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Report of the Chief Officer Financial Services Appendix A

Report to Executive Board

Date: 13th December 2017

Subject: Financial Health Monitoring 2017/18 – Month 7

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	☐ Yes	☒ No
Are there implications for equality and diversity and cohesion and integration?	☐ Yes	☒ No
Is the decision eligible for Call-In?	☒ Yes	☐ No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	☐ Yes	☒ No

Summary of main issues

1. The purpose of this report is to inform the Executive Board of the financial health of the authority in respect of both the revenue budget and the Housing Revenue Account as at month 7 of the financial year.

2. The 2017/18 financial year is the second year covered by the 2015 Spending Review and again presents significant financial challenges to the Council. The Council to date has managed to achieve considerable savings since 2010 and the budget for 2017/18 requires the Council to deliver a further £64m of savings.

3. The current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions. Whilst the Council continues to make every effort possible to protect the front line delivery of services, it is clear that the position remains challenging and the projected overspend reflects this challenge.

4. Executive Board will recall that the 2017/18 general fund revenue budget, as approved by Council provides for a variety of actions to reduce net spend through the delivery of £64m of budget action plans by March 2018. At this stage of the financial year, it is clear that the majority of these actions are on track to be delivered, and where there are variations, compensating savings have been identified.

5. At month 7, there is a no projected variation on the General Fund and the Housing Revenue Account is projected to break even.

Recommendation

6. (i) Note the projected financial position of the authority as at month 7.

1. Purpose of this report

1.1. This report sets out for the Executive Board the Council's projected financial health position for 2017/18 at month 7.

1.2. Budget Monitoring is a continuous process throughout the year, and this report reviews the position of the budget and highlights potential key risks and variations after the first two months of the year.

2. Background information

2.1. Executive Board will recall that the net budget for the general fund for 2017/18 was set at £492.7m.

2.2. Following the closure of the 2016/17 accounts the Council's general fund reserve was £20.1m which was £2.6m higher than the amount assumed when the 2017/18 budget was approved. A sum of £1.4m has been released into the Children and Families budget for 2017/18 which has subsequently reduced the level of general reserve to £18.7m. The 2017/18 budget does not assume any further use of or contribution to this reserve during this financial year.

2.3. Financial monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This has again been reinforced through specific project management based support and reporting around the achievement of the key budget actions plans.

3. Main Issues

3.1. At month 7 no variation on the general fund budget is currently projected.

3.2. *Table 1*

Summary Position - Financial Year 2017/18 Period 7

Reporting Period October 2017

		Projected (Under) / Over spend for the current period				
Directorate	**Director**	**Staffing**	**Total Expenditure**	**Income**	**Total (under) /overspend**	**Month 6 Position**
		£000	**£000**	**£000**	**£000**	**£000**
Adult & Health	Cath Roff	(1,205)	6,902	(6,902)	0	0
Children and Families	Steve Walker	897	3,088	(3,088)	0	0
City Development	Martin Farrington	(1,271)	468	(468)	0	0
Resources & Housing	Neil Evans	(2,718)	(1,319)	1,319	0	0
Communities & Environment	James Rogers	1,516	1,924	(1,924)	0	0
Strategic	Doug Meeson	(230)	238	(238)	0	0
Total Current Month		**(3,011)**	**11,301**	**(11,301)**	**0**	**0**
Previous month (under)/over spend		**(3,454)**	**5,338**	**(5,338)**	**0**	

3.3. The major variations within Directorates are outlined below with additional detail provided on the Directorate dashboards which are included as appendix 1 to this report;

3.4. Adults and Health

3.4.1. Adults and Health are currently projecting a balanced budget position. Though it should be highlighted that there are potential pressures building, related to fees paid for care homes and home care and the impact of recent case law on the payments for sleep-ins, that may impact on this and future years finances. It is currently assumed £0.6m of earmarked reserves are used to balance the budget.

3.4.2. Community care packages (demand led budgets) are projected to cost an additional £2m, mainly as a result of proposed care home and agreed home care fees.

3.4.3. Staffing costs are forecast to be £1.2m below budget, principally in commissioning services.

3.4.4. The report assumes that £8.0m of the additional £14.7m additional grant will be used to offset an income target set against Leeds CCG's. Post the budget setting it has become apparent that both local and national pressures within the NHS mean that this target is no longer realistically achievable. Income from client contributions. The remainder of the £14.7m Spring budget monies is being used to protect the care market, sustain care packages and reduce social care related pressures in the health service.

3.4.5. Other net income is projected to be £0.2m above budget.

3.5. Children and Families

3.5.1. Children and Families are projecting a balanced position at Period 7, although there are a number of variations within the directorate. Given the demand led pressures within services in the Directorate these budgets will continue to be closely monitored throughout the rest of the year.

3.5.2. There has been an increase in the demand for External Residential (ER) and IFA (Independent Fostering Agents) placements during September and October which means that the projected year end spend has been increased. Overall CLA numbers have also increased. Based on current numbers, a net variance of around £1.2m is projected.

3.5.3. There has also been an adverse movement in projected staffing costs. It is projected that the action plan to deliver savings from the review of vacant posts, agency and overtime will not achieve all of the targeted savings previously reported; this results in a further £0.5m pressure. The directorate will continue to review recruitment and agency spend to try and reduce this pressure.

3.5.4. In order to offset these increased pressures the Directorate is looking to utilise an additional £1.7m of the DfE Partners in Practice funding earlier than profiled and also maximise external income and has identified an additional £1m that will help to offset the CLA and staffing pressures..

3.6. The Dedicated Schools Grant is also facing a number of budget pressures in 2017/18. As in 2016/17 these are mainly on the High Needs Block in relation to top-up payments and outside placements and some additional costs in relation to the new Social Emotional and Mental Health provision, partly offset by savings in the Early Years Block. Whilst a number of savings proposals have been actioned in the High Needs Block budget including transferring £2m of funding from the Schools Block it is currently forecast that there will be an overall overspend in 2017/18 of £0.86m. The deficit reserve from 2016/17 of £3.6m has also been brought forward to 2017/18. The directorate is undertaking a review of the High Needs Block with the aim of identifying options to bring spend in line with the available resources and to repay the deficit balance over the next few years

3.7. City Development

3.7.1. The directorate are projecting a balanced budget position at the year-end; however, there are income pressures totalling £1.4m within Asset Management and Economic Development. This is largely offset by an additional £1.2m of Sport VAT income following the EU ruling on Sports admissions. The balance of £0.2m will be found from line by lines and reviews of other balances.

3.8. Communities and Environment

3.8.1. The Directorate continue to project a balanced position, although there are variations within services. The main variations are outlined below.

3.8.2. There is a projected shortfall in housing benefit overpayment income of £0.5m, against a budget of £8.4m, following a projected reduction in the number and average value of housing benefit overpayments.

3.8.3. Within Customer Access an overspend of £0.7m, mainly in respect of staffing, is forecast due to the delivery of the Community Hub programme and additional security arrangements at sites.

3.8.4. Within Waste Management, the Refuse service is projecting an overspend of £0.8m due to slippage on the Refuse collection route efficiency programme. Additional pressures of £0.1m, mainly relating to the deferral of implementing inert building waste charges are offset by business rates savings of £0.5m at the RERF. In addition, £0.6m savings in respect of disposal costs and additional recycling income are projected, together with a further £0.4m of one-off savings identified across the Waste Management service, contributing to an overall underspend of £0.6m.

3.8.5. The planned introduction of charging for inert building waste at Household Waste Sites was deferred following DEFRA's announcement in April 2017 that they would issue revised guidance around charges for the disposal of such waste, and potentially revise the legislation governing them. Many Councils have historically implemented charges and the Council's view is that charging is permitted under current legislation. The financial projections currently assume charges will be implemented on 1st February 2018, although this is subject to further announcements and guidance from DEFRA.

3.8.6. The directorate will identify further actions of £0.2m to bring the budget back into balance.

3.9. Resources and Housing

3.9.1. No material variations are currently forecast and the Directorate is projecting a balanced position.

3.10. **Strategic and Central Accounts**.

3.10.1. Based on 16/17 savings from additional capitalisation and saving on the levy payment to the business rates pool will help to offset pressures on S278 (income from developers) and new homes bonus income.

4. Other Financial Performance

4.1. **Council Tax**

4.1.1. The Council Tax in-year collection rate at the end of September was 63.85% which is in line with the performance in 2016/17. Forecasts show the 2017/18 in-year collection target of 96.1% collecting some £320.7m of income will be achieved.

4.2. Business Rates

4.2.1. The business rates collection rate at the end of Sept was 64.91% which is 0.5% ahead of the performance in 2016/17. The forecast is to achieve the 2017/18 in-year collection target of 97.7% collecting some £374.8m of income.

4.2.2. The opening total rateable value of business properties in Leeds was £915.54m at 1st April. This grew by £1.7m to £917.24m in mid-May, but, following a number of Valuation Office reductions, had fallen to £914.77m at 30th September. At 30th October the list has recovered the growth experienced in the early part of the year and stands at £917.32m

4.2.3. To calculate Leeds' actual income from business rates this total rateable value is multiplied by the national business rates multiplier (46.6p in the pound). After reliefs and adjustments this amount is then shared between Leeds City Council (49%), West Yorkshire Fire Authority (1%) and Central Government (50%). Following deductions for the Business Rates tariff and to meet the business rates deficit brought forward, Leeds' actual business rates income is projected to be in the region of £136.7m, which is lower than the budget requirement of £142.9m and may impact further on the Collection Fund deficit. The position on the Collection Fund deficit is kept under constant review as deficits are carried forward and impact on the resources available in the following year.

4.3. Business Rates Appeals

4.3.1. The opening appeals provisions for 2017/18 was £25.0m, made up of £23.0m relating to appeals received against the 2010 ratings list and £2m estimated costs in advance of appeals being received against the new 2017 ratings list. Under 50% Business Rates Retention, Leeds' budget is affected by 49% of any appeals provision.

4.3.2. On 1st April 2017, there were 5,337 appeals outstanding. By 1st October 2017, these had reduced to 3,876 appeals outstanding. During October 299 appeals have been settled, 226 of which have not resulted in changes to rateable values. 28 new appeals were received in October, the low number received reflecting that appeals are no longer accepted against the 2010 list except in very specific circumstances. No appeals have been received to date against the 2017 list.

4.3.3. At 31st October there are 3,605 outstanding appeals in Leeds, with 25.8% of the city's total rateable value currently subject to at least one appeal.

5. Housing Revenue Account (HRA)

5.1. At the end of month 7 the HRA is projecting a balanced position in 2017/18.

6. Corporate Considerations

6.1. Consultation and Engagement

This is a factual report and is not subject to consultation.

6.2. Equality and Diversity / Cohesion and Integration

The Council's revenue budget for 2017/18 was subject to Equality Impact Assessments where appropriate and these can be seen in the papers to Council on 22nd February 2017**.**

6.3. Council Policies and Best Council Plan

The 2017/18 budget targeted resources towards the Council's policies and priorities as set out in the Best Council Plan. This report comments on the financial performance against this budget, supporting the Best Council ambition to be an efficient and enterprising organisation.

6.4. Resources and Value for Money

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

6.5. Legal Implications, Access to Information and Call In

There are no legal implications arising from this report.

7. Recommendations

7.1. Executive Board are asked to

(i) Note the projected financial position of the authority as at month 7.

8. Background documents[1]

None

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

ADULTS AND HEALTH

Financial Dashboard - 2017/18 Financial Year

Month 7 (October 2017)

The directorate continues to project a balanced position for the year, though it should be noted that due to demand based pressures it is assumed that £0.6m of reserves will be used to balance the position.
The position for Adults and Health has been adjusted to include the monies announced in the Spring Budget. It should be noted that though detailed plans for the associated spend have now been agreed, the monies are yet to be allocated and therefore for the purposes of this report they are provisionally shown against the budgets for the procurement of care (Access and Care Delivery and Commissioning).
Budget action plans for demand based services are broadly on target to deliver but slippage in some areas is being monitored.

The main variations at Period 7 across the key expenditure types are as follows:
Staffing (-£1.2m – 2.4%)
Savings are evident across most areas but principally within Strategic Commissioning.
Community care packages (+£8.7m – 4.6%)
The variance on the budget is primarily represented by the 'holding' of £6.7m of the new monies announced as a part of the Spring Budget. There is a £2.0m net pressure on demand led budgets. This is primarily related to the impact of the latest proposed care home fees, an increase in the use of supported accommodation and slippage on savings plans, partially offset by an underspend on Direct Payments.
Income (-£6.9m – 5.4%)
Service user contributions, related to Community Support services, are projected to be lower than budgeted. Though investigations continue to determine the cause of this and to identify potential remedies, it appears that growth in the number of new clients is considerably lower than envisaged, which may be as a result of the strengths based initiative and increased use of preventative solutions including reablement. The grant income from the Spring Budget is recorded here along with an assumption that there will be an offsetting reduction in the funding targeted from Health partners in 2017/18.

Budget Management - net variations against the approved budget

				PROJECTED VARIANCES											
	Expenditure Budget £'000	Income Budget £'000	Latest Estimate £'000	Staffing £'000	Premises £'000	Supplies & Services £'000	Transport £'000	Internal Charges £'000	External Providers £'000	Transfer Payments £'000	Capital £'000	Appropriation £'000	Total Expenditure £'000	Income £'000	Total (under) / overspend £'000
Health Partnerships	485	(220)	265	48	0	17	(2)	0	0	0	0	0	63	(17)	46
Access & Care Delivery	250,843	(43,787)	207,056	(80)	29	(166)	(10)	(207)	6,094	(849)	0	0	4,810	(123)	4,687
Commissioning Services	30,335	(36,728)	(6,394)	(972)	21	(14)	(8)	197	3,405	0	0	(551)	2,078	(6,686)	(4,607)
Resources and Strategy	5,227	(637)	4,590	(85)	1	(16)	9	(79)	100	0	0	0	(70)	(56)	(126)
Public Health (Grant Funded)	46,036	(46,009)	27	(116)	(1)	14	(4)	36	(62)	0	0	154	21	(21)	0
Appropriation Account	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	332,926	(127,382)	205,544	(1,205)	50	(165)	(15)	(53)	9,536	(849)	0	(397)	6,902	(6,902)	0

Key Budget Action Plans and Budget Variations:

		Lead Officer	Additional Comments	RAG	Action Plan Value	Forecast Variation against Plan/Budget
A. Key Budget Action Plans					£m	£m
1.	Older people's residential and day support	D Ramskill	Ongoing Better Lives programme	Blue	0.4	0.0
2.	Assessment and care management practice	S McFarlane	Delivering the most cost effective service for new customers based on the strengths based approach	Amber	0.5	0.0
3.	Review of care packages - mental health	M Naismith	Reviewing care packages for existing customers based on the strengths based approach and securing improved value for money commissioning	Green	0.8	0.0
4.	Review of care packages - physical impairment	J Bootle	Reviewing care packages for existing customers based on the strengths based approach and securing improved value for money commissioning	Amber	0.5	0.2
5.	Review of care packages - learning disability	J Wright / M Naismith	Reviewing care packages for existing customers based on the strengths based approach and securing improved value for money commissioning	Green	2.5	0.0
6.	Older people: reduction in the number of customers going into residential care	S McFarlane	Increased use of telecare, reablement and recovery service	Amber	1.3	0.9
7.	Legal Fees	S Hume	Reduction in in-house legal fees	Green	0.3	0.0
8.	Vacancy management	Various	Mainly non-frontline services	Grenen	0.6	0.0
9.	Fees and charges	S Hume	Improved income collection and income recovery from direct payment audit	Amber	0.7	0.3
10.	Review non-essential spend	Various	Review and top-slicing of non-essential spend	Green	0.3	0.0
11.	Public health	I Cameron	Review of commissioned services	Blue	2.9	0.0
12.	Community Support	D Ramskill	In-house community support service closure	Blue	0.9	0.0
B. Other Significant Variations						
1.	Staffing	All	Ongoing vacancy management			(1.2)
2.	Community care packages	Various	Relates principally to unallocated Spring Budget monies, impact of proposed care fees, increased use of supported accommodation			7.6
3	General running costs	All				(0.1)
4	Use of reserves	All				(0.4)
5	Income	S Hume	Primarily Spring Budget monies (offset by non-deliverable Health income target)			(7.2)
			Adults and Health Directorate - Forecast Variation			**0.0**

CHILDREN & FAMILIES 2017/18 FINANCIAL YEAR
FINANCIAL DASHBOARD - Period 7

Overall Summary - At period 7 the Directorate is projecting a balanced position. There has been an increase in the demand for External Residential (ER) and IFA (Independent Fostering Agents) placements during September and October which means that the projected year end spend has been increased. Overall CLA numbers have also increased. The projection for Period 5 and 6 included an anticipated reduction in CLA numbers based on the work in the Directorate to look to bring a number of children out of ER placements, however, despite this the number of ER placements has continued to increase. There has also been an adverse movement in projected pay costs (which is detailed below). In order to offset these increased pressures the Directorate is looking to utilise £1.7m of the DfE Partners in Practice funding earlier than profiled and also maximise external income and has identified an additional £1m that will help to offset the CLA and staffing pressures. There are some risks within this position and these are mentioned below.

Children Looked After - Meeting the budgeted assumptions around the numbers of CLA is the most significant budget challenge that the Directorate faces in 2017/18; it is also the most difficult budget to set because numbers can fluctuate for a variety of reasons including demographic pressures. The 2017/18 budget now includes an increase to the CLA budget of £6.7m compared to 2016/17. Current level of Independent Fostering Agents (IFA) is 189 children whilst the level of External Residential (ER) is 60 children. There has been an increase in ER placements this month. There has also been an increase in the overall projected spend on adoption, Special Guardianship Orders (SGOs) and Residence Orders (RO). Section 17 spend (emergency payments for children in need) is also now shown under the demand led budget section. The period 7 projection assumes that the current level of CLA numbers is maintained to the end of the year (previous months projections assumed a reduction in CLA numbers). There is a risk that CLA numbers continue to rise.

Staffing - It is now projected that staffing will be overspent by £0.9m. This includes an additional £0.3m from capitalised pension costs as a result of prior year early retirements. It is projected that the action plan to deliver savings from the review of vacant posts, agency and overtime will not achieve the targeted savings previously reported; this results in a further £0.5m pressure. The directorate will continue to review recruitment and agency spend to try and reduce this pressure.

Transport - Period 7 is projecting to be overspent by £0.15m as a result of increased demand and increasing complexity of need. The 2017/18 budget included an increase to the Transport budget of £2.8m reflecting anticipated demand pressures. There is a risk that demand increases further during the year.

Trading and Commissioning - Period 7 projects a shortfall against the £1.2m additional trading target of £0.2m. This is mainly around the Activity Centres and it is recognised that the non- charged work they do means that they will not be able to achieve the budgeted breakeven point without stopping doing this important area of work. This shortfall is offset by an anticipated additional £0.7m of income resulting from the Kirklees Partner Improvement work. There is a pressure of £0.2m against the £1.1m commissioned service savings target.

Other Income - The new Innovations & Partners in Practice bid has now been approved and will provide additional funding to be spent over three years. A total of £7.3m was received in 2016/17 and all this funding has been carried forward to 2017/18; the projection assumes £1.95m additional in-year usage. The use of this grant in 17/18 will not impact on the future delivery of the programme. There is additional School Improvement Monitoring & Brokering Grant of £0.5m. A shortfall in income in children's centres of £0.95m is forecast reflecting non-achievement of the planned increase of fee paying nursery places. Also a shortfall of external income of £0.13m at Adel Beck is projected. At period 7 sources of external income have been identified to offset the growing CLA pressure. This includes additional draw down of Kirklees Improvement Partnership income of £0.7m; UASC grant income £0.3 m (Unaccompanied Asylum Seeking Children grant) ; and schools contribution to out of area External Residential placements of £0.3m.

Dedicated Schools Grant - There is a separate Dashboard for DSG.

