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## **SCRUTINY BOARD (CENTRAL AND CORPORATE)**

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**Meeting to be held in Civic Hall, Leeds on  
Monday, 11th January, 2010 at 2.00 pm**

*(A pre-meeting will take place for ALL Members of the Board at 1.30 p.m.)*

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### **MEMBERSHIP**

#### **Councillors**

- P Grahame (Chair) - Cross Gates and Whinmoor;
- J Bale - Guiseley and Rawdon;
- S Bentley - Weetwood;
- B Chastney - Weetwood;
- P Ewens - Hyde Park and Woodhouse;
- M Hamilton - Headingley;
- A Hussain - Gipton and Harehills;
- V Kendall - Roundhay;
- J Lewis - Kippax and Methley;
- A Lowe - Armley;
- A McKenna - Garforth and Swillington;
- A Parnham - Farnley and Wortley;
- D Schofield - Temple Newsam;

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# A G E N D A

Item No	Ward/Equal Opportunities	Item Not Open		Page No
1			<p><b>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</b></p> <p>To consider any appeals in accordance with Procedure Rule 25* of the Access to Information Procedure Rules (in the event of an Appeal the press and public will be excluded).</p> <p>(* In accordance with Procedure Rule 25, notice of an appeal must be received in writing by the Chief Democratic Services Officer at least 24 hours before the meeting).</p>	
2			<p><b>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</b></p> <p>1 To highlight reports or appendices which officers have identified as containing exempt information, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.</p> <p>2 To consider whether or not to accept the officers recommendation in respect of the above information.</p> <p>3 If so, to formally pass the following resolution:-</p> <p><b>RESOLVED –</b> That the press and public be excluded from the meeting during consideration of the following parts of the agenda designated as containing exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information, as follows:-  <b>No exempt items on this agenda.</b></p>	

Item No	Ward/Equal Opportunities	Item Not Open		Page No
3			<p><b>LATE ITEMS</b></p> <p>To identify items which have been admitted to the agenda by the Chair for consideration.</p> <p>(The special circumstances shall be specified in the minutes.)</p>	
4			<p><b>DECLARATIONS OF INTEREST</b></p> <p>To declare any personal / prejudicial interests for the purpose of Section 81 (3) of the Local Government Act 2000 and paragraphs 8 to 12 of the Members Code of Conduct.</p>	
5			<p><b>APOLOGIES FOR ABSENCE</b></p> <p>To receive any apologies for absence.</p>	
6			<p><b>MINUTES - 7TH DECEMBER 2009</b></p> <p>To confirm as a correct record the enclosed minutes of the meeting held on 7<sup>th</sup> December 2009.</p>	1 - 6
7			<p><b>BUDGET STRATEGY 2010/11</b></p> <p>To receive and consider the attached report of the Director of Resources.</p>	7 - 26
8			<p><b>SCRUTINY INQUIRY - CONSULTANT ENGAGEMENT - SESSION THREE</b></p> <p>Further to Minute No. 27, 7<sup>th</sup> September 2009, and Minute No. 49, 7<sup>th</sup> December 2009, to receive and consider the attached report of the Head of Scrutiny and Member Development.</p>	27 - 32
9			<p><b>WORK PROGRAMME, EXECUTIVE BOARD MINUTES AND FORWARD PLAN OF KEY DECISIONS</b></p> <p>To receive and consider the attached report of the Head of Scrutiny and Member Development.</p>	33 - 56

Item No	Ward/Equal Opportunities	Item Not Open		Page No
10			<p><b>DATES AND TIMES OF FUTURE MEETINGS</b></p> <p>Monday 1<sup>st</sup> February 2010  Monday 1<sup>st</sup> March 2010  Monday 29<sup>th</sup> March 2010</p> <p>All at 10.00am (Pre-Meetings 9.30am)</p>	

# Agenda Item 6

## SCRUTINY BOARD (CENTRAL AND CORPORATE)

MONDAY, 7TH DECEMBER, 2009

**PRESENT:** Councillor P Grahame in the Chair

Councillors J Bale, S Bentley, P Ewens,  
M Hamilton, V Kendall, J Lewis, A Lowe,  
A McKenna, A Parnham and D Schofield

Apologies Councillors B Chastney and A Hussain

### 45 **Declarations of Interest**

No declarations of interest were made by any Member.

### 46 **Apologies for Absence**

Apologies for absence from the meeting were submitted on behalf of Councillors B Chastney and A Hussain.

### 47 **Minutes - 2nd November 2009**

**RESOLVED** – That the minutes of the meeting held on 2<sup>nd</sup> November 2009 be confirmed as a correct record.

### 48 **Questions to the Executive Board Member (Central and Corporate) - Financial Health Monitoring 2009/10 Half Year Report and Performance Report 2009/10 - Quarter 2**

The Board received and considered the report of the Director of Resources, submitted to the Executive Board on 4<sup>th</sup> November 2009, on Financial Health Monitoring 2009/10 – Half Year Report, together with the 2009/10 Quarter 2 Performance Report, submitted by the Head of Policy and Performance.

In attendance at the meeting and responding to Members' queries and comments were:-

- Councillor Richard Brett, Joint Leader of the Council and Executive Member (Central and Corporate).
- Alan Gay, Director of Resources.
- Doug Meeson, Chief Officer (Financial Management).
- Helena Phillips, Chief Officer (Resources and Strategy).
- Steve Carey, Acting Chief Officer (Revenues and Benefits).
- Kathy Kudelnitzky, Chief Officer (Leeds Initiatives and Partnerships).

Draft minutes to be approved at the meeting  
to be held on Monday 11<sup>th</sup> January 2010.

- Lee Hemsworth, Chief Officer (Business Transformation).
- David Almond, Head of Human Resources.

In brief summary, the main issues discussed were:-

- What strategies were in place to deal with the estimated year-end budget deficit of £5m?

Councillor Brett made reference to the effects of the national and international economic recession on the economy, and the fact that local authority budgets were likely to remain under pressure for the foreseeable future due to predicted government actions on public spending levels. Directors were re-doubling their existing efforts to identify efficiencies and savings, and action plans were being drawn up in all service areas. An effective freeze had been imposed on external recruitment.

Councillor Brett repeated the assurance given at the Board's September meeting that everything possible would be done to protect front-line services, especially those relating to children and vulnerable adults.

- Asked to comment on a recent statement by Councillor Andrew Carter, Joint Leader of the Council, regarding the possibility of developing joint service provision involving partner local authorities in the Leeds City Region, Councillor Brett stated that it made economic sense to explore whether there were efficiencies of scale which might be achieved by local authorities, or other partner organisations, sharing common services, e.g. HR and payroll. This type of suggestion was in line with the Government's 'Total Place' initiative, integrating and the co-ordination at local level of all public sector services.
- In response to questions regarding the costs of and other issues relating to the recent industrial action in Leeds involving refuse collection and street cleansing staff, Councillor Brett stated that the latest figures indicated that, overall, the Council had made a saving of approximately £50,000. This was calculated on the basis of a total saving in wages/costs amounting to £2.744m, less costs of £2.44m for providing an alternative, emergency service, and approximately £254,000 communication costs. These figures did not take account of any additional landfill charges which the Council might face as a consequence of the industrial action, which were currently unknown. He acknowledged that there had been some areas of the City which had suffered greater disruption to services than others but, overall, he regarded that the emergency alternative provisions which had been put in place by the Council had worked very well and had prevented a difficult situation getting worse. He confirmed that he was happy for Members to receive a copy of the consultant's report on revised collection rounds and collection rates, unless the officers were aware of any good reason why this was not possible, likewise a written breakdown of the costs of the dispute.

- Reference was made to the difficulties of trying to protect front-line services whilst, at the same time, achieving significant budget savings. It was suggested that the traditional method of 'salami slicing', say, 10% from each budget was unlikely to fit the bill, and that a more radical and fundamental review of service provision was necessary, involving a wholesale zero-budgeting exercise.

It was confirmed that just these sorts of issues were being discussed as part of the Council's Business Transformation review, and reference would be made in the draft Budget Report due for publication and for consideration by this Scrutiny Board in January.

- Reference was made to the possible effect on Council provided services of the personalisation agenda in terms of Adult Social Care services. Reference was also made to recent inspection reports in respect of Children's Services in Leeds. Councillor Brett gave an assurance that front-line services to safeguard children would be protected and maintained.
- Members requested details of the scheme and associated current costs of any enhanced pensions for staff who were leaving the Council's employment before normal retirement age.
- It was agreed that Members would also be supplied with an explanation regarding the £160,000 cost to the Housing Revenue Account associated with the removal of care ring equipment from sheltered warden properties.
- It was also agreed that Members would be supplied with information regarding the monitoring of private care providers used by the Council, and penalties for poor or non-performance.
- Lee Hemsworth outlined the Council's proposed involvement in a DECATS service review (Delivering Effective Corporate and Transactional Services), including the involvement of outside consultants. Members again requested that further details be circulated separately to them.
- In response to a query regarding whether the Executive Board/officers were planning for a 'worst case scenario' budget, involving an extensive and comprehensive service review in anticipation of the possible need for drastic service revisions, it was confirmed that officers were aware of this possibility and were involved in the process of drawing up contingency plans. The Board indicated that it would like to be involved in the process at the appropriate time and would like a report on this at a future meeting.
- BP11 – % of customer e mails receiving a substantive response within 10 working days - It was reported that extra resources had been allocated to cope with an increase in individual enquiries and requests for advice and assistance prompted by the economic recession. Members asked to be supplied with up to date information on this performance indicator.

- The Board also requested greater clarity in future performance reports in relation to amber-coloured indicators, and whether performance in these particular areas was stagnant, improving or deteriorating.
- One of the issues which the Board indicated it would like to address at the February meeting was what efforts were being made to improve the Council's strategic co-ordination of consultation and engagement within local communities and with the Council's local partners in public service provision.

In conclusion, the Chair thanked Councillor Brett and the officers for their attendance and the manner in which they had responded to Members' queries and comments.

**RESOLVED** – That, subject to the above comments and requests for additional information, the reports be received and noted.

(NB: Councillor Hamilton joined the meeting at 10:32 am, during the consideration of this item.)

#### **49 Scrutiny Inquiry - Consultant Engagement - Session Two**

Further to Minute No. 27, 7<sup>th</sup> September 2009, the Board considered a report submitted by the Head of Scrutiny and Member Development relating to best practice in relation to the engagement of consultants by local authorities, and the work currently being undertaken on this subject by the Yorkshire and Humberside Regional Improvement and Efficiency Partnership (RIEP).

In attendance at the meeting and responding to Members' queries and comments was Malcolm Foster, Corporate Procurement Unit.

**RESOLVED** –

- a) That the report be noted.
- b) That the Head of Scrutiny and Member Development, in consultation with the Chair, select 4 contracts (2 high value and 2 low value) for more detailed investigation and reporting back to the Board, to ascertain whether the Council's current arrangements do coincide with the best practice guidelines developed by RIEP.

(NB 1) The meeting was adjourned for 10 minutes during the course of the consideration of this item.

- 2) Councillor J Lewis left the meeting at 12:07 pm, at the conclusion of this item.)

#### **50 Work Programme, Executive Board Minutes and Forward Plan of Key Decisions**

Draft minutes to be approved at the meeting to be held on Monday 11<sup>th</sup> January 2010.



The Head of Scrutiny and Member Development submitted the Board's work programme, updated to reflect decisions taken at previous meetings, together with a relevant extract from the Council's Forward Plan of Key Decisions for the period 1<sup>st</sup> December 2009 to 31<sup>st</sup> March 2010 and the minutes of the meetings of the Executive Board held on 4<sup>th</sup> and 24<sup>th</sup> November 2009.

**RESOLVED** – That, subject to any changes necessary as a result of today's meeting, the Board's work programme be approved.

