £1m S106 balances in respect of Greenspace and in order to make the Council's financial position more financially sustainable and resilient, the 2020/21 budget provides for £0.5m to reduce the contribution from S106 Greenspace balances to £0.5m.

## 3.5 Changes in prices – pressure of £2,100k

- 3.5.1 The budget includes provision of £1,677k for an assumed pay award of 2% and the Council's continuing commitment to be a Real Living Wage employer. Consequently, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.36 per hour which is 6p above the Real Living Wage rate. Apprentices and new starters on the A1 spinal point will be paid £9.30 per hour for the first year only.
- 3.5.2 No provision has been made for inflation on running cost budgets other than for demand based budgets and where there are specific contractual commitments and on utilities. The overall provision for price inflation is £877k. This includes £266k in respect of waste disposal contracts including the Recycling and Energy Recovery Facility (RERF), £131k for

fleet transport costs including fuel, £97k for grounds maintenance, £88k for business rates, £37k for electricity and gas and £14k for car parking pay and display machine maintenance.

- 3.5.3 Inflationary increases in the level of fees and charges and income from other organisations are estimated to generate additional income of £454k. Of this, £210k relates to an inflationary increase in bereavement fees which will offset cost increases, £30k in respect of Registrars ceremony fees, £117k for other sales within Parks and Countryside including food/drink at cafes and retail sales, £11k for waste disposal charges at the Council's weighbridges and £86k in respect of Street Cleansing charges to Housing Leeds.

### 3.6 **Actuarial Review – saving of £186k**

- 3.6.1 A review of the West Yorkshire Pension Fund has been undertaken in November 2019, and has shown the Fund to be in a surplus position. As a result, there will be a reduction in the employer's contribution rate from the current 16.2% to 15.9% in 2020/21. This reduction is estimated to save the directorate £186k.

### 3.7 **Capitalised Pension Costs – saving of £256k**

- 3.7.1 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 £256k.

### 3.8 **Living Wage Commissioned Services – pressure of £50k**

- 3.8.1 The directorate's budget provides for an additional net £50k in respect of the streetscene grounds maintenance contract to allow for the implementation of a minimum pay scale which is aligned to that of the Council.

### 3.9 **Demand and Demography – pressure of £190k**

- 3.9.1 Anticipated household growth in the city will impact on the volume of waste disposed of and provision of £190k has been made for the increased disposal costs of waste to the Recycling and Energy Recovery Facility.

### 3.10 **Other budget pressures – £4,016k**

- 3.10.1 In recent years there has been a decline in the amount of Housing Benefit overpayments which the Council can recover and this is expected to be further impacted upon by the migration to Universal Credit. The net impact on the 2020/21 budget is estimated to be £0.4m.
- 3.10.2 The budget makes provision for the continuation of additional Customer Service Officers at the Contact Centre, recruited in 2019/20 to address call waiting times across the Contact Centre generally and to specifically improve the average answer rate of Housing calls to 1 minute. Short term funding from Housing Leeds and the Council's Invest to Save fund has been secured for 2020/21 pending further developments designed to deliver savings through channel shift, whereby transactions are handled via on-line channels.
- 3.10.3 An additional £2.1m is provided for delivery of the Council's Waste Strategy and to support implementation of the waste review, with further investment planned for 2021/22. The waste service is currently undertaking a review of collection arrangements designed to maximise the current collection infrastructure to ensure that the service is better able to address specific service challenges and meet future requirements.

- 3.10.4 A number of planned major city centre developments will impact on the current city centre car parking capacity and on bus lane enforcement. It is anticipated that this will have a significant impact on income in 2020/21 and to reflect this, £930k has been provided in the directorate's budget.
- 3.10.5 In the 2019/20 budget, provision of £90k was made for the part year implementation of a Single Point of Contact in respect of the Council's surveillance cameras. This was 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. The 2020/21 budget makes provision for a further £40k to reflect the full year effect of the implementation.
- 3.10.6 The budget makes provision of £40k for an additional post within the directorate improvement team to provide additional capacity across the directorate to support service specific work streams and projects as prioritised by the directorate's leadership team.
- 3.10.7 As part of the 2019/20 budget, it was proposed to review and standardise the level of discounts available to Leeds card holders at visitor attractions and an assumed saving of £30k was included in the budget. However, the Council is now undertaking a full review of all its concessionary pricing arrangements and until this review is complete, the assumed level of saving in the directorate's budget of £30k will not be achieved.
- 3.10.8 The budget provides for £90k to increase staffing levels within the Council Tax service for the tracing of former residents of Leeds who have moved away from the area and are liable for the repayment of Council Tax arrears. Currently the service incurs overtime costs to undertake such work and this proposal therefore represents a more cost effective solution.
- 3.10.9 The cost of insurance is estimated to increase by £215k in 2020/21. This increase is largely due to a combination of having to provide for new large insurance claims against the Council and a re-assessment of the amounts set aside for previously submitted claims. In addition the increase also reflects the assumed impact of the Government's intention to directly provide risk protection arrangements to local authority maintained schools. This increase has been funded through a reduction in the cost associated with servicing the Council's debt.

### 3.11 **Savings**

#### 3.12 **Business as Usual – £4,362k**

- 3.12.1 A cross directorate review of staffing vacancy factors and a line by line review of budgeted operational expenditure has identified savings of £100k and £180k respectively. In addition a £50k reduction in printing and postage costs is anticipated within Welfare and Benefits to reflect falling Housing Benefit caseloads and the increased take up of electronic Council Tax billing.
- 3.12.2 Within Safer Leeds, efficiency savings of £175k reflect a review of commissioning plans and the maximisation of external funding. In addition a £15k staffing saving reflects the service's decision to hold some posts vacant to fund a temporary project team to respond to service priorities and manage programmes of change.
- 3.12.3 It is intended to increase the charge for commuter parking at Woodhouse Lane Multi Storey car park by 50p to £8.50 for a full day, which is anticipated to generate additional income of £100k in 2020/21.

- 3.12.4 In order to support traffic management arrangements at Leeds Bradford Airport following the establishment of the red route clearway, additional net parking enforcement income of £20k is anticipated.
- 3.12.5 Within Waste management, savings of £3.1m have been identified. These relate to anticipated savings on the Council's waste contract for disposal of residual waste at the Recycling and Energy Recovery Facility, other efficiency savings identified within the service following work undertaken as part of the route review and trends in respect of income from the disposal of trade waste at the Council's weighbridge sites.
- 3.12.6 The cost of holding local elections in 2020/21 is expected to reduce by around £400k from the 2019/20 budgeted amount as the West Yorkshire Police and Crime Commissioner election will be held at the same time which will allow some of the costs of holding the elections to be shared.
- 3.12.7 Following a revaluation by the Valuation Office of the rateable value of the Arium, the business rates liability has reduced by £220k from the amount provided in the 2019/20 budget.

### 3.13 **Workforce - £325k**

- 3.13.1 Staffing efficiencies of £325k have been identified across the directorate, with £75k and £50k savings respectively estimated to be generated from a review of senior management structures within the Communities and Waste Management services.
- 3.13.2 A further £200k saving is anticipated from within the Welfare & Benefits service to reflect a review of the Council Tax and Benefits service in response to falling caseloads due to the migration to Universal Credit and to the continuing reduction in Housing Benefit Administration Subsidy Grant.

### 3.14 **Service Review - £100k**

- 3.14.1 A reduction of £100k in the net cost of Community Centres is anticipated from a combination of 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.