Budget Management - net variations against the approved budget

	Expenditure Budget	Income Budget	Latest Estimate	PROJECTED VARIANCES: Staffing	Premises	Supplies & Services	Transport	Internal Charges	External Providers	Transfer Payments	Capital	Appropriation	Total Expenditure	Income	Total (under) / overspend
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Demand Led Budgets:															
In House Fostering	12,510	(2,810)	9,700	0	0	0	0	0	(446)	0	0	0	(446)	0	**(446)**
Internal Residential	3,605	0	3,605	106	49	0	0	0	0	0	0	0	155	0	**155**
Kinship Care	2,363	0	2,363	0	0	0	0	0	206	0	0	0	206	0	**206**
Family Placement & Place for Adoption	1,628	0	1,628	0	0	0	0	0	(70)	0	0	0	(70)	0	**(70)**
IFA	7,769	0	7,769	0	0	0	0	0	520	0	0	0	520	0	**520**
External Residential	11,016	0	11,016	0	0	0	0	0	283	0	0	0	283	0	**283**
Semi Independent Living <18 & Secure Justice/Welfare	2,575	0	2,575	0	0	0	0	0	(253)	0	0	0	(253)	0	**(253)**
Adoption, SGO and RO	6,568	0	6,568	2	0	4	0	0	755	0	0	0	761	(314)	**447**
Leaving Care	4,659	(1,469)	3,190	0	0	26	3	23	1,032	(334)	0	0	750	(374)	**376**
Section 17	444	0	444	0	0	0	0	0	326	0	0	0	326	0	**326**
SEN Outside Placements	4,857	(4,857)	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Transport	14,694	(453)	14,241	0	0	0	150	0	0	0	0	0	150	0	**150**
Sub total Demand Led Budgets	**72,688**	**(9,589)**	**63,099**	**108**	**49**	**30**	**153**	**23**	**2,353**	**(334)**	**0**	**0**	**2,382**	**(688)**	**1,694**
Other Budgets															
Partnerships	21,961	(9,459)	12,502	2	1	158	(2)	74	149	(25)	0	(200)	157	(232)	**(76)**
Learning, Skills & Universal Services	70,988	(68,444)	2,544	(39)	0	0	0	(100)	0	(250)	0	0	(389)	7	**(382)**
Safeguarding, Targeted & Specialist Services	99,648	(60,636)	39,012	1,013	4	130	178	(49)	100	0	0	(250)	1,126	(1,675)	**(550)**
Central Overheads	9,554	(7,735)	1,819	(187)	0	0	0	0	0	0	0	0	(187)	(500)	**(687)**
Sub total Other Budgets	**202,151**	**(146,274)**	**55,877**	**789**	**5**	**287**	**176**	**(75)**	**249**	**(275)**	**0**	**(450)**	**706**	**(2,400)**	**(1,694)**
Total	**274,839**	**(155,863)**	**118,976**	**897**	**54**	**317**	**329**	**(52)**	**2,602**	**(609)**	**0**	**(450)**	**3,088**	**(3,088)**	**0**

Key Budget Action Plans and Budget Variations:		Lead Officer	Additional Comments	RAG	Action Plan Value £m	Forecast Variation £m
A. Significant Variations						
	Children Looked After	Steve Walker	Pressure on CLA demand led budgets (External Residential placements and Independent Fostering Agencies). The current number of IFAs is 189 and ER is 60. The pressure of £1.54m assumes the current level of CLA numbers continues to the end of the year. There is a risk that numbers continue to increase due to demographic pressures .	R		**1.54**
	Passenger Transport	Sue Rumbold	Currently an overspend of £0.15m is projected. There is a risk that this may be exceeded.	R		**0.15**
	Staffing related costs	CSLT	Capitalised pension costs relating to former employees early retirement costs	R		**0.30**
	Income - ESG	CSLT	Additional School Improvement Monitoring and Brokering Grant against budgeted income.	G		**(0.50)**
	Net effect of all other minor variations	CSLT	There are a number of other minor variations within the directorate.	G		**(0.19)**
B. Key Budget Action plans (BAP's)						
E1	Remodel Social Work Practice	Sal Tariq	Reduced agency spend in Children's Social work service, and also reduce non-front line staffing in Children's Social work. A shortfall of £0.51m is currently projected against the saving target, primarily due to non-achievement of the Initial Budget Action Plan around Social Work staffing.	R	(0.93)	**0.51**
E2	Other staffing savings	CSLT	Net staff savings from ELI and through the management of vacant posts.	A	(0.98)	**0.10**
C2	ESG funded activities	Andrew Eastwood, Sue Rumbold	Proposed savings include running cost savings in information management & technology, learning improvement and information management, and staff savings across a number of services.	G	(0.97)	**0.00**
C3	Commissioned services	CSLT	Commissioned Services - A shortfall of £0.2m is currently projected against the budgeted savings.	A	(0.65)	**0.20**
A7	Increase traded income and reduced level of subsidy	CSLT	Additional resources have been committed to provide the capacity to develop a strategy and implement the proposals. Additional traded income has been included in the 17/18 budget for activity centres, complex needs, early years improvement, attendance strategy and a range of other services provided to schools. We are now reporting a pressure relating mainly to Activity Centres although this is offset by an additional traded income from the improvement work with Kirklees Council shown below.	A	(1.25)	**0.20**
C1	Children's Centre Family Services & Childcare	Andrea Richardson	Reshape of family services which will include a review of the core offer and additional services currently funded by partners.	G	(0.60)	**0.00**
A4	Additional DfE Innovations funding	Sal Tariq	New Innovations bid approved and £7.3m received in 2016/17. It is anticipated that £5.7m will be spent in 2017/18.	G	(2.50)	**(1.95)**
A2	Children's Centre Income	Andrea Richardson	Increases in Fees from January 2017 and September 2017 and additional income from the new Free Early Educational Entitlement (FEEE) hourly rates. A shortfall of £0.95m against the overall income target is projected. Planned changes to the Catering Service have been delayd resulting in a pressure of £0.1m. These pressures are partially offset by Family Services staffing savings of £0.55m.	R	(0.30)	**0.50**
A3	Additional income from top slice Free Early Education Entitlement (FEEE) payments.	Sue Rumbold	New ability to top slice 5% from FEEE payments to nursery providers. Schools Forum approval received.	G	(1.00)	**0.01**
	Various other budget savings (8)	CSLT	Including short breaks contract savings, additional income from Adel Beck and Children's Centre fees, additional public health and CCG funding, additional DCLG funding for troubled families, running cost savings etc.	A	(2.86)	**0.13**
C. Contingency Plans						
	Utilisation of External Income		Utilisation of additional Kirklees Improvement Partner income £0.7m ; anticipated additional schools funding contribution to area External Residential placements £0.3m.	A		**(1.00)**
			Children and Families Directorate - Forecast Variation			**0.000**

CHILDREN & FAMILIES 2017/18 FINANCIAL YEAR

DEDICATED SCHOOLS GRANT FINANCIAL DASHBOARD PERIOD 7

Overall Summary - The Dedicated Schools Grant (DSG) is made up of 3 separate blocks - the Schools Block, Early Years Block and High Needs Block. At period 7, general DSG is projected to overspend by £984k and de-delegated services are expected to underspend by £125k as detailed below.

Schools Block - This is the largest element of the DSG and mostly consists of delegated funding to local authority maintained schools. From this, there are a number of "de-delegated" services where schools have agreed for the local authority to retain funding back to cover some costs centrally which otherwise would need to be charged to schools (such as maternity costs, trade unions costs, libraries and museums services). In addition, there is a central provision which covers costs such as growth fund, prudential borrowing repayment, equal pay costs and the admissions service. Following a number of school conversions to academy status, there is a reduction in expenditure which is matched by reduced grant income. De-delegated services are projected to be underspent by £125k, largely due to reduced claims against the contingency fund. Due to slippage in planned places, there is expected to be an underspend of £100k on the Growth Fund and along with a number of minor underspends on other central provision budgets, an underspend of £136k is projected.

Early Years Block - This element is concerned with provision to pre-school children. The final grant amount received is largely based on the January 2018 census and so will not be confirmed until later in the year. The projections at the moment are as follows:

- for 2 year olds, The January census has usually been the lowest of the year and in order to not overspend this budget, the amount paid to providers is £5.05 an hour while the funding is £5.20 per hour to compensate for this. However, the actual pupil numbers in 2016/17 and the projected pupil numbers for 2017/18 suggest that this will not be the case this year. This means that it is now expected that there will £268k more income than expenditure resulting in a saving in 2017/18.
- for 3 and 4 year olds, there is a lot of uncertainly due to the increase in provision for working families to 30 hours per week from 15 hours per week. At this stage, based on the projected January 2018 pupil numbers, there is expected to be a small underspend, though the DSG income for this stream is projected to be significanlty higher than the budget.
- the SEN Inclusion Fund has received fewer applications for funding than expected producing a projected underspend of £440k.
- Early Years pupil premium is projected to be underspent by £41k, though this is fully offset by reduced grant.

High Needs Block - This element is used to support provision for pupils and students with special educational needs and disabilities. This block is currently experiencing increasing costs due to high levels of demand and increasing complexity of cases. At period 7 there is projected to be an overspend of £4.038m in this area largely due to the following issues:-

- Following negotiations with Area Inclusion Partnerships, a reduced level of savings has been applied to their budgets resulting in a pressure of £929k. This is partly offset by the recovery of £300k of excess balances giving a total net pressure of £629k
- Agreement has been made to contribute a further £535k in 2017/18 for set-up costs in relation to the new SEMH provision.
- LCC has recently started to receive invoices from private hospitals for the provision of education to young people in mental health beds. Work is on-going with providers to establish the responsibilities around this provision, but it is estimated that there could be additional costs of up to £250k.
- When the budget was set, £300k was set aside for the projected deficit on North West SILC. Current projections based on a projected academy conversion date of February 2018 (though this might slip further) show that this deficit is now likely to be £1m which would result in an overspend of £700k.
- an increase in the number and complexity of children with SEN along with top-up funding at the new SEMH provision remaining at £20k per place and AIP's no longer contributing to the assessment costs of permanently excluded children, payments passported to other institutions are projected to overspend by £2,237k.
- These pressures are partly offset by a contribution from the Early Years block for SENIT and Portage. When the budget was produced, it was assumed that the full costs of the service would need to be borne by the High Needs Block. However, as detailed in the paper to Schools Forum in February, £600k of the centrally retained element of the Early Years Block has been set against these costs. There is also an underspend of £75k due to staff vacancies.

Transfers to / from reserves - When the budget was set, it was with a contribution to reserves of £769k. However due to the overspends listed above, this contribution will not now be made.

Grant Income - The initial DSG grant for 2017/18 year was announced in the previous December. However, during the year there have been a number of schools converting to academy status, which has resulted in less funding due to LCC. The early years funding is based on 5/12ths of pupil numbers in the January census and 7/12ths of the funding will be based on the census information in January 2018. Based on the expected pupil numbers provided by the service, the DSG income due is expected to be £820k higher than budgeted. However, the final grant amount for 2017/18 will not be confirmed until summer 2018. Within the high needs block, there have been some changes in respect of funding for dual registered pupils and an adjustment in respect of hospital funding resulting in a current projection of an additional £483k of income. Overall, the income received is expected to be £4,257k less than budgeted.

Budget Management - net variations against the approved budget

	Budget £'000	Projection £'000	Variance £'000
Schools Block			
DSG Income	(324,708)	(319,148)	5,560
Individual Schools Budgets	311,863	306,302	(5,561)
De-delegated budgets	4,944	4,819	(125)
Central Provision	7,901	7,765	(136)
	0	**(262)**	**(262)**
Early Years Block			
DSG Income	(50,233)	(51,053)	(820)
FEEE 3 and 4 year olds	38,671	38,575	(96)
FEEE 2 year olds	8,265	7,997	(268)
Other early years provision	3,297	2,816	(481)
	0	**(1,665)**	**(1,665)**
High Needs Block			
DSG Income	(56,759)	(57,242)	(483)
Funding passported to institutions	49,305	54,000	4,695
Commissioned services	1,371	1,389	18
In house provision	5,314	4,639	(675)
Contribution to /from reserves	769	0	(769)
	0	**2,786**	**2,786**
Total	**0**	**859**	**859**

DSG Grant Reserves

	General £'000	De-delegated £'000	Total £'000
Latest Estimate			
Balance b/fwd from 2016/17	4,161	(528)	3,633
Contribution to balances	(769)		(769)
Deficit c/fwd to 2018/19	**3,392**	**(528)**	**2,864**
Projected Outturn			
Balance b/fwd from 2016/17	4,161	(528)	3,633
Contribution to/from balances	984	(125)	859
Deficit c/fwd to 2018/19	**5,145**	**(653)**	**4,492**

<u>Key Budget Action Plans and Budget Variations:</u>

	Lead Officer	Additional Comments	RAG	Action Plan Value	Forecast Variation against Plan/Budget
A. Key Budget Action Plans				£m	£m
Transfer funding from Schools Block to High Needs Block		Transfer of £2m from the schools block to the high needs block as detailed in report to Schools Forum in January 2017.	Blue	2.00	0.00
Savings to Area Inclusion Partnerships budgets		FYE of 2016/17 reduction (£310k) and realign PRU top-up funding from AIP allocations (£1.5m). Overspend is net of assumed recovery of excess balances.	Red	1.80	0.63
Reductions in additioanl mainstream places		Revision of the criteria and processes on Funding For Inclusion. Changes to calculations of the amount of the notional SEN budget available to fund the first £6,000 of support for pupils.	Green	1.50	0.00
B. Significant Variations					
Schools Block		Reduced spend due to academy conversions along with minor underspends on de-delegate services and central provision.			(5.82)
Early Years Block		Reduced expenditure on payments to providers.			(0.37)
Early Years Block		Underspends on centrally managed budgets.			(0.48)
High Needs Block		Increased in numbers and complexity of placmenets plus retaining top-ups at existing levels and contribution no longer bei.ng received from AIP's for assessment places.			2.48
High Needs Block		Further £535k in 2017/18 to Wellspring for set-up costs in relation to the new provision.			0.54
High Needs Block		Private hospital charges for education provision for mental health beds.			0.35
High Needs Block		Current projections show that the deficit on North West SILC to be around £1m, which is an overspend of £750k.			0.70
High Needs Block		Net effect of all other variances on the High Needs Block.			(0.06)
High Needs Block		Reduced demand on HNB following early years block contribution to costs of SENIT and Portage.			(0.60)
Contribution to / from reserves		Not making planned contribution to deficit reserve.			(0.77)
Grant income		Reduced grant following academy conversions.			4.26
		Dedicated Schools Grant - Forecast Variation			**0.86**

CITY DEVELOPMENT 2017/18 BUDGET - PERIOD 7
FINANCIAL DASHBOARD - MONTH 7 (APRIL - OCTOBER)

The Period 7 Financial Dashboard Maintains a balanced position whist recongnising a number of significant budget pressures and the actions idenitfied to mitigate them.

Planning and Sustainable Development is projecting a £168k pressure on expenditure due to anticipated Inspection and Planning Appeals costs. This is offset by the £313k additional projected income from Planning Fees and Building Control Fees and Charges, assuming current trends continue, and resulting in a £154k saving to support the overall Directorate position.

In Economic Development the position has deteriorated by £410k to a projected overspend of £707k, predominantly due to increasing income pressures at Kirkgate Market, in addition to the £224k pressure from granting a 6 month (01/07/17) - 31/12/17) 20% discount on rental charges to all Kirkgate Market traders (allowing them to invest in their businesses and, therefore, contribute to the market's long term viability). Income pressures of £170k, £146k and £56k relate to the indoor market, the new Covered Daily Market (CDM) and the new Events Space respectively, these are new target income streams following completion of the major capital refurbishment scheme. Whilst some of this is due to the lead in times required for developing and delivering new trading and events, it is acknowledged that some of the budgeted income targets are unrealistic and not achievable in the short to medium term, therefore the 2018/19 Budget Strategy includes some proposals to address this.

In the last 18 months Asset Management has acquired a number of significant A grade investment properties to add to the authority's portfolio and deliver new income streams. However a £1m pressure on net income (gross rental income - prudential borrowing annuity) against the budget action plan target is now anticipated. The investment policy requires that any investment and acquisition should contribute to and support the Council's ambitions and values, and be financially robust. Market activity and contractual lead times indicate that it is unlikely any further significant investments will be completed in 2017/18. However a review of borrowing costs has identified a £600k saving due to the difference in the assumed and real cost of borrowing, resulting in a net pressure of £400k. Additional ad-hoc income of £169k mitigates this to £231k. The £518k pressure on Advertising income, which assumes all current sites will be fully utilised, remains unchanged. Options are currently being evaluated to address this pressure in 2018/19.

Via careful vacancy management Employment and Skills are projecting an underspend of £104k to assist in offsetting other Directorate pressures.

Highways and Transportation has increased its projected underspend by £207k to £286k reflecting a 5% increase in the capitalisation target to support the Directorates overall financial position. Large, yet offsetting, variations on staffing, supplies and services, and income reflect the constantly fluctuating allocation of works (internal or external to strategic partners WSP) and ongoing recruitment requirements.

Sport and Active Lifestyles has pressures of £217k due to Public Health funding reductions, the failure of the Aquatics Centre moveable pool floor, and the net impact of part closure, refurbishment, and contractor delays at Aireborough Leisure Centre. A further pressure of £228k is due to the notable downturn in income at John Smeaton Leisure Centre due to 2 new budget gyms opening in close proximity. Savings of £71k have been identified at period 7 across the service to mitigate this budget pressure.

To address the Directorate's budget pressures an action plan saving of £1.44m is required and included in the projected outturn position which will be met by the £1.2m in-year income windfall arising from the European Court of Justice ruling on VAT re: sport admission charges and £240k use of other balances.

Budget Management - net variations against the approved budget

				PROJECTED VARIANCES											
	Expenditure Budget £'000	Income Budget £'000	Latest Estimate £'000	Staffing £'000	Premises £'000	Supplies & Services £'000	Transport £'000	Internal Charges £'000	External Providers £'000	Transfer Payments £'000	Capital £'000	Appropriation £'000	Total Expenditure £'000	Income £'000	Total (under) / overspend £'000
Planning & Sustainable Development	8,696	(6,320)	2,376	9	(30)	124	(6)	62	0	0	0	0	159	(313)	**(154)**
Economic Development	5,318	(4,666)	652	17	12	31	2	20	0	0	0	0	82	625	**707**
Asset Management & Regeneration	13,781	(15,485)	(1,704)	(44)	119	51	(3)	(580)	0	0	0	0	(457)	1,206	**749**
Employment & Skills	3,957	(2,208)	1,749	(91)	0	0	0	0	0	0	0	0	(91)	(13)	**(104)**
Highways & Transportation	58,290	(41,459)	16,831	(1,055)	(47)	1,369	605	(15)	0	0	0	0	857	(1,143)	**(286)**
Arts & Heritage	17,817	(8,317)	9,500	21	(90)	190	9	20	23	0	0	0	173	7	**180**
Sport & Active Lifestyles	24,274	(18,946)	5,328	(69)	(33)	(88)	2	4	(45)	0	0	0	(229)	603	**374**
Resources & Strategy	1,047	(124)	923	(59)	0	73	0	(40)	0	0	0	0	(26)	(1,440)	**(1,466)**
Total	**133,180**	**(97,525)**	**35,655**	**(1,271)**	**(69)**	**1,750**	**609**	**(529)**	**(22)**	**0**	**0**	**0**	**468**	**(468)**	**0**

Key Budget Action Plans and Budget Variations:

		Lead Officer	Additional Comments	RAG	Action Plan Value	Forecast Variation against Plan/Budget
A. Budget Action Plans					**£'000**	**£'000**
1.	Planning and Sustainable Development	Tim Hill	Reduction in the net cost of service via increased income generation.	Green	562	(154)
2.	Economic Development	Tom Bridges	Increased income and running cost savings	Amber	295	52
3.	Asset Management and Regeneration	Tom Bridges	Strategic Investment Income and additional fee income.	Red	2,827	231
4.	Highways and Transportation	Gary Bartlett	Additional income from fees and developers.	Green	1,396	(286)
5.	Arts and Heritage	Cluny MacPherson	Savings via increased income opportunities, not hosting the Tour de Yorkshire in 2017, and minor restructure.	Amber	810	40
6.	Employment and Skills	Sue Wynne	Staffing and commissioning savings.	Green	240	(104)
7.	Sport and Active Lifestyles	Cluny MacPherson	Reduction in the net cost of service via efficiency savings, staffing savings and increased income generation.	Red	652	157
8.	Resources and Strategy	Ed Mylan	Directorate wide additional savings requirement.	Green	158	0
			Total Budget Action Plan Savings		**6,940**	
B. Other Significant Variations						
1.	Asset Management	Tom Bridges	Shortfall in Advertising income.			618
2.	Economic Development	Tom Bridges	Kirkgate Market income pressures - 6 month 20% rent discount for all traders (£224k), Covered Daily Market (£146k), George Street shops (59k), and Event Space (£56k).			655
3.	Sport and Active Lifestyles	Cluny Macpherson	Income pressures from reduced Public Health funding, JCCS pool floor failure, and Aireborough refurbishment.			217
4.	Resources and Strategy	Ed Mylan	General savings across the Service.			(126)
5.	City Development	All	Use of Sport VAT ruling and balances to mitigate in year pressures.			(1,440)
6.	Arts and Venues	Cluny Macpherson	Carnival and Reggae overspend.			140
			City Development Directorate - Forecast Variation			**0**

RESOURCES AND HOUSING

FINANCIAL DASHBOARD - 2017/18 FINANCIAL YEAR

MONTH 7

Overall

A balanced position is projected at period 7 although there are risks around timely implementation of savings incorporated as part of the 2017/18 budget strategy leading to variations within services.