## **51 Dates and Times of Future Meetings**

Monday, 11<sup>th</sup> January 2010\*

Monday, 1<sup>st</sup> February 2010

Monday, 1<sup>st</sup> March 2010

Monday, 29<sup>th</sup> March 2010

All at 10.00 am (pre-meeting at 9.30 am), except \*11<sup>th</sup> January 2010 which will be at 2.00 pm, pre-meeting 1.30 pm.

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**Report of the Director of Resources**

**Scrutiny (Central and Corporate)**

**Date: 11<sup>th</sup> January 2010**

**SUBJECT: Budget Strategy 2010/11**

**Electoral wards affected:**

**Specific implications for:**

- Ethnic minorities
- Women
- Disabled people
- Narrowing the gap

Eligible for call In

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

**1 Introduction**

- 1.1 Budget setting and monitoring is a continuous cycle within the financial management framework of the Council. Members receive quarterly reports regarding the in-year financial health of the authority and the Council's Constitution provides for the Central and Corporate Scrutiny Board to scrutinise the Council's budget.
- 1.2 The Council's annual budget is developed in the context of its medium term financial plan. The current strategy was approved December 2007 by Executive Board and covers the period 2008 – 2011. The plan is subject to annual review as part of the annual budget process and Members at their meeting on 2<sup>nd</sup> February 2009 considered an update as part of developing the Council's 2009/10 annual budget. This report provides a further update in the context of the preparations for the 2010/11 budget.

**2. Background**

- 2.1 The Financial Plan, which incorporates the financial strategy, is an integral part of the Council's Business Plan 2008 to 2011 and covers the same three year period, but with indicative assessments for the following two years up to 2012/13. It provides a financial strategy to underpin the delivery of the Council's priorities and sets out a framework for the preparation of the Council's annual revenue budgets over the planning period. In this way the Council can ensure that its priorities are supported by a robust resource allocation strategy.

- 2.2 The Financial Plan was prepared in the context of the Comprehensive Spending Review 2007 (CSR 07). Published in October 2007, the CSR 07 announced that current expenditure across the public sector was set to increase by an average 1.9% per year in real terms, although the rate varied significantly across government departments. Resources for local government were to rise by 1% per year in real terms over the three years of the plan.
- 2.3 The Local Government Finance Settlement 2008/09 to 2010/11 was announced on 24<sup>th</sup> January 2008. This was the first three year settlement (following a two-year settlement for 2006/07 and 2007/08) and marked the Government's move to align Local Government' funding announcements with the Comprehensive Spending Review cycle (although increases in grant would be subject to annual confirmation). The increases in Revenue Support grant at the national and local level for the planning period are summarised below:-

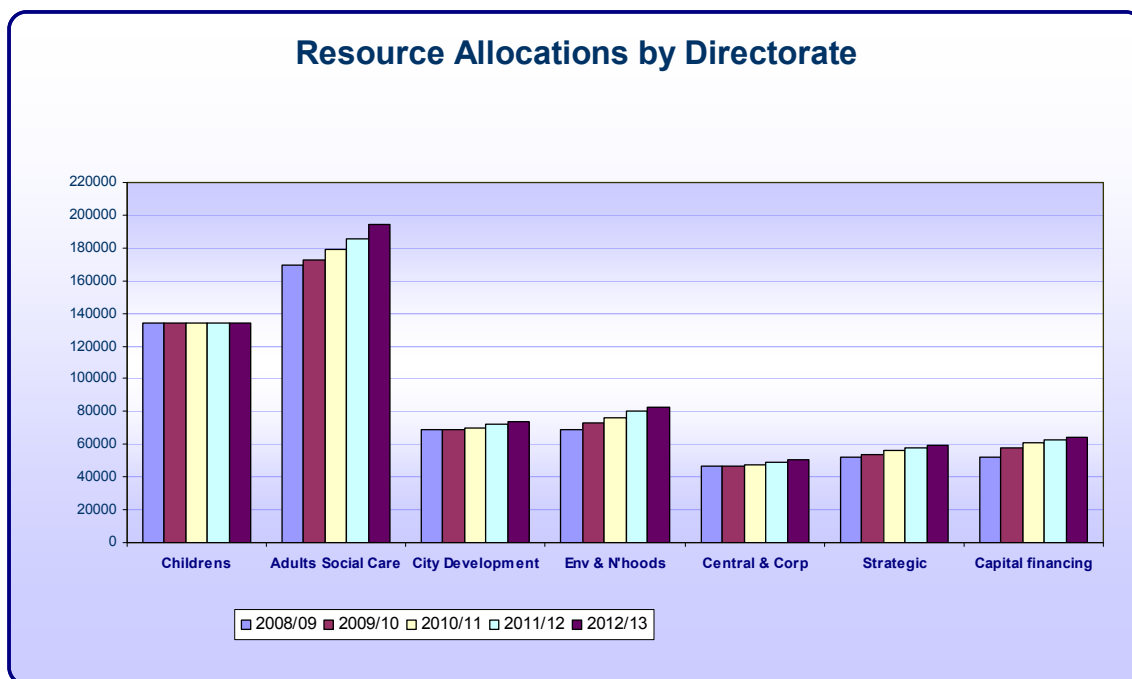
	<b>Formula Grant (RSG)</b>		
	<b>National</b>	<b>Leeds</b>	
	<b>%</b>	<b>%</b>	<b>£m</b>
<b>2008/09</b>	3.5	2.7	7.6
<b>2009/10</b>	2.8	2.1	6.2
<b>2010/11</b>	2.6	1.8	5.4

- 2.4 There are significant variations between authorities, as Members will be aware the Leeds' percentage increases announced were substantially below the average of the Core Cities, the West Yorkshire Districts, the metropolitan Districts and England as a whole:

	<b>Increase 2008/09</b>	<b>Increase 2009/10</b>	<b>Increase 2010/11</b>
Leeds	2.7%	2.1%	1.8%
Average Core City	3.5%	2.5%	2.2%
Average West Yorkshire District	4.3%	3.1%	2.7%
Average Metropolitan District	3.9%	2.9%	2.5%
Average England	3.5%	2.8%	2.6%

- 2.5 The Government also issued indicative figures for the 3 year school funding settlement. For Leeds, the annual increases in the Dedicated Schools Grant per pupil are:  
2008/09 4.3%  
2009/10 3.6%  
2010/11 4.1%
- These compare with national increases of 4.65%, 3.7% & 4.3% respectively.
- 2.6 It was announced that the minimum funding guarantee (MFG) per pupil for all schools would be 2.1% in each of the three years.
- 2.7 Taking account of the three year settlement, the Council's financial strategy assumed that the level of additional resources that would be available was likely to be less than £20m per annum over the life of the plan which presented a significant challenge to the authority to ensure that future resource allocations to services were aligned to priorities.

- 2.8 A new approach to the allocation of revenue resources to General Fund services was developed as part of a strategy whereby greater emphasis was placed on directing resources to Council priorities and divesting from areas considered to be lower priority. The level of resources to be allocated to services were determined by three components; needs, efficiencies and local priorities. Analysis of these three areas has shaped the overall resource planning framework which not only takes into account the relative importance of services but ensures that they are deliverable within the overall level of resources available to the Council.
- 2.9 Based on the new methodology the allocation of resources reflected the following principles:
- 2% per annum targeted savings in Support Services, rising to a cumulative 10% by 2012/13. This applied to all central and local provision of administrative and support activities, with efficiencies to be generated through investment in Information Technology and through the rationalisation of office accommodation.
  - Additional capital investment of £100m, above the approved programme, over the period of the plan enabling investment in priority projects and providing funding for invest to save projects, income generating projects, investment in technology and physical infrastructure to deliver efficiencies and improvements in services over the period of the plan.
  - Funding for significant areas of need which included addressing base budget pressures, and directing resources to key local service priorities such as the Integrated Waste Strategy, and increasing the number of Direct Payments in Adult Social Care.
  - Efficiency savings targeted at areas of the Council's services which appear relatively high compared to other authorities, primarily Children's Services including the LEA and Youth and Community. Pricing policies and service provision will be reviewed where appropriate.
  - Cash standstill over the life of the plan for Children's Services in acknowledgement of the significant scale of realignment required.
  - General reserves will be maintained at or above the minimum level in accordance with the risk based reserves strategy.
- 2.10 These assumptions combined with an estimate of available resources over the life of the plan enabled a five year resource allocation to be determined as part of the strategy which would set the shape for future annual budgets as illustrated below:



2.11 It was acknowledged that the delivery of the plan would require a significant review of some of the Council's services and activities and achievement of the planned shape would not be an easy task. The plan therefore assumed a phased implementation of the realignment in order to minimise the impact on services during the transitional period. Due to the scale of realignment required away from Children's Services the plan recognised that a longer timeframe would be required to achieve the planned shape for this service, and therefore a cash standstill over the life of the plan was proposed at that stage.

2.12 For 2009/10, the Council's approved budget and Council Tax (Band D) can be summarised as follows:

Budget for 2009/10	£556.8m
Funded by:	
Business rates	£242.2m
General government grant	£55.9m
Council tax (2.9% increase)	£258.7m
Band D Council Tax (Leeds Element)	£1,064.37
Police precept	£127.32
Fire precept	£51.38
Total	£1,274.31

2.13 In line with the Comprehensive Spending Review 2007 requirement of achieving efficiencies of 3% per annum, efficiency savings assumed in the 2009/10 budget amounted to £20.3m, to be generated from the following areas:-

- Expenditure efficiencies on schemes funded by Area Based Grants
- Procurement - it was proposed to target off contract spend and to ensure that in areas where there is in-house provision that this is first used before services are externally procured
- Review of energy contracts subject to renewal during 2009/10
- Staffing – a range of employment related matters including improved attendance

2.14 In addition to specific savings and efficiencies built into directorate budgets, a number of short term funding sources were included in the budget as follows:-

	08/09	09/10	Variation
	£000s	£000s	09/10 - 08/09 £000s
Section 278	6,000	5,200	- 800
Capitalisation	3,700	3,700	-
LPSA Performance Reward grant		2,500	2,500
LABGI	-	500	500
Use of Earmarked Reserves	3,185	5,574	2,389
Use of Education Leeds reserves	1,090	1,090	-
Use of general reserves	5,130	-	- 5,130
<b>Total</b>	<b>19,105</b>	<b>18,564</b>	<b>- 541</b>
Percentage of Net Expenditure	3.53%	3.33%	-0.20%

2.15 The Council has in place well developed processes for the in-year monitoring of its budget at all levels. Quarterly financial health reports are submitted to the Executive Board which are then forwarded to this Scrutiny Board as part of its role in scrutinizing the Council's budget. As explained to Members in November, at the half year stage of 2009/10 the authority was projecting a £5.5m budget shortfall. This has arisen due to pressures on income and demand led budgets, which are still continuing. In order to minimise the impact on reserves at the year end, a series of actions have been implemented across all directorates which are:-

- a. There will be no external recruitment except in exceptional circumstances in order to maintain essential services
- b. All directorates to review their current use of agency staff and to look to end usage unless there is an urgent need and are essential for the safe delivery of front line services.
- c. There should be no overtime granted unless essential for the safe delivery of front line services.
- d. Expenditure on running costs should be frozen except payments which are required to meet contractual commitments or are essential for the safe delivery of front line services.
- e. Where there is a need to incur expenditure and there is an internal provider, the internal provider must be used.

### 3. The Pre-Budget Report

3.1 Alistair Darling, the Chancellor of the Exchequer, delivered his Pre-Budget Report to Parliament on the 9<sup>th</sup> December 2009. The report seeks to address the on-going effects of the global financial crisis and sets out developments in Government economic policy since the Budget last April.