## 4 **Risk Assessment**

- 4.1 In determining the 2020/21 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 2020/21 budget for Communities & Environment are:
- 4.2 The assumed level of waste disposal contract savings is not realised which could impact on the Council's aspiration to invest in the waste management service in accordance with the emerging waste strategy.
- 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 and the impact on income budgets from city centre developments is greater than anticipated.
- 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 level of assumed specific grant funding within the Welfare and Benefits service is subject to confirmation of the final allocations by the Government.
- 4.8 The budgeted level of income in respect of the recovery of Housing Benefit overpayments is not achieved and the continuing roll out of Universal Credit has a greater impact than anticipated.
- 4.9 Staff turnover and the number of vacant posts across the Directorate are less than assumed in the budget.

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



## Communities and Environment

	2020/21 £m	FTEs
<b>Net managed budget 2019/20</b>	78.57	
<b>Adjustments</b>		
Transfers of function/other adjustments	0.31	
<b>Adjusted net managed budget</b>	78.88	
<b>Grant Fallout</b>		
Reduction in Housing Benefits/Localised Council Tax Support Admin grants	0.10	
<b>Grant Increases</b>		
Children's Funeral Fund - assumed income	(0.12)	
<b>Changes in the use of Reserves &amp; Balances</b>		
Use of invest to save funding - Contact Centre	(0.15)	
Use of Wellbeing reserve	(0.21)	
Use of Waste Management earmarked reserve	(0.44)	
Reduction in use of Greenspace S106 Balances	0.50	
<b>Total Funding Changes</b>	<b>(0.32)</b>	<b>0.0</b>
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	1.68	
Price	0.88	
Income	(0.45)	
<b>Employers Pension</b>	(0.19)	
<b>Capitalised Pensions</b>	(0.26)	
<b>Living Wage - commissioned services</b>		
Grounds Maintenance	0.05	
<b>Demographic and demand pressures</b>		
Additional black bin waste disposal volumes	0.19	
<b>Other</b>		
Housing Benefits Overpayment income	0.40	
Contact Centre - maintain improved levels of service	0.55	20.0
Contact Centre - Housing Leeds funding in respect of Housing enquiries	(0.40)	
Implementation of Waste review and investment in waste strategy	2.13	38.5
Car parking/Bus Lane Enforcement - impact of city centre developments on income	0.93	
CCTV - Single Point of Contact staffing (full year effect)	0.04	
Directorate Improvement Officer post	0.04	1.0
Leedscard discounts at Visitor Attractions	0.03	
Council Tax staffing	0.09	3.5
Insurance	0.22	
<b>Total Pressures</b>	<b>5.91</b>	<b>63.0</b>
<b>Savings Proposals:</b>		
<b>Business As Usual</b>		
Increased staffing vacancy factor across the directorate	(0.10)	
Review of operational expenditure across the directorate	(0.18)	1.5
Welfare & Benefits - reduction in printing and postage costs	(0.05)	
Safer Leeds - maximisation of external funding and staffing efficiencies	(0.19)	1.0
Increase commuter fee at Woodhouse Lane car park by 50p for a full day	(0.10)	
Car Parking Enforcement - red route camera at Leeds Bradford Airport	(0.02)	
Waste disposal contract savings and other waste management efficiencies	(3.10)	
Shared cost of elections with WYPCC	(0.40)	
Business Rates reduction at the Arium	(0.22)	
<b>Workforce</b>		
Review of Communities management structure	(0.08)	(1.0)
Review of Waste management structure	(0.05)	(1.0)
Welfare and Benefits - review of staffing arrangements to reflect falling HB caseloads (migration to UC)	(0.20)	(8.0)
<b>Service Review</b>		
Community Centres - asset transfers and running cost efficiencies	(0.10)	
<b>Total Savings</b>	<b>(4.79)</b>	<b>(7.5)</b>
<b>Net Managed Budget 2020/21</b>	<b>79.69</b>	<b>55.5</b>

# LEEDS CITY COUNCIL

## 2020/21 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 2020/21 financial year.

#### 2 Service Context

- 2.1 The Directorate provides the lead in the delivery of a range of projects to help tackle the Climate Emergency in Leeds. The Sustainable Energy and Air Quality team are working with colleagues and partners to deliver major projects requiring significant levels of investment from both the Council and Government. These projects include the District Heating scheme, the Clean Air Zone, improving insulation in social housing, vehicle replacement programmes and many energy saving initiatives including the replacement of LED street lighting.
- 2.2 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.
- 2.3 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.
- 2.4 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. The Directorate is actively engaged in leading on the delivery of projects to help tackle homelessness which remains a key priorities in the Best Council Plan
- 2.5 The Directorate is also responsible for the provision of council housing across the city. This is dealt with separately within the HRA budget report.

#### 3 Budget Proposals

- 3.1 This 2020/21 budget has been set at £84,869k, representing a net increase of £2,021k (2.14%) when compared to the adjusted budget for 2019/20. This net increase comprises a number of changes in funding of £1,978k and pressures totalling £6,819k offset by savings of £2,820k which are explained below.

#### 3.2 Budget Adjustments and Transfers £632k

- 3.2.1 There have been a number of budget adjustments and transfers made to the 2020/21 budget which reflect the movement of individual posts between directorates and

adjustments required to negate the requirement for recharges to be made between directorates. The overall net impact of these adjustments is to increase the directorate's budget by £632k, giving an adjusted 2019/20 budget of £82,848k

3.2.2 The items included in the £632k above are explained below

- A transfer of £110k to the Directorate to reflect the fact that legal services will undertake more in house work as a result of the implementation of a new structure.
- £100k for the funding of the Faster Payments Team in Procurement. This was piloted in 2019/20 and funded from the Strategic budget.
- £153k for relating to further centralisation of DIS budgets primarily relating to mobile phone recharges
- £68k for the net transfer of posts and other staffing budgets between directorates.
- £176k for the financing of the District Heating Scheme (Leeds PIPES) –see 3.8.6
- £25k for all other adjustments

3.2.3 Further budget adjustments on the centralisation of mail and print budgets and fleet budgets will be completed prior to April 2020 to enable the delivery of efficiencies assumed in the budget. This work is being finalised with the directorate teams.

### 3.3 **Changes in Specific Grant Funding – increase of £317k**

3.3.1 There has been an increase in funding from the Homelessness Reduction Act grant of £317k to £525k. The base level of funding for the Flexible Homelessness Support Grant has been confirmed and remains unchanged at £1,130k.

3.3.2 The base budget for the Rough Sleepers grant was £385k. The Council has successfully bid for funding of £732k covering the Rough Sleeper grant and the Rapid Rehousing programme.

### 3.4 **Changes in Use of Reserves and Balances – increase of £942k**

3.4.1 The 2019/20 base budget was supported by the use of £664k of Flexible Housing Support Grant reserve held on the balance sheet. This reserve will be fully used in 2019/20 and will no longer be available in 2020/21.

3.4.2 Selective Licensing Ringfenced reserve – It is proposed to transfer £1,114k from the reserve to fund the estimated annual spend in this service. (See 3.8.1 for details)

3.4.3 Clean Air Zone (CAZ) Grant Reserve - Government has paid a £4.7m CAZ revenue grant to the Council in 2019/20. The grant income will be applied each year to fund appropriate revenue spend within the CAZ. The 2020/21 budget assumes that £860k will be transferred from the reserve to fund set up costs which are outlined in 3.8.5.

### **3.5 Changes in prices – pressure of £3,001k**

- 3.5.1 The budget includes provision of £2,825k reflecting the provision for a pay award of 2% and the Council's continuing commitment to be a Real Living Wage employer. Consequently, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.36 per hour which is 6p above the Real Living Wage rate. Apprentices and new starters on the A1 spinal point will be paid £9.30 per hour for the first year only.
- 3.5.2 No provision has been made for inflation on running cost budgets other than for specific contractual commitments and on utilities. The sum of £633k is included, with the most significant items being DIS contracts £115k, food costs in the Catering service £115k, increase in the CPM budget of £103k and £150k within Facilities Management for energy, rent and other running cost budgets. All other inflationary increases across all services total £160k.
- 3.5.3 Inflationary increases on income budgets total £457k and mainly reflect proposals to increase charges to schools for professional support services and to the HRA on a range of services of between 1% and 2%.
- 3.5.4 To reflect the Council's commitment to ensuring children can continue to enjoy a healthy school meal, there are no plans to increase the price of school meals.