Resources

For month 7 it is assumed that, overall, support services will achieve the £5m savings which formed part of the Support Services review. However, other risks are also emerging within service areas. Shared Services are forecast to underspend by £797k , primarily as a result of savings against the staffing budget due to vacant posts. In addition, the HR budget is forecast to underspend by £72k mainly as a result of savings on staffing partially offset by the loss of school income. These savings are offset by a £150k overspend against the PPPU budget (savings against staffing more than offset by a projected shortfall in income) and a £498k overspend on Finance mainly due to a £396k shortfall against court fees income. A £205k DIS pressure has emerged following the recent cyber attacks on the NHS; this spend is to enable remedial work to be undertaken to mobile devices, the network, patch and configuration and to strengthen access control so that the Council can qualify for the Public Services Network certificate.

Leeds Building Services

A balanced position is projected for LBS through Directorate actions plans to be identified. With the current projection in relation to the delivery of the planned £1.8m savings, required in the budget strategy, indicating a shortfall of £600k at period 7. This variation is due to slippage in the implementation of both the revised staffing structure and the IT infrastructure. A reduction in budgeted overheads combined with anticipated increases in turnover will largely offset this pressure.

Housing and Property Services

Housing and Property Services are expected to achieve the £700k of budgeted savings in this financial year. The savings target of £117k for Housing Support and Partnership is forecast to be achieved through the natural turnover of staff across the service. Within CPM a pressure of £123k is forecast against the responsive repairs budget which is partially offset by £25k savings on the staffing budget. In terms of managing the pressure moving forward, work has begun to look at increasing the level of capital spend and the positive impact this may have to offset the revenue pressure. Work is also underway to ensure that in year pressures against the responsive repairs budget are contained as far as possible to enable the service of being close to a balanced position as possible at the year end. The Supporting People contracts savings target of £350k has been achieved through the renegotiation and reprocurement of 3 sets of contracts. In addition to this, the revision of smaller contracts is expected to achieve a further saving of £53k.

Civic Enterprise Leeds

A balanced position is currently forecast through Directorate action plans to be identified. As a result of the marginal financial impact of the reduced number of feeding days in 2017/18 and inflationary pressure on food costs there's likely to be a £400k pressure for the Catering service, partially offset by savings/actions within the rest of the division to leave a net £200k pressure. There is also likely to be a financial impact of Merrion House re-opening in this financial year. The Facilities Management element of the CEL budget is expected to balance and achieve the £100k budgeted savings for the year.

Budget Management - net variations against the approved budget

				PROJECTED VARIANCES											
	Expenditure Budget £'000	Income Budget £'000	Latest Estimate £'000	Staffing £'000	Premises £'000	Supplies & Services £'000	Transport £'000	Internal Charges £'000	External Providers £'000	Transfer Payments £'000	Capital £'000	Appropriation £'000	Total Expenditure £'000	Income £'000	Total (under) / overspend £'000
Resources	98,470	(38,174)	60,296	(2,466)	30	138	(24)	63	0	0	0	(24)	(2,283)	2,236	(47)
LBS	46,947	(55,327)	(8,380)	(177)	164	624	(75)	(20)	0	0	0	0	516	(516)	0
Housing & Property	26,195	(12,402)	13,793	(436)	138	4	0	(235)	43	0	0	235	(251)	298	47
CEL	71,090	(63,551)	7,539	361	40	293	62	(57)	0	0	0	0	699	(699)	0
Total	**242,702**	**(169,454)**	**73,248**	**(2,718)**	**372**	**1,059**	**(37)**	**(249)**	**43**	**0**	**0**	**211**	**(1,319)**	**1,319**	**0**

Key Budget Action Plans and Budget Variations:

		Lead Officer	Additional Comments	RAG	Action Plan Value £m	Forecast Variation against Plan/Budget £m
A. Key Budget Action Plans						
	Efficiencies					
1	Specialist Admin	Helena Phillips	Further efficiencies by consolidating "specialist" admin staff under one professional lead	G	1.00	-0.80
2	ICT, IM &T & Intelligence	Dylan Roberts	Introduce a new operating model to deliver staffing efficiencies.	G	0.90	0.00
3	ICT, IM &T & Intelligence	Mariana Pexton	Introduce a new operating model to deliver staffing efficiencies.	G	0.20	0.00
4	Workforce Development	Lorraine Hallam	Consolidation of training budgets.	A	0.30	0.00
5	PPPU	David Outram	Identify savings through a portfolio approach including development of prioritisation model	A	0.30	0.20
6	Financial Services	Doug Messon	Savings to be delivered through staffing efficiencies.	G	0.90	0.00
7	Human Resources	Lorraine Hallam	Staff savings through continuing to implement new ways of working.	G	0.30	-0.10
8	Strategy & Improvement	Marianna Pexton	Further staff savings and efficiencies within Communications, Marketing and Emergency Planning.	G	0.10	0.00
9	Financial Services	Doug Messon	Additional traded income.	G	0.20	0.00
10	Legal & Democratic Services	Catherine Witham	Staffing efficiencies to fund cost of pay award.	G	0.10	0.00
11	LBS - Consolidation of Construction/Property Maintenance	Simon Costigan	Savings through staffing, both management and support functions and a targeted reduction in running costs. Roll out of Total Mobile software will deliver efficiencies which will result in the reduction in use of sub contractors.	A	1.80	0.60
12	Strategic Housing - integration of functions	Jill Wildman	Closer working arrangements within the different functions will facilitate a reduction in the number of budgeted posts.	G	0.10	0.00
13	Housing related support - reduction in contract payments	Jill Wildman	Savings to be realised through ongoing review and retendering of contracts.	G	0.40	0.00
14	Strategic Housing - review of charging arrangements	Jill Wildman	Adpatations review charges to both the capital programme and Housing Leeds.	G	0.20	0.00
15	Cleaning Savings	Sarah Martin	Efficiencies to be realised through expanding mobile cleaning, changing times and frequency of cleaning resulting in a reduction of the number of staff required.	G	0.50	0.00
16	Management Staff reductions	Sarah Martin	Reduction in level of JNC management support, delivered through a reconfiguration of roles and responsibilities.	G	0.20	0.00
17	Facilities Management Savings	Sarah Martin	Planned realignment of the service to be delivered through a restructure.	G	0.10	0.00
18	Fleet	Sarah Martin	Combination of maximising existing external income streams whilst developing new ones together with the aim of reducing costs.	G	0.10	0.00
19	Commercial Catering	Sarah Martin	Based on internalising commercial catering for some of the services within the Civic Quarter and expanding retail offer.	G	0.10	0.00
B. Other Significant Variations						
1	Financial Services	Doug Meeson	Shortfall against court fees income.	A		0.50
2	CEL	Sarah Martin	Shortfall against Catering income	A		0.20
3	Directorate action plan.		Actions to be identified so that the Directorate can achieve a balanced position.			-0.60

Strategy and Resources Directorate - Forecast Variation **0.00**

COMMUNITIES & ENVIRONMENT DIRECTORATE SUMMARY

FINANCIAL DASHBOARD - 2017/18 FINANCIAL YEAR

Period 7 (October 2017)

Overall Position (nil variance)

Communities (nil variance)
The service is projecting a nil variance against its budget at period 7.

Customer Access (+£653k over budget)
The main area of potential overspend is staffing in Community Hubs where current staff in post are projected to exceed the budget by £650k. This is largely due to delivery of the Community Hub programme which has required additional resource and management/supervision to be put in place. However, the service is anticipating that a number of staff will leave under the ELI scheme and this is expected to reduce the staffing overspend to around £510k. The cost of providing static guards at a number of sites due to safety concerns is likely to cost an additional £145k. These pressures along with an expected shortfall in libraries income of £50k, are offset by additional income (net £199k) in the Interpreting and Translation Team from providing translation services to the NHS

Elections, Licensing and Registration (nil variance)
The service is currently projecting a nil variation, although there are some concerns around income within births, deaths and marriages and this will continue to be closely monitored. Costs in respect of the general election are expected to be met by government grant.

Welfare & Benefits (+£425k over budget)
The main area of risk is around the achievement of the budgeted level of Housing Benefit overpayment income (£8.4m) which has reduced in line with the overall reduction in HB payments along with the average value of the overpayments. Current indications are that after making a provision for doubtful debts, there could be a net shortfall of income of around £460k at the year end. In other areas a small underspend of £35k is currently projected, mainly due to staffing savings, partially offset by the cost of additional off-site processing, and additional grant income.

Parks & Countryside (nil variance)
The service is projecting an overall variance at Cafe/Retail and Attractions of +£179k, which at this stage of the year includes a projected shortfall in income at both Lotherton Hall and Tropical World. The service is increasing marketing activities to offset these shortfalls and an assumption has been made that this will offset the projected shortfall in income. In addition there is a projected reduction in income from Golf of £74k, although other savings within the service, mainly income from land searches within PROW (Public Rights Of Way), are expected to offset this.

Environmental Action:

Car Parking (-£169k below budget)
Staffing is projected to be under budget by (£64k) due to delays in ongoing recruitment. Income trends net (£105k) indicate shortfalls in both on-street income and Bus Lane offences throughout the city, although these are offset by additional off-street and PCN income.

Cleaner Neighbourhoods Teams (+£19k over budget)
The projected overspend mainly relates to the hire costs of using additional sweepers. Savings from delayed recruitment to the new structure are projected to be largely offset by additional overtime costs.

City Centre (-£10k under budget)
The projected variance is mainly due to staffing savings whilst recruitment is ongoing to fill the recently approved structure, partially offset by the ongoing usage of overtime and covering City Centre events.

Environmental Health (-£83k below budget)
The projected variance is due to savings from delayed recruitment (£101k). These positions are projected to be all filled by January. Variations in Pest control expenditure and income are projected at £35k.

Waste Management:

Refuse (+£789k over budget)
Within the Refuse Service it is currently anticipated that there will be slippage of 10 months in respect of the planned collection route efficiency programme as the staff consultation process continues, and this is forecast to result in a pressure of +£858k. Additional staffing expenditure in relation to backup/sickness cover and union support to the route collection programme is projected to be offset by one-off savings within the service.

HWSS & Infrastructure (+£181k over budget)
There is a projected shortfall in budgeted income of +£113k, mainly due to the deferral of the introduction of inert building waste charges at Household Waste sites until February 2018. Additional expenditure in respect of HWSS overtime/sickness cover and HWSS Plant Operator training is projected to be partially offset by one-off savings.

Waste Strategy & Disposal (-£1,510k under budget)
The projected underspend includes a saving of £470k in respect of the rateable value of the Recycling and Energy Recovery Facility (RERF), £339k disposal savings at Household Waste Sites reflecting volume and price variations, £194k savings in respect to SORT disposal costs, £112k additional recycling income (paper/card/scrap metal) and one off savings of £395k identified within the service.

Community Safety (-£86k below budget)
The projected underspend mainly reflects staffing savings of £80k due to vacant posts within CCTV, LABST and delays in recruiting to the new Domestic Violence structure.

Directorate Wide (action plan savings -£209k)
The directorate will work towards identifying and implementing appropriate actions to balance the overall projected overspend of £247k.

Budget Management - net variations against the approved budget;

Summary By Service

				Period 7 Projected variances											
	Expenditure Budget £'000	Income Budget £'000	Latest Estimate £'000	Staffing £'000	Premises £'000	Supplies & Services £'000	Transport £'000	Internal Charges £'000	External Providers £'000	Transfer Payments £'000	Capital £'000	Appropriation £'000	Total Expenditure £'000	Income £'000	Total (under) / overspend £'000
Communities	16,051	(10,716)	5,335	0	0	0	0	0					0	0	0
Customer Access	22,486	(3,269)	19,217	711	156	73	(5)	25		0			960	(306)	654
Elections, Licensing And Registration	4,676	(4,926)	(250)	497	177	560	(2)	6					1,238	(1,238)	0
Welfare And Benefits	268,070	(266,116)	1,954	(127)	2	110	3	(19)		0			(31)	456	425
Car Parking Services	4,895	(13,374)	(8,479)	(64)	5	(47)	8	0					(98)	(71)	(169)
Community Safety	8,105	(6,526)	1,579	(156)		(42)	(9)	(31)					(238)	152	(86)
Waste Management	40,379	(7,368)	33,011	1,018	(4)	(1,008)	4	(90)					(80)	(461)	(541)
Parks And Countryside	29,587	(23,098)	6,489	(12)	19	392	(74)	164	0				489	(489)	0
Environmental Action (City Centre)	1,999	(462)	1,537	3	2	15	14	(1)					33	(43)	(10)
Environmental Health	2,107	(565)	1,542	(101)	(4)	21	(4)	(7)					(95)	12	(83)
Cleaner Neighbourhood Teams	12,305	(4,518)	7,787	(44)	11	(82)	69	1					(45)	64	19
Directorate Action Plan				(209)									(209)		(209)
Total	**410,660**	**(340,938)**	**69,722**	**1,516**	**364**	**(8)**	**4**	**48**	**0**	**0**	**0**	**0**	**1,924**	**(1,924)**	**0**

Key Budget Action Plans and Budget Variations:

A. Key Budget Action Plans		Lead Officer	Additional Comments	RAG	Action Plan Value £m	Forecast Variation against Plan/Budget £m
1.	Re-design Refuse collection rounds	Tom Smith	Net saving of £1.6m budgeted (£1.38m in the directorate, £0.25m in strategic debt budget)	A	(1.38)	0.86
2.	Implement charging for replacement wheeled bins	Andrew Lingham	Implementation date May 2017	G	(0.24)	0.00
3.	Implement charging for inert building waste	Andrew Lingham	Implementation deferred for 2017/18		(0.14)	0.10
4.	Environmental Action staffing savings	Helen Freeman	Restructure now agreed	G	(0.71)	0.00
5.	Implement charging for Bulky Waste	Helen Freeman	Implementation date May 2017	G	(0.15)	0.00
6.	Car Parking - review of tariffs	Helen Freeman	includes on street, Sun/Eve, Bank Holiday and Woodhouse Lane	G	(0.50)	0.00
7.	Undertake works for Housing Leeds, assumed to be within environmental action	All COs	Not restricted to environmental action, works may be undertaken by other services	G	(0.30)	0.00
8.	Reduce front line horticultural staff	Sean Flesher	Service to identify posts to be held vacant	G	(0.40)	0.00
9.	Development of visitor attractions/increase admission prices	Sean Flesher	1st phase of Tropical World complete, DCRs required for other sites	G	(0.33)	0.00
10.	Increase Bereavement charges to eliminate subsidy	Sean Flesher	To be increased by 2% above inflation.	G	(0.12)	0.00
11.	Stretched income target across Parks & Countryside	Sean Flesher	To be achieved across all income generating areas	G	(0.16)	0.00
12.	Reduction in Community Safety area co-ordinators	Sam Millar	Achieved through redeployment	G	(0.18)	0.00
13.	Generate CCTV/Security income of £2.1m	Sam Millar	Estimated £200k of unsecured income	G	(0.20)	0.00
14.	Community Safety - secure £1.1m income from WYPCC	Sam Millar	WYPCC agreed to fund PCSOs in Leeds	G	(1.10)	0.00
15.	Communities Teams savings	Shaid Mahmood	Review Management & Leadership, review grants & contributions to 3rd sector	G	(0.20)	0.00
16.	Communities Well Being	Shaid Mahmood	Further reductions to Community Cttees	G	(0.18)	0.00
17.	Community Centres - restrict free lets	Shaid Mahmood	Target to restrict to 75% of present level	G	(0.08)	0.00
18.	Contact Centre staffing savings	Lee Hemsworth	Includes channel shift savings, reducing service failure and reviewing out of hours service	G	(0.53)	0.00
19.	Customer Services Business Support staffing savings	Lee Hemsworth	Includes reducing helpdesk function and merging support and development functions	G	(0.25)	0.00
20.	Libraries efficiencies	Lee Hemsworth	Savings from staffing/running costs/income	G	(0.40)	0.00
21.	Reprovision of mobile library service	Lee Hemsworth	Subject to Executive Board report	G	(0.12)	0.00
22.	Welfare and Benefits - reduction in off-site processing	Andy Cameron	Introduction of e-claims	G	(0.20)	0.10
23.	Local Welfare Support Scheme	Andy Cameron	Reduce scheme by 30%	G	(0.30)	0.00
24.	Welfare and Benefits - additional grant income	Andy Cameron	FERIS, New Burdens. Additional £540k budgeted for in 17/18 on top of £290k in base	G	(0.54)	(0.02)
25.	Registrars	Steve Coupe	Charging /income proposals	G	(0.08)	0.00
B. Other Significant Variations						
1.	Waste Disposal Costs	Andrew Lingham	Net Budget £15.8m incl. £10.7m RERF. Projected saving incl Business Rates saving at RERF	G		(1.55)
2	Community Hubs	Lee Hemsworth	Staffing overspend projected - see comments above	A		0.71
3	Housing Benefits	Lee Hemsworth	Projected shortfall in overpayments income	A		0.47
4	All other services		All other variations	G		(0.45)
5	Directorate Action Plan		Actions identified			(0.21)

Communities & Environment - Forecast Variation 0.00

STRATEGIC & CENTRAL ACCOUNTS - 2017/18 FINANCIAL YEAR
FINANCIAL DASHBOARD - PERIOD 07

Overall :

At month 7 the strategic & central budgets are projected to balance.

The key variations are;

- Section 278 income - a potential £1.6m risk due to lower levels of development activity
.
- Additional debt costs of £0.3m are forecast, switching to a £0.2m underspend after accounting for income from prudential borrowing charges

- Savings of £0.8m on the levy contribution to the business rates pool

- Reduction in New Homes Bonus of £1.7m

- Additional £1.6m of S31 grant income for business rates reliefs, primarily £1.0m of reliefs announced after the budget was set.(This is to offset the loss of

Budget Management - net variations against the approved budget

				PROJECTED VARIANCES											
	Expenditure Budget £'000	Income Budget £'000	Latest Estimate £'000	Staffing £'000	Premises £'000	Supplies & Services £'000	Transport £'000	Internal Charges £'000	External Providers £'000	Transfer Payments £'000	Capital £'000	Appropriation £'000	Total Expenditure £'000	Income £'000	Total (under) / overspend £'000
Strategic Accounts	(12,277)	(37,944)	(50,221)			(627)							(627)	950	**323**
Debt	20,135	(920)	19,215			275					61		336	(41)	**295**
Govt Grants	1,739	(22,399)	(20,660)							(829)			(829)	74	**(755)**
Joint Committees	37,100	0	37,100						105				105		**105**
Miscellaneous	6,243	(1,088)	5,155	(230)		1							(229)	261	**32**
Insurance	8,410	(9,438)	(1,028)			1,034		(62)				510	1,482	(1,482)	**0**
Total	**61,350**	**(71,789)**	**(10,439)**	**(230)**	**0**	**683**	**0**	**(62)**	**105**	**(829)**	**61**	**510**	**238**	**(238)**	**0**

STRATEGIC & CENTRAL ACCOUNTS - 2017/18 FINANCIAL YEAR

Key Budget Action Plans and Budget Variations:

		Lead Officer	Additional Comments	RAG	Budget	Forecast Variation against Budget
A. Major Budget Issues					£m	£m
1.	Debt Costs and External Income	Doug Meeson	£300k brokerage; £360k external interest costs (offset £619k additional borrowing income see B3)	A	18.2	0.3
2.	Minimum Revenue Provision	Doug Meeson	No variation is anticipated for 2017/18	G	1.0	0.0
3.	New Homes Bonus	Doug Meeson	Impact of change to NHB announced in budget	R	(13.3)	1.7
4.	Business Rates (S31 Grants, Tariff adjustment & EZ)	Doug Meeson	New S31 grant announced after budget was set	G	(9.6)	(1.6)
5.	S278 Contributions	Doug Meeson	Projection from Capital team is £3.0m, therefore there is a risk of a £1.6m shortfall, dependent on progress in capital spend on the relevant schemes during the year.	R	(4.9)	1.6
6.	General capitalisation target	Doug Meeson	Capitalisation of eligible spend in directorate/service revenue budgets.	G	(3.5)	(0.4)
7.	Schools capitalisation target	Doug Meeson	Capitalisation of eligible spend in school revenue budgets.	G	(3.5)	(0.5)
8.	PFI Procurement savings	Doug Meeson	Use of £1m income from 2016/17 Street Lighting PFI negotiated settlement	G	(1.0)	0.0
9.	Joint Committee - Coroners Services	Doug Meeson	Likely overspend in 17/18 due to one off tribunal costs and staff restructuring to generate future savings.	G	1.3	0.1
B. Other Significant Budgets						
1.	Insurance	Doug Meeson	Potential for some savings on projected cost of insurance claims for this financial year.	G	0.0	0.0
2.	Business Rates Levy	Doug Meeson	Projections indicate a potential reduction in the levy due.	G	1.7	(0.8)
3.	Prudential Borrowing Recharges	Doug Meeson	Projections suggest a slight increase in recharge income - offset debt costs above	G	(14.7)	(0.5)
4.	Earmarked Reserves	Doug Meeson	Use of capital and other earmarked reserves.	G	(2.4)	0.0
5.	Miscellaneous	Doug Meeson	No significant variation anticipated at this stage.	G	5.2	0.0
6.	Apprenticeship levy	Doug Meeson	To be allocated to directorates as training credits are used.	G	0.0	0.0
7.	CRCs	Doug Meeson	£300k projected additional cost above budget - to be allocated to directorates	A	0.0	0.3
8.	PPPU income	Doug Meeson	£275k projected shortfall against PPPU HRA income	A	0.0	0.4
9.	Homeless grant income	Doug Meeson	Anticipated additional homeless grant income - to be allocated	A	0.0	(0.6)