3.2 The key points are as follows:

## **The Economy**

- The economy is now expected to shrink this year by 4.75% (compared with the -3.5% estimate in the April Budget), but the Chancellor predicts that it will grow by between 1.0% and 1.5% during 2010.
- Government borrowing will be £178bn this year (up by £3bn from previous estimates). The estimate for 2010/11 is also up by £3bn to £176bn. For future years the estimates are unchanged: £140bn in 2011/12, £118bn in 2012/13 and £96bn in 2013/14 (approximately half the current value).
- Public sector net debt (as a proportion of GDP) is anticipated to rise from 55.6% in 2009/10 to 77.7% by 2014/15.
- The Chancellor claims that the recession will be short with GDP beginning to recover in the second half of 2009 and the country returning to growth of between 1.5% and 2% in 2010/11 and 3.5% in 2011/12 and 2012/13.
- CPI is estimated to be 2¼% in 2009/10, falling back to 2% in 2010/11 and 1½ in 2011/12 before gradually rising to 2% again by 2014/15. RPI will rise dramatically from -1½% in 2009/10 to 3% in 2010/11 and then stabilise at 3¼% thereafter.
- The statement confirms that there is to be no Comprehensive Spending Review before the election.
- In last year's Pre-Budget Report the Chancellor announced that the employee, employer and self-employed National Insurance rates were to rise by 0.5% from 1<sup>st</sup> April 2011. These increases have now been doubled to 1.0
- As anticipated, the headline rate of VAT is to go back to 17½% from 1<sup>st</sup> January 2010.

## **Local Government and the Public Services**

- The Government is to maintain the planned 2.2% growth in public sector current expenditure for 2010/11 but from 2011/12 onwards growth will fall back to 0.8%.
- The 1.0% cap on public sector pay settlements for 2010/11 is to be extended to 2011/12 and 2012/13. This is expected to save £3.4bn a year.
- There is to be a review of senior pay across the public sector led by Bill Cockburn which will report to the 2010 Budget.
- The Government is also to examine the scope for local authorities to borrow against:
  - future Community Infrastructure Levy revenues;
  - Renewable Heat Incentive and Feed-in Tariff revenue streams; and
  - revenues from new council homes.
- The Government's temporary increase in the threshold at which an empty property becomes liable for business rates is to be maintained for a further year. For 2010/11, empty properties with a rateable value of less than £18,000 will be exempt from business rates, exempting 70% of empty properties. The higher threshold reflects the effects of the business rates revaluation.
- Reforms to the NHS, teachers, local government and civil service pension schemes will cap employer's contributions and will save £1bn a year from 2012.
- The average guideline rent increase for 2010/11 is to be reduced from 6.1% to 3.1%.
- The entitlement to free school meals is to be extended to primary school children of low income working families. This will benefit around 500,000 children.
- In order to control rising costs, the 2009 Budget announced that tenants would no longer be permitted to receive more in Housing Benefit than they have to pay in rent. However, recent consultation suggests that there are disadvantages to withdrawing the excess so the Government has decided to delay the reform until April 2011 and launch an immediate consultation on its approach to Housing Benefit reform and affordability.



3.3 The 2009 Pre-Budget report also announced further details of the £12 billion a year of savings set out earlier in *Putting the Frontline First: Smarter Government*, £11 billion of which are planned to be delivered by 2012/13. The amount includes £670 million from local government:

- £550 million to come from:
  - more efficient waste collection and disposal
  - reducing the burden of inspection, assessment and reporting
  - reducing duplication and inefficiency between different tiers of local government
- £120 million from improvements to the administration of concessionary travel.
- The government has also looked at additional local government efficiency savings by 2012/13, on top of those previously published, through better procurement and through cutting lower-value or lower-priority programmes on the basis of early findings of the Public Value Programme.
- £250 million from reducing variations in spend on residential care, including greater use of preventative approaches to care for older people allowing people to stay longer in their homes.
- £160 million from clamping down on fraudulent access to social housing tenancies, and rationalising smaller DCLG funded community programmes, and ending time-limited schemes.
- £60 million from the cost of concessionary travel by aligning eligibility with forthcoming changes in state pension age.
- £340 million from improved targeting of regeneration and housing growth funding, concluding the New Deal for Communities programme, prioritising regeneration and growth programmes to maximise value for money as the economy recovers, and by tackling the barriers to housing growth including a reduction in the impact of regulation on house building.

#### **4. Development of the 2010/11 Budget Strategy**

- 4.1 Since the last update of the Financial Plan, the financial landscape facing all local authorities has changed. Attached, as an appendix, is a report prepared for Corporate Governance and Audit Committee. This report sets out the macro economic issues facing the public finances, and it is clear that all public bodies will face significant financial challenges over the short and medium term, although at this stage quantifying how this will impact upon the Council's finances beyond 2010/11 is subject to a great deal of uncertainty. However, the Government did on the 26<sup>th</sup> November 2009, publish the Government's formal proposals on the distribution of Formula Grant to English local authorities for 2010/11 which confirmed no changes to the allocation of formula grant to the figures previously published. The 1.8% increase for the Council equates to £5.4m.
- 4.2 The total resources available to the Council for 2010/11 will depend upon the decision taken on the level of Council Tax. The table below sets out resource availability in 2010/11 for different levels of increases in Council Tax.

Council Tax increase %	Total Increased spend inc Formula Grant	
	£m	%
4.0%	16.7	3.00%
3.5%	15.4	2.77%
3.0%	14.1	2.54%
2.5%	12.8	2.30%
2.0%	11.5	2.07%
1.5%	10.2	1.84%
1.0%	8.9	1.60%
0.5%	7.6	1.37%
0.0%	6.3	1.14%

- 4.3 It should be noted that it incorporates an estimated increase in the Council tax base, so that for example a 0.0% increase in Council tax generates additional resources over and above that which is provided by the increase in Government formula grant.
- 4.4 The Government have indicated that authorities should not assume that previous years' capping principles will apply to 2010/11 and have written to all authorities stating that they expect the average Band D council tax percentage increase to reach a 16 year low in this period and have also indicated that they will take capping action against any excessive increases. The average increase in 2009/10 was 3.0%, so this implies an average increase of less than 3.0%.
- 4.5 In addition to taking account of available resources for 2010/11 and indeed beyond, there are a number of other changes which now have to be factored into an update the approved financial strategy and resulting resource allocations. These include:
- The current strategy assumes the use of £5m general reserves per annum. However, the 2009/10 base includes the use of £5.6m of earmarked reserves, therefore creating a pressure of £0.6m if only £5m general reserves are to be used to support the 2010/11 budget. The latest projection for 2009/10 would indicate that additional reserves will be required to balance the current year and will not therefore be available in 2010/11 if general reserves are to be maintained at the minimum level.
  - The revenue cost of supporting the capital programme investment is estimated to increase by £6.0m. This increase reflects a significant reduction in capital receipts and results in a higher revenue cost of servicing the debt.
  - The Waste Strategy is a key local service priority, and as such £2.0m has been top sliced from the available resources. Similarly, a re-assessment of achievable efficiencies within the Jobs and Skills service has required an additional £0.5m to be allocated.
  - The 2% p.a. savings target in respect of support services will allow an additional £0.6m to be allocated to front line services.
  - An additional £1.9m is required to pay for the Street Lighting PFI contract, previously funded by the sinking fund which was fully utilised to support the 2009/10 budget and is therefore no longer available.

## 5. Initial Budget Submissions

5.1 All directorates have now submitted their initial budget proposals which are based on the following key assumptions:

Key Assumptions	2010/11 £000s	2011/12 £000s	2012/13 £000s	2013/14 £000s
Pay Award - unfunded element of 08/09 pay award	0.3%			
Pay Award	1.0%	2.0%	2.0%	2.0%
NI rate increase		0.5%		
Pensions - rate increase	0.8%	0.5%	0.5%	0.5%
Price Inflation	1.0%	2.0%	2.0%	2.0%
Income Inflation	2.0%	3.0%	3.0%	3.0%

5.2 The budget process is on going and a report will be submitted to the Executive Board on the 12th February 2010 which will include recommendations to be made to full Council on the 24th February 2010 as to the Council's budget for 2010/11 and related Council Tax.

5.3 In addition to the pressures identified in the Financial Plan, there a number of key directorate pressures to be addressed as part of the 2010/11 budget preparation. These include:

- Economic Downturn - the economic slowdown is having a significant impact on a number of external income sources including planning and building fees, rental income, markets income, surveyor and legal fees and income from leisure activities. In addition the slowdown in the property market has led to a decline in the number of land search requests. It is projected that the authority could be facing an income shortfall of several million pounds per annum.
- Personalisation agenda within Adult Social Care
- Demography both within Adults and Children's social care
- Safeguarding issues in both Children's and Adult Social Care Services. It is clear that given the safeguarding issues, it will not be possible to constrain spending within Children's Services to the cash standstill assumed within the strategy.

5.4 Taking account of the above and the adjustments that are required to the financial strategy, it is evident that spending pressures far exceed the available resources for 2010/11. This position clearly requires additional efficiencies to be identified across the Council in order to achieve a balanced budget for 2010/11. Work is ongoing to identify efficiencies and savings options at both a directorate and corporate level and in addition to the identification of general cost reductions and efficiencies the following areas have been targeted:

- Procurement
- Staffing including review of working practices and sickness
- Review of service delivery options

## 6. Dedicated Schools Budget

6.1 The financial year 2010/11 is the final year of the current three year funding period for schools. The funding formula to be used to generate the Dedicated Schools Grant

delivering the majority of funding is confirmed, as are the formulae for the calculations of the School Standards Grant and School Development Grant. Actual grant allocations will be based on pupil numbers as at January 2010 and will be confirmed in the summer.

- 6.2 Nationally, Dedicated Schools Grant is increasing by 4.3% per pupil in 2010/11. The increase for Leeds is 4.1% per pupil. Based on the latest estimate of pupil numbers this equates to a cash increase of 4.1%. All other funding sources for schools, including School Standards Grant and School Development Grant, increase by a maximum of 2.1% per pupil. The minimum funding guarantee for schools through the Leeds Funding Formula has been set at 2.1% per pupil.
- 6.3 The funding for post 16 pupils is delivered through a formula determined by the Learning and Skills Council (LSC). It is calculated at a school level by the LSC and Leeds City Council passports the funding to school sixth forms. The funding available to the LSC for 2010/11 has increased by £202m and it has been announced that there will be no increase in the funding rate at the heart of the calculation. Arrangements for any funding guarantee and protection for Sixth forms with reduced funding per student have not yet been announced.

## **7. Housing Revenue Account**

- 7.1 The HRA covers the management of the Council's rented housing stock, and in accordance with government legislation operates as a ring-fenced account. The funding of the HRA is separate to the way in which the rest of the council is funded, with costs being met from rental income and government subsidy. However, in Leeds, for a number of years, the way in which the government calculates subsidy has resulted in a negative contribution. In 2009/2010 the HRA provides for negative subsidy of £44.6m and an average rent increase of 3.1%.
- 7.2 If account is taken of government support for the borrowing undertaken for the delivery of decent homes and the PFI allowances for Swarcliffe, then Leeds is a net recipient of resources of £31.3m.
- 7.3 In July 2009 the Government issued a consultation paper on the future of Council Housing finance. The Council's response was to welcome the Government's proposals to opt out of the current subsidy system through a one off distribution of debt, although further information is required in order to determine the financial implications for Leeds City Council. More detailed proposals from the Government are expected in the spring of 2010.

## **8. Beyond 2010/11**

- 8.1 With a Comprehensive Spending Review postponed until after the General Election, it is at this time difficult to quantify, but the attached report and the above commentary upon the Chancellor's Pre Budget Statement clearly indicate that all public bodies will face significant financial challenges as Government finances are tightened beyond 2010/11. The Council has for a number of years adopted a medium term approach to financial planning, and given the changing financial landscape facing the authority it is evident that the current financial strategy will need to be reviewed and revised during the summer of 2010. This is not only to ensure that the strategy remains aligned to the update of the Council Business Plan that will occur during 2010, but also to shape future spending priorities and to target the delivery of further efficiencies over the medium term. The attached report also describes the on-going development of a new

approach to value for money within the Council, and this will be a key element to delivering the Council's financial position beyond 2010/11.