### **3.6 Actuarial Review – saving of £341k**

- 3.6.1 A review of the West Yorkshire Pension Fund has been undertaken in November 2019, and has shown the Fund to be in a surplus position. As a result, a reduction in the employer's contribution rate from the current 16.2% to 15.9% in 2020/21 is assumed. This reduction is estimated to save £341k.

### **3.7 Capitalised Pension Costs – saving of £239k**

- 3.7.1 The fall out of capitalised pension costs associated with staff who have previously left the Council under the Early Leaver's Initiative (ELI) will save an estimated £239k.

### **3.8 Other budget pressures including Funded Spend – £4,398k**

- 3.8.1 Members approved the implementation of Selective Licensing schemes for privately rented residential properties in areas of Beeston and Harehills at Executive Board in July 2019. The scheme became operational on 6th January 2020. The budget for 2020/21 now includes the estimated total annual cost of operating the scheme(s) at £986k. The scheme will be cost neutral to the budget as it is offset by income collected from the licence fees. As licence fees are paid for a period of 5 years, the balance of the fee income will be transferred to a ring fenced reserve.
- 3.8.2 Homelessness Reduction Act – A plan to spend the £525k grant (see 3.3.1) will be developed by the service and will be subject to a separate report by the Chief Officer - Housing Services.
- 3.8.3 Rough Sleepers Grant Spend – As referred to in 3.3.2 a grant bid for £732k has been successful. This is an increase of £347k compared to the base budget.
- 3.8.4 The Council continues to work proactively towards tackling the Climate Emergency in Leeds. One of the key programmes is the Clean Air Zone (CAZ). The zone is anticipated to

come into effect in the summer of 2020, however this is contingent on Government systems being delivered on time. An update report will be brought to a future Executive Board in 2020 together with an indication of the projected costs and income associated with the actual operation of the CAZ.

- 3.8.5 However, there are set up costs associated with the Clean Air Zone that will be continue to be incurred prior to the scheme going live and need to be budgeted for accordingly. These costs include staffing costs, financing of the taxi loans, provision for doubtful debts and other minor set up costs. In total, these are around £860k. These costs are fully funded from the DEFRA grant (see 3.4.3) which has already been received by the Council and therefore has no direct impact on the revenue budget.
- 3.8.6 In 2020/21, phase 1 of the District Heating Scheme, "Leeds PIPES", is in its first full year of operation. Total operating costs are anticipated to be £1.39m, including the commencement of repaying the capital spend used to fund the scheme at £0.5m. Income is expected to be £1.21m. In time, as the approved business case demonstrated, increasing customer numbers will ensure the overall financial viability of the scheme and annual budgets will be amended to reflect this.
- 3.8.7 A further net £425k is to be provided to help resource the Council's ambition to increasingly become carbon neutral whilst at the same time address the climate emergency that the Council has declared
- 3.8.8 A combination of Microsoft encouraging organisations to move to cloud based services and the end of a three year price fix on all Microsoft product licences will require an additional payment to Microsoft of £813k in 2020/21.
- 3.8.9 Income pressures in the directorate total £307k. Of this, £157k relates to a reduction in the number of school meal days (3) compared to the previous year; £100k relating to a reduction in income in Shared Services reflecting an anticipated reduction in schools due to academisation and £50k to reflect a further reduction in court fee income in the finance budget.
- 3.8.10 Other minor variations, including increase in insurance costs, across the directorate total around £100k.

### 3.9 **Savings**

#### 3.10 **Business As Usual – £2,820k**

- 3.10.1 The Mail and Print review is projected to save £540k in 2020/21. The savings will be realised from the printer rationalisation programme, including a reduction in the volume of printing, particularly colour and a reduction in external mail and print spend following planned investment in new printers at the Print Unit.
- 3.10.2 By working more closely with Health and looking to defray costs on shared city platforms, DIS are proposing to bring in an additional £250k of external income. A further £60k will be saved on external spend on repairing IT equipment by using DIS staff instead.
- 3.10.3 CEL Fleet services are planning to deliver savings of over £800k over the medium term plan with around £550k front loaded into 2020/21.

- There is a plan to replace over 400 vehicles with new electric replacements resulting in operational cost reductions of approximately £280k in Year 1.
- A sum of £160k is budgeted to reduce spend on long term hire and with subcontractors.
- Additional income to be targeted from maintaining other public sector vehicles and additional external income from MOTs, totalling £110k.

3.10.4 CEL Catering are seeking to save £40k by reducing the reliance on meat based dishes and offering additional vegetarian / vegan alternatives. To put this into context, the service spends over £4m on food costs. The saving would equate to reduction of around 0.7p per meal on a plate, with the spend per plate to be budgeted at 73.5p

3.10.5 A net £25k of income is assumed with CEL commercial catering to reflect the approved business cases at Aireborough Leisure centre (now opened) and at Yeadon Tarn

3.10.6 In the Facilities Management service, savings of £55k are proposed by reviewing the servicing of meetings in the City Centre and an option to look at developing a kiosk offer within Merrion House.

3.10.7 Savings of £310k in staff costs will be realised mainly from the deletion of 2 x JNC posts, a review of the Human Resources structure and reviewing vacant posts across the directorate.

3.10.8 Within Housing services, it is proposed to charge an additional £194k to capital to reflect additional staffing required to deliver the increased programme on Disabled Facilities Grants.

3.10.9 A review of line by line expenditure across all service areas has been undertaken. A total of £380k will be removed from service budgets.

### 3.11 **Service Delivery £80k**

3.11.1 The general office waste contract is to be brought in house to save £50k and a further £30k saving is planned by bringing housing voids in the West of the City back in house.

### 3.12 **Workforce £350k**

3.12.1 Within Shared Services there are proposals to automate the invoice processing function to save around £150k in staffing costs.

3.12.2 It is proposed to review the administration function, particularly around the time taken and the cost of servicing of meetings in Directorates. A savings target of £200k has been assumed and this will require close working and agreements on staffing resource with Chief Officers and Heads of Service council wide to enable this saving to be delivered.

## 4 **Risk Assessment**

4.1 In determining the 2020/21 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 2020/21 budget for the Directorate are:

- The pay award is agreed in excess of the budgeted level of 2%
- Spend on corporate property maintenance remains in line with 2019/20 levels
- School meal numbers are lower than the level budgeted
- Delays in the procurement of replacement electric fleet vehicles mean vehicle cost savings cannot be delivered as planned
- Delays in the procurement of new print unit equipment and the failure to centralise budgets impact on the planned savings
- Savings assumed in staffing from process changes and automation are not delivered

Briefing note prepared by: Kevin Mulvaney (Head of Finance)  
Telephone: 378 9390