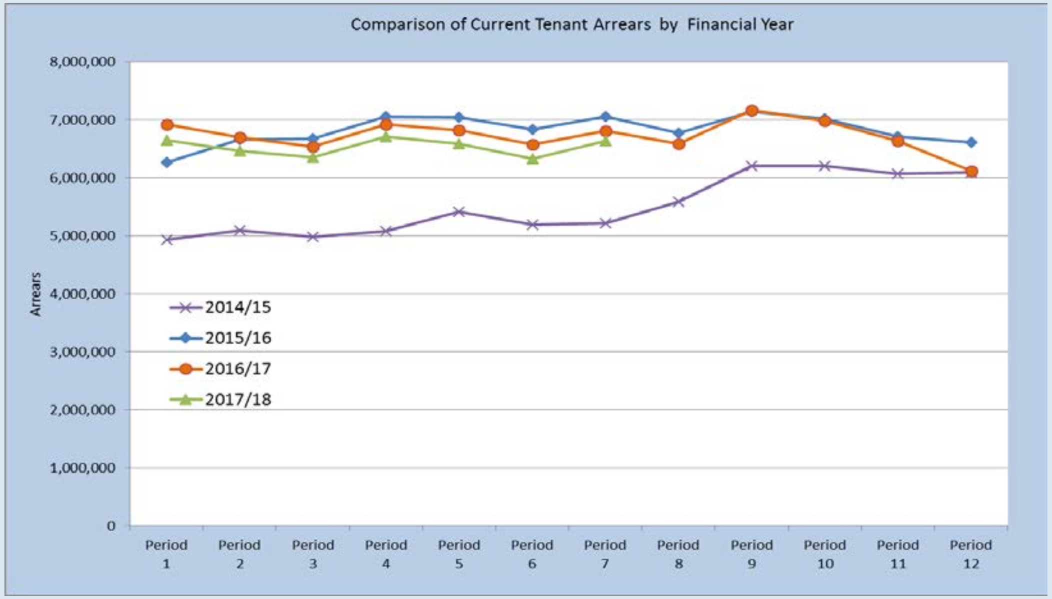
Strategic & Central Accounts - Forecast Variation	0.0

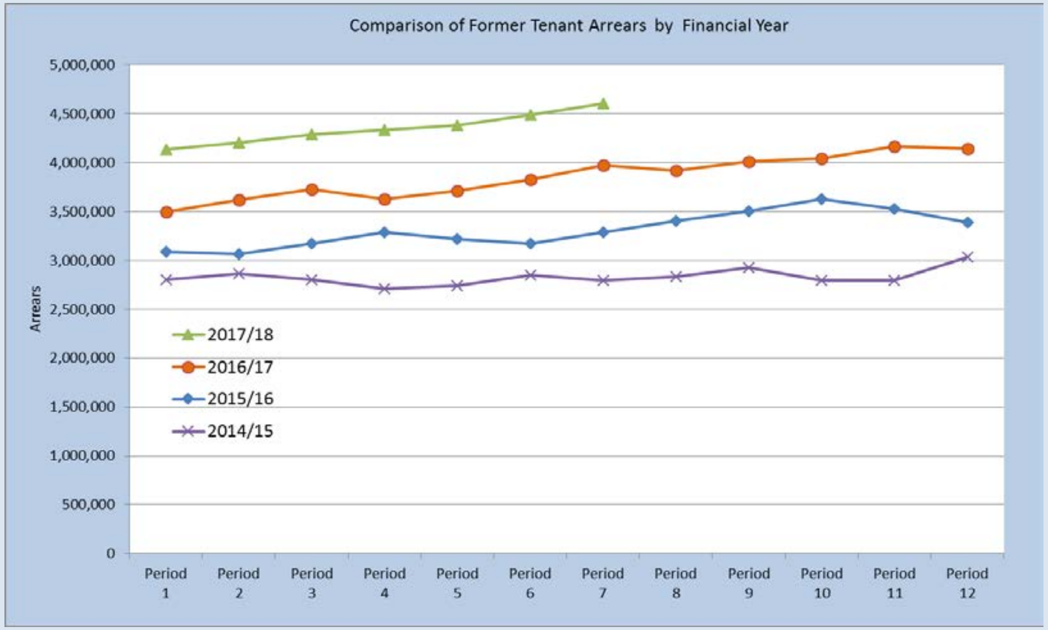
Housing Revenue Account - Period 7
Financial Dashboard - 2017/18 Financial Year

Summary of projected over / (under) spends (Housing Revenue Account)

Directorate	Current Budget	Projected Spend	Variance to budget	Comments	Previous period variance
	£000	£000	**£000**		£000
Income					
Rents	(215,352)	(215,058)	**294**	Rent lower than budget due to lower stock numbers from increased RTB sales. The void level is under the target at 0.79%	367
Service Charges	(6,968)	(6,860)	**108**	Service charge income £27k, Community Links furniture offset by saving in supplies and services £81k	72
Other Income	(29,356)	(29,615)	**(259)**	Increased fee income from projected RTB sales (£233k), KPI income (£88k), Wharfedale View catering income (£36k) (offset by an increase in internal charges), PFI Pass Through Costs (£106k). Underachieved income on budgeted capitalised salary costs £191k (offset by savings on salaries), Other variances to budget £13k.	(268)
Total Income	**(251,676)**	**(251,532)**	**143**		**172**
Expenditure					
Disrepair Provision	1,000	1,503	**503**	Disrepair compensation and fees	449
Repairs to Dwellings	43,548	43,548	**-**		-
Council Tax on Voids	754	754	**-**		-
Employees	26,262	25,452	**(810)**	Savings due to vacant posts and temporary staff secondments (£1070k). This saving is offset by Disrepair agency staff £224k and other smaller variances £36k.	(804)
Premises	7,362	7,308	**(54)**	Utilities savings (£50k), other savings (£4k)	(9)
Supplies & Services	4,377	4,114	**(263)**	Community Links furniture savings balanced by reduction in service charge income (£82k), Savings following a review of printing requirements (£110k), Annual Support Grant (£20k), ICT project savings (£50k).	(255)
Internal Services	40,604	40,960	**356**	Additional Fire Safety work £321k, Additional out of hours service £65k, Savings in other internal charges (£209k), Disrepair legal locums £131k, Increased costs of RTB due to high number of sales £48k	329
Capital Programme	71,000	71,000	**-**		-
Unitary Charge PFI	8,860	8,796	**(64)**	PFI Scheme Adjustments: Unitary Charge £61k, Insurance refund (£247k), Pass Through Costs £157k. Other adjustments (£35k).	(64)
Capital Charges	45,106	45,131	**25**	Interest payable to GF	21
Other Expenditure	6,976	6,946	**(30)**	LTF saving (£22k), Transport savings (£8k)	(32)
Total Expenditure	**255,848**	**255,512**	**(337)**		**(365)**
Net Position	**4,173**	**3,979**	**(193)**		**(193)**
Appropriation: Sinking funds	(3,139)	(2,946)	**193**	Unitary Charge on PFI funded by sinking fund	193
Appropriation: Reserves	(1,034)	(1,034)	**-**		-
(Surplus)/Deficit	0	(0)	**(0)**		**0**
Proposed New Reserves			**-**		-
Transfer to Capital Reserve			**-**		-
Total Current Month	**0**	**(0)**	**(0)**		**0**

Housing Revenue Account - Period 7
Financial Dashboard - 2017/18 Financial Year





Change in Stock	**Budget**	**Projection**
Right to Buy sales*	350	530
New Build (PFI)	0	0
New Build (Council House Growth)	(101)	(101)
Total	**249**	**429**

* actual sales as at the end of Period 7: 324

Right to Buy Receipts	**2016/17 Actual**	**2017/18 Projection**
Total Value of sales (£000s)	25,983	27,506
Average Selling Price per unit (£000s)	50.4	51.9
Number of Sales*	516	530
Number of Live Applications	1,165	1,254

Arrears	**2016/17**		**2017/18**	**Variance**
	£000		£000	**£000**
Dwelling rents & charges	**2017/18 Week 31**			
Current Tenants	6,813		6,641	**(172)**
Former Tenants	3,974		4,604	**630**
	10,787	#	11,245	**458**
Under occupation	**2017/18 Week 26**			
Volume of Accounts	4,655		4,312	**(343)**
Volume in Arrears	2,155		2,023	**(132)**
% in Arrears	46%		47%	**1%**
Value of Arrears	576		521	**(55)**
Collection Rates	**2017/18 Week 26**			
Dwelling rents	97.43%		96.55%	**-0.88%**
Target	97.50%		97.75%	
Variance to Target	-0.07%		-1.20%	

Housing Revenue Account - Period 7
Financial Dashboard - 2017/18 Financial Year

Projected Financial Position on Reserves	Reserves b/f	Use of Reserves	Contribution to Reserves	Closing reserves
	£000	£000	£000	£000
HRA General Reserve	**(6,631)**	**100**	**(0)**	**(6,531)**
Earmarked Reserves				
Environmental Works	(1,668)	963		(705)
Insurance - large claims	(137)			(137)
Welfare Change	(1,782)	564		(1,218)
Housing Advisory Panels	(699)	459		(240)
Sheltered Housing (Committed in capital programme)	(3,238)			(3,238)
Holdsforth Place - land purchase	(64)			(64)
Early Leavers' Initiative	(408)			(408)
Changing the Workplace	(353)	353		(0)
eFiles Box-It Project	(262)	262		(0)
	(8,610)	**2,601**	**0**	**(6,009)**
PFI Reserves				
Swarcliffe PFI Sinking Fund	(10,343)	2,900	0	(7,443)
LLBH&H PFI Sinking Fund	(2,515)	46	0	(2,469)
	(12,858)	**2,946**	**0**	**(9,912)**
Capital Reserve				
MRR (General)	(14,960)	55,190	(71,000)	(30,770)
MRR (New Build)	(12,540)	9,350	0	(3,190)
MRR (HRA RCCOs)	(3,003)			(3,003)
	(30,502)	**64,540**	**(71,000)**	**(36,963)**
Total	**(58,601)**	**70,187**	**(71,000)**	**(59,416)**

Leeds CITY COUNCIL

Report author: Doug Meeson

Tel: 88540

Report of the Chief Officer – Financial Services
Report to Executive Board
Date: 13th December 2017

Appendix B

Subject: Initial Budget Proposals for 2018/19

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	☐ Yes	☒ No
Are there implications for equality and diversity and cohesion and integration?	☒ Yes	☐ No
Is the decision eligible for Call-In? Recommendation 15.2 is eligible for call in; 15.1 is not eligible.	☒ Yes	☐ No
Does the report contain confidential or exempt information?	☐ Yes	☒ No

Summary of main issues

1. The purpose of this report is to set out the initial budget proposals for 2018/19.

2. These budget proposals support the Council's Best City/Best Council ambitions, policies and priorities aimed at tackling inequalities (please refer to the Best Council Plan 2018/19 refresh report which is on today's agenda).

3. These budget proposals are set within the context of the 2018/19 – 2020/21 medium term financial strategy which was approved by the Executive Board in July 2017 and the implications of the Chancellor's Autumn budget statement on 22nd November 2017.

4. Whilst the government's multi-year funding settlement 2016/17 to 2019/20 provides some certainty, there are still a number of assumptions within the budget proposals that will not be known until the provisional local government finance settlement is announced, which is likely to be mid-December 2017.

5. The financial climate for local government continues to present significant risks to the Council's priorities and ambitions. The Council continues to make every effort possible to protect the front line delivery of services, and whilst we have been able to balance the budget each year since 2010, have continued to deliver a broad range of services despite declining income, and have avoided large scale compulsory redundancies, it is clear that the position is becoming increasingly challenging to manage and looking ahead over the medium term it will be increasingly difficult to maintain current levels of service provision without significant changes in the way the Council operates.

6. The headlines from the 2018/19 initial budget proposals, when compared to the 2017/18 budget, are as follows:

- A reduction in revenue support grant from government of £18.5m (28.5%)
- A reduction in the settlement funding assessment of £14.0m (6.6%)
- An increase in council tax of 1.99% together with a further 3% in respect of the Adult Social Care precept and an increase in the council tax base, generating an additional £17.5m of local funding
- A combination of reduced core funding and cost pressures means that the Council will need to deliver £38.2m of savings by March 2019.
- An increase in the Council's net revenue budget of £13.5m to £506.2m

7. In respect of the Housing Revenue Account, whilst there are proposals to increase service charges, the continued implementation of the Government's rent cap, introduced from April 2016, will mean that the majority of tenants, excluding those properties that have benefited through PFI investment, will again see reductions of 1% from April 2018.

8. Further, this report explains that Government has invited applications from local authorities to pilot 100% Business Rates Retention in 2018/19, and that the Leeds City Region Business Rates Pool, of which Leeds is a member, has submitted an application. The opportunity to pilot 100% retention appears to offer the prospect of significant financial benefits for the Leeds City Region, with minimal risk to the constituent authorities. However, funding for pilot schemes is limited and it is anticipated that not all applications will be successful. Successful applications will be announced before or alongside the publication of the draft local government finance settlement in December 2017. As such, these initial budget proposals do not reflect the application to pilot 100% retention.

Recommendations

9. Executive Board is asked to agree the initial budget proposals and for them to be submitted to Scrutiny and also for the proposals to be used as a basis for wider consultation with stakeholders.

10. Executive Board is asked to agree that, should the application to pilot 100% business rates retention succeed, Leeds should continue as a member of that designated Business Rates Pool and should act as lead authority for it. Notwithstanding this decision, the continuation of the Pool will be dependent upon none of the other member authorities choosing to withdraw within the statutory period after designation.

1. Purpose of report

1.1 In line with the Council's constitution, the Executive Board is required to publish initial budget proposals two months before approval of the budget by

Full Council, scheduled for the 21st February 2018. This report sets out the initial budget proposals for 2018/19, set within the context of the medium term financial strategy approved by Executive Board in July 2017, the implications of the Chancellor's Autumn Budget statement in November 2017 and further savings proposals to bridge the revised estimated budget gap**.**

1.2 Subject to the approval of the Executive Board, these initial budget proposals will be submitted to Scrutiny for their consideration and review, with the outcome of their deliberations to be reported to the planned meeting of this board on the 7th February 2018. These budget proposals will also be made available to other stakeholders as part of a wider and continuing process of engagement and consultation. Further, at the meeting of the board in February 2018, it is proposed to provide an update of the medium-term financial strategy approved by the board at its July 2017 meeting.

1.3 In accordance with the Council's budget and policy framework, decisions as to the council's budget are reserved to full council. As such, the recommendation in paragraph 15.1 is not subject to call in as the budget is a matter that will ultimately be determined by full council.

1.4 However, the recommendation in paragraph 15.2, regarding the Council's participation in the 2018/19 100% business rates retention pilot scheme, the potential impact of which is not currently reflected in these initial budget proposals, is a decision of the Executive Board and as such is subject to call-in.

2. The national context and Autumn budget

2.1. The economic context in which public spending must be considered is very much dominated by the debate concerning the impact of the EU referendum and the strength and resilience of the national economy. Further, the fiscal rules approved by Parliament in January 2017 commit the Government to reducing the cyclically-adjusted deficit to below 2% of GDP by 2020/21 and having debt as a share of GDP falling in 2020/21. In its November 2017 "Economic and Fiscal outlook" the Office of Budget Responsibility (OBR) expects that the government will meet both fiscal targets, and that borrowing will reach its lowest level since 2001/02 by the end of the forecast period. Debt as a share of GDP is forecast to fall in 2018/19 and in every year of the forecast.

2.2. Within its economic forecast the OBR notes that economic growth has been stable but modest so far in 2017 on the back of a slowdown in consumer spending, but also that GDP growth has been slowing in contrast with many other advanced economies. The OBR projects that GDP growth will be 1.4% and 1.3% in 2018 and 2019 respectively, down from the 1.6% and 1.7% forecast at the March Budget, whilst CPI inflation is forecast at 2.4% and 1.9% respectively over the same period. Whilst the unemployment rate is projected to be 4.4% and 4.3% during 2018 and 2019 respectively, lower than the March forecast of 5.1% and 5.2%, earnings growth has also been revised down in line with a weaker outlook for productivity. It is within this economic context that the initial budget proposals for 2018/19 need to be considered.

2.3. **Autumn Budget 2017**

2.3.1. On the 22nd November 2017, the Chancellor delivered his first Autumn Budget.

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

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

- Following the recommendations of the Low Pay Commission (LPC) the National Living Wage (NLW) will increase by 4.4% from £7.50 to £7.83 from April 2018. The Government has also accepted the LPC's recommendations for the other National Minimum Wage rates;

- A £1.5 billion package to address concerns regarding the delivery of Universal Credit, including removal of the seven-day waiting period for entitlement, enabling claimants who need it to access up to a month's worth of Universal Credit within five days as an interest-free advance and, from April 2018, new claimants already in receipt of housing benefit will continue to receive it for two weeks. Also, Government will make it easier for claimants to have the housing element of their award paid directly to their landlord;

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

- Fuel and alcohol duties have been frozen for 2018/19.

3. Developing the 2018/19 budget and medium term financial strategy with the refreshed 2017/18 Best Council Plan.

3.1. Between the 2010/11 and 2017/18 budgets, the Council's core funding from Government has reduced by around £239m. Additionally the Council has faced significant demand-led cost pressures, especially within Adult Social Care and Children's Services. To date, the Council has responded successfully to the challenge since 2010 through a combination of stimulating good economic growth, creatively managing demand for services, increasing traded and commercial income, growing council tax from new properties and a significant programme of organisational efficiencies, including reducing staffing levels by over 3,200 FTEs.

3.2. Through targeting resources into preventative services the Council has ensured that the implications of demand and demographic pressures, that have resulted in significant cost pressures in other local authorities, have been contained within Leeds. Specifically within Housing Services Leeds only as 33 households registered in temporary accommodation and no one in Bed & Breakfast accommodation. In comparison Birmingham had 1,740 households in temporary accommodation of which 379 are in Bed & Breakfast. In respect of the Bed & Breakfast this equates to an annual cost to Birmingham of £9m whereas Leeds spends nothing. Similarly since 2010 the rate per 10,000 of children looked after has reduced by 18% whilst the national average has risen by around 3.4%

3.3. In February 2017, Council approved the 2017/18 Best Council Plan and the supporting budget. The Best Council Plan is the Council's strategic planning document and sets the context and policy direction against which the budget and medium-term financial strategy are developed. The policy direction is clearly explained in the 2017/18 Best Council Plan: that the Council's 'Best City' and 'Best Council' ambitions remain - articulated around Leeds having a strong economy and being a compassionate city and the Council being an efficient and enterprising organisation – with a focus on reducing poverty and tackling the range of interlinked inequalities that persist across the city**.**

3.4. Inevitably, managing the large reduction in government funding and increasing cost pressures has meant that the Council has had to make some difficult decisions around the level and quality of services. However, as signposted in the 2017/18 Best Council Plan and 2017/18 budget reports to Council in February 2017, it will become increasingly difficult over the coming years to identify further financial savings without significant changes in what the Council does and how it does it. This will have significant implications for the services provided directly and those commissioned by the local authority, impacting upon staff, partners and service users. In order to deliver the Council's ambitions of tackling poverty and reducing inequalities, consideration may have to be given to stopping, delivering differently or charging for those services that are no longer affordable and are a lesser priority than others. This will be achieved through a continuing process of policy and service reviews across the Council's functions and ongoing consultation and engagement.

4. Estimating the net revenue budget for 2018/19

4.1. Settlement funding assessment – reduction of £14.0m

4.1.1. Settlement funding assessment is essentially the aggregate of government grant and business rate baseline funding for a local authority. As part of the 2016/17 financial settlement, Government offered councils a 4-year funding settlement for the period 2016/17 to 2019/20, which Executive Board agreed to accept in September 2016.