- 8.2 An early assessment of base budget pressures in respect of 2011/12 and 2012/13 has been made as shown in the table below. These pressures need to be considered in the context of the likely level of resources available. RSG is widely expected to increase in the range of 0% and -10% over the next three years and there will be pressure to limit increases in Council Tax to the level of prevailing inflation. For information, each 1% variation in Council Tax is equivalent to £2.6m, whilst each 1% variation in Formula Grant is equivalent to £3.0m. Thus, for illustration, a 10% reduction in the Council's Formula Grant over the three years from 2011/12 would equate to a reduction in grant of around £10m for each of the three years.

	2011/12 £000s	2012/13 £000s
Pay Award	12,225	11,119
Price Inflation	10,628	10,925
Income Inflation	- 4,790	- 4,933
Total Inflation	18,063	17,111
Debt	3,500	4,000
Street Lighting	913	
LPSA2 - Performance Reward Grant	2,500	-
Total Unavoidable Pressures	6,913	4,000
Total	24,976	21,111

- 8.3 The above pressures should not be seen as a comprehensive list, but more designed to indicate the scale of issue and pressures which would need to be met within the resources available.

## 9. **Conclusion**

- 9.1 As anticipated in the Financial Plan, the funding available to the Council over the planning period is limited and clearly not sufficient to meet all the spending pressures that the Council faces. To respond to this the Financial Plan set out a strategy which placed resource allocation in a stronger policy framework based on an analysis of needs, a focus on delivering efficiencies and an understanding of local priorities.
- 9.2 This financial strategy will be subject to further review as part of the current ongoing preparation of detailed budget plans and this will be presented as part of the Council's financial plan which will be submitted to Council in February 2010.
- 9.3 Beyond 2010/11, although difficult to quantify at this stage, it is clear that all public bodies will face significant financial challenges as Government finances are tightened. It is clear that the Council faces a significantly different financial landscape to that which was envisaged when the Council's current financial strategy was developed. It is thus intended that a significant review and revision of the Council's financial strategy is undertaken during 2010, which needs to have a clear focus on the prioritisation of services and the delivery of efficiencies.

## 10. **Recommendation**

- 10.1 Scrutiny (Central and Corporate) is requested to consider the budget strategy for 2010/11.

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## Report of the Director of Resources

### Corporate Governance and Audit Committee

Date: 15 December 2009

Subject: The Changing Financial Landscape

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#### Electoral Wards Affected:

Ward Members consulted  
(referred to in report)

#### Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

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## Executive Summary

This report has been prepared at the request of Members of the Committee and in the context of the changing financial landscape facing all local authorities. The Council has certainty as to its 2010/11 finance settlement from the Government. However, going beyond 2010/11, it is evident that the state of the public finances will have a significant impact upon future finances for all parts of the public sector, although at this time it is difficult to quantify the impact upon the City Council. The Council has adopted a medium term approach to financial planning, and the update of this financial plan in conjunction with the update of the Council's Business Plan during 2010 will be important in shaping the Council's response to its future financial challenges. At this time, the Council's financial planning arrangements are regarded as fit for purpose, but they will need to be kept under regular review to ensure that they remain so.

### 1.0 Purpose Of This Report

1.1 This report has been prepared in order to provide Members of the Committee with an understanding of, and an opportunity to review the Council's approach to medium term financial planning and management within the context and the financial challenges facing the public sector in general and specifically the City Council.

### 2.0 Background Information

2.1 Apart from Central Government itself, Local Government is the only part of the public sector within England and Wales which has its own tax raising powers. However, despite this, the spending of local authorities is subject to a significant

number of central government controls not least the simple fact that on average something like 75% of Local Authority spending is funded by various forms of central government grants. As such Local Government is not immune to factors affecting the national public finances.

- 2.2 The last decade has certainly seen a significant increase in Government spending with total government spending rising from £437.3 billion in 2000/01 (36.8% of GDP) to £582.7 billion in 2007/08 (41% of GDP). However it is clear that the credit crunch in 2007 and the resulting economic recession, which has now lasted for six consecutive quarters, has had a severe impact upon the health of the public finances.
- 2.3 The Chancellor's 2009 budget report in April revealed the sharp increase in public spending and a severe reduction in tax revenues. On the spending side this was significantly impacted by the Government's financial stability package to provide support to the finance and banking sectors. Government borrowing in the current year is forecast to be £175.6 billion, higher than any time since World War II and the public sector net debt for 2009/10 is forecast to represent 59% of GDP and expected to rise to 79% of GDP by 2013/14. Until the pre-budget report of 2008 the public sector net debt was limited by the Government's sustainable investment rule which stated that net debt should be maintained at below 40% of GDP in each and every year of the economic cycle. The 2009 budget proposes bringing current spending into balance by 2017/18 although the required policy decisions and projected recovery of the economy is only modeled to 2013/14. The recent Queen's speech included proposals for a Fiscal Responsibility Bill which will put into law a promise to halve the budget deficit within four years. The details of how this will be done will be included in the Pre-Budget Report in December. The Institute for Fiscal Studies have claimed that based upon the assumptions of the 2009 budget, a return to the 40% level for public sector net debt will not occur until February 2032. Regardless of the detail, it is clear that the Government's recovery plans depend upon a rapid economic bounce back with a forecast of 1.25% growth in 2010 rising to 3.5% in 2011.
- 2.4 In terms of public spending, the 2009 budget announced that public spending from 2011 would grow by just 0.7% per annum in real terms. However, how this will impact upon individual public services has not been spelt out although it is clear that it will not affect all services evenly and that some services will face very severe cut backs if other services are to be protected. The details of such spending proposals would normally be spelt out in the Government's Comprehensive Spending Review. Such reviews have been used by the Government to set out planned expenditure for the three forthcoming years. The timing of these reviews have varied over time but the original intention was that they would set out planned public expenditure for a three year period but would be undertaken every two years, thus year three of the previous review would become year one of the next. The planned spending review that was due in summer 2009 was postponed and it is now not clear when the next review will be announced.
- 2.5 2010/11 is in fact the third year of the previous Comprehensive Spending Review. The following table details the increases in Government formula grant nationally and for Leeds and also sets out the Leeds Council Tax in first 2 year covered by the current Comprehensive Spending Review.



Year	Increase in Government Formula Grant			Increase in LCC Council Tax %
	National %	Leeds %	Leeds £m	
2008/09	3.5	2.7	7.6	4.7
2009/10	2.8	2.1	6.2	2.9
2010/11	2.6	1.8	5.4	TBD

2.6 The above increases in formula grant were those that were announced in the Comprehensive Spending Review published in the summer of 2007, but they are subject to annual confirmation by the Government. On the 26<sup>th</sup> November 2009, the Parliamentary Under-Secretary of State (Mrs Barbara Follett) published the Government's formal proposals on the distribution of Formula Grant to English local authorities for 2010/11 which confirmed no changes to the allocation of formula grant to the figures previously published. The 1.8% increase for Leeds (2.1% increase in 2009/10) is less than the average for the Core Cities (2.1%), the West Yorkshire districts (2.7%) and the metropolitan districts (2.6%). The written statement says that the government expects to see the average council tax increase – which this year was 3.0% - fall to a 16 year low next year while authorities protect and improve front line services. Ministers have also confirmed that they are prepared to cap 'excessive increases', including requiring rebilling, as happened with two police authorities this year. The Government have announced that the increase in total "aggregate external finance" (all specific and general grants including business rates) will be 4% (4.2% in 2009/10). However, that figure includes an increase of 4.3% for specific grants many of which provide little or no flexible spending power for local authorities. The government will pay, through area based grant, £210m (£420m in a full year) for the implementation of free personal care at home for people with high personal needs from October 2010. There is an expectation that the overall cost will be £670m in a full year and that the £250m difference will be funded by local government efficiencies.

### 3.0 Main Issues

3.1 Based upon the above, it is clear that the public finances will face significant challenges over the next few years with some commentators predicting such pressures to continue for perhaps up to ten years. How these national pressures will impact upon local government and specifically the finances of the City Council is difficult at this time to quantify, although it seems highly unlikely that either local government overall or the City Council specifically, will be immune from the effects of a tightening of public finances.

3.2 This worsening of the national public finances, and its potential impact upon local government generally and the City Council specifically, also has to be seen and understood within the context of the financial challenges facing the City Council. These challenges include by way of example:-

- Demographic changes, in particularly the growth in the population over 85 years of age
- Increases in cost above inflation

- Child protection
- Declining levels of income
- Increasing cost of pensions
- Delivering the Councils ambitions and aspirations and national agendas
- The environmental agenda including carbon trading, Landfill tax and LATS

Many of these pressures are already impacting in the current year upon the Council's financial position and most certainly will continue to be pressures going forward.

- 3.3 For 2010/11, budget preparations are assuming the increase in the Council's formula grant as announced as part of our three year settlement that is 1.8%. The recent confirmation of this grant settlement is clearly helpful in planning terms. It may be noted that David Cameron in a speech to a recent CBI conference stated that a Conservative Government, if elected would introduce an emergency budget within 50 days of taking power, aimed at bringing down the Government deficit. Whether this would impact upon local government is uncertain at this time. Regardless of which party is in power after the next General Election, the general direction would appear to be clear, but going beyond 2010/11 we are working with a very significant degree of uncertainty as to the quantification of any impact upon local government generally and the City Council specifically. Some commentators are talking about a 10% reduction in public spending over the three year period from 2011/12, and the Conservative party has clearly stated that they would be aiming to reduce the Government deficit more speedily than a Labour Government. In order to provide some understanding of the potential impact of changes in the Government grant, each 1% increase or decrease in the Council's formula grant is worth £3M.
- 3.4 Whilst the focus tends to be upon formula grant, and its impact upon services and levels of Council Tax, it should not be forgotten that there are significant elements of Council provision funded by specific grant, most notably schools and the Housing Revenue Account. In addition, the Council receives significant sums through the Area Based Grant, which although not earmarked is directed at key priorities.
- 3.5 In terms of dealing with this new financial climate, and whilst there will continue to be a need to develop detailed annual budgets, it is clear that the Council has to be financially planning beyond simply the next financial year. The Council has in fact for a number of years adopted a medium term approach to financial planning. The Council's current financial strategy is included in the Council's Business Plan 2008 - 2011. The plan outlines the key issues and priorities over the planning period and in the light of forecast available resources sets out a basis for the allocation of resources in order to support the Council's strategic and business priorities. As such the purpose of the strategy is to underpin the delivery of the Council's priorities and to set out a framework for the preparation of the Council's annual revenue budget.
- 3.6 The current financial strategy marked a new approach for the Council in linking service and financial planning. A new approach to the allocation of resources was also adopted which used as its building blocks an assessment of relative needs, the delivery of efficiencies and local priorities and as such it marked a significant shift towards budget making in a policy led rather than a finance led corporate planning

framework. This new approach and resulting resource allocations for a five year period was detailed in a report agreed by Executive Board in December 2007 and incorporated into the Council's Business Plan that was published in the Summer of 2008.