**Directorate - Resources and Housing**

	2020/21 £m	FTEs
<b>Net managed budget 2019/20</b>	82.22	
<b>Adjustments</b>		
Transfers of function	0.01	
Other adjustments	0.62	
<b>Adjusted net managed budget</b>	82.85	
<b>Grant Fallout</b>		
Grant 1 name		
Grant 2 name		
Grant 3 name		
<b>Grant Increases</b>		
Homelessness Reduction Act Funding	(0.32)	
Rough Sleepers and Rapid Rehousing Funding	(0.35)	
<b>Changes in the use of Reserves &amp; Balances</b>		
Homelessness Grant Reserve	0.66	
Clean Air Zone Grant Reserve	(0.86)	
Selective Licensing Reserve	(1.11)	
<b>Total Funding Changes</b>	<b>(1.98)</b>	<b>0.00</b>
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	2.83	
Price	0.63	
Income	(0.46)	
<b>Employers Pension</b>	(0.34)	
<b>Capitalised Pensions</b>	(0.24)	
<b>National Living Wage - commissioned services</b>		
National Living Wage/Ethical Care Charter		
<b>Funded Spend</b>		
Selective Licencing- spend funded by income from licences	0.99	20.70
Clean Air Zone - Grant Funded Spend	0.86	
Rough Sleepers and Rapid Rehousing Funded spend	0.35	
Homelessness Reduction Act - New Spend	0.32	
<b>Other</b>		
Migration to Microsoft Cloud	0.81	
Climate Change - additional resource	0.43	9.00
Income from Schools - mainly Catering days	0.26	
Court Fee income	0.05	
Insurance	0.06	
DIS pressures	0.17	3.00
Other pressures	0.11	
<b>Total Pressures</b>	<b>6.82</b>	<b>32.70</b>
<b>Savings Proposals:</b>		
<b>Business As Usual</b>		
Shared Services & DIS - Mail and Print Review	(0.54)	
DIS - Working with Health to deliver shared platforms	(0.25)	
DIS - "Breakfix". Reduce devices sent to external provider for repair	(0.06)	
CEL - Merrion House : review servicing meetings, refreshments	(0.06)	
CEL - Catering; reduce reliance on meat based dishes	(0.04)	
CEL - Catering : generate additional net income in Civic Flavour	(0.03)	6.04
CEL - Fleet : Electric fleet replacement and long term hire	(0.34)	(2.00)
CEL - Fleet: Generate additional external income from maintenance of external	(0.21)	
Housing Management & CPM : Additional staff capitalisation	(0.26)	
Directorate Wide - review of vacant posts and vacancy factors	(0.31)	(8.56)
Directorate Wide - review of line by line expenditure	(0.31)	
<b>Service Delivery</b>		
CEL - Brings office waste disposal and voids in house	(0.08)	
<b>Workforce</b>		
Shared Services - automation of invoice processing & admin review of meetings	(0.35)	(12.12)
<b>Total Savings</b>	<b>(2.82)</b>	<b>(16.64)</b>
<b>Net Managed Budget 2020/21</b>	<b>84.87</b>	<b>16.06</b>



# LEEDS CITY COUNCIL

## 2020/21 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 2020/21 Housing Revenue Account (HRA) budget.
- 1.2 The 2020/21 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 2020/21

#### 2. HRA Budget Strategy

- 2.1 The 2016 Welfare Reform and Work Act introduced the requirement for all registered social housing providers to reduce social housing rents by 1% for the 4 years from 2016/17 to 2019/20. The 2019/20 budget was the fourth and final year of the policy requiring the reduction. The 2020/21 budget and budget strategy going forward is therefore based on a return to the policy of increasing rents by the Consumer Price Index (CPI) plus 1%.
- 2.2 The Council remains committed to sustaining the amount provided to maintain homes and to replacing homes lost through Right to Buy (RTB) by the planned investment in new homes, buying of empty homes and exercising the Right of First Refusal which the Council has to buy back former local authority homes sold under RtB legislation.
- 2.3 Although income is forecast to increase with the return to rent increases in line with the formula, additional expenditure in a number of priority areas, increased interest charges and the contributions to the Private Finance Initiative sinking fund within the agreed model, mean that resources will need to be managed carefully to be able to fund, pay and price pressure and other service 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 HRA capital programme.
- 2.4 The strategy also assumes a continued commitment to maintaining investment in the housing stock through a capital programme primarily funded from tenants rent.

### **3. Key Issues - 2020/21**

#### **3.1 Rent Policy**

In October 2017 the government announced a return to allowing a rent rise of up to the Consumer Price Index (CPI) plus 1% for five years from April 2020. This followed the requirement of the 2016 Welfare Reform and Work Act for all registered social housing providers to reduce social housing rents by 1% for the 4 years from 2016/17 to 2019/20. It is therefore proposed that rents are increased by 2.7% (CPI of 1.7% as of September 2019 +1%) in 2020/21 for the majority of dwellings. Further details are provided in Section 4.1

#### **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 pay part of the cost of these services meaning other tenants are subsidising the additional services received. It is proposed that an increase of RPI of 2.4% (September 2019 rate) on both MSF and Low/medium rise flats is implemented in 2020/21. Further details are set out in 4.3.

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

Tenants living in sheltered housing schemes across Leeds receive housing related support provided by Sheltered Support Officers. This charge has been held at £13/week for a number of years. This cost of the service has been reviewed and the budget proposes to increase charges to reflect the current costs of the service. The proposed charge for 2020/21 is £14.71/week. As this charge is eligible for Housing Benefit, the charge to tenants in receipt of Housing Benefit will be set at this level to fully recover costs.

In 2016/17 a nominal charge of £2/week was introduced for those tenants who benefited from the service but did not pay. This has been subsequently increased each year by £2/week. It is proposed that this increase is again applied in 2020/21 where the charge for self-payers will become £10/week (from the current £8/week). At £10/week, for self-payers, the service is subsidised by £4.71 per week. See 4.3.3 for further details.

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

The Council remains committed to prioritising resources to meet the capital investment strategy and to replace homes lost through Right to Buy by the planned investment in new homes. The Council aims to maintain a consistent level of capital expenditure with a view to improving the condition of the housing stock. The total draft capital programme for the HRA remains at around £80m in 2020/21 and in addition the Council House Growth Programme provides funding over 3 years of over £200m. Further details are set out in 5.11.

#### 4. Key movements 2019/20 to 2020/21 - Income

##### 4.1 Dwelling Rents

As detailed in 3.1, the rent reduction policy has now come to an end. It is proposed to increase rents to all properties, in accordance with the government formula for rent increases, by 2.7% to generate around £5,560k in additional rental income.

Increasing average rents by 2.7% equates to an increase of £1.94p per week/£101 per year as shown in the table below, however, the impact of this on individual tenants will vary.

<b>Average rent</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Increase</b>
<b>£ per week</b>	71.99	73.93	1.94
<b>£ per year</b>	3,754	3,855	101

The budget for 2020/21 assumes that 645 properties will be sold under Right to Buy which is based upon the continuation of activity levels for the past year. The impact of this is a forecast reduction in rental income of around £2.3m in a full year.

A void level of 0.75% has been assumed which is in line with the current trend. 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 budget assumes 80 new homes through the Housing Growth programme and around 60 brought back into the HRA from the Right of First Refusal policy.

The impact of the proposed rental increase, assumed stock reduction through RtB and the impact of new builds is a net increase in income from dwelling rents of £2,772k in 2020/21.

##### 4.2 Other rents

It is proposed to apply a 2.4% rental income increase for garages in line with RPI. Any other increases will be in accordance with individual lease agreements.

## 4.3 Service Charges

Net income from service charges is budgeted to increase by £507k in 2020/21. The main movements are detailed below.

### 4.3.1 Heat Lease

Income from heat lease charges is budgeted to reduce by £157k in 2020/21 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 pay part of the cost of these services meaning other tenants are subsidising the additional services received. It is proposed that an increase of RPI of 2.4% on both MSF and Low/medium rise flats is implemented in 2020/21. This will generate an additional £83k compared to 2019/20.

### 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.

The proposed charge for 2020/21 is £14.71 per week. This charge fully recovers the costs of the service and is eligible for Housing Benefit.

The proposed increase in charge for those covered by Housing Benefit, along with the decrease in the subsidy for self-payers, will generate an additional £279k compared to 2019/20.