4.1.2. 2018/19 represents the third year of the four year funding offer, approved by Executive Board in September 2016 and confirmed by DCLG in November 2016. The Council continues to expect to receive the amounts published as part of that offer, barring any exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement.

4.1.3. Table 1 below sets out the council's settlement funding assessment for 2018/19 which is in line with the multi-year settlement. For 2018/19, this represents a reduction of £14.0m compared to 2017/18 which is equivalent to a 6.6% reduction.

Table 1 – Settlement Funding Assessment

	2017/18	2018/19	Change	
	£m	£m	£m	%
Revenue Support Grant	65.0	46.5	(18.5)	-28.5
Business Rates Baseline Funding	148.0	152.4	4.5	3.0
Settlement Funding Assessment	**213.0**	**198.9**	**(14.0)**	**-6.6**

4.1.4. The business rates element of the settlement funding assessment is determined by taking the 2017/18 baseline business rates amount of £148.0m and uplifting it by inflation. Following the decision in the Autumn Budget to bring forward the switch in business rates indexation from RPI to CPI, this uplift for inflation, based on the September 2017 Consumer Price Index, is 3.0%. In 2018/19 the calculated baseline business rates has then been adjusted by £0.1m, the difference between the estimated business rates tariffs for 2017/18 and 2018/19 before and after the impact of the 2017 Revaluation was known. The business rates element of settlement funding assessment is therefore £152.4m, net of the estimated 2018/19 tariff adjustment of £13.7m.

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

Table 2 - Breakdown of the Settlement Funding Assessment

	2017/18	2018/19	Change
	£m	£m	£m
Formula Grant	167.65	154.51	(13.14)
Council tax freeze grant 2011/12	6.64	6.64	0.00
Council tax freeze grant 2013/14	2.77	2.77	0.00
Early intervention grant	16.34	15.05	(1.29)
Preventing homelessness	0.86	0.86	0.00
Lead local flood authority grant	0.23	0.24	0.01
Learning disability & health reform grant	11.03	11.27	0.24
Local welfare provision	2.59	2.59	0.00
Care act funding	4.84	4.98	0.14
Sustainable drainage systems	0.02	0.02	0.00
Carbon monoxide & fire alarm grant	0.00	0.00	0.00
Settlement Funding Assessment	**212.97**	**198.93**	(14.04)

4.2. Business rates retention

4.2.1. Leeds has the most diverse economy of all the UK's main employment centres and has seen the fastest rate of private sector jobs growth of any UK city in recent years. Yet this apparent growth in the economy has not translated into business rates growth; in fact the income from business rates available to the Council declined from 2014/15 to 2016/17, and is only expected to return to 2014/15 levels in 2018/19.

4.2.2. The total projected rateable value of businesses in Leeds is £918.7m which would generate gross business rates income of £440m. Further business rates growth is anticipated in 2018/19 increasing gross business rates collected to £453m. However, as shown in Table 3, the impact of a range of business rate reliefs (see paragraph 4.3 below) and statutory adjustments reduces this to a net income figure of £375.5m.

4.2.3. Under the current business rates retention (BRR) scheme, Leeds City Council's share of this income is £184m (49%). The Authority then pays a tariff of £13.7m to Government as Leeds is assessed to generate more business rates income than it needs and must also meet its share of the business rates deficit created in 2017/18, a further £12.9m. This leaves net income of £157.4m which contributes to the Council's net revenue budget.

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

	£m
Rateable Value in Leeds projected to 31 December 2017	**918.7**
multiplied by business rates multiplier	0.479
Gross business rates based on projected rateable value	**440.1**
Estimated Growth	12.5
equals gross business rates to be collected in Leeds	**452.6**
less: -	
Uprated Mandatory Reliefs	-65.7
Uprated Discretionary Reliefs	-2.5
Transitional Adjustments (year 2)	15.8
equals net business rates paid by ratepayers	**400.1**
less adjustments for: -	
Bad debts and appeals	-5.9
Cost of collection	-1.2
Projected Enterprise Zone and renewable energy projects yield	-1.7
Transitional Adjustments repaid to Government	-15.8
equals non-domestic rating income in Leeds	**375.5**
Split into shares: -	
Leeds City Council (49%)	**184.0**
West Yorkshire Fire Authority (1%)	*3.8*
Central Government (50%)	*187.8*
less deductions from operation of business rates retention scheme: -	
Leeds City Council's tariff from Local Government Finance Settlement	-13.7
Leeds City Council's share of deficit from 2017-18	-12.9
Leeds City Council 's 2018-19 income from business rates	**157.4**

4.2.4. As shown above, business rates income is shared between local and central government. Local authorities experiencing business rates growth are able to retain 49% of that growth locally, but also bear 49% of the risk if business rates fall or fail to keep pace with inflation, although a safety-net mechanism is in place to limit losses in year.

4.2.5. In particular, BRR exposes local authorities to risk from reductions in rateable values. The system allows appeals if ratepayers think rateable values have been wrongly assessed or that local circumstances have changed. One major issue is that successful appeals are usually backdated to the start of the relevant valuation list, which means that for every £1 of rateable value lost on the 2010 list growth of £6 would be necessary to fund the cost. At the end of October 2017 there were around 3,600 outstanding appeals against the 2010 ratings list in Leeds.

4.2.6. A new rating list, primarily based on rental values in 2015, was introduced on 1st April 2017. This ratings list should be more accurate than the previous 2010 list which was based on rental values in 2008, just before the 'financial & economic crisis'. Further, appeals submitted against this new list can only be backdated to 1st April 2017. This, together with the impact of the new 'check, challenge, appeal' appeals process also introduced on 1st April 2017, should reduce business rate appeals and volatility going forward. At the end of October 2017, the Council has received only 70 checks and challenges against the 2017 ratings list, with only 17 of these remaining outstanding. No appeals have been received as yet.

4.2.7. Since 2013/14 the total amount repaid by way of business rate appeals is in the order of £125m, with a cost to the Council of £61m. The provision for business rate appeals within the collection fund has been reviewed and recalculated to recognise new appeals and the settlement of existing appeals, and the 2018/19 initial budget proposals provide for an additional £13.5m contribution from the general fund to fund this provision.

4.3. Small Business Rates Relief and other mandatory reliefs

4.3.1. From April 2017, Government increased the rateable value threshold for small businesses from £6,000 to £12,000. As a result an additional 3,300 small businesses in Leeds now pay no business rates at all and in total in the current year around 11,500 or 40% of business properties in Leeds pay no business rates. Whilst Small Business Rates Relief reduces the business rates income available to Leeds, the authority recovers 50% of this income through government grant and a further proportion through other ratepayers who pay rates based on a slightly higher business rate multiplier. The proportion any individual authority recovers depends on the mix of large and small businesses in that area.

4.3.2. Unlike Small Business Rates Relief, local authorities do bear 50% of the cost of other mandatory business rate reliefs such as mandatory charity relief and empty rate relief, but have no control over entitlement and no powers to deal with their use in business rates avoidance. Costs of mandatory reliefs have increased significantly since the introduction of BRR, further reducing Leeds' retained business rates income: mandatory charity relief alone has increased by over 48%, from approximately £18.5m in 2012/13 to £27.5m in 2017/18, costing the council an estimated £4.4m more in lost income in 2017/18.

4.3.3. At the March 2017 Budget, the Chancellor announced three additional measures to support businesses affected by the 2017 Revaluation: support for small businesses, a business rate discount for public houses and £300 million of funding over four years for local authorities to establish local discretionary relief schemes ‘to deliver targeted support to the most hard-pressed ratepayers’. The discount for public houses was initially for one year only but has been extended for a further year in the Autumn Budget, whereas the other two reliefs will be provided for four years. These reliefs reduce business rates income by £590k in 2018/19 but the Council will be fully compensated through government grant.

4.4. Business rates Retention and the Initial Budget Proposals

4.4.1. In terms of the initial budget proposals, it is estimated that the local share of business rates funding in 2018/19 will be £184.0m, as set out in table 3 above. This includes an estimated £8.0m for a national appeals adjustment which relates to the potential future appeals against the 2017 business rates list. As per table 4 below, the initial budget proposals recognise business rate growth above the baseline of £17.86m, an increase of £1.14m (6.8%) from the 2017/18 budget.

Table 4 – Business Rates, Estimated Growth above the Baseline

	2017/18 £m	2018/19 £m	Change £m
Business rates local share	178.07	184.00	5.93
Less: business rates baseline	161.35	166.13	4.79
Growth above baseline	16.72	17.86	1.14

4.4.2. The £184.0m local share of business rates funding is then reduced by the £13.7m tariff payment and the £12.9m deficit on the collection fund to give the £157.4m estimated business rates funding shown in table 5 below.

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

	2017/18 £m	2018/19 £m
Business rates baseline (including tariff)	**148.0**	**152.4**
Projected growth above the baseline to March	13.6	11.9
Estimated growth in the year	3.2	5.9
Total estimated growth	**16.7**	**17.9**
Estimated provision for appeals	(22.4)	(13.5)
Additional cost of transitional arrangements and provision for bad debts	0.6	0.7
Estimated year-end Collection Fund deficit (Leeds Share)	**(21.8)**	**(12.9)**
Estimated Business Rates Funding	**142.9**	**157.4**
Increase/(reduction) against the Business Rates baseline	**(5.0)**	**5.0**
Business Rates Retention - Additional General Fund Income		10.0

4.4.3. Comparing the £157.4m of business rates funding against the £152.4m business rates baseline produces a surplus of £5.0m which is a £10.0m improvement against the budgeted shortfall in the 2017/18 financial year. Contained within this £10m improvement is an £8.9m improvement in the budgeted deficit (£12.9m in 2018/19 and £21.8m in 2017/18), releasing additional funding for frontline services.

4.4.4. The council is a member of the Leeds City Region Business Rates Pool along with the other four West Yorkshire Authorities, Harrogate and York. The benefit of the current pooling arrangement is that the levy income generated by Leeds, Harrogate and York is retained in the region rather than being paid over to the Government. The initial budget proposals assume that this arrangement will continue in 2018/19. Based on the estimated growth in business rates above the baseline, the estimated levy payment from Leeds to the Pool in 2018/19 is £2.0m.

4.5. **Application to Pilot 100% Business Rate Retention**

4.5.1. In September 2017, Government invited applications from local authorities to pilot 100% Business Rates Retention in 2018/19. This is an expansion of the existing 100% pilot programme and is intended to help Government and the local government sector to explore options for the design of future increased business rate retention.

4.5.2. These pilot schemes are for one year only and would allow participating authorities to retain all additional growth in business rates above the business rate baseline determined by Government, whereas currently 50% of that growth is remitted to Government. Government wants to see this additional growth income being used to promote financial stability and sustainability in pooled areas and being invested to encourage further growth. Successful applicants will be given a ‘no detriment’ guarantee so that no pool of authorities will be worse off as a result of piloting 100% retention: thus removing the increased risks associated with 100% business rate retention whereby losses would no longer be shared 50/50 with Government.

4.5.3. The Leeds City Region Business Rates Pool has submitted an application to pilot 100% retention. The additional growth which could be retained regionally if the Pool’s application succeeds is estimated to be in excess of £30m. The business plan submitted to Government proposes that member authorities would be allocated 50% of this additional growth income to improve financial stability within their authorities, with the Pool itself retaining 50% to continue to support and enable regional economic growth. Given the ‘no detriment guarantee’, the opportunity to pilot 100% retention appears to offer the prospect of significant financial benefits for the Leeds City Region, with minimal risk to the constituent authorities.

4.5.4. However, funding for pilot schemes is limited and it is anticipated that not all applications will be successful. Successful applications are expected to be announced before or alongside the publication of the draft local government finance settlement in December 2017. At this stage these initial budget proposals do not reflect the application to pilot 100% retention.

4.5.5. The application itself is not binding. Should the application be successful, any member of the proposed pilot Pool will still be able to withdraw during the statutory 28 day window after Government designates the new 100% pilot Pool, as set out in the Local Government Finance Act. It must be noted that, should any member withdraw, not only would the pilot Pool be revoked but there would be no opportunity to fall back on the existing pooling arrangements.

4.5.6. This report asks Executive Board to agree that, should the application to pilot succeed, Leeds should continue as a member of that designated Business Rates Pool and should act as lead authority for the Pool. Notwithstanding this decision, the continuation of the Pool will be dependent upon none of the other member authorities choosing to withdraw within the statutory period after designation.

4.6. Council Tax

4.6.1. The 2017/18 budget was supported by a 4.99% increase in the level of council tax, 3% of which was attributable to the adult social care precept. Leeds council tax remains the 2nd lowest of the English core cities and mid-point of the West Yorkshire districts, as detailed in table 6 below.

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

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

4.6.2. Government provided funding for the on-going effect of previous council tax freezes up to 2015/16. The council accepted council tax freeze grant for the years 2011/12 to 2013/14. As a result government funding of £9.4m was built into the council's 2015/16 settlement (the grant for freezing council tax in 2012/13 was for one year only).

4.6.3. The 2018/19 initial budget proposals recognise £4.9m of additional income from increases to the Council Tax base (3,773 band D equivalent properties) but also a decrease in the contribution from the collection fund of £1.7m (a budgeted £1.5m collection fund surplus in 2017/18 decreasing to an estimated deficit on the collection fund of £0.2m in 2018/19).

4.6.4. In previous years Government has set a limit of up to but not including 2% for council tax increases above which a Local Authority must seek approval through a local referendum. The referendum ceiling for 2018/19 has yet to be announced; once known the council will need to make a decision about the proposed council tax increase. However, subject to an announcement, it is proposed that the standard council tax is increased by 1.99%.

4.6.5. In the 2017/18 provisional local government settlement, the Secretary of State announced additional flexibility, permitting local authorities to increase council tax by up to an additional 3% each year between 2017/18 and 2019/20 specifically to fund adult social care services, with the maximum total increase in these three years not exceeding 6%. This flexibility recognised demographic changes leading to growing demand for adult social care, and increased pressure on council budgets.

4.6.6. Table 7 below sets out the estimated total council tax income in 2018/19, recognising the estimated increase in the council tax base and the £0.2m estimated deficit on the collection fund together with £8.6m of additional income generated from the Adult Social Care precept and the general increase in the council tax rate.

Table 7 – Estimated Council Tax Income in 2018/19

	2017/18 Baseline £m	**2018/19 Forecast £m**
Previous year council tax funding	267.1	284.8
Change in tax base - increase / (decrease)	4.5	4.9
Increase in council tax level (1.99%)	5.4	5.6
Adult Social Care precept (3%)	8.1	8.6
Council Tax Funding before surplus/(deficit)	**285.1**	**303.9**
Surplus/(Deficit) 2016/17	1.8	
Surplus/(Deficit) 2017/18	1.5	1.5
Surplus/(Deficit) 2018/19		(0.2)
Change in collection fund contribution - increase/(decrease)	**(0.3)**	**(1.7)**
Total - Council Tax Funding	**284.8**	**302.3**
Increase from previous year		**17.5**

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

4.7. Adult Social Care Precept and Grant Income

4.7.1. The initial budget proposals for 2018/19 also reflect additional grant monies made available by Government specifically for adult social care. Together the precept and the grant will be utilised to fund a range of adult social care pressures and priorities with the use of the balance of the “Spring Budget “ money for which bids were invited from both internal and external partners, having now been agreed by NHS England

4.7.2. As discussed above in para 4.6.6, it is proposed that the Leeds element of the council tax is again increased by a 3% adult social care precept in 2018/19.

4.7.3. In applying the precept the Government require Councils to demonstrate that adult social care budgets, (when compared to changes in other non-ring fenced services), are not reduced by a greater proportion than those non-ring fenced services. Based on the equivalent return made to Government in 2017, the 2018/19 initial budget proposals for Adults and Health are consistent with this requirement.

4.7.4. Collectively the Spring Budget monies, announced in the March 2017 budget, and the improved Better Care Fund total approximately £51m over the period 2017 to 2020. The ‘Spring Budget’ money was to be included within the improved Better Care Fund and was targeted at three areas: sustaining the care market, provision of social care and to ease the pressures on local health services**.**

4.7.5. The Council has agreed the planned spend with health partners and this has also been approved by the Health and Wellbeing Board for the three years of funding and by NHS England for 2017/18 and 2018/19 (being the current two year cycle of approval).

4.7.6. A summary of the use of the additional funding made available through the iBCF and the Spring Budget is as follows:

- Prevention/Self Care/Self-Management £5.5m
- Reducing Pressures on the NHS £7.6m
- Stability of the Provider Market £1.0m
- Provision for Leeds Health & Care Plan £2.0m
- Demand and Demographic Pressures in Social Care £22.7m
- Reducing/Reversing planned reductions in Social Care £15.3m

4.7.7. The above priorities total £54.1m, however it is expected that this level of overprogramming can be managed within the overall allocation of £51m over the next three years.

4.7.8. Table 8 below outlines how the additional funding provided by the Better Care Fund, the “Spring Budget” grant announcement and the proposed adult social care council tax precept all combine to increase the spending power within adult social care.

4.7.9. ***Table 8 Adult Social Care "Spending Power"***

	2017/18 £m	2018/19 £m	2019/20 £m
Base Budget	205.6	220.3	225.2
Spring Grant 17/18	14.7	(14.7)	
Spring Grant 18/19		9.4	(9.4)
Spring Grant 19/20			4.8
Improved Better Care Fund		11.1	10.1
ASC Support Grant		(3.3)	
ASC Precept		8.6	
ASC 3% Savings target		(6.2)	
	220.3	**225.2**	**230.7**

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

4.8. The net revenue budget 2018/19

4.8.1. After taking into account the anticipated changes to the settlement funding assessment, business rates and council tax, the council's overall net revenue budget is anticipated to increase by £13.5m or 2.7% from £492.7m to £506.2m, as detailed in table 9 below and at Appendix 1.

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

	2017/18 £m	2018/19 £m	Change £m
Revenue Support Grant	65.0	46.5	(18.5)
Business Rates Baseline	148.0	152.4	4.5
Settlement Funding Assessment	**213.0**	**198.9**	**(14.0)**
Business Rates Growth	8.9	9.9	1.0
National Appeals Adjustment	7.9	8.0	0.1
Business Rates Deficit	(21.8)	(12.9)	8.9
Council Tax (incl. Adult Social Care Precept)	283.2	302.4	19.2
Council Tax surplus/(deficit)	1.5	(0.2)	(1.7)
Net Revenue Budget	**492.7**	**506.2**	**13.5**

4.8.2. Table 10 below analyses the £13.5m estimated increase in the net revenue budget between the settlement funding assessment and locally determined funding sources.

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Table 10 – Increase in the Funding Envelope

Funding Envelope	**2018/19 £m**
Government Funding	
Settlement Funding Assessment	(14.0)
Sub-total Government Funding	**(14.0)**
Locally Determined Funding	
Council Tax (incl tax base growth)	17.5
Business Rates	10.0
Sub-total Locally Determined Funding	**27.5**
Increase/(decrease) in the Net Revenue Budget	**13.5**

5. Initial budget proposals 2018/19

5.1. This section provides an overview of the changes in funding, primarily specific grants (paragraphs 5.3 to 5.4), and cost increases (paragraphs 6.1 to 6.19) which the council is facing in 2018/19 and concludes with the savings proposals (paragraphs 7.1 to 7.11) to balance the 2018/19 budget to the estimated available resources.

5.2. Table 11 provides a high level of summary of these changes:

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

	2018/19 £m
Funding	
Additional Net Revenue Charge	(13.5)
Increases in Specific Grant	(13.1)
Fall out of one off funding	5.8
	(20.9)
Pressures	
Pressures - Inflation	10.9
Pressures - Other	48.2
	59.1
Funding and Cost Pressures	**38.2**
Solutions	**£m**
Efficiencies	(22.2)
Changes to services	(1.0)
Income - fees & charges	(6.3)
Income - traded services, partner & other income	(1.5)
Grant & Other income	(3.4)
Proposal to Use Capital Receipts / S106 balances	(3.9)
	(38.2)

5.3. Decreases/(Increases) in Funding

5.3.1. Changes in both the Settlement Funding Assessment (SFA) of £14.0m and local funding (£27.5m) are detailed in sections 4.1.3, 4.4.3 and 4.6.6 respectively.

5.3.2. **Specific Grant Funding Changes- Adults and Health (£16.1m).** In February 2017 the Government announced a total of £2.021bn as supplementary funding to the Improved Better Care Fund (Spring Budget money) which is required to be spent on social care. Of the £674m to be distributed in 2018/19 Leeds will receive £9.4m. This is in addition to the known increase of £11.1m in Improved Better Care Fund receivable by Leeds which had previously been announced. The one off Adult Social Care support grant of £3.3m, part funded by changes in New Homes Bonus, will fall out of the base budget in 2018/19.