- 3.7 Work will be commencing in the new year upon the next Council Business Plan which will cover the period 2011 to 2014. Assuming a new Comprehensive Spending Review sometime next year and a new three year financial settlement for local authorities, this will provide an opportunity for the Council to review its financial strategy to ensure that it can respond in a planned way to the changing financial landscape within the public sector.
- 3.8 The efficiency agenda is a significant economic driver. All public bodies are under pressure to make year-on-year efficiency savings in back-office and support service functions in order to maximise investment in front-line services. It is clear that the delivery of efficiencies will become even more important to the future of financial planning and management of the Council. The Government for 2010/11 has already increased the so called Gershon target from 3% to 4% and it is clear that these expectations will continue beyond 2010/11. The council has a good track record in delivering efficiencies. For the three year period 2005/06 to 2007/08 we delivered cashable efficiencies of over £56m and we exceeded the Government's so called Gershon target by 41.5%. For 2008/09 the Council delivered further efficiencies of £27m and the latest budget targets efficiencies of over £20m. Thus, over the 5 year period efficiencies of over £100m have been delivered. Efficiencies have been delivered across a number of areas, including energy, procurement, sickness management, administration and back office functions. However, it is clear that much more can be achieved and has to be achieved utilising the benefit of technology and changing the way that we work. The Council has embarked upon a transformation program as agreed by the Executive Board in December 2008. This report recognised that in order for the Council to deliver its Strategic and Business Plan outcomes (within challenging financial constraints), the delivery of a Transformation Program was imperative in order to bring about both significant change and facilitate a number of benefits (both cashable and non-cashable). The Business Transformation Program provides the basis for making significant efficiencies for the redirection of resources to front-line services which would otherwise not be achieved by the traditional incremental change approach.
- 3.9 In response to the changing financial landscape, the Council is also enhancing its arrangements to consider the efficiency of services. Central to these arrangements are plans to develop a Council wide approach to efficiency and value for money. Although plans are at an early stage, the enhanced approach is likely to include the following:
- Developing a corporate and systematic approach to value for money, including a clear and concise policy statement on vfm and a consistent approach to benchmarking
  - Developing governance arrangements for vfm including a review of existing terms of reference.
  - Considering the role and contribution of scrutiny boards and the Corporate Governance and Audit Committee to the vfm agenda
  - Developing and embedding a culture of vfm – the vision is that all Chief Officers will be accountable for driving down cost and delivering vfm
  - As part of the systematic approach to vfm it is intended to develop a 'dashboard' approach to reporting the current position on vfm across all services.

- Proposals for raising awareness of vfm and training/briefings on undertaking vfm reviews
- Review the Internal Audit plan and the Business Process Re-engineering team's work programme to refocus vfm reviews on corporate priorities
- Reviewing the procurement 'checklist' to determine whether market testing is an appropriate response for a particular service.

3.10 Accountability, and the in year monitoring of financial health, will also be crucial in terms of how the Council responds to current and future financial challenges as problems need to be identified as early as possible in order to take appropriate corrective action. Budget monitoring is undertaken at all levels of budget responsibility, with monthly reporting to corporate finance and senior management. This is supported by quarterly reporting to the Executive Board and to the Central and Corporate Scrutiny Board.

#### **4.0 Implications For Council Policy And Governance**

4.1 The Council's approach to its annual budget is set out within its budget and policy framework which detailed in Part 4 of the Council's constitution. This sets out a broad framework covering the preparation and scrutiny of budget proposals and arrangements for varying the budget in year. Whilst there are no proposals at this time for this framework to be amended, nevertheless it is important that this is kept under review so as to ensure that the Council is able to respond and deal with the financial climate it is facing.

#### **5.0 Legal And Resource Implications**

5.1 There are no legal or resource implications at this time.

#### **6.0 Conclusions**

6.1 It is clear that all public bodies will face significant financial challenges over the short and medium term, although at this stage quantifying how this will impact upon the Council's finances beyond 2010/11 is subject to a great deal of uncertainty. The City Council does have in place both medium term financial planning and monitoring arrangements and has a good track record of delivering its annual budget and required efficiencies.

6.2 The Council in the current year is facing a number of significant financial pressures, and it is clear that many of these, are by their nature structural. The preparation of the Council's 2010/11 budget is underway and the extent to which structural issues are dealt with will be critical in providing a basis for developing robust financial plans beyond 2011/12. Taking account of these and other developing financial pressures, it would be difficult to underestimate the potential impact that the changing landscape could have upon the Council's resources and its services. Both the on-going Business Transformation Program and the next Council Business Plan will be crucial in how the Council responds to these challenges.

6.3 Supporting the budget and policy framework, the Council has adopted a medium term approach to financial planning and has in place robust in-year monitoring arrangements. At this time it would appear that these are fit for purpose, although it is the case that these will need to be regularly monitored to ensure that they remain so. It is also undoubtedly the case that the real challenge going forward will not so

much be governance arrangements, but will be policy making, service prioritisation and the delivery of value for money within a tightly constrained financial environment. Nevertheless, in any likely scenario the Council will continue to control significant financial resources and will retain significant capacity to deliver services for the citizens of Leeds.

## **7.0 Recommendations**

- 7.1 The Corporate Governance and Audit Committee is asked to note the contents of this report and are invited to comment on the extent to which the Council's financial planning arrangements are fit for purpose.

### **Background Documents Used**

Developing the Councils approach to medium term financial planning - Executive Board December 2007

Council Business Plan 2008/2011

Chancellors Budget 2009

Business Transformation in Leeds City Council – Executive Board December 2008

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### Report of the Head of Scrutiny and Member Development

#### Scrutiny Board (Central & Corporate Functions)

Date: 11<sup>th</sup> January 2010

Subject: Scrutiny Inquiry - Consultant Engagement – Session Three

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**Electoral Wards Affected:**

**Specific Implications For:**

Equality and Diversity

Community Cohesion

Narrowing the Gap

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### 1.0 INTRODUCTION

- 1.1 At its meeting on 7<sup>th</sup> December 2009 Members noted that the Regional Improvement and Efficiency Partnerships (RIEPs) is working on ways to ensure greater improvement in the hiring of consultants and that the Yorkshire and Humberside RIEP is currently working on developing a set of organisational conditions they would consider constitutes best practice.
- 1.2 It was further noted that the Chief Procurement Officer represents the Council and the Yorkshire and Humber region on the 'Professional Services' CCB looking at the procurement of consultancy and agency staff. As well as identifying best practice and ways to control spend in these areas – known as 'Demand Management' – the Board also looks at opportunities for collaboration and efficiency/improvements in each area.
- 1.3 In progressing this Inquiry, the Board agreed that the Head of Scrutiny and Member Development, in consultation with the Chair, select 4 contracts (2 high value and 2 low value) for more detailed investigation and reporting back to the Board, to ascertain whether the Council's current arrangements do coincide with the best practice guidelines developed by RIEP.
- 1.4 Whilst this work is underway the Board should note the work carried out by internal audit in this area, which complements the work of Scrutiny. A note of the work undertaken by internal audit is attached as appendix 1 Officers will be in attendance to answer any questions from Members.

## **2.0 RECOMMENDATION**

2.1 Members are asked to;

- (i) Consider the work undertaken by internal audit and its relevance to the current Scrutiny Inquiry.



# Internal Memo



**To:** Doug Meeson  
Chief Officer, Financial Management

**From**  
Audit and Risk  
Internal Audit  
3<sup>rd</sup> Floor West  
Civic Hall  
Leeds LS1 1JF  
Our Ref: CR75/02  
Email: alex.firth@leeds.gov.uk  
27 November 2009

**From:** Alex Firth  
**Tel:** 0113 247 4210  
**Fax:** 0113 247 4338

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**Subject: External Consultants Review 2009/10**

## Introduction

As part of our annual coverage, Internal Audit planned to undertake a review of External Consultants. The aim of the review was to identify the extent to which external consultants provide value for money to Leeds City Council (LCC). Following the commencement of the review, Internal Audit was informed by Corporate Financial Management that the Scrutiny Board has also instigated a review of external consultants with similar objectives. In order to avoid the duplication of work between the two reviews and to ensure consistency of results, this memo details the audit findings and draft recommendations made to date so that they can be used for reference by Financial Management in conjunction within the Scrutiny Board review. Given the Scrutiny Review already underway, Internal Audit are not undertaking any further work.

## Work undertaken by Internal Audit

### Analytical Review

Internal Audit undertook an analytical review on the expenditure codes used within the Financial Management System (FMS) to record external consultancy within LCC. This confirmed that the main expenditure codes used are:

- Revenue vote code 259 – Consultancy Services.
- Capital code CPRH 7 subcode 62 – Other Consultants Fees.

A further review was undertaken to identify the suppliers with the highest levels of spend against each of the two FMS codes for the period from 2008/09 to 2009/10 to date (period 4). The review identified that 196 suppliers had been used for revenue related consultancy services and 135 suppliers for capital schemes.

The suppliers with the highest levels of expenditure for the two codes were subject to a further review against their overall levels of spend in FMS to identify the extent of any possible miscoding. The results can be seen in the following table:

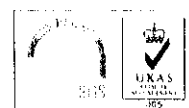


Table: Highest value External Consultancy suppliers

Creditor Reference	Creditor Name	Finance Codes	Transaction Value on the Consultancy codes (£)	Total Transaction value in FMS (£)	Variances (£)
DL010X	DLA Piper UK llp	Vote 259	176,638	722,506	545,868
PR3252	Pricewaterhouse Coopers	Vote 259	121,596	381,017	259,421
TR1473	Trowers & Hamlins	Vote 259	99,986	101,090	1,104
WS0056	WSP Environmental Limited	Vote 259	97,068	97,068	0
CO0089	Compacta Ltd	Vote 259	85,159	85,159	0
EN0350	Erviros Consulting Ltd	Vote 259	69,223	76,437	7,214
EL0237	ELAN Computing Limited	CPRH 7 sub 62	269,332	381,597	112,265
DE0672	Delcam International	CPRH 7 sub 62	154,714	154,714	0
DA0566	David Young Community Academy	CPRH 7 sub 62	153,448	153,448	0
MO1750	Modis International Ltd	CPRH 7 sub 62	120,664	340,174	219,510

Source: FMS 2008/09 and period 1-4, 2009/10

The testing results show that for 6/10 suppliers, the total values in FMS were in excess of those used on the external consultancy codes. This indicates that either the suppliers are providing services to LCC other than consultancy, or that some of their expenditure is being miscoded.

Further analysis of the expenditure against these suppliers was undertaken and this identified that:

- Revenue: Other than vote 259, 10 other vote codes had also been used in FMS to code the above creditor expenditure to. Of these codes, vote 265 (Other Hired Services) and vote 277 (Bought In Professional Services) showed the highest total transaction values, of £563k and £161k respectively.
- Capital: other than code CPRH 7 sub 62, transactions have also been coded to 3 other subcodes; these being CPRH 5 (Furniture and Equipment), CPRH 7 sub 01 (Project Management) and 42 (Other Private Arch Charge).

Internal Audit undertook additional testing on a sample of three invoices for DLA Piper UK, the supplier sampled with the highest overall revenue value in FMS. One invoice was selected for each for the three revenue vote codes; 259, 277 and 265. The testing identified that despite being coded differently; all three invoices had identical narratives - 'Fees for professional services'. This could indicate that external consultancy work is not being coded consistently in FMS, increasing the risk of inaccurate management information. However, it is understood from discussions with the Senior Financial Manager that Financial Management undertake monitoring on expenditure under the 265 and 277 codes for Private Finance Initiative (PFI) schemes.

## Policy and Guidance

Internal Audit identified that there is no current policy or guidance on the use of external consultants within LCC. Although general procurement arrangements are included within Contract Procedure Rules, these do not specify any specific considerations to be given when procuring external consultants.

The inconsistency in coding identified in the table above may have arisen due to the lack of current guidance on the correct expenditure code(s) to use and also there being no definition as to what type of work should be classified as external consultancy as opposed to bought in professional services and other hired services.

The review confirmed that two previous areas of guidance and procedure are no longer in place, these being:

- An external consultancy guidance note issued by the Procurement Unit (PU) which had been previously available on the LCC Intranet.
- The Application to Engage Consultants process introduced by LCC Financial Management in 2007/08 which, after review, they did not consider to be productive.