### 4.3.4 District Heating charges

Housing Leeds manages a number of district heating schemes, including the new Leeds PIPES (Providing Innovative Pro-Environmental Solutions) scheme. An RPI increase of 2.4% is proposed for all District Heating Schemes. However, those tenants who will connect to the Leeds PIPES scheme will see an increase of around £1/week in their service charges. Approximately 2,000 council flats are expected to be connected to the new Leeds PIPES scheme by early summer 2020. (To date around 700 have been connected). This service charge is eligible for Housing Benefit where applicable.

The Leeds PIPES scheme will improve comfort levels for these flats through having more efficient and controllable heating, and will also reduce heating bills for tenants, which will more than offset the additional service charge referred to above. The modelling shows that 42% of the households with outdated electric heating systems are in fuel poverty, with an average 'fuel poverty gap' of £325 per annum. Installation of the scheme is expected to

reduce fuel poverty levels to just 6% of households and most importantly reduce the fuel poverty gap to just £63.

The total income expected from all district heating charges in 2020/21 is £1,379k of which £985k income is from the Leeds PIPES scheme.

#### 4.3.5 Contributions from leaseholders to capital works

The 2020/21 budget reflects contributions from leaseholders where their properties have benefited from capital investment. The 2020/21 budget assumes income of £1,083k. This is an increase of £172k against the 2019/20 budget reflects trends of an increased number of leaseholders and RPI.

#### 4.3.6 Extra Care

The income from service charges for the authority's Wharfedale View facility in 2020/21 is budgeted at an increase of £3k to reflect RPI.

#### 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 increase in rents (see 4.1) has been undertaken. With a return to a rental increase of CPI+1%, all tenants will pay more in 2020/21 than in 2019/20 as outlined in the table below.

<b>% of Tenants</b>	<b>Average Increase £/per week</b>
40.25	1.77-2.00
57.63	2.01-2.37
2.12	3.87-4.15

The 2.12% of tenants (around 1,160 properties) whose average weekly increases is the highest relates to tenants who are self-payers in Sheltered Accommodation. To limit the impact of multiple increases, it is to cap the increase any individual tenant will be charged at £3.50/week.

Where applicable these increases will be funded through Housing Benefit or Universal Credit for eligible tenants. Approximately 47% of tenants are in receipt of Housing Benefit with a further 12% in receipt of UC, a total of 59%.

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 2020/21 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 2019/20 and will remain fixed for the life of the PFI scheme.

## 4.6 Internal Income

The 2020/21 budget for internal income is £903k higher than 2020/21. This is largely due to a review of staff related charges which can be charged to various capital projects, including those working on the Council House Growth programme.

## 4.7 External Income

The decrease of £647k from 2019/20 to 2020/21 reflects inflationary increases, an anticipated £10k increase in advertising income offset by the impact of a change in legislation which has reduced the income receivable for telecommunications masts located on HRA buildings. This reduction is estimated to be in the region of £390k in 2020/21. As and when existing contracts fall out, there will be further reductions in income. The decrease also reflects a reclassification of Leeds PIPES income to District Heating under the Service Charge heading.

## 5. Key movements 2019/20 to 2020/21 - Expenditure

### 5.1 Employees

The 2020/21 budget for employees has increased by £1,177k when compared to the base budget 2019/20, with the most significant elements shown below:

- £600k relates to pay inflation, where a 2% pay award has been assumed.
- £670k relates to investment in the Housing Growth Team to lead on and to project manage the authority's ambitious New Build programme, this is fully funded by charges to capital.
- £165k extra resource has been included to extend the work of the Enhanced Income Team.
- £830k for repair and disrepair.
- £565k reduction to reflect a reconfiguration of the service to the General Fund
- £523k efficiency savings across the whole service.

### 5.2 Repairs to dwellings

Repairs to dwelling remains a priority budget. Overall the budget has increased by around £290k which takes into reductions in stock levels but also an investment in the responsive repairs budget to reflect the pre-emptive action being taken to reduce disrepair. The total proposed repairs budget for 2020/21 is set at £45,081k.

### 5.3 Premises

The premises budget reflects a net decrease of £419k. Although inflationary increases have been applied to utility costs, there are savings of around £440k

from vacating Navigation House. There are other premise savings resulting from the shift towards more services being provided in Community Hubs.

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

The increase in payments to the PFI contractors of £731k between 2019/20 and 2020/21 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 decrease of £231k. This includes inflationary uplifts, however the net decrease is largely as a result of the contribution to the Leeds PIPES energy scheme being reclassified to a charge for an internal service. See below.

#### **5.6 Charges for internal services**

These charges primarily cover the internal service provision charge to the HRA in the following areas; -

Horticultural Maintenance, Environmental services, Community Safety, Housing Services, Customer Access and Support Services, Corporate Governance services.

Most front line charges will be increased by the assumed pay award of 2%, although support services charges are cash limited to reflect the drive to reduce back office costs.

The budget also provides for specific additional investment in the following areas:-

- Enhanced Community Safety Initiatives in High Rise Flats, anticipated to be £300k in 20/21, rising to £600k in a full year.
- The impact of the Council agreeing to the payment of the Leeds Living Wage to the grounds maintenance contractor is around £100k.
- Additional resources of £400k are provided for in the Contact Centre to help to deal with Housing queries in a more timely manner ahead of the channel shift expected from the implementation of the new Housing Management ICT system.
- The move to Community Hubs is anticipated to cost an additional £85k which will be partly offset by a reduction in premises costs.
- £844k of expenditure is a reclassification of Leeds PIPES from Supplies and Services to an Internal Recharge.

The net impact of the above is an increase of £2.762m.

## **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 2020/21 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 budgeted assumptions on the pay award. The maintenance element has been kept to 2020/21 levels. The total fee payable to BITMO for 2020/21 is £3,242k which is an increase of £27k from 2019/20.

The budget continues to include £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 2019/20. 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 2020/21.

Community Partnership funding has increased by inflation assumptions to £104k.

Payments to Leeds Credit Union and the Leeds Tenants Federation have remained in line with 2019/20.

## **5.8 Contribution to Provisions**

### **(a) Disrepair**

Work has been on-going to rationalise the workflow processes and provide legal challenge to disrepair cases where appropriate. As this budget has continued to see considerable pressure during 2019/20 it proposed to maintain the contribution to the disrepair provision at £1,400k.

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

The budgeted contribution to the bad debt provision will decrease by £472k to reflect the trend over the past few years and the support that has been invested into assisting tenants in managing their income and engaging with former tenants regarding arrears. The proposed provision includes modelling to reflect the potential consequences of the continued rollout of Universal Credit. The budget will be £942k for 2020/21.

## **5.9 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. A DHP may be awarded when the authority considers that a claimant requires further financial assistance towards housing costs and is entitled to either Housing Benefit or Universal Credit (for the housing cost element towards a rental liability). The



proposed HRA budget for this in 2020/21 is £500k and remains consistent with the amount provided in 2019/20.

#### **5.10 Capital (Financing) charges**

The costs associated with servicing the HRA's borrowing have increased due to a combination of some lower rates falling out and the planned increase in borrowing to support the Council's new build programme which will see approximately 120 homes delivered in 2020/21 as part of the £203.6m Council House Growth Programme. An increase in financing charges of £185k has therefore been included taking the budget for 2020/21 to £28,070k. Capital charges for PFI are expected to reduce by £625k to £16,266k.

#### **5.11 Revenue Contribution to Capital**

The 2020/21 budget includes £60,550k to fund the housing capital programme/investment plan. This is £1,516k lower than the amount provided in 2019/20 and is due to making use of additional Right to Buy receipts from increased RtB sales in place of base budget. The overall capital programme, excluding the Housing growth programme, will remain at around £80m in 2020/21.

#### **5.12 Appropriation to / from Reserves**

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. As stated in previous budget reports, some of these reserves were used to prevent a retraction in front line services over the rent reduction period. They now require now to be replenished and therefore it is proposed to contribute to the Swarcliffe PFI reserve.