5.3.3. In the 2015 spending review the Government indicated its intention to make savings on local authority public health spending and a further £1.2m reduction in the Public Health Grant has been included in these initial budget proposals for 2018/19.

5.3.4. **Specific Grant Funding Changes – Children and Families Directorate.** There will be a further reduction in the Education Services grant (ESG) receivable of £2.47m in 2018/19, meaning there is no ESG in the Council's base budget going forward. In 2018/19 £2.5m of Department for Education Innovations grant, which is supporting the base budget in 2017/18, will drop out with the balance of the grant being carried forward so that it can be deployed to continue to invest in the Leeds children strategy through trialling new approaches to working with children and families and by investing in and reforming preventative services in order to manage demand**.**

5.3.5. **Specific Grant Funding Changes – Communities and Environment.** The Housing Benefits administration grant is expected to reduce by £0.25m, whilst the Fraud & Error Recovery Incentive Scheme grant has been replaced by the new Right Benefit Initiative grant and the bonus and maintenance elements of FERIS will no longer be paid with a consequent reduction in the level of grant receivable (£0.35m).

5.3.6. **Specific Grant Funding Changes – Flexible Homelessness Support Grant.** In February 2017 the Government announced details of the new Flexible Homelessness Support Grant (FHSG) which replaced the Temporary Accommodation Management Fee. Since FHSG is calculated on the basis of homelessness prevention outcomes and, as Leeds has achieved a high level of preventions, the allocation for Leeds in 2018/19 has been set at £1.794m.

5.3.7. **Specific Grant Funding Changes - Homelessness Reduction Act.** The Council has received £0.168m in 2018/19 to meet the new burdens associated with the Homelessness Reduction Act.

5.3.8. **Specific Grant Funding Changes - New Homes Bonus.** Government introduced the New Homes Bonus in 2011 to encourage housing growth: councils receive grant for a number of years for each net additional property added in each year. This grant is funded by top slicing revenue support grant. In 2016/17 Government made some changes, including reducing the number of years the bonus is receivable from six to four over two years and imposing a growth baseline before bonus is paid. The £1.5m pressure reflects the impact of these changes on the base budget and reduces the base budget in 2018/19 for NHB to £11.8m Government has recently consulted on further changes, to be announced in the Local Government Finance Settlement, that may impact upon future bonus payments**.**

5.3.9. **Grant Funding Changes – Section 31 grant.** An additional £2.2m of Section 31 grant is estimated in 2018/19. Approximately £1.7m of this income is compensation for losses to business rates income as a result of the change in business rate indexation (inflation) announced at the Autumn Budget, from RPI (3.9%) to CPI (3%). Most of the remainder of the S31 grant relate for reliefs granted to businesses following the 2017 revaluation, the majority of which have been awarded through the West Yorkshire Local Discount Scheme, approved by Executive Board in June 2017, providing targeted support to the small and medium sized local businesses most affected by the business rates revaluation.

5.4. **Contributions to/(from) Earmarked Reserves** – the reduction of £5.8m in the use of earmarked reserves to support the base budget reflects a reduction in the contributions of £6.7m from the ELI reserve, the capital reserve and the Street Lighting reserves. These reductions are partially offset by contributions from the Insurance Reserve and the Wellbeing and Youth Activity Fund Reserve (£0.9m).

6. Projected Cost Increases

6.1. The table below summarises the projected cost increases in the 2018/19 initial budget proposals.

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

	2018/19
	£m
Inflation	10.9
Employer's LGPS contribution	0.9
Leeds CC minimum pay rate	0.6
National Living Wage - commissioned services	4.7
Fall-out of capitalised pension costs	(0.4)
Demand and demography - Children Looked After	3.0
Demand and demography - Adult Social Care	3.2
Demand and demography - Other	0.1
Adult Social Care - Client Contributions	1.4
Adult Social Care - Partner Income	8.0
Adult Social Care Spring Budget Spend	9.4
Homelessness Grant Spend	2.0
Income pressures (S278, Markets, Sport)	1.8
Cultural Legacy	0.4
Tour de Yorkshire	0.2
West Yorkshire Transport Fund	0.2
Elections - after fallow year	1.1
Expansion of Brown Bin Collections	0.4
Housing Benefit Overpayment income	1.2
Other Pressures	6.2
Debt - external interest / Minimum Revenue Provision	4.0
Projected Cost Increases	**59.1**

6.3. **Inflation -** the budget proposals include allowance for £10.9m of net inflation in 2018/19. This includes provision of £4m for a 1% pay award for those staff not impacted by the Council's minimum pay rate (see paragraph 6.5 below). The budget proposals allow for inflation where there is a contractual commitment, but anticipate that the majority of other spending budgets are cash-limited. An anticipated 3% general rise in fees and charges has also been built into the budget proposals where they can be borne by the market, although there are instances where individual fees and charges will increase more than this.

6.4. **Local government pensions** - the most recent actuarial valuation took place in December 2016 and, in line with the agreed phased increase, the employer's contribution will rise from the 15.6% contribution in 2017/18 to 15.9% by 2018/19. This increase creates a pressure of £0.9m which has been incorporated into these initial budget proposals for 2018/19.

6.5. **Leeds City Council minimum pay rate**– at its September 2015 meeting Executive Board agreed that the Council would move towards becoming a real Living Wage employer. In November 2015 the Living Wage Foundation announced a living wage of £8.25 per hour (outside London) and this was implemented by the Council in January 2017. The initial budget submission provides £0.6m for further increases in the Leeds City Council minimum wage which assumes a rise from the current £8.25 to £8.45 in 2018/19.

6.6. **National Living Wage for commissioned services** - in respect of services commissioned from external providers by both Adults and Health and Children and Families directorates, provision of £4.7m has been included and this is consistent with the national minimum wage assumptions for 2018/19.

6.7. **Fall out of capitalised pension costs** – the fall out of capitalised pension costs associated with staff who have left the Council under the Early Leaver's Initiative (ELI) will save an estimated £0.4m.

6.8. **Demand and Demography** – the initial budget proposals recognise the increasing demography and consequential demand pressures for services in Adults and Health and Children and Families. Within Adults and Health the population growth forecast assumes a steady increase from 2017 in the number of people aged 85-89 during 2018 (1.87%). This will result in additional costs of £0.8m for domiciliary care and placements and increasing cash personal budgets. The learning disability demography is expected to grow by £0.5m per annum, which includes an anticipated growth in numbers of 0.6% (based on ONS data) over the period; but noting that the high cost increase is primarily a combination of increasingly complex (and costly) packages for those entering adult care, as well as meeting the costs of the increasing need for existing clients whose packages may last a lifetime. The demography for clients with a Mental Health need and those with a Physical Impairment are expected to grow by 2.6% and 2.1% respectively incurring a combination of £0.3m of support. In addition, demand over that anticipated in 2017/18 is calculated to add £1.6m to package costs across all client groups in 2018/19.

6.9. Children and Families directorate continues to face demographic and demand pressures and £3m has been included to address this in the 2018/19 initial budget proposals. These pressures reflect relatively high birth rates (particularly within the most deprived clusters within the city), increasing inward migration into the city (particularly from BME groups from outside the UK), the increasing population of children & young people with special and very complex needs, greater awareness of the risks of child sexual exploitation, growing expectations of families and carers in terms of services offered and changes in government legislation, including 'staying put' arrangements that enable young people to remain with their carers up to the age of 21.

6.10. The initial budget proposals also provides £0.1m for demand and demography within the Waste Management function.

6.11. **Within Adults and Health,** the Adult Social Care precept and the grant will be utilised to fund a range of pressures, identified at paragraph 4.7 above. These include demand and demography, the minimum wage in commissioned services, further reductions in the public health grant and the loss of targeted income from partners.

6.12. The receipt of the **Homelessness Grant** represents a significant windfall to the Council and it will be used to achieve further increases in homelessness prevention outcomes, further reductions in temporary accommodation placements and to best assist entrenched rough sleepers with drug and alcohol dependency issues. Additional resources have been provided to fund costs associated with the new duties arising from the Homelessness Reduction Act.

6.13. **Income variations -** the level of Section 278 grant (Highways Act 1980) receivable to support the 2018/19 budget is anticipated to reduce by £1m. In addition income receivable from rents at Kirkgate Market is anticipated to reduce by £0.58m whilst income receivable at the Council's Leisure Centres is also projected to reduce by £0.2m.

6.14. **Cultural legacy** - in October 2017 Executive Board agreed that the city's bid to be European Capital of Culture in 2023 be submitted. Despite the recent EU announcement that UK cities will be not be allowed to bid, the Council remains committed to creating a cultural legacy for the city. An amount of £0.38m has been incorporated into the 2018/19 budget to help deliver these outcomes and this amount will be held in an earmarked reserve pending further updates.

6.15. **Tour de Yorkshire** – in order for the Council to host one of the stages of the Tour de Yorkshire a resource of £0.2m is required to be reinstated into City Development's budget. This budget was removed in 2017/18, a year in which Leeds did not host a start/finish stage of the race.

6.16. **West Yorkshire Transport Fund** – from the 1st April 2015 the West Yorkshire Combined Authority began operations overseeing strategies for growing the economy, creating jobs, developing new affordable homes and improving the transport network. The initial forecast for council levies indicates an increase of £0.2m in 2018/19 and contributes towards the aspiration to deliver a regional £1.4bn transport fund.

6.17. **Expansion of Brown Bin Collections -** in order to cover the remainder of suitable properties across the city an additional three garden waste routes are estimated to be required. The annual net cost of these routes, based on

15,000 properties per route and including disposal, is around £360k.

6.18. **Debt (external interest)** – the Council forecasts an additional borrowing requirement of £108m to support the 2018/19 capital programme of £325m The additional revenue cost of this borrowing is forecast at £4m. This increase comprises £2.4m relating to funding new capital programme spend, £0.5m additional cost of switching some short term funding to long term funding, £0.3m additional costs of premiums as a result of previous restructuring of debt and the remainder due to the impact of use of capital receipts to fund PFI liabilities, £0.3m brokerage fees and movements in other income streams

6.19. **Other Pressures -** other budget pressures of £8.5m have been identified for 2018/19. These pressures include:

- A £1.2m net reduction in income receivable from Housing Benefits overpayment;
- £1.1m is required to reinstate the Elections budget after a fallow year;
- A net £1.4m is required to reinstate the budget associated with the re-occupation of the refurbished Merrion House, most of which relates to the business rates payable;
- £0.5m increased maintenance requirement for the Council's buildings;
- £1.7m of pressures with Children and Family directorate;
- £0.3m of pressures in Adults and Health directorate;
- £1.1m of pressures within Resources & Housing directorate;
- £0.4m of pressures within Communities & Environment directorate; and
- £0.8m of pressures within the Council's Strategic Accounts**.**

7. The Budget Gap – Savings Options - £38.2m

7.1. After taking into account the impact of the anticipated changes in funding of £20.9m and cost pressures of £59.1m outlined above, it is forecast that the council will need to generate savings, efficiencies and additional income to the order of £38.2m in 2018/19 to balance to the anticipated level of resources available.

7.2. Table 13 below summarises the proposed savings to balance the 2018/19 budget with additional detail in the sections below and in Appendix 2.

7.3. ***Table 13 Proposals to Balance***

Solutions	£m
Efficiencies	(22.2)
Changes to services	(1.0)
Income - fees & charges	(6.3)
Income - traded services, partner & other income	(1.5)
Grant & Other income	(3.4)
Proposal to Use Capital Receipts / S106 balances	(3.9)
	(38.2)

7.4. In order to both manage the reductions required for the period 2017/18 to 2019/20, and protect front line services, the Council embarked on an ongoing process of review across a range of services and policy areas in 2016. The outcome of these reviews were incorporated into the Council's 2017/18 budget and they have also been included in these initial budget proposals for 2018/19. These service and policy reviews have been, and will continue to be, updated as part of an iterative approach to developing the Council's strategic plan and aligned medium term financial strategy and annual budgets. All services are within scope though the Council remains committed to protecting front line services as far as possible especially those that provide support to the most vulnerable.

7.5. **Efficiencies – savings of £22.2m**

7.5.1. In terms of efficiencies, the council has taken quite a distinctive approach. The focus has been on efficiencies realised through stimulating good economic growth and creatively managing demand for services. This whole city approach drives ambitious plans despite austerity. It is born from our vision for Leeds to be the best city in the UK: one that is compassionate with a strong economy that can tackle poverty and reduce inequalities. This approach, coupled with a significant programme of more traditional efficiencies, has enabled the council to make the level of savings required since 2010 whilst simultaneously creating the conditions for a thriving and sustainable city where people's lives are better.

7.5.2. Efficiency of the council's own operations remains important and we have reduced budgets in all areas of the council and will continue to do so, whilst protecting frontline services and those for the most vulnerable. At the centre of this work is a whole organisation cultural change programme coupled with modernisation of the work environment creating the necessary conditions for fundamental organisational change and efficiency improvements.

7.5.3. Appendix 2 provides the detail of a range of proposed efficiency savings across all directorates which total some £22.2m in 2018/19. These savings are across a number of initiatives around:

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

7.6. **Changes to Services – savings of £1.0m**

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

7.6.2. Appendix 2 sets out these detailed service change proposals, which together target savings of £1.0m by March 2019.

7.7. **Fees & Charges – additional income of £6.3m**

7.7.1. At its February 2016 meeting, Executive Board approved the recommendations from Scrutiny Board (Strategy & Resources) on fees and charges which included agreement that all fees would be reviewed annually and increased by at least the rate of inflation, that officers should benchmark their charging frameworks each year and that full-cost recovery in line with CIPFA guidance should apply as part of the annual budget setting process.

7.7.2. The initial budget proposals reflect these principles and assume a general increase in fees and charges of 3%, and Appendix 2 sets out detailed proposals around a number of fees, charges and subsidised services. If approved, these proposals would generate an additional net £6.3m of income in 2018/19.

7.8. **Traded Services, partner income & other income – additional income of £1.5m**

7.8.1. Appendix 2 provides details across directorates of a number of proposals that together would generate additional net income of £1.5m.

7.9. **Grants – additional income / reduction in grant related spend £3.4m**

7.9.1. A combination of reduced grant related spend and additional grant income will save a net £3.4m in Adults and Health and Children and Families directorates, details of which can be found in Appendix 2.

7.10. **Use of Section 106 balances.**

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

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

7.11. **Flexible use of Capital Receipts**.

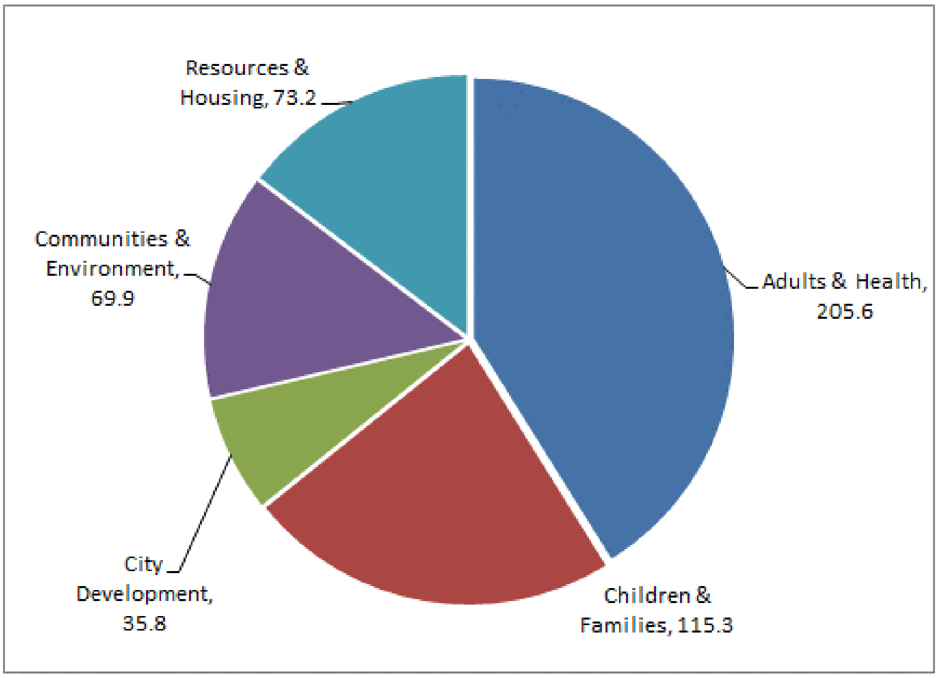
7.11.1. In March 2016 the Secretary of State for Communities and Local Government issued guidance, which allowed Local Authorities to use capital receipts to support the delivery of more efficient and sustainable services by extending the use of capital receipts to finance costs of efficiency initiatives that deliver significant savings. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy. The Strategy, received at Council on February 22nd 2017, agreed the use of capital receipts to fund the severance/redundancy costs associated with the transformation of the council implemented through the policy and service programme and with members of staff seeking to exit the Authority through the Early Leaver's Initiative. These initial budget proposals assume that capital receipts are set aside to resource similar transformational expenditure in 2018/19 and 2019/20.

7.11.2. In using capital receipts in the manner described above this will increase the estimated budget gap for 2020/21 since the pressure of £26.2m, identified in Medium Term Financial Strategy that was received at July's Executive Board, assumed the full use of capital receipts to contribute towards offsetting the pressure associated with the required increase in the Council's Minimum Revenue Provision (MRP).

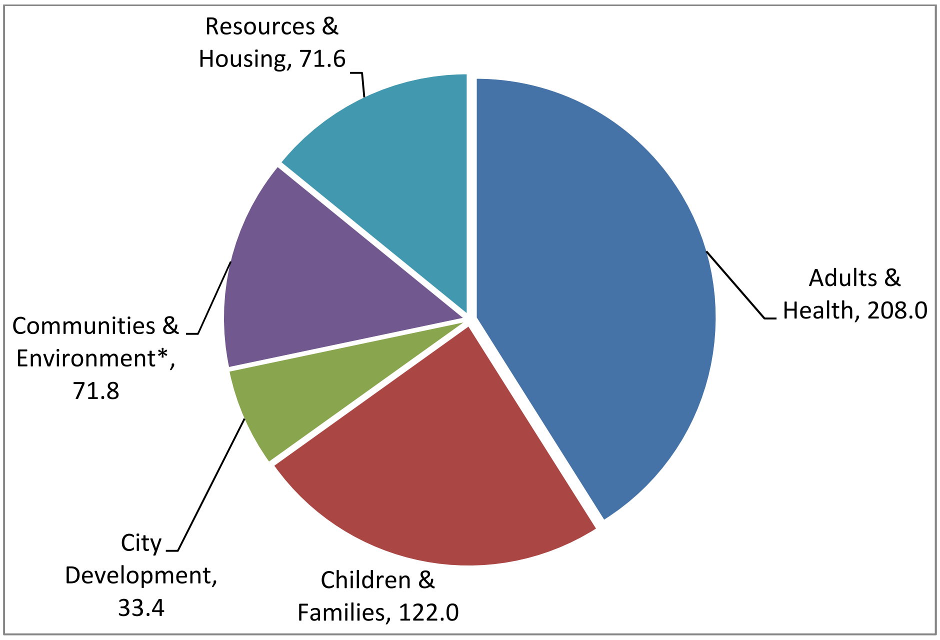
7.12. **Summary Budget By Directorate**

7.12.1. The pie charts below show the share of the council's net managed expenditure between directorates for 2017/18 and the proposed allocations for 2018/19 based on the initial budget proposals.

7.12.2. **Net Managed Budget 17/18 OE £m (restated)**



7.12.3. **Net Managed Budget 18/19 OE £m (Proposed)**



7.12.4. It should be noted that these resource allocations may be subject to amendments as we move through the budget setting process. Net managed expenditure represents the budgets under the control of individual directorates and excludes items such as capital charges pensions adjustments and allocation of support costs in directorate budgets.

7.12.5. The initial budget proposals would mean that the council's spend on Children and Families and Adult Social Care will increase from 64.2% of service budgets in 2017/18 to 65.1% in 2018/19 which reflects the council's priorities around supporting the most vulnerable across the city and to prioritise spending in these areas.

8. Impact of proposals on employees

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

8.2. The 2017/18 budget requires a reduction in staffing numbers of 484 FTEs. In July 2017 Executive Board received an update to the Medium Term Financial Strategy in which the budget gap over the next 3 years was forecast at around £44m.

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

8.4. The council will continue to strive to avoid compulsory redundancies – through natural turnover, continuing the voluntary early leaver scheme, staff flexibility and continuing the positive working with the trade unions.

8.5. The initial budget proposals outlined in this report provide for an estimated net reduction of circa 53 full time equivalents by 31st March 2019.

9. General Reserve

9.1. Under the 2003 Local Government Act, the Council's Statutory Financial Officer is required to make a statement to Council on the adequacy of reserves as a part of the annual budget setting process. It is also good practice for the Authority to have a policy on the level of its general reserve and to ensure that it is monitored and maintained.