Without guidance on the use of external consultants being developed and communicated to relevant staff, there is reduced assurance that the following issues are properly complied with:

- The requirement for checks to be undertaken and recorded to demonstrate that no internal service provider is able to undertake the work.
- The correct expenditure codes to be used. .
- The need to demonstrate that there is a business need for the use of the external consultants.
- How the work is expected to provide value for money, and how this will be reviewed.
- Whether there is potential for the skills and knowledge obtained through the use of the external consultant to be transferred to LCC staff.

To date, due to the Scrutiny review, Internal Audit has not undertaken any substantive work to identify whether there was the business need for consultancy work and whether value for money had been obtained from their use.

## **Recommendations**

- Consideration should be given to analyse all transactions of the consultancy provider companies on other vote codes, and to assess the impact of such expenditure on the overall external consultancy spending in LCC.
- Policy and guidance on external consultancy should be developed and communicated to relevant staff. This should include:

- A definition of the types of work which can/cannot be classed as external consultancy.
- The circumstances and justification against which external consultants can be used.
- The need to be able to demonstrate value for money from the use of external consultants.
- Instructions on which FMS expenditure codes should/should not be used for external consultants.

If you require any further assistance in this matter please contact Alex Firth on extension 74497.

*Alex Firth*

**Neil Hunter**  
**Head of Audit**

David Beirne, Senior Financial Manager - Corporate Financial Management  
Malcolm Foster, Deputy Chief Procurement Officer.  
Peter Marrington, Head of Scrutiny



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**Report of the Head of Scrutiny and Member Development**

**Scrutiny Board (Central & Corporate Functions)**

**Date: 11<sup>th</sup> January 2010**

**Subject: Scrutiny Board (Central & Corporate Functions) – Work Programme,  
Executive Board Minutes and Forward Plan of Key Decisions**

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**Electoral Wards Affected:**

**Specific Implications For:**

Equality and Diversity

Community Cohesion

Narrowing the Gap

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**1.0 INTRODUCTION**

- 1.1 Attached as Appendix 1 is the current Work Programme for this Scrutiny Board. This has been amended to take into account discussions held at the last meeting.
- 1.2 Attached as Appendix 2 and 3 respectively are the Executive Board minutes from 9<sup>th</sup> December 2009 and the Council's current Forward Plan relating to this Board's portfolio.

**2.0 RECOMMENDATIONS**

- 2.1 Members are asked to;
- (i) Note the Executive Board minutes and Forward Plan
  - (ii) Agree the Board's work programme.

Background Papers

None used

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**SCRUTINY BOARD (CENTRAL & CORPORATE FUNCTIONS) - LAST REVISED DECEMBER 2009**

ITEM	DESCRIPTION	NOTES	TYPE OF ITEM
<b>Suggested Areas for Scrutiny Currently Unscheduled</b>			
Corporate Call Centre Performance			
Corporate approach to efficiency savings			
Carbon Trading			
Services to Disabled Groups			
EASEL - Contract			
Information Management			

ITEM	DESCRIPTION	NOTES	TYPE OF ITEM
<b>Meeting date: 1<sup>st</sup> February 2010</b>			
Consultant Review			PR
Scrutiny of the Budget	To receive and consider quarter 3 financial report.		PM
Decision making and Consultation			PM
Communications and Plain English	To receive an update on the progress of various communication initiatives		PR
<b>Meeting date: 1<sup>st</sup> March 2010</b>			
Scrutiny of the Budget	To receive and consider quarter 3 financial report.		PM
Recommendation	To monitor progress on meeting the		MSR

**SCRUTINY BOARD (CENTRAL & CORPORATE FUNCTIONS) - LAST REVISED DECEMBER 2009**

<b>ITEM</b>	<b>DESCRIPTION</b>	<b>NOTES</b>	<b>TYPE OF ITEM</b>
<b>Tracking</b>	recommendations agreed following Inquiries into; Member Management, Attendance Management & Procurement of Services		
<b>Quarterly Accountability Reports</b>	To receive quarter 3 performance reports		PM
<b>Meeting date: 29<sup>th</sup> March 2010</b>			
<b>Annual Report</b>			
<b>Translation and Interpretation Services</b>	To receive an update on the implementation and consequences of new budget arrangements.		PR

Key:

CCFA / RFS – Councillor call for action / request for scrutiny

RP – Review of existing policy

DP – Development of new policy

MSR – Monitoring scrutiny recommendations

PM – Performance management

B – Briefings (Including potential areas for scrutiny)

SC – Statutory consultation

CI – Call in



APPENDIX 2



**FORWARD PLAN OF KEY DECISIONS**

1 January 2010 – 30 April 2010

**LEEDS CITY COUNCIL**

**FORWARD PLAN OF KEY DECISIONS**

For the period 1 January 2010 to 30 April 2010

<b>Key Decisions</b>	<b>Decision Maker</b>	<b>Expected Date of Decision</b>	<b>Proposed Consultation</b>	<b>Documents to be Considered by Decision Maker</b>	<b>Lead Officer</b> (To whom representations should be made and email address to send representations to)
Agency Workers Contracts To re-let contracts for the provision of agency workers	Director of Resources	1/1/10	Supplier consultation undertaken	The decision will be supported by an evaluation of tenders	Director of Resources alex.watson@leeds.gov.uk
Framework Agreement for Technical Advisors for PFI Projects Approval to issue OJEU notice for the procurement of the framework agreement	Director of Resources	1/1/10	Not applicable (Advisors from Client Departments)	Report to Board	Chief Officer (PPPU) david.outram@leeds.gov.uk

<p>Highways Asset Management</p> <p>i) Approve the injection of £609,500 into the City Development Capital Programme which will be fully funded by the Department for Transport;</p> <p>ii) Give authority to incur expenditure of £517,500 works and £92,000 staff</p> <p>iii) The money will be spent on systems, devices and data gathering of the inventory and conditions of assets such as roads, footways, signs, barriers, structures, trees, to provide a risk based approach to maintenance and renewal decisions across all of the assets related to the highway</p>	<p>Director of Resources</p>	<p>1/1/10</p>	<p>None</p>	<p>Report/DDN</p>	<p>Director of Resources andrew.molyneux@leeds.gov.uk</p>
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<p>Thorpe Lane/Bradford Road Junction Improvement          Authority to undertake construction works total cost £287,500 including S106 contribution of £50,000</p>	<p>Director of Resources</p>	<p>1/1/10</p>	<p>Members, Emergency Services etc consulted as part of the scheme development</p>	<p>None.</p>	<p>Director of Resources          richard.hobson@leeds.gov.uk</p>
<p>Change in charge levied to cover the costs of pursuing recovery of unpaid Council Tax through the courts          To increase the charge levied to cover the costs of issuing summons and pursuing the recovery of unpaid Council Tax through the courts. The charge will be increased from £66 to £80 from January 2010 and to £90 from April 2010. The increase is expected to recoup an additional £350k in costs in a full year.</p>	<p>Chief Revenues and Benefits Officer</p>	<p>1/1/10</p>	<p>Executive Member</p>	<p>None</p>	<p>Chief Revenues and Benefits Officer          steven.carey@leeds.gov.uk</p>
<p>Catering Consumables Contract for Catering and Cleaning Services          To proceed with PQQ and Tender specification for renewal of contract</p>	<p>Director of Resources</p>	<p>1/2/10</p>	<p>Group consultation on quality of product / Consultation with Existing Supplier</p>	<p>Tender Specifications</p>	<p>Director of Resources          mandy.snaith@leeds.gov.uk</p>

<p>Fresh Meat, Cooked meats and Halal provision Contract for Catering and Cleaning Services To proceed with PQQ and Tender specification for renewal of contract</p>	<p>Director of Resources</p>	<p>1/2/10</p>	<p>Group consultation on quality of product / Consultation with Existing Supplier / Muslim Panel</p>	<p>Tender specifications</p>	<p>Director of Resources mandy.snaith@leeds.gov.uk</p>
<p>Equality and Diversity Training To develop and procure a new Learning and Development Package, incorporating the various areas of equality including race, ethnicity, religion, gender, age, disability and sexual orientation, which will support Leeds City Council's Equality and Diversity Scheme</p>	<p>Chief Officer (HR)</p>	<p>2/1/10</p>	<p>Staff groups and providers</p>	<p>EDLaD Briefing</p>	<p>Chief Officer (HR) will.lunnon@leeds.gov.uk</p>

Capital Programme 2009 - 2013 To update and approve the Capital Programme over the period 2009 - 2013	Executive Board (Portfolio: Central and Corporate)	12/2/10	None	The report to be issued to the decision maker with the agenda for the meeting	Director of Resources Alan.gay@leeds.gov.uk
Treasury Management Strategy 2010/11 To approve the Treasury Management Strategy for 2010/11	Executive Board (Portfolio: Central and Corporate)	12/2/10	None	The report to be issued to the decision maker with the agenda for the meeting	Director of Resources alan.gay@leeds.gov.uk
Financial Health Report - third quarter In noting the financial position after nine months for the Authority a decision will be required as to the treatment of any variation identified	Executive Board (Portfolio: Central and Corporate)	12/2/10		The report to be issued to the decision maker along with the agenda for the meeting	Chief Officer (Financial Management) doug.meeson@leeds.gov.uk
Changing the Workplace Business case approval for phase 1 of programme	Executive Board (Portfolio: Central and Corporate)	12/2/10	Ongoing Officer and Member consultation.	The report to be issued to the decision maker with the agenda for the meeting	Director of Resources alan.gay@leeds.gov.uk

## EXECUTIVE BOARD

WEDNESDAY, 9TH DECEMBER, 2009

**PRESENT:** Councillor A Carter in the Chair

Councillors R Brett, J L Carter, R Finnigan,  
S Golton, R Harker, P Harrand,  
J Monaghan, J Procter and K Wakefield

Councillor R Lewis – Non-Voting Advisory Member

**126 Retirement of Deputy Chief Executive - Dave Page**

On behalf of the Board, the Chair paid tribute to and thanked the Deputy Chief Executive, Dave Page for his services to the Council, as this would be the final Board meeting in which he would be in attendance prior to his retirement.

**127 Technoprint Court Case**

The Board was advised that following the recently announced verdict, the High Court had ruled in the Council's favour with respect to the Court Case regarding the company Technoprint. The Chair thanked all of those officers involved for their efforts throughout the case.

**128 Exempt Information - Possible Exclusion of the Press and Public**

The substantive reports and assessment documents referred to in Minute Nos. 135 and 136 had been designated as exempt until 3<sup>rd</sup> December and 9<sup>th</sup> December 2009 respectively. This designation had arisen from embargoes on the documents which had substantially been the source of the contents of those items and all information had been published on the lifting of those embargoes.

**RESOLVED** – That the public be excluded from the meeting during consideration of the following parts of the agenda designated as exempt on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present there would be disclosure to them of exempt information so designated as follows:-

- (a) Appendix 1 to the report referred to in Minute No. 133 under the terms of Access to Information Procedure Rule 10.4(3) and on the grounds that the appendix contains information which if disclosed to the public would, or would be likely to prejudice the commercial interests of the Council.
- (b) Appendix 1 to the report referred to in Minute No. 150 under the terms of Access to Information Procedure Rule 10.4(3) and on the grounds that the appendix contains information relating to the financial or business affairs of a particular person and of the Council, and is not

Draft minutes to be approved at the meeting  
to be held on Wednesday, 6th January, 2010

publicly available from the statutory registers of information kept in respect of certain companies and charities.

It is considered that since the information was obtained through one to one negotiations for the disposal of the property/land then it is not in the public interest to disclose the information at this point in time. Also, it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions in that prospective purchasers of other similar properties could obtain information about the nature and level of consideration which may prove acceptable to the Council.