In 2020/21 the change in the contribution to the Sinking Fund is £2,130k.

### **6. HRA Reserves**

6.1 The HRA Reserves Statement reflects the anticipated movement in reserves between April 2020 and March 2021. 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 2020/21. This is approximately 2.5% of the total budget and remains unchanged from the current balance.

6.3 The use of all £780k 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 2019/20 on the Housing Advisory Panels earmarked reserve will be carried forward to 2020/21 to be used for the funding of projects which benefit tenants and residents in the community they represent.
- 6.5 It is proposed to retract the current earmarked reserve for the Early Leaver's Initiative of £408k. This reserve has been in place for some years and the service has been able to fund spend in this area from the in-year revenue budget. It is therefore proposed to use the reserve as a means of contributing to the overall budget pressures within the HRA in 2020/2021.
- 6.6 The PFI reserves are used to smooth out the effects of the unitary charge payments to the PFI contractor over the life of the contracts. In 2020/21 it is budgeted to use £1,030k of reserves for the Little London scheme in line with the approved PFI model.
- 6.7 It is also proposed that a contribution to the Swarcliffe PFI reserve of £816k is made. This reflects the commencement of the payback of the reserve which was partially used to help fund pressures in the HRA during the period of the rent reduction policy. The value of both reserves is expected to be £7.1m by March 2021.
- 6.8 A contribution to the Major Repairs Reserve is proposed at £60.550m.
- 6.9 **Forecast Level of HRA Reserves**

Projected Financial Position on Reserves	Reserves b/f April 2020	Projected Use of Reserves	Projected Contribution to Reserves	Projected Closing reserves
	£000	£000	£000	£000
<b>HRA General Reserve</b>	(6,495)			(6,495)
<b>Earmarked Reserves</b>				
Welfare Change	(780)	780		0
Housing Advisory Panels	(410)			(410)
Sheltered Housing	(2,741)	300		(2,441)
Early Leavers' Initiative	(408)	408		0
Wharefedale View	(15)			(15)
Changing the Workplace	(143)			(143)
	<b>(4,496)</b>	<b>1,488</b>	<b>0</b>	<b>(3,008)</b>
<b>PFI Reserves</b>				
Swarcliffe PFI Sinking Fund	(1,190)		(816)	(2,006)
LLBH&H PFI Sinking Fund	(6,078)	1,030		(5,048)
	<b>(7,268)</b>	<b>1,030</b>	<b>(816)</b>	<b>(7,054)</b>
<b>Capital Reserve</b>				
MRR (General)	(15,322)	(60,550)	61,095	(14,777)
MRR (New Build)	(235)			(235)
	<b>(15,557)</b>	<b>(60,550)</b>	<b>61,095</b>	<b>(15,012)</b>
<b>Total</b>	<b>(33,816)</b>	<b>(58,032)</b>	<b>60,279</b>	<b>(31,569)</b>

## 7. Risks

There are a number of risks which, should they materialise would have a significant impact upon the 2020/21 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:

- Pay inflation may vary from the 2% assumed.
- The impact of the Government's Welfare Change Agenda may increase arrears more than anticipated depending on the impact of the further rollout of Universal Credit.
- Property numbers may vary significantly from estimates due to fluctuations in the number of RTB sales and the delivery of new homes which could affect rent income levels
- The number of disrepair claims against the Council may vary from current assumptions thus requiring additional contribution to the provision.

In addition to implementing cost control measures, e.g. vacancy management, the HRA balance sheet which holds reserves, identified at 6.9, and also specific provisions for doubtful debt and disrepair, allowing the service to be able to flexibly respond to these risks should they arise.

Briefing note prepared by: Kevin Mulvaney (Head of Finance)  
Telephone: 378 9390

**HRA 2020/21 Budget**

<b>Budget Heads</b>	<b>Original Estimate 2019/20</b>	<b>Original Estimate 2020/21 £000s</b>	<b>Variance £000s</b>
<b>Income</b>			
Dwelling Rents Income	(206,036)	(208,808)	(2,772)
Other Rents (Shops & Garages)	(3,253)	(3,330)	(77)
Service Charges	(7,976)	(8,484)	(507)
PFI grant	(21,385)	(21,385)	(0)
Internal Income	(9,546)	(10,449)	(903)
External Income	(2,619)	(1,972)	647
<b>Total Income</b>	<b>(250,817)</b>	<b>(254,428)</b>	<b>(3,612)</b>
<b>Expenditure</b>			
Employees	30,225	31,402	1,177
Repairs to dwellings	44,791	45,081	290
Premises	9,396	8,977	(419)
Supplies & Services - Payments to PFI contractor	9,686	10,416	731
Supplies & Services - Other	4,169	3,938	(231)
Transport	400	396	(4)
Horticultural Maintenance	4,279	4,481	203
Environmental Services	4,713	4,567	(146)
Community Safety	3,626	3,998	373
Supporting People in their own homes	3,521	3,600	79
Services to families with Council tenancies	1,261	1,261	0
Housing Services	4,430	4,986	556
Customer Access	6,035	6,435	400
Support Services	9,042	9,078	36
Welfare Advice & Support	400	400	0
Discretionary Housing Payments	500	500	0
Corporate Governance & Other Services	2,980	3,197	216
Leeds Pipes - Recharge	0	844	844
Legal Services	1,045	1,250	205
Payments to BITMO, Area Panels & Credit Union	3,770	3,797	27
<b>Provisions</b>			
- <i>Disrepair</i>	1,400	1,400	0
- <i>Bad debts</i>	1,414	942	(472)
Capital charges	44,774	44,334	(440)
Revenue Contribution to Capital (Investment)	62,065	60,550	(1,516)
<b>Total Expenditure</b>	<b>253,921</b>	<b>255,831</b>	<b>1,909</b>
<b>Appropriations</b>			
<b>General Reserve</b>			
<b>Sinking Funds</b>			
LLBH&H PFI	1,557	(1,030)	(2,587)
Swarcliffe PFI	(3,902)	816	4,718
<b>Earmarked Reserves</b>			
Holdsworth Place	(64)		64
Welfare Change	(696)	(780)	(84)
Early Leavers Initiative Reserve		(408)	(408)
<b>Net (surplus)/deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

# LEEDS CITY COUNCIL

## 2020/21 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 2020/21 financial year.

#### 2 Service Context

- 2.1 The Central accounts hold 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. Other budgets within Central accounts include contributions to joint committees and levies.

#### 3 Budget Proposals

- 3.1 This 2020/21 budget has been set at £802k Cr representing a net increase of £9,663k when compared to the adjusted budget for 2019/20. This net increase comprises an increase in the use of reserves of £7,682k, a number of changes in funding from grants and business rates retention totalling a net reduction of £4,789k, pressures totalling £14,894k offset by savings of £2,338k 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 2020/21 budget.

- 3.2.2 These include the transfer of a £1,115k budget for the City of Culture to the City Development directorate, the transfer to the Children and Families directorate of a £500k budget for mental health services, and the transfer of a £300k income budget from the Resources and Housing directorate which relates to charges to the HRA for its proportion of the costs of the Corporate and Democratic Core.

#### 3.3 Funding – Impact of changes in Business Rates pooling arrangements £504k Cr

- 3.3.1 For 2020/21, the council will revert to 50% business rates retention arrangements, following the end of the pilot for 75% business rates retention pooling for North and West Yorkshire which has been in place for 2019/20. Within the Central Accounts budgets, this change means a reduction in net contributions to the regional pool of £6,002k, partially offset by a reduction in S31 grants of £3,302k and the reinstatement of a business rates levy budgeted at £2,161k. Retained business rates relating to renewable energy will reduce by £35k.