9.2. The purposes of the general reserve policy are to help longer-term financial stability and identify any future events or developments which may cause financial difficulty by allowing time to mitigate these.

9.3. The general reserve policy encompasses an assessment of financial risks both within the Medium Term Financial Strategy and also in the annual budget. These risks should include corporate/organisation wide risks and also specific risks within individual directorate and service budgets. This analysis of risks should identify areas of the budget which may be uncertain and a quantification of each “at risk” element. This will represent the scale of any potential overspend or income shortfall and will not necessarily represent the whole of a particular budget heading. Each assessed risk will then be rated and scored in terms of impact and probability.

9.4. The initial budget proposals for 2018/19 do not assume any contribution from the general reserve and the level of general reserves at 31st March 2019, as set out in the table below, is projected to be £18.6m.

Table 14 - General Reserve

General Reserve	2017/18	2018/19
	£m	£m
Brought Forward 1st April	20.0	18.6
Budgeted contribution/(use) in-year	(1.4)	0.0
Carried Forward 31st March	**18.6**	**18.6**

9.5. Whilst the Council maintains a robust approach towards its management of risk and especially in the determination of the level of reserves that it maintains, it is recognised that our reserves are lower than those of other local authorities of a similar size. However KPMG’s External Audit report 2016/17 concluded that “the Authority have demonstrated they have managed the level of reserves effectively in recent years despite the budgetary pressures they face. Overall we consider the Authority to have adequate arrangements in place regarding the management of its financial risks and potential impact on resource deployment.”

9.6. Whilst the continued reductions in funding and the pressures faced by the Authority make the current financial climate challenging, we will continue to keep the level of the Council’s reserves under review to ensure that they are adequate to meet identified risks.

10. Schools Budget

10.1. The Dedicated Schools Grant (DSG) for 2018/19 will now be funded in four separate blocks for early years, high needs, schools and central schools services.

10.2. A new National Funding Formula (NFF) will be implemented from April 2018 for high needs, schools and central schools services. The schools formula will be “soft” in 2018/19 and 2019/20 which means that local authorities will continue to set local formulae for schools.

10.3. The early years block will fund 15 hours per week of free early education for 3 and 4 year olds and the early education of eligible vulnerable 2 year olds. From September 2017, there is an additional 15 hours per week provision for working families of 3 and 4 year old children. The per pupil units of funding will be confirmed in later in 2017/18 and the grant received will continue to be based on participation. The actual grant received during 2018/19 depends on pupil numbers in the 2018 and 2019 January censuses. The early year's pupil premium is now included in this calculation and is payable to providers for eligible 3 and 4 year olds at the rate of £0.53 per child per hour. The pupil premium grant will continue and it is expected that the rates will be protected. The grant value shown below is based on the projected pupil numbers in January 2018.

10.4. The high needs block will support places and top-up funding in special schools, resourced provision in mainstream schools and alternative provision; top-up funding for early years, primary, secondary, post-16 and out of authority provision; central SEN support and hospital & home education. A draft allocation under the NFF calculation has been published, though the final allocation will not be issued until December 2017. The value in the table below is before any deductions are made by the Education and Skills Funding agency (ESFA) in respect of funding for academies, free schools and post 16 places. The high needs block is facing a number of financial pressures and although Leeds is a net gainer under the national funding formula the full benefit of the increase in funding will not be felt for a number of years as there is an annual cap on gains within the national funding formula. Children and Families directorate have led a review of the high needs block which has included consultation with partners on options to bring spend back in line with the available funding. These options include transferring funding from the schools block and the central schools services block which will be subject to a separate consultation with schools and to approval from Schools Forum.

10.5. The schools block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11. The grant for 2018/19 will be based on pupil numbers (including those in academies and free schools) as at October 2017. The pupil numbers from this census are not yet available, but it is expected that there will be an increase. Schools have been consulted on options for the local formula in 2018/19. The results of the consultation will be presented to Schools Forum to enable further discussion with a final decision being made by the Director of Children and Families in early 2018

10.6. As part of the NFF, the central school services block (CSSB) has been created from the DSG funding that is held centrally by the local authority for central services. This includes the funding which was previously delivered through the retained duties element of the ESG along with previously reported ongoing responsibilities and historic commitments. A draft allocation under the NFF calculation has been published, though the final allocation will not be issued until December 2017.

10.7. Funding for post-16 provision is allocated by the ESFA and no changes to the formula are expected for 2018/19. Funding for 2018/19 will be based on 2017/18 lagged student numbers

10.8. Pupil Premium grant is paid to schools and academies based on the number of eligible Reception to year 11 pupils on the schools roll in January each year. The rates for 2018/19 are expected to remain at: primary £1,320, secondary £935, for each pupil registered as eligible for free school meals (FSM) at any point in the last 6 years and £300 for children of service families. The pupil premium plus rate for children looked after and children who have ceased to be looked after by a local authority because of adoption, a special guardianship order, a child arrangements order or a residence order will increase from £1,900 to £2,300

10.9. The Primary PE grant will be paid in the 2017/18 academic year to all primary schools at a rate of £16,000 plus £10 per pupil.

10.10. For the Year 7 catch up grant in 2017/18, funding is allocated to schools on the basis that they receive the same overall amount of year 7 catch-up premium funding received in 2016/17. It will be adjusted to reflect the percentage change in the size of their year 7 cohort, based on the October 2017 census. It is assumed that the 2018/19 will be on the same basis and so dependent on the October 2018 census information.

10.11. A grant for the universal provision of free school meals for all pupils in reception, year 1 and year 2 was introduced in September 2014. Funding for the 2017/18 academic year is based on a rate of £2.30 per meal taken by eligible pupils, giving an annual value of £437. Data from the October and January censuses will be used to calculate the allocations for the academic year.

10.12. The Education Services Grant (ESG) ceased at the end of August 2017. ESG funding for retained duties has transferred to the DSG form April 2017. Schools Forum previously agreed that this funding could be passported to the Local Authority. Approval for this for 2018/19 will be sought later in 2017/18.

10.13. **Schools funding summary**

The grants before ESFA deductions (e.g. for payments to academies) for 2017/18 (latest estimate) and 2018/19 are shown in table 15 above. The amounts for 2018/19 are subject to final confirmation.

Table 15 – The Estimated Schools Budget

	2017/18 £m	2018/19 £m	Change %
DSG - Schools Block	482.07	486.59	4.52
DSG - Central Schools Services Block		5.08	5.08
DSG - High Needs Block	62.65	66.34	3.69
DSG - Early Years Block	50.88	55.42	4.54
ESFA Post 16 Funding	31.54	31.33	-0.21
Pupil Premium Grant	42.28	42.94	0.66
PE & Sports Grant	3.36	4.26	0.9
Year 7 Catch-up Grant	0.87	0.87	0
Universal Infant Free School Meals Grant	8.87	8.58	-0.29
	682.52	**701.41**	**18.89**

11. Housing Revenue Account

11.1. The Housing Revenue Account (HRA) includes all expenditure and income incurred in managing the Council's housing stock and, in accordance with Government legislation, operates as a ring fenced account. The key movements in 2018/19 are detailed in Table 16.

11.2. The 2016 Welfare Reform and Work Act introduced the requirement for all registered social housing providers to reduce social housing rents by 1% for the 4 years from 2016/17. This reduction was implemented by the council in 2016/17 with a subsequent loss of £2.1m in rental income. Reducing rents by a further 1% in each of the three years from 2017/18 to 2019/20 equates to an additional estimated loss of £18.5m in rental income over this period. When compared to the level of resources assumed in the financial plan (and assuming that from 2020/21 rent increases will revert back to the previous policy of CPI+1%) this equates to a loss of £283m of rental income over the 10 year period (2016/17 to 2024/25).

11.3. Whilst the 2016 Act requires that social rents have to reduce by 1% per annum until 2019/20, properties funded through PFI can be exempt from this requirement. An increase in accordance with the government's rent formula of CPI (1% as at September 2016) + 1% is therefore proposed. This overall 4% rise equates to approximately £0.46m in rental income.

11.4. The costs associated with servicing the HRA's borrowing have increased due to a combination of discounts that had previously been applied to the overall level of debt falling out and the planned increase in borrowing to support the Council's new build programme.

11.5. The rollout of universal credit in Leeds commenced in 2016 and once fully implemented it will require the council to collect rent directly from around 24,000 tenants who are in receipt of full or partial housing benefit. Although the financial impact of this is still difficult to quantify it is likely to have implications for the level of rental income receivable since the level of arrears is anticipated to increase.

11.6. A reduction in the qualifying period after which tenants are able to submit an application to purchase a council house through the government's Right to Buy legislation continues to sustain an increase in the number of sales with a subsequent reduction in the amount of rent receivable.

11.7. The reduction in rental income will need to be managed in addition to other pay, price and service pressures. A combination of staffing efficiencies, a reduction in the budget for supplies and services and the use of some of the retained element from Right to Buy receipts which can be used to fund capital expenditure will contribute towards off-setting these pressures.

11.8. Further consideration will be given to increasing service charges to reflect more closely the costs associated with providing services. This will generate additional income which will contribute towards offsetting the reduction in rental income receivable as a result of the change in Government's rent policy.

11.9. Tenants in multi storey flats (MSFs) and in low/medium rise flats receive additional services such as cleaning of communal areas, staircase lighting and lifts and only pay a notional charge towards the cost of these services meaning other tenants are in effect subsidising the additional services received. It is proposed that an additional £2 per week increase on multi storey flats with an inflationary increase of £1 per week on low/medium rise flats in 2018/19 would generate an additional £687k compared to 2016/17.

11.10. Currently tenants in sheltered accommodation receiving a warden service are charged £13 per week for this service. This charge is eligible for Housing Benefit. In 2016/17 a nominal charge of £2 per week was introduced for those tenants who benefited from the service but did not pay. This was increased to £4 a week in 2017/18 and it is proposed to increase this charge by a further £2 per week in 2018/198.

11.11. An analysis of the impact on individual tenants of reducing rents by 1% and implementing the proposed charges as above has been undertaken. This analysis shows that should the proposals be agreed 82.2%% of tenants will pay 78p less per week less in overall terms in 2018/19 than in 2017/18. Of those paying more, 11.5% will pay up to £1.36 more per week, 2.8% will pay 2.97p per week more, with the remaining 3.5% paying between £1.33 and £4.34 per week. These increases will be funded through Housing Benefit for eligible tenants. Approximately 58% of tenants are in receipt of Housing Benefits.

11.12. Since all housing priorities are funded through the HRA any variations in the rental income stream will impact upon the level of resources that are available for the delivery of housing priorities. Resources will be directed towards key priority areas which include fulfilling the plan to improve the homes people live in, expanding and improving older person's housing and improving estates to ensure that they are safe and clean places to live. Additional resources will also be spent on further fire prevention.

11.13. The Council remains committed to prioritising resources to meet the capital investment strategy and to replace homes lost through Right to Buy by the planned investment in new homes and the buying up of empty homes. The council aims to maintain a consistent level of capital expenditure with a view to improving the condition of the stock.

11.14. ***Table 16 – Housing Revenue Account Pressures and Savings***

	£m
Income	
Reduced rental income due to 1% rent reduction and reduced stock	4.06
Rent increase (CPI + 1%) for housing stock in PFI areas	(0.46)
Increases in service charges	(0.69)
Other Income	(0.43)
Total	**2.48**
Expenditure	
Pay and price pressures	1.00
Supplies and Services	(0.32)
Provision for Bad Debts	0.08
Variation in the contribution to the PFI contractor	1.41
Reduction in the revenue contribution to capital which is being realised through the use of additional Right to Buy receipts (debt set aside)	(5.50)
Increase in Fire Prevention Works	0.46
Other pressures	0.39
Total	**(2.48)**

12. Capital Programme

12.1. Over the period 2017/18 to 2020/21 the existing capital programme includes investment plans which total £1.2bn. The programme is funded by external sources in the form of grants and contributions and also by the Council through borrowing and reserves. Where borrowing is used to fund the programme, the revenue costs of the borrowing will be included within the revenue budget. Our asset portfolio is valued in the Council's published accounts at £4.9bn, and the council's net debt, including PFI liabilities stands at £2.46bn.

12.2. The initial budget proposals provide for a £4.0m increase in the cost of debt and capital financing. This assumes that all borrowing is taken short term at 0.50% interest for the remainder of 2017/18 and 0.85% in 2018/19.

12.3. The strategy allows for capital investment in key annual programmes, major schemes that contribute to the Best Council Plan objectives and schemes that generate income or reduce costs. Capital investment will continue to be subject to robust business cases being reviewed and approved prior to schemes approval. Whilst the capital programme remains affordable, its continued affordability will be monitored as part of the treasury management and financial health reporting.

12.4. A capital programme update report will be presented to the Executive Board in February 2018.

13. Corporate Considerations

13.1. Consultation and Engagement

13.1.1. The initial budget proposals have been informed through the wealth of consultation evidence gathered in recent years on residents' budget priorities. Since 2012 there has been only minor changes to those priorities and, in addition, residents and service users have had significant involvement in on-going service-led change projects. Subject to the approval of the board, this report will be submitted to Scrutiny for their consideration and review, with the outcome of their deliberations to be reported to the planned meeting of this Board on the 7th February 2018.

13.1.2. Consultation is an ongoing process and residents are consulted on many issues during the year. It is also proposed that this report is used for wider consultation with the public through the Leeds internet and with other stakeholders. Consultation is on-going with representatives from the Third Sector, and plans are in place to consult with the Business sector prior to finalisation of the budget.

13.2. Equality and Diversity / Cohesion and Integration

13.2.1. The council continues to have a clear approach to embedding equality in all aspects of its work and recognises the lead role we have in the city to promote equality and diversity. This includes putting equality into practice taking into account legislative requirements, the changing landscape in which we work and the current and future financial challenges that the city faces.

13.2.2. As an example of the commitment to equality, scrutiny will again play a strong role in challenging and ensuring equality is considered appropriately within the decision making processes.

13.2.3. The proposals within this report have been screened for relevance to equality, diversity, cohesion and integration (Appendix 3) and a full strategic analysis and assessment will be undertaken on the revenue budget and council tax 2018/19 which will be considered by Executive Board in February 2018. Specific equality impact assessments will also be undertaken on all budget decisions as identified as relevant to equality as they are considered during the decision-making processes in 2018/19.

13.3. **Council Policies and Best Council Plan**

13.3.1. The refreshed Best Council Plan 2018/19 will set out the council's priorities aligned with the medium-term financial strategy and annual budget. Developing and then implementing the Best Council Plan will continue to inform, and be informed by the council's funding envelope and staffing and other resources.

13.4. **Resources and Value for Money**

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

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

13.5.1. This report has been produced in compliance with the Council's Budget and Policy Framework. In accordance with this framework, the initial budget proposals, once approved by the board will be submitted to Scrutiny for their review and consideration. The outcome of their review will be reported to the February 2018 meeting of this Board at which proposals for the 2018/19 budget will be considered prior to submission to full Council on the 21st February 2018.

13.5.2. The initial budget proposals will, if implemented, have significant implications for Council policy and governance and these are explained within the report. The budget is a key element of the council's budget and policy framework, but many of the proposals will also be subject to separate consultation and decision making processes, which will operate within their own defined timetables and managed by individual directorates

13.5.3. In accordance with the council's budget and policy framework, decisions as to the council's budget are reserved to full council. As such, the recommendation at 15.1 is not subject to call in, as the budget is a matter that will ultimately be determined by full council, and this report is in compliance with the council's constitution as to the publication of initial budget proposals two months prior to adoption.

13.5.4. However, the recommendation in paragraph 15.2, regarding the Council's participation in the 2018/19 100% business rates retention pilot scheme, the potential impact of which is not currently reflected in these initial budget proposals, is a decision of the Executive Board and as such is subject to call-in.

13.6. **Risk Management**

13.6.1. The Council's current and future financial position is subject to a number of risk management processes. Failure to address medium-term financial pressures in a sustainable way is identified as one of the council's corporate risks, as is the council's financial position going into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the council's risk-based reserves policy. Both these risks are subject to regular review. In addition, financial management and monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach has been reinforced with specific project management based support and reporting around the achievement of the key budget actions plans.

13.6.2. It is recognised that the proposed strategy carries a number of significant risks. Delivery of the annual budget savings and efficiencies proposed will be difficult, but failure to do so will inevitably require the council to start to consider even more difficult decisions which will have far greater impact upon the provision of front line services to the people of Leeds.

13.6.3. A full risk assessment will be undertaken of the council's financial plans as part of the normal budget process, but it is clear that there are a number of risks that could impact upon these plans put forward in this report; some of the more significant ones are set out below.

- The reductions in government grants are greater than anticipated. Specific grant figures for the council for 2018/19 will not be known until later in the budget planning period.
- Demographic and demand pressures, particularly in Adult Social care and Children's services could be greater than anticipated.
- The implementation of proposed savings and additional income realisation could be delayed or the savings/additional income is less than that assumed in the budget.
- Inflation and pay awards could be greater than anticipated. The Consumer Prices Index (CPI) is now at its highest level since March 2012 and the Government's announcement in September 2017 that it is lifting the public sector pay cap could have implications for the 1% increase in pay assumed in these initial budget proposals. However, it should be noted that no additional funding was announced in the Chancellor's budget.
- The level of funding from partners could be less than assumed in the budget.
- Other sources of income and funding could continue to decline.
- The increase in the council tax base could be less than anticipated.
- The level of business rates appeals continues to be a risk. Whilst there is very little scope for new appeals against the 2010 list there are still a significant number of back dated appeals for which the Council has an appropriate provision. However there is very little information on which to assess appeals against the new 2017 list, therefore business rates income could be adversely affected which would have implications for the level of resources available to the Authority. In addition the position

on business rates retention, and specifically the impact of back-dated appeals, could deteriorate further.

- The initial budget proposals makes a number of assumptions about the costs associated with managing its debt. Currently the Council benefits from low interest rates but following the Monetary Policy Committee's decision on 2nd November there is now an upward movement in interest rates. If these are greater than increases assumed in the budget proposals then this this will lead to an further increase in the costs associated with financing the Council's debt portfolio.
- The Council and City's economic and fiscal position is clearly impacted upon by the wider national economic context. The UK's decision to exit the EU has undoubtedly fuelled economic and political uncertainty and the outcome of the negotiations between the UK and EU potentially, in the short term, could weaken the pound, increase inflation, reduce domestic and foreign direct investment and impact on borrowing costs. All of these have the potential to impact upon both not only the level of resources available to the Council bit also the level of demand for the services that it provides.
- Following the introduction of the National Living Wage, national negotiations are underway to review the NJC spine structure and we are awaiting confirmation of these negotiations to understand the implications for the LCC pay structure to ensure an equal pay proof structure. These initial budget proposals do not reflect any implications of this review although it is recognised that pending the outcome of discussions it will be necessary to provide for this.

13.6.4. A full analysis of all budget risks in accordance will continue to be maintained and will be subject to monthly review as part of the in-year monitoring and management of the budget. Any significant and new risks and budget variations are contained in the in-year financial health reports submitted to the Executive Board**.**

14. Conclusions

14.1. This report has shown that the current financial position continues to be very challenging. The Council is committed to providing the best service possible for the citizens of Leeds and to achieving the ambition for the city of being the best in the UK with a firm focus on tackling inequalities. In order to achieve both the strategic aims and financial constraints, the council will need to work differently, helping people to look after themselves, others and the places they live and work by considering the respective responsibilities of the 'state' and the 'citizen' (the social contract). This approach underpins the medium-term financial strategy and the refreshed 2018/19 Best Council Plan.

14.2. Based on the government multi-year settlement there will be a further reduction in the settlement funding assessment for 2018/19 of £14.0m. This is offset by additional funding from business rates and council tax of £27.5m to give an increased net revenue budget of £506.2m (in 2018/19. However, the initial budget proposals for 2018/19 set out in this report, subject to the finalisation of the detailed proposals in February 2018, will still require savings and additional income of £38.2m to produce a balanced budget.

14.3. Clearly savings of this magnitude will not be without risk and they also need to be seen in the context of the Council having undertaken a significant programme of budget reductions since 2010/11.

15. Recommendations

15.1. Executive Board is asked to agree the initial budget proposals and for them to be submitted to scrutiny and also for the proposals to be used as a basis for wider consultation with stakeholders

15.2. Executive Board is asked to agree that, should the application to pilot 100% business rates retention succeed, Leeds should continue as a member of that designated Business Rates Pool and should act as lead authority for it. Notwithstanding this decision, the continuation of the Pool will be dependent upon none of the other member authorities choosing to withdraw within the statutory period after designation.

16. **Background documents**[1]

None.