It is considered that whilst there may be a public interest in disclosure, much of this information will be publicly available from the Land Registry following completion of the transaction and consequently the public interest in maintaining the exemption outweighs the public interest in disclosing the information at this point in time.

#### **129 Late Items**

The Chair admitted the following late item to the agenda:-

##### Key Decision Taken Under Special Urgency Provisions (Minute No. 157 refers)

Following a Key Decision being taken under the Special Urgency provisions, a report providing details of the decision and recommending that it be forwarded to Council as the quarterly report of the Leader on such decisions was submitted to Executive Board in accordance with Access to Information Procedure Rules. Due to the urgent nature of the Key Decision, it was considered appropriate for this report to be submitted to the next scheduled meeting of the Board.

#### **130 Declaration of Interests**

Councillor Wakefield declared personal interests in the items referred to in Minute Nos. 152, 153, 155 and 156, due to his position as a school and college governor.

Councillor Brett declared a personal interest in the item referred to in Minute No. 136 due to being a Board Member of Leeds Ahead.

Councillor J Procter declared a personal interest in the item referred to in Minute No. 133, due to his position as Chair of the Leeds Grand Theatre and Opera House Board of Management, and a personal and prejudicial interest in the item referred to in Minute No. 144 due to having a commercial interest in a biomass company.

Councillor Harrand declared a personal interest in the item referred to in Minute No. 133, due to his position on the Leeds Grand Theatre and Opera House Board of Management.



Councillor Finnigan declared personal interests in the items referred to in Minute Nos. 153 and 154, due to his position as a school governor.

Councillor R Lewis declared personal interests in the items referred to in Minute Nos. 153 and 154, due to his position as a school governor.

Councillor A Carter declared personal interests in the items referred to in Minute Nos. 153 and 154, due to his position as a school governor.

### **131 Minutes**

#### **RESOLVED –**

- (a) That subject to the figure £1,000,500 being deleted from minute 112(b) and being replaced with the sum of £1,500,000, the minutes of the meeting held on 4<sup>th</sup> November 2009 be approved as a correct record.
- (b) That the minutes of the meeting held on 24<sup>th</sup> November 2009 be approved as a correct record.

### **LEISURE**

### **132 Design and Cost Report for the Redevelopment of Middleton Park Through a Heritage Lottery Fund Parks for People Grant**

The Director of City Development submitted a report providing an update on the development of the Stage 2 Parks for People Heritage Lottery Fund bid for Middleton Park, detailing proposals to progress the scheme and which sought approval for the submission of the bid on or before the 31<sup>st</sup> December 2009.

#### **RESOLVED –**

- (a) That the injection of £1,797,929 into the 2010/11 Capital Programme be approved.
- (b) That the submission of the Stage 2 bid on or before the 31<sup>st</sup> December 2009 be approved.
- (c) That the use of the Parks Renaissance funding scheme number 12523 to address the £68,500 shortfall in the scheme be approved.
- (d) That the current position in relation to the surrender of the lease and the sale of 218 and 220 Middleton Town Street, which is providing part of the Council's match funding for the project, be noted.
- (e) That the Heads of Terms for the contribution agreement between Leeds City Council and Wades Charity be agreed, and that delegated authority to the Council's Chief Recreation Officer to complete the agreement be approved.

### **133 City Varieties Music Hall Refurbishment: Project Update**

Further to minute 222, 4<sup>th</sup> March 2009, the Director of City Development submitted a report providing an update on the refurbishment of the City

Varieties Music Hall with reference to a revised timetable for completion. The report also sought authority to spend additional funding on the project.

Following consideration of Appendix 1 to the report, designated as exempt under Access to Information Procedure Rule 10.4(3), which was considered in private at the conclusion of the meeting it was

**RESOLVED** – That the contents of the report, including the update on the scheme be noted, and that the recommendation contained within exempt Appendix 1 be approved.

## **ADULT HEALTH AND SOCIAL CARE**

### **134 KPMG Health Inequalities Report**

The Director of Adult Social Services submitted a report presenting the recommendations arising from a review of health inequalities undertaken by KPMG, detailing the responses to the recommendations and outlining proposed further actions to raise awareness of health inequalities across the City.

#### **RESOLVED –**

- (a) That the findings of the KPMG audit on health inequalities be welcomed, and that the action plan appended to the submitted report which has been prepared in response to the recommendations be endorsed.
- (b) That the implications for Council policy and governance, as set out in section 5 of the submitted report, be noted.
- (c) That the Director of Adult Social Services be requested to prepare further reports as appropriate on the development of partnership working with NHS Leeds.

### **135 Annual Performance Assessment for Adult Social Services**

The Director of Adult Social Services submitted a report providing the outcome of the Care Quality Commission Annual Performance Assessment of Adult Social Services for 2008/09.

The Board extended its thanks to all staff within Adult Social Care who had helped to ensure that Adult Social Care provision in the city had been judged to be 'Performing Well'.

Due to the outcome of the Annual Performance Assessment being embargoed until 3<sup>rd</sup> December 2009, a substantive report providing full details of the outcome was circulated to Members for consideration once the embargo had been lifted.

**RESOLVED –**

- (a) That the contents of the submitted report, the final assessment letter and the performance review report from the Care Quality Commission for adult social care services in 2008/09 be noted.
- (b) That the areas for improvement, as set out in the annual performance rating report, be referred to the Scrutiny Board (Adult Social Care) for the Scrutiny Board's oversight of performance.

**CENTRAL AND CORPORATE**

**136 Comprehensive Area Assessment 2009**

The Assistant Chief Executive (Planning, Policy and Improvement) submitted a report presenting the outcomes from the 2009 Comprehensive Area Assessment for Leeds.

Members noted that a further report specifically in relation to Children's Services would be submitted to the next meeting of the Board.

Due to the outcomes of the Comprehensive Area Assessment being embargoed until 9<sup>th</sup> December 2009, the Area Assessment report, Organisational Assessment report and the Ofsted letter with respect to the Children's Services Annual Rating were tabled at the meeting for Members' consideration once the embargo had been lifted.

**RESOLVED –** That the covering report and the published reports which provide details of the outcomes from the Comprehensive Area Assessment 2009 be received.

**137 Corporate Performance Report 2009/10 Quarter 2**

The Assistant Chief Executive (Planning, Policy and Improvement) submitted a report presenting an overview of performance against the Council's priority outcomes for the first 6 months of the 2009/10.

**RESOLVED –** That the overall performance position at Quarter 2 with respect to the strategic priorities, and the action planned to further improve or address performance concerns, be noted.

**138 Design and Cost Report: Business Transformation in Leeds City Council and the Introduction of Employee and Manager Self Service**

The Director of Resources submitted a report regarding the development and deployment of SAP's Manager and Employee Self Service module as part of the Council's wider transformation agenda.

**RESOLVED –** That authority be given to spend £1,465,500 over the next 2 year period (plus an additional £117,500 in year 5), to be funded from the Business Transformation allocation and the ICT Development and equipment funds, in order to enable the implementation of the Manager and Employee Self Service initiative to contribute towards the delivery of Business Transformation within Leeds City Council.

**139 Progress Report on the PPP/PFI Programme In Leeds**

A report was submitted by the Deputy Chief Executive providing an update on the Council's current portfolio of PPP/PFI projects and programmes, highlighting the planned key activities earmarked for the investment programme, identifying the employment opportunities which have been created and detailing information on the recent review of governance arrangements for such projects.

**RESOLVED –**

- (a) That the current status of the PPP/PFI projects and programme be noted.
- (b) That the winding up of the Coordination Board and the transfer of responsibilities to Directors, with effect from the date of approval of the amendments to Director delegations by the Leader, as outlined at section 6 of the submitted report, be approved.
- (c) That the proposed revised Terms of Reference for the Strategic Investment Board (SIB) be noted.
- (d) That the Deputy Chief Executive, and subsequently the Director of Resources and Deputy Chief Executive be authorised to implement any necessary Project Board changes, in terms of structure, Chair and composition, as detailed within paragraph 7.1.1 of the submitted report.
- (e) That the proposal detailed at paragraph 7.2 of the submitted report in relation to Final Business Case approvals be noted.

**140 Consultation Response - Transitional Arrangements for Regulation of Lap Dancing Clubs**

The Assistant Chief Executive (Corporate Governance) submitted a report on the reclassification of lap dancing establishments, and on the proposed response to the public consultation exercise undertaken on the transitional arrangements for the regulation of such establishments.

**RESOLVED –** That the proposed responses to the consultation be noted and endorsed as the Council's response.

**DEVELOPMENT AND REGENERATION**

**141 A65 Quality Bus Initiative**

The Director of City Development submitted a report providing an update on the progress made in relation to the A65 Quality Bus Initiative and outlining the necessary approvals required to continue the development of the Initiative.

**RESOLVED –**

- (a) That the contents of the submitted report be noted, and prior to the Full Approval being granted by the Department for Transport, the following be approved:
- i) the additional fee expenditure of £126,000.
  - ii) the remaining ECI Contract costs of £175,000.
  - iii) the mobilisation and start up costs of £180,000.
  - iv) further advance payments to statutory undertakers at a cost of £455,000.
- (b) That following Full Approval being granted by the Department for Transport, approval be given to:
- i) rescind all previous approvals.
  - ii) the implementation of the A65 Quality Bus Initiative scheme at a total cost of £21,580,000.
  - iii) incur expenditure of £14,880,000 works, £2,000,000 land, £2,300,000 statutory undertakers and £2,400,000 fees, all of which is included within the approved capital programme.

**142 Leeds Local Development Framework - Annual Monitoring Report 2009**

The Director of City Development submitted a report presenting the proposed Local Development Framework Annual Monitoring Report 2009 for submission to the Secretary of State for Communities and Local Government.

The Board noted that an amendment to the Annual Monitoring Report 2009 document had been proposed, namely the replacement of paragraph 7.1.5 with the following:

‘Overall waste arisings continue to decrease. Moreover, management methods of recycling and composting are increasing their share of total management. This is also encouraging as it means less waste is being diverted to landfill’.

**RESOLVED –** That, subject to the incorporation of the above amendment, the Leeds Local Development Framework Annual Monitoring Report 2009 be approved for submission to the Secretary of State, pursuant to Regulation 48 of the Town and Country Planning (Local Development) (England) Regulations 2004.

**143 Business Support Scheme for the Council's Small Business Tenants and Investment in Kirkgate Markets**

The Director of City Development submitted a report regarding the proposed establishment of a Business Support Scheme to support the Council’s commercial tenants in the markets, estate shops, miscellaneous small shops

Draft minutes to be approved at the meeting to be held on Wednesday, 6th January, 2010

and small industrial units, whilst also outlining the financial implications of establishing such a scheme.

**RESOLVED –**

- (a) That the establishment of a Business Support Scheme for the Council's small independent business tenants be agreed.
- (b) That £250,000 revenue be earmarked to establish the scheme, with £50,000 released from Contingency Fund in 2009/10.
- (c) That further decision making on the details of the scheme and the terms and conditions for giving support be delegated to the Director City Development in consultation with the Executive Member for Development and Regeneration.
- (d) That officers be requested to monitor the scheme and its effectiveness, and to report back to Executive Board in six months time.
- (e) That £125,000 be injected in 2010/11 and £125,000 be injected in 2011/12, when the Capital Programme is reviewed in February 2010, in order to improve facilities at Kirkgate Market.
- (f) That the proposed Lower Kirkgate Townscape Heritage Initiative (THI) bid to the Heritage Lottery Fund be the subject of a separate report.

**ENVIRONMENTAL SERVICES**

**144 Climate Change Action Plan (and Eurocities Declaration on Climate Change)**

The Director of City Development submitted a report regarding the proposed adoption and publication of the Leeds Climate Change Action Plan, in addition to the approval and signing of the Leeds Climate Change Charter and the Eurocities Declaration on Climate Change.