#### 3.4 Changes in Specific Grant Funding – reduction of £5,292k

- 3.4.1 There has been a reduction of £5,187k in the expected level of New Homes Bonus grant to be received in 2020/21. 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.

3.4.2 There has been a reduction in income of £100k due to the removal of a one-off grant to support transitional costs arising from the implementation of Brexit.

### 3.5 **Changes in Use of Reserves and Balances - £7,682k**

3.5.1 For 2020/21, the Central Accounts include a budget for the use of £10,000k from the General Fund reserve and a budget to replace the £1,000k released to the debt budget in 2019/20, resulting in a net budgeted use of £9m. This represents a movement of £13,485k in comparison to the budgeted contribution of £4,485k in 2019/20.

3.5.2 The budget also includes contributions of £2,210k to the Insurance Reserve, £1,000k to the Investment Fund and £500k to the Innovation Fund. The 2019/20 budget of £2,000k from the ELI reserve is removed, and there is an increase of £93k in the budgeted contribution to the capital reserve.

### 3.6 **Increase in Debt costs - £14,382k**

3.6.1 The budget for debt costs includes an increase in the Minimum Revenue Provision (MRP) budget of £13,261k. This reflects the end of the temporary period of reductions in MRP charges which arose due to changes in the council's MRP policy.

3.6.2 The budget for external debt costs net of investment income has increased by £3,108k, reflecting the ongoing need to borrow for the capital programme. This is partly offset by an increase of £507k in budgeted prudential borrowing charges to directorates.

3.6.3 Budgeted savings arising from the use of capital receipts to fund PFI costs have increased by £1,480k, due to annual fluctuations in PFI accounting models.

### 3.7 **Other budget pressures - £500k**

3.7.1 The budget for 2020/21 includes a reduction of £500k in the targets for general capitalisation, reflecting a general reduction across directorates in expenditure of a capitalisable nature.

### 3.8 **Savings - £2,330k**

3.8.1 For 2020/21 there is an increase of £1,100k in the budgeted value of S278 developer contributions to be recognised as revenue income.

3.8.2 The budget also includes a reduction in the budget for corporate initiatives of £385k relating to City of Culture preparations, a reduction of £105k in the corporate contingency budget, and a reduction of £41k in the budget for ongoing unfunded pensions due to demographic effects.

### 3.9 **Changes to levies and other contributions – decrease of £694k**

3.9.1 Contributions to joint committees and other bodies have decreased by a net £694k. Within this figure, the contribution to the West Yorkshire Combined Authority has decreased by £664k, reflecting continued efficiencies. There has also been a reduction in the contribution

to the West Yorkshire Coroners Service of £30k. Information on proposed budgets for the West Yorkshire Joint Services Committee and for regional flood defence levies have not yet been received.

- 3.9.2 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			
	2019/20 £m	2020/21 £m	Variation	
			£m	%
<b>Joint Committees</b>				
Joint Services	1.395	1.395	0	0%
<b>Other Bodies</b>				
Flood Defence Levy	0.38	0.38	0	0%
Combined Authority and Transport Fund	32.74	32.08	-0.66	-2%
Coroners	1.373	1.345	-0.029	-2%
Probation Service (Debt only)	0.002	0	-0.002	-100%

## 4 Risk Assessment

- 4.1 In determining the 2020/21 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 2020/21 budget for the Strategic and Central Accounts are:
- 4.2 The budgeted position on MRP relies on the availability of £30.9m 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 external debt costs are based on assumptions about market interest rates during 2020/21. If rates are greater than forecast then the actual borrowing costs incurred could be greater.
- 4.4 There is a budget of £4.6m 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.
- 4.5 Although the budgeted targets for capitalisation across directorate and schools budgets has been reduced, there remains a risk that the target of £7.6m may not be achieved.

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

## Directorate - Strategic Central Accounts

	2020/21 £m	FTEs
<b>Net managed budget 2019/20</b>	<b>(8.27)</b>	
<b>Adjustments</b>		
Transfers of function		
Other adjustments	<b>(2.19)</b>	
<b>Adjusted net managed budget</b>	<b>(10.46)</b>	
<b>Grant Fallout</b>		
New Homes Bonus	5.19	
Other	0.11	
<b>Income - Impact of Business Rates changes</b>		
Contributions relating to change to 50% pooling arrangements	<b>(6.00)</b>	
Reduction in grants to fund reliefs	3.30	
Business rates levy	2.16	
Renewable energy retained income	0.03	
<b>Changes in the use of Reserves &amp; Balances</b>		
General fund reserve	<b>(13.48)</b>	
Remove budgeted use of ELI reserve	2.00	
Increase contributions to other earmarked reserves	3.80	
<b>Total Funding Changes</b>	<b>(2.89)</b>	<b>0.00</b>
<b>Budget Pressures:</b>		
<b>Inflation</b>		
<b>Debt costs</b>		
Increases in external Debt costs	3.11	
Increase in MRP contribution from revenue	13.26	
Increases in prudential borrowing recharges to directorates	<b>(0.51)</b>	
Use of capital receipts to fund PFI costs	<b>(1.48)</b>	
<b>Other</b>		
Reduction in capitalisation target	0.50	
Other pressures	0.00	
<b>Total Pressures</b>	<b>14.88</b>	<b>0.00</b>
<b>Savings Proposals:</b>		
<b>Efficiencies</b>		
Reduction in corporate initiatives budgets	<b>(0.39)</b>	
Reduction in Contingency budget	<b>(0.10)</b>	
Projected increase in Section 278 income to revenue	<b>(1.10)</b>	
Reduction in unfunded pension costs	<b>(0.04)</b>	
Other savings	<b>(0.01)</b>	
<b>Levies and other contributions</b>	<b>(0.69)</b>	
<b>Total Savings</b>	<b>(2.33)</b>	<b>0.00</b>
<b>Net Managed Budget 2019/20</b>	<b>(0.80)</b>	<b>0.00</b>



### 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

<b>Project Description</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Restructure costs associated with staff leaving through ELI	2.7	1.8	1.3	1.0	1.0
Driving a digital approach				0.5	0.5
<b>Total</b>	<b>2.7</b>	<b>1.8</b>	<b>1.3</b>	<b>1.5</b>	<b>1.5</b>

## 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 use capital receipts to fund the severance/redundancy costs associated with the transformation of the Council and fund expenditure associated with the delivery of digital projects, which will realise cashable efficiencies, through the flexible use of capital receipts. Specifically £0.1m will support SAP self-service Phase 2; £0.1m will be used to deliver Mail and Print efficiencies; £0.1m supports implementing estimating software in Leeds Building Services and; £0.2m will be used for a combination of developing IG platforms for schools, progressing the move towards electronic payments, supporting business intelligence in Adults and Health and the development of a passenger transport solution. All of these developments will target cost savings in 2019/20 and beyond. 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.”

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

<b>Project Description</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Staff savings realised through ELI	(6.4)	(2.4)	(1.2)	(0.8)	
Savings from a digital approach				(0.2)	
Less: Financing costs	0.6	0.5	0.3	0.3	0.3
<b>Total</b>	<b>(5.8)</b>	<b>(1.9)</b>	<b>(0.9)</b>	<b>(0.7)</b>	<b>0.3</b>

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 for 2019/20 and 2020/21 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.

### Revenue & Capital Principles

#### **REVENUE BUDGET PRINCIPLES**

The revenue budget principles have been developed to support the budget process and need to be complied with in conjunction with compliance with the Council's Budget and Policy Framework, the Budget Management Accountability Framework and detailed guidelines provided for setting the 2020/21 to 2022/23 budget.

The budget position is based on a number of significant subjective assumptions. To enable the Council to react to changes in these assumptions in a timely fashion, these principles should be adhered to which should support a balanced budget being set.