**RESOLVED –**

- (a) That the Leeds Climate Change Action Plan be adopted and made public.
- (b) That the Leeds Climate Change Charter and the Eurocities Declaration on Climate Change be signed on behalf of the Council.
- (c) That the current target to reduce corporate CO<sub>2</sub> emissions by 33.4% by 2020/21 be amended, and a stretch target to reduce corporate CO<sub>2</sub> emissions by at least 40% by 2020/21 be adopted, as referred to in paragraph 4.6 of the submitted report.

(Having earlier declared a personal and prejudicial interest in relation to this item, Councillor J Procter left the room during the consideration of this matter)

**145 Recycling Improvement Plan**

The Director of Environment and Neighbourhoods submitted a report providing an update on recycling performance, outlining the progress made with respect to the provision of kerbside recycling and which proposed the initiation of a Recycling Improvement Plan.

**RESOLVED –**

- (a) That the initiation of the Recycling Improvement Plan be approved.
- (b) That the aims, guiding principles and programmed approach to giving equality of access, but not necessarily uniform methods of recycling, across the city, be endorsed.
- (c) That the additional costs of extending the garden waste collection service and how these costs can be met in the future by driving through the agreed efficiency improvements in the Waste Collection Service be noted.

**NEIGHBOURHOODS AND HOUSING**

**146 Deputation Response - Residents Concerned at Levels of Local Authority Provision for the Travelling Community**

The Director of Environment and Neighbourhoods submitted a report in response to the deputation to Council on 15<sup>th</sup> July 2009 submitted by local residents concerned at levels of local authority provision for the travelling community.

A revised version of the verbatim record of the deputation, which was appended to the submitted report, had been circulated for Members' information prior to the meeting.

**RESOLVED –** That the response to the deputation, as contained within the submitted report, be noted.

**147 Regional Housing Board Programme 2008-11 - Update on schemes within the overall programme**

The Director of Environment and Neighbourhoods submitted a report outlining the changes to the funding position and proposing a revised resource programme for the Regional Housing Board 2008/11 which was within the reduced funding available.

**RESOLVED –**

- (a) That due to the reduced funding position and the resource allocations, the revised investment programme be agreed.
- (b) That an additional £307,367 energy efficiency grant funding be injected into the 2009/10 capital programme.
- (c) That additional private sector contributions of £151,100 be injected into the programme and that expenditure be authorised as detailed at

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Appendix B to the submitted report, which is earmarked for Cross Green Phase 3 A&D scheme.

- (d) That authority to spend on the schemes as detailed in Appendix B to the submitted report be rescinded.
- (e) That all remaining individual authority to spend requests be brought forward to Executive Board or the appropriate Director as per the Financial Procedure Rules.

**148 Leeds Housing Strategy 2009 - 2012/Leeds Private Rented Housing Strategy**

The Director of Environment and Neighbourhoods submitted a report presenting for approval the updated Leeds Housing Strategy 2009 - 2012 and the updated Leeds Private Rented Housing Strategy.

**RESOLVED** – That the updated Leeds Housing Strategy 2009 – 2012 and the updated Private Rented Housing Strategy be approved.

**149 Little London and Beeston Hill and Holbeck PFI Project - Demolition of Empty Properties Prior to the Start of the PFI Contract**

Further to minute 214, 4<sup>th</sup> March 2009, the Director of Environment and Neighbourhoods submitted a report proposing the demolition of a number of tower blocks and maisonette properties which have been emptied in readiness for the Little London and Beeston Hill and Holbeck PFI project, in advance of the start of the PFI contract.

**RESOLVED** –

- (a) That the demolition of the identified empty properties in Little London and Holbeck be approved.
- (b) That the injection of £1,700,000 into the Capital Programme, from the use of Unsupported Borrowing be approved.
- (c) That scheme expenditure of £1,700,000 be authorised.

**150 Council House Building - 25 Properties for the Over 55s**

The Director of Environment and Neighbourhoods submitted a report outlining a proposal to release monies, dispose of land at nil consideration and appoint builders for the provision of 25 two bed properties for the over 55s.

The report detailed the following options available to progress the development of the sites involved, with option 3 being recommended as the preferred option:

Option 1 - Sell the land at Waterloo on the open market for £500,000 which would deliver 20 open market units and 9 affordable units. The land at Silver Royd and Evelyn Place could be sold on the open market for £210,000 which would deliver 17 units and no affordable units as the size of the sites would be below the threshold for affordable housing. This option would result in a



capital receipt of £710,000 and 9 units of affordable housing. However this would rely on an open market sale which would not be likely due to present market conditions, and so would instead, leave all three sites undeveloped for the foreseeable future and no new council properties.

Option 2 - As the Waterloo Site was already in the remit of the Strategic Affordable Housing Partnership Board this could be sold to a Registered Social Landlord (RSL) for a capital receipt of £ £145,000. Subject to receiving a grant from the Homes and Community Agency (HCA) this could result in 29 affordable units being delivered by an RSL. The sites at Silver Royd and Evelyn Place being sold on the open market for £210,000 and no affordable housing on those two sites. This option would result in a capital receipt of £355,000 and 29 units of affordable housing would be delivered via an RSL on the Waterloo Road site. This would be dependant on a grant being secured from the HCA and would leave the other two sites undeveloped for the foreseeable future and would result in no new council properties.

Option 3 - Sell the land at Waterloo Road for nil consideration to Keepmoat PLC and issue a licence to allow Keepmoat PLC to build on the Councils behalf, at Evelyn Place and Silver Royd. Use £1,516,424, Section 106 monies to purchase 25 completed units across the 3 sites. This option would result in no capital receipt for the Council but retained ownership of land at Silver Royd and Evelyn Place and 25 new council properties to be owned by the Council and managed by West North West Homes. This option would also ensure that all three sites were developed, bringing additional work and confidence to these areas. Across the three sites this would equate to 55% new council housing.

Following consideration of Appendix 1 to the report designated as exempt under Access to Information Procedure Rule 10.4(3), which was considered in private at the conclusion of the meeting it was

#### **RESOLVED –**

- (a) That the appointment of Keepmoat PLC to build the new properties on behalf of the Council be authorised.
- (b) That £1,516,424 of Section 106 funding be injected into the Capital Programme.
- (c) That expenditure of £1,516,424 be authorised to acquire 25 x 2 bed properties for the over 55s funded through Section 106 resources.
- (d) That land at Waterloo Road, as detailed within the submitted report, be disposed of at nil consideration.

#### **CHILDREN'S SERVICES**

##### **151 Proposed Variations to the BSF Capital Programme**

The Deputy Chief Executive and the Director of Children's Services submitted a joint report outlining proposed budgetary variations to the BSF Capital

Programme and providing information on the outcome of the Compensation Event Claims arising from the Phase 1 Design and Build contract.

**RESOLVED –**

- (a) That the contents of the submitted report be noted.
- (b) That £683,000 be injected into the Education Capital Programme to reflect the additional funding notified by the Partnerships for Schools.
- (c) That £800,000 be injected into the Education Capital Programme to reflect the current asset valuation of Wortley High School.
- (d) That the proposed changes to the profile of spend against the proposed Programme Contingency, including the incorporation of the two sums injected at (b) and (c) be agreed, and that authority to spend against this budget in line with the profile detailed within the submitted report and Appendix 1 be approved.
- (e) That an injection of £300,000 into the Education Capital Programme to reflect the current asset valuation of Pudsey Grangefield School be approved.

**152 Transfer of Responsibilities from the LSC to the Local Authority**

The Director of Children's Services and the Chief Executive of Education Leeds submitted a joint report providing an update on the progress made with respect to the transfer of responsibilities from the Learning and Skills Council to the Local Authority and in relation to the future arrangements for the planning and funding of 14-19(25) provision at local authority and sub-regional level.

**RESOLVED –**

- (a) That the progress made with respect to the transfer of responsibilities from the Learning and Skills Council to the Local Authority be noted, and that the approach to the preparation for the transfer of such responsibilities be approved.
- (b) That support for Elected Member representation on the reconstituted 14-19 Strategic Partnership, as indicated at paragraph 3.1.3 of the submitted report be confirmed.
- (c) That the Memorandum of Understanding, as detailed at appendix 3 to the submitted report, be approved.

**153 Proposal for Statutory Consultation for the Expansion of Primary Provision for September 2011**

The Chief Executive of Education Leeds submitted a report outlining proposals to undertake a statutory formal consultation exercise with respect to the proposed permanent expansion of those primary schools detailed within the report.

The Board was advised that the proposed capacity in relation to West End Primary should have read 315, rather than the 420 as detailed within appendix 1 to the report.

**RESOLVED –**

- (a) That subject to the above amendment, the statutory formal consultation on the prescribed alterations to permanently expand the primary schools identified within Appendix 1 to the submitted report, be approved.
- (b) That a report detailing the outcome of the consultations be submitted to Executive Board in Spring 2010.
- (c) That the proposals for further primary school expansions from 2012 onwards, which will be the subject of further reports to the Board, be noted.

**154 Proposal to Relocate the West SILC from the Farnley Park Site under Building Schools for the Future**

The Chief Executive of Education Leeds submitted a report outlining proposals to undertake formal consultation on the relocation of the West Specialist Inclusive Learning Centre (SILC) (Victoria Park) modular building at Farnley Park Maths and Computing college to Bruntcliffe High School.

**RESOLVED –**

- (a) That a formal consultation process be undertaken on the relocation of the provision currently made in the West SILC (Victoria Park) modular building at Farnley Park Maths and Computing College, as planned under the Building Schools for the Future initiative.
- (b) That a further report be submitted to the Board in March 2010 reporting on the outcome of the consultation commencing in January 2010.

**155 Outcomes for Looked After Children in Leeds**

To consider the report of the Director of Children's Services summarising the progress made against the Every Child Matters outcomes with respect to Looked After Children in Leeds, and which identifies the strategies for improving such outcomes.

**RESOLVED –** That the main findings detailed within the submitted report, and its conclusions, be noted.

**156 Children's Trust Arrangements - Area and Locality Governance Arrangements**

The Director of Children's Services submitted a report outlining proposals with respect to formal arrangements for the area and locality aspects of the children's trust arrangements in Leeds. In addition, the report set out the context for such proposed developments and provided supporting background information and analysis.

**RESOLVED –**

- (a) That the need to establish formal procedures for the area and local working of children's trust arrangements in Leeds be noted.
- (b) That the proposed approach to the development of area and locality Children Leeds Partnerships, as set out in Section 5 of the submitted report and appendices, be approved.
- (c) That the children's trust arrangements in Leeds be updated in accordance with the proposals detailed within the submitted report.

**157 Key Decision Taken Under Special Urgency Provisions - Buslingthorpe Conservation Area**

The Assistant Chief Executive (Corporate Governance) submitted a report informing of a Key Decision taken under the 'Special Urgency' provisions contained within the Constitution with respect to Buslingthorpe Conservation Area. The report recommended that it was forwarded to Council as the quarterly report on such decisions in accordance with paragraph 16.3 of the Access to Information Procedure Rules.

The report relating to this matter had been circulated to Members for their consideration prior to the meeting.

**RESOLVED –**

- (a) That the report be approved as the report of the Leader for submission to Council as the quarterly report in accordance with Access to Information Procedure Rule 16.3.
- (b) That this decision be exempt from Call In due to being concerned with matters which are reserved to Council.

DATE FOR PUBLICATION: 11<sup>TH</sup> DECEMBER 2009  
LAST DATE FOR CALL-IN: 18<sup>TH</sup> DECEMBER 2009

(Scrutiny Support will notify Directors of any items called in by 12:00 noon on 21<sup>st</sup> December 2009)