The current financial year will also have a significant impact on future years budgets being set and therefore a number of the principles relate to the current financial year.

#### **1. Budget Principles for Future Years Budgets**

1.1 The budget will initially be prepared on the basis that current resources support existing service levels in line with budget assumptions and with the exception of:

- (a) The full year effect of previous year's savings proposals and spend.
- (b) Consequences of the approved capital programme.
- (c) Where expenditure needs to be reduced with regard to adjustments in relation to specific 'one year only' allocations and other time expired funding.
- (d) Other specific Council decisions.
- (e) Directors and Departmental Chief Officers supported by Finance Services are responsible for:
  - i. Business cases (rationale) need to be developed for growth and invest to save proposals, with evidence based justification for increasing demand included in business cases to be considered as part of the budget gap. These are to achieve the priorities in the Best Council Plan.
  - ii. All savings within their Directorate are to be agreed by the Executive Member however if a saving is not approved then an alternative must be found. If an approved saving is not delivered in year then a reason why this hasn't happened needs to be considered by the Council's Corporate Leadership Team (CLT).
  - iii. Identifying potential savings with "No options" for savings being off the table. These savings if previously considered are to be presented to Cabinet at the earliest meeting to obtain the Members views as to whether these are to be progressed.
  - iv. Contingency Action Plans – The value of any risks / pressures in the Directorates managed budgets should be quantified. Savings proposals as a contingency are to be identified which can be implemented quickly. These proposals will be actioned if the service goes into an overspend position during the financial year.

- v. Budget Action Plans – Saving proposals to manage:
- The savings requirement for the Directorate
  - Pressures identified within the service
  - Future developments

The contingency and Budget Action Plans must be robust and fit for purpose. Each Director will be required to verify that the actions contained in the plan are achievable.

**1.2 Salary budgets** are to be prepared with reference to the 2019/20 budget (net of any vacancy factor) adjusted for pay awards, approved service changes, savings and other approved variations. The salary budgets can only be used to employ staff in established posts on approved grades in line with the following conditions:

(a) All changes to the approved staffing budget where Council funding is available in full must be approved by Executive Board, or within the requirements of the Scheme of Delegation.

(b) All changes to the approved staffing budget where resource implications arise, even if the costs are met entirely from external funding, must also be approved by Executive Board, or within the requirements of the Scheme of Delegation.

(c) Posts funded from external sources must be established as temporary or specific purpose posts unless it can be demonstrated that:

- the external funding is permanent, or specific approval has been given, or future years' costs can be contained within current budgets.

**1.3. Discretionary Fees and Charges.** Directors are to provide a report to CLT on their proposals to generate income from within the Directorate.

(a) Fees and charges are to be varied to achieve an overall annual increase in income for each Directorate in line with the Fees and Charges Policy. Increases can be implemented at any time subject to the overall financial target being achieved.

(b) If the target cannot be achieved by varying fees and charges then alternative savings must be identified. Claims by Directors to exempt or apply a lesser increase to any part of their service must be justified in the context of their Directorate policies and plans and referred to CLT.

### **1.4. External Funding**

(a) Wherever possible external funding should be used to reduce pressure on current expenditure, thereby releasing resources for redirection into priority areas.

(b) All legal, human resources, financial and administrative support costs required to manage grant conditions and fulfil the role of the accountable body should be charged, wherever possible, against the funding regime.

## **2. Current Year Principles**

2.1 Revenue Grants received in the year – agreement to be reached at CLT whether substitution of general funding should be identified before the grant is utilised.

2.2 Contributions to a non-ring fenced reserve can only be made if a directorate is forecast to be underspending and contributions needs to be agreed by the Chief Officer Financial Services.

2.3 Carry forward of budget into the next year will be considered by CLT and will only be considered if the service is forecast to be underspending at the reported provisional outturn position.

2.4 Directors must balance service requirements against the need to manage within their budgets when taking decisions to fill vacant posts or employ temporary staff.

2.5 No overspend in budgets should be incurred unless there is a safeguarding / statutory need and these where possible should be agreed by the Director. A report with a budget action is to be provided to CLT detailing proposals as to how this variation will be managed within the Directorate's approved budget.

2.6 When a revenue grants received from Central Government stops the Directorate will need to manage the reduction in both expenditure and loss of income. The Director with support from Finance Services will be required to provide an exit strategy or an evidence based business case of why this expenditure should be added to the base budget.

2.7 Budget pressures. Services need to manage budget pressures identified within the service. Any pressures which the service identifies which cannot be managed need to be agreed by CLT and with clear business case being developed.

2.8 In year saving proposals which have not been achieved in the current financial year, the Director will need to identify budget savings options to mitigate the Directorate from going into an overspend position. These savings options will be incorporated into Financial Health reports which are received initially at Executive Board and then subsequently at both Strategy and Resources and the respective service Scrutiny Boards.

### **B CAPITAL PROGRAMME PRINCIPLES**

The Capital principles have been developed to enable focus on the purpose of the Capital Programme and to seek agreement for the use of limited resources.

#### **1. Capital Programme Principles**

1.1 The Capital Programme is compiled at project level for the years 2020/21 through to 2030/31. The format of the capital schemes submissions, which are to be supported by a business case, will be determined by the Strategic Investment Board. The Capital schemes being considered by SIB are to meet the priorities identified in the Business Case Guidance.

1.2 The profiling of capital expenditure into the correct financial years and over the projects development will be key to ensure the amount of re profiling of capital resources from one year to another is kept to a minimum, and to reduce the amount of revenue budget required to finance the project.

1.3 When a Capital Scheme has been completed, the business case and outcomes will be reviewed to ensure the specified outcomes have been achieved and a lessons learnt document will be produced to be used for future capital programmes.

1.4 Capital Resources are to be used as follows:

- Decisions on the use of Capital Receipts will be considered as part of the budget process.
- Un-ring fenced and ring fenced externally funded grants are considered on a case by case basis for their utilisation by SIB.
- Any grant funding received after the Capital Programme is set is to be used to reduce any Prudential Borrowing of the scheme in the first instance, where grant conditions allow.
- Approval of any new borrowing is considered with the implications for the revenue budget position.

1.5 Capital projects for approval are:

- Considered by Executive Member for the service who agree to the Directorates putting forward a request for funding the Capital Scheme.
- Completed to ensure all implications of the Capital Scheme are included in the 'Business Cases'. Business cases are to be developed and a scheme will only be included in the Capital Programme when considered by the Strategic Investment Board and CLT and ultimately approved by the Executive Board in line with the Budget and Policy Framework.
- The Business cases are to be developed by the Directorates with support from Finance Services. The ongoing monitoring of the Capital Schemes is the responsibility of the Director in accordance with the Financial Regulations.
- Inclusive of Multi Year Schemes with spend profiled accurately across the financial years.
- External Funding is maximised before the use of Prudential Borrowing is considered.
- Capital Expenditure is reviewed to ensure the capital scheme provides value for money, is sustainable in the future and meets the priorities detailed in the Best Council Plan. In order to ensure that schemes meet Council priorities and are value for money, the Chief Finance Officer will continue to ensure:
  - the introduction of new schemes into the capital programme will only take place after completion and approval of a full business case and identification of the required resources; and
  - the use of prudential borrowing by directorates is based on individual business cases and that revenue resources to meet the borrowing costs are identified.
- All revenue implications of the Capital Programme (regardless of the capital funding of those schemes) are considered and provided to SIB to enable informed decisions to be made, i.e.:
  - Ongoing operating costs and life cycle costs

- Cost of any prudential borrowing including both MRP and Interest

1.6 Capitalisation of expenditure (including staffing costs) is in line with CIPFA Guidance as issued by the Capital Team.

Do we need a section in here about how we deal with capital overspends?

### **C General Principles**

The budget process shall adhere to the approved timetable.