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

Appendix 1

2018/19 SUBMISSION

	Adults & Health	Children & Families	City Development	Communities & Environment	Resources & Housing	Strategic & Central	Total Net Revenue Budget
	£m	£m	£m	£m	£m	£m	£m
Net managed budget (2017/18) - RESTATED	**205.59**	**115.30**	**35.81**	**69.93**	**73.16**	**(7.12)**	**492.68**
Inflation	5.70	1.15	1.24	1.51	1.27		10.87
Employer's LGPS contribution	0.11	0.19	0.12	0.17	0.31		0.88
Leeds CC minimum pay rate	0.01	0.06	0.07	0.06	0.37		0.56
National Living Wage - commissioned services	4.10	0.59					4.69
Fall-out of capitalised pension costs						(0.40)	(0.40)
Demand and demography - CLA		3.00					3.00
Demand and demography - ASC	3.17						3.17
Demand and demography - other				0.08			0.08
New Homes Bonus						1.51	1.51
Public Health grant reduction	1.18						1.18
Public Health funding Directorate services		0.22	0.10				0.32
Adult Social Care - iBCF and Spring Budget Grants	(20.53)						(20.53)
Adult Social Care - Support Grant (one off in 17/18)	3.30						3.30
Adult Social Care Grant Spend - Spring Budget	9.43						9.43
Adult Social Care - Client contributions	1.37						1.37
Specific grants - fall out of funding		4.97		0.61	(1.96)	(2.22)	1.41
Homelessness grant spend					1.96		1.96
Partner funding income pressures	8.00						8.00
Cultural Legacy						0.38	0.38
Tour de Yorkshire			0.20				0.20
Changing the Workplace					1.38		1.38
West Yorkshire Transport Fund						0.20	0.20
Elections				1.12			1.12
S278 income						1.00	1.00
Debt - external interest						4.00	4.00
Housing Benefit overpayment income reductions				1.20			1.20
Markets income trends and rent relief			0.58				0.58
Sport income			0.20				0.20
Expansion of Brown Bin Collections				0.36			0.36
Other pressures/savings	0.25	1.50	0.04	0.38	1.60	0.75	4.51
Contribution to / (from) Earmarked / Other Reserve				(0.35)		4.17	3.82
Create an ELI reserve						2.00	2.00
Total - cost and funding changes	**16.08**	**11.68**	**2.54**	**5.13**	**4.93**	**11.40**	**51.75**
Budget savings proposals							
As per Appendix 2	(13.68)	(5.00)	(4.91)	(3.22)	(6.51)	(1.00)	(34.32)
Use of Capital Receipts / S106 balances						(3.92)	(3.92)
Total - Budget savings proposals	**(13.68)**	**(5.00)**	**(4.91)**	**(3.22)**	**(6.51)**	**(4.92)**	**(38.24)**
2018/19 Submission	**208.00**	**121.98**	**33.44**	**71.84**	**71.58**	**(0.64)**	**506.17**
Increase/(decrease) from 2017/18 £m	**2.40**	**6.68**	**(2.37)**	**1.92**	**(1.58)**	**6.48**	**13.50**
Increase/(decrease) from 2017/18 %	**1.17%**	**5.79%**	**(6.61%)**	**2.74%**	**(2.17%)**		**2.74%**
TOTAL FUNDING AVAILABLE (Forecast Net Revenue Charge)							**506.17**
GAP							**0.00**

Adults and Public Health - Savings options 2018/19

Appendix 2

Savings Proposal	Comments	2018/19 £m	2019/20 fye £m	Is this relevant to Equality & Diversity?
A) Efficiencies				
No further contribution made to earmarked reserves	Fall out of one off Adult Social Cate Support Grant	(3.3)	0.0	N
Demand: review Care Package costs, preventative and recovery services	Review care packages and impact of strengths based social work. Review increase in the use of reablement, telecare and the recovery service.	(3.5)	0.0	Y
Staffing - strengths based approach	Invest Spring Budget money for two years	(0.5)	0.0	N
Better Lives Phase 4	Defer plans and utilise Spring Budget money for two years	(0.4)	0.0	N
Equipment (for social care clients)	Utilise Spring Budget monies for two years	(0.3)	0.0	N
CIC bed, CBS savings and Better Lives Phase 3	Savings resulting from new contracts for the Community Beds and Intermediate Care Beds services and full year effect of Better Lives Phase III	(0.7)	0.0	N
Staffing savings	Set a universal 3% turnover factor across all services	(0.7)	0.0	N
Agency spend	Cessation of temporary change service	(0.1)	0.0	N
Direct Payment Audit - additional recovery		(0.4)	0.0	Y
Running Cost savings	Review and reduction of non-essential spend budgets	(0.3)	0.0	N
Other efficiency savings to be identified by the Directorate	One off funding sources e.g. use of earmarked reserves would be available, but Directorate to pursue efficiency savings that are sustainable solutions as a priority	(0.7)	0.0	N
Sub-Total Efficiencies		**(10.8)**	**0.0**	

Adults and Public Health - Savings options 2018/19

Appendix 2

Savings Proposal	Comments	2018/19 £m	2019/20 fye £m	Is this relevant to Equality & Diversity?
B) Changes to Service				
Sub-Total Service Changes		**0.0**	**0.00**	
C) Additional Income - Fees and Charges				
Income	Improved income collection from community care services	(1.0)	0.0	Y
Sub-Total Additional Income (Fees & Charges)		**(1.0)**	**0.0**	
D) Additional Income - Traded Services, Partner and Other Income				
iBCF	Better Care Fund inflation	(0.5)	0.0	N
Sub-Total Additional Income (Traded Services, Partner and Other Income)		**(0.5)**	**0.0**	
E) Grants & Other Income				
Public Health grant	Public Health grant - £0.7m use Spring Budget money for 2 years; £0.3m budget to repay borrowed reserve no longer required & £0.1m reduction to Children centre funding (see pressure in Children services)	(1.2)	0.0	Y
War Pensions Grant	New Grant for 2017/18	(0.1)	0.0	N
Sub-Total Grants & Other Income		**(1.3)**	**0.0**	
Sub-Total Revised Plans		**(13.7)**	**0.0**	

Children & Families - Savings options 2018/19

Savings Proposal	Comments	2018/19 £m	2019/20 fye £m	Is this relevant to Equality & Diversity?
A) Efficiencies				
Children & Family Services general efficiencies	The Service has commenced a series of reviews to realign staffing resources within the directorate to deliver services more efficiently. This also includes a reduction in directorate running costs and other running costs.	(1.3)		Y
Non-Staffing inflation	Reduce amount of allowable non-staffing inflation in the strategy.	(0.3)		N
Direct Payements and Independent Support Workers	Recovery of Direct Payments costs (new hub led by ASC audits) and reduction in the use of Independent Support Workers reflecting recent trend.	(0.3)		N
Family Services (Early Years)	Review of funding for Family Services provision within Early Years..	(0.3)		Y
Sub-Total Efficiencies		**(2.1)**	**0.0**	
B) Changes to Service				
Children & Family Services reviews	A review of core and traded activities to reduce net subsidies. This will include reviewing spend and income.	(0.4)		Y
Sub-Total Service Changes		**(0.4)**	**0.0**	
C) Additional Income - Fees and Charges				
Sub-Total Additional Income (Fees & Charges)		**0.0**	**0.0**	
D) Additional Income - Traded Services, Partner and Other Income				
Adel Beck	Additional income from price rises and demand for placements and also reviewing costs.	(0.4)		N
Safeguarding Protection Team	Additional income target	(0.1)		N
Sub-Total Additional Income (Traded Services, Partner and Other Income)		**(0.5)**	**0.0**	

E) Grants & Other Income

School Improvement Grant	Additional grant income reflecting Summer Term funding for 2017-18 academic year. Anticpated for one year only	(0.3)	0.3	N
Utilisation of Reserves and reduction in Provisions (Pfi & Bad Debt)	Review of Pfi Reserves & Bad Debt provison. Part one off impact.	(0.3)	0.2	N
Additional DSG funding for educational element of external residential placements and teachers severance costs.	Additional DSG contribution towards educational elements of external residential placements and costs associated with teachers severance costs.	(0.5)		N
Educational Support Grant (ESG)	Reduction of the net impact of loss of ESG in 2018-19.	(0.3)		N
Education programme for Teenage Pregnancy	To be funded by the DfE PiP grant	(0.2)		N
Unaccompanied Asylum Seekers Children Grant	Additional grant income (above 17/18 base budget)	(0.4)		N
Improvement Partner Income	Additional income from the DfE for the improvement partnership with Kirklees Council.	(0.1)		N
Sub-Total Grants & Other Income		**(2.1)**	**0.5**	
Total Savings Options - Children & Families		**(5.0)**	**0.0**	

City Development - Savings options 2018/19

Savings Proposal	Comments	2018/19 £m	2019/20 fye £m	Is this relevant to Equality & Diversity?
A) Efficiencies				
Economic Dev't	Economic Development & Tourism - running cost savings and additional income	(0.10)		N
Highways	Extension of street lighting part-night switch off	(0.10)		N
Sport	Sport & Active Lifestyles - Increase income and operational cost reductions.	(0.10)		N
Sport	Sport & Active Lifestyles - additional income from sport VAT exemption (with HMRC following EU judgement in favour)	(1.20)		N
Arts	Events	(0.03)		N
Arts	Tour de Yorkshire - assumed income from the LCR Business Rates Pool funds stage hosting	(0.20)		N
Directorate Wide	Increased Vacancy Factor	(0.29)		N
Employment & Skills	Review of line by line expenditure	(0.02)		N
Sub-Total Efficiencies		**(2.0)**	**0.0**	
B) Changes to Service				
Sub-Total Service Changes		**0.00**	**0.0**	

City Development - Savings options 2018/19

Savings Proposal	Comments	2018/19 £m	2019/20 fye £m	Is this relevant to Equality & Diversity?
C) Additional Income - Fees and Charges				
Asset Management	Strategic Investment - new rental income from the purchase of commercial assets	(1.00)		N
Asset Management	Commercial Property - additional fee income from capital sales and additional income from assets and activities	(0.27)		N
Asset Management	Additional Fee income	(0.15)		N
Asset Management	Additional fee recoveries	(0.05)		N
Economic Dev't	Additional income from events and licences	(0.04)		N
Economic Dev't	Markets - increased income from Street Trading & speciality markets	(0.03)		N
Highways	Fee Income from Highways Capital Schemes	(0.50)		N
Planning	Full year effect of income from street naming & numbering	(0.03)		N
Planning	Additional fees from premium services & savings from business process review	(0.10)		N
Planning	Additional income from volumes (not fee increases)	(0.25)		N
Sport	Increase income and operational cost reductions.	(0.28)		N
Arts	Museums - FYE of trends at Thwaite Mills	(0.03)		N
Arts	Breeze - increase income	(0.05)		N
Arts	Increased income opportunities and realignment of services	(0.04)		N
Arts	Museums -increase income opportunities	(0.05)		N
Sub-Total Additional Income (Fees & Charges)		**(2.9)**	**0.0**	
D) Additional Income - Traded Services, Partner and Other Income				
Planning	Building Control - additional income & savings from business process review	(0.02)		N
Sub-Total Additional Income (Traded Services, Partner and Other Income)		**(0.02)**	**0.0**	
Total Savings Options - City Development		**(4.9)**	**0.0**	

Resources & Housing - savings options 2018/19

Savings Proposal	Comments	2018/19 £m	2019/20 fye £m	Is this relevant to Equality & Diversity?
A) Efficiencies				
Shared Services	Staffing savings	(1.0)		Y
Shared Services	Review of Mail & Print (cross cutting)	(0.1)		N
LBS	Additional impact on bottom line of LBS from insourced work & efficiencies	(1.1)		N
Early Payment of Invoices	Target savings to be generated from agreeing discounts with suppliers for early payment of invoices	(0.6)		N
Directorate Wide	Additional staffing vacancy factor across the Directorate	(0.2)		Y
CEL	Review of Passenger transport costs - savings to accrue to Childrens Services	(0.2)		N
CEL	Facilities Managment operations review	(0.1)		N
CEL	Fleet staffing restructure & operational savings	(0.1)		Y
Housing Related Support	Projected contract savings	(0.2)		N
Democratic Services / Legal Services	Review of staff and running costs	(0.1)		N
Strategy and Improvement	Targeted staffing and cost savings	(0.1)		Y
PPPU	Review of PPPU	(0.3)		N
HR	Targeted staffing and cost savings	(0.4)		Y
Finance	Targeted staffing and cost savings	(0.5)		Y
Sub-Total Efficiencies		**(4.9)**	**0.0**	
B) Changes to Service				
Sub-Total Service Changes		**0.0**	**0.0**	
C) Additional Income - Fees and Charges				
Strategy & Improvement	Potential communications support income from schools and savings target	(0.1)		N
CEL	Increased Cleaning income	(0.04)		N
Shared Services	Additional income target	(0.4)		N
HR	Schools HR service price increase & supply contract charges; apprenticeship levy income	(0.1)		N
DIS	Review of operational costs and charges to capital schemes	(1.0)		N
Strategic Housing Partnerships	Capitalisation of staff costs and efficiencies	(0.1)		N
Sub-Total Additional Income (Fees & Charges)		**(1.6)**	**0.0**	

Savings Proposal	Comments	2018/19	2019/20 fye	Is this relevant to Equality & Diversity?
		£m	£m	
D) Additional Income - Traded Services, Partner and Other Income				
CEL	Efficiencies linked to capital investment & capital injection of annual equipment replacement programme.	(0.1)		N
Sub-Total Additional Income (Traded Services, Partner and Other Income)		**(0.1)**	**0.0**	
Total Savings Options - Resources & Housing		**(6.5)**	**0.0**	

Communities and Environment - Savings options 2018/19

Savings Proposal	Comments	2018/19 £m	2019/20 fye £m	Is this relevant to Equality & Diversity?
A) Efficiencies				
Waste Management	Savings in waste disposal budgets, reflects trends witnessed in 17/18	(0.2)	0.0	N
Waste Management	Review of line by line budgets including bin replacement financing costs, refuse plastic sacks, closed landfill site maintenance	(0.5)	(0.2)	N
Community Safety	Identify efficiencies in use of Community Safety Funding	(0.1)	0.0	N
Welfare & Benefits	Estimated savings from retendering in respect of Advice consortium	(0.1)	0.0	Y
Customer Access	Estimated savings from consolidating Library Management Systems contracts and retendering	(0.1)	0.0	N
Customer Access	Closer working between Council Tax Recovery and Contact Centre Teams	(0.03)	0.0	Y
Customer Access	Migration of Contact Centre telephone lines to new datalines	(0.1)	0.0	N
Customer Access	Council wide savings in respect of Compliments and Complaints service as part of Support Services review	(0.1)	0.0	Y
Communities	Community Centres: reduced Facilities Management costs/additional lettings income	(0.1)	0.0	Y
Communities	Review management & leadership arrangements	(0.1)	0.0	Y
Car Parking	Reduction in parking enforcement staff through deletion of vacant posts	(0.1)	0.0	Y
Elections/Licensing & Registrars	Savings on hire of porta cabins used for elections	(0.03)	0.0	N
All Services	Increased vacancy factors across the directorate	(0.2)	0.0	N
Sub-Total Efficiencies		**(1.4)**	**(0.2)**	
B) Changes to Service				
Welfare & Benefits	Local Welfare Support Scheme - reduction in scheme budget reflecting review of white goods and carpet replacements	(0.2)	0.0	Y
Customer Access	Home Library Service - transfer to voluntary sector	(0.03)	0.0	Y
Customer Access	Contact Centre Digital Centre of Excellence Proposals - Channel Shift/Channel Shove - involves switching off phone lines/using eforms/remove email option. Saving also includes full year effect of reduced service failure target from 2017/18.	(0.3)	0.0	Y
Customer Access	Use of Automated Switchboard in Contact Centre	(0.1)	0.0	Y
Communities	Targeted 10 % savings on third sector contracts	(0.03)	0.0	Y
Sub-Total Service Changes		**(0.6)**	**0.0**	

C) Additional Income - Fees and Charges

Waste Management	Implement previously approved decision to charge for Inert Building Waste, Plasterboard and Tyres at HWSS	(0.3)	0.0	Y
Waste Management	Additional weighbridge income - reflects trends witnessed in 2017/18	(0.1)	0.0	N
Parks & Countryside	Review of charges at Attractions (Tropical World, Lotherton Bird Garden and Temple Newsam Home Farm) following capital investment work	(0.1)	0.0	Y
Parks & Countryside	Bereavement charges - inflationary increase, net of costs for additional community engagement	(0.2)	0.0	Y
Parks & Countryside	Estimated additional net income from plant and other retail sales at the Arium	(0.1)	0.0	Y
Elections / Licensing & Registrars	Registrars: fee review in respect of non statutory charges	(0.05)	0.0	Y
Car Parking	Increase parking charges at Woodhouse Lane Multi Storey Car Park by 50p to £7.50 for a full day	(0.1)	0.0	Y
Sub-Total Additional Income (Fees & Charges)		**(0.8)**	**0.0**	

D) Additional Income - Traded Services, Partner and Other Income

Waste Management	Review Medi-Waste service to eliminate current subsidy	(0.2)	0.0	Y
Welfare & Benefits	Introduce management fee for Free School Meals for Academies admin service	(0.01)	0.0	N
Community Safety	Additional CCTV income from Housing Leeds	(0.1)	0.1	N
Customer Access	Additional income from Interpreting Service	(0.1)	0.1	N
Sub-Total Additional Income (Traded Services, Partner and Other Income)		**(0.4)**	**0.2**	

Total Savings Options - Communities and Environment	**(3.2)**	**0.0**	

Strategic & Central 2018/19

Savings Proposal	Comments	2018/19 £m	2019/20 fye £m	Is this relevant to Equality & Diversity?
A) Efficiencies				
Additional Capitalisation	Short term increase in additional capitalisation	(1.0)	0.0	N
Sub-Total Efficiencies		**(1.0)**	**0.0**	
Total Savings Options - Strategic & Central		**(1.0)**	**0.0**	

Appendix 3

Leeds CITY COUNCIL

Equality, Diversity, Cohesion and Integration Screening

As a public authority we need to ensure that all our strategies, policies, service and functions, both current and proposed have given proper consideration to equality, diversity, cohesion and integration.

A **screening** process can help judge relevance and provides a record of both the **process** and **decision.** Screening should be a short, sharp exercise that determines relevance for all new and revised strategies, policies, services and functions. Completed at the earliest opportunity it will help to determine:

- the relevance of proposals and decisions to equality, diversity, cohesion and integration.
- whether or not equality, diversity, cohesion and integration is being/has already been considered, and
- whether or not it is necessary to carry out an impact assessment.

Directorate: Resources and Housing	**Service area: Corporate Financial Management**
Lead person: Doug Meeson	**Contact number: 88540**

1. Title: Initial Budget Proposals 2018/19
Is this a: [x] **Strategy / Policy** [ ] **Service / Function** [ ] **Other** **If other, please specify**

2. Please provide a brief description of what you are screening
The council is required to publish its initial budget proposals two months prior to approval of the budget by full council in February 2018. The initial budget proposals report for 2018/19 sets out the Executive's plans to deliver a balanced budget within the overall funding envelope. It should be noted that the budget represents a financial plan for the forthcoming year and individual decisions to implement these plans will be subject to equality impact assessments where appropriate.

3. Relevance to equality, diversity, cohesion and integration		
All of the council's strategies/policies, services/functions affect service users, employees or the wider community – city-wide or more local. These will also have a greater/lesser relevance to equality, diversity, cohesion and integration. The following questions will help you to identify how relevant your proposals are. When considering these questions think about age, carers, disability, gender reassignment, race, religion or belief, sex, sexual orientation. Also those areas that impact on or relate to equality: tackling poverty and improving health and well-being.		
Questions	**Yes**	**No**
Is there an existing or likely differential impact for the different equality characteristics?	X	
Have there been or likely to be any public concerns about the policy or proposal?	X	
Could the proposal affect how our services, commissioning or procurement activities are organised, provided, located and by whom?	X	
Could the proposal affect our workforce or employment practices?	X	
Does the proposal involve or will it have an impact on • Eliminating unlawful discrimination, victimisation and harassment • Advancing equality of opportunity • Fostering good relations	 X X X	

If you have answered **no** to the questions above please complete **sections 6 and 7**

If you have answered **yes** to any of the above and;
- Believe you have already considered the impact on equality, diversity, cohesion and integration within your proposal please go to **section 4.**
- Are not already considering the impact on equality, diversity, cohesion and integration within your proposal please go to **section 5.**

4. Considering the impact on equality, diversity, cohesion and integration
If you can demonstrate you have considered how your proposals impact on equality, diversity, cohesion and integration you have carried out an impact assessment. Please provide specific details for all three areas below (use the prompts for guidance).
• **How have you considered equality, diversity, cohesion and integration?**

(think about the scope of the proposal, who is likely to be affected, equality related information, gaps in information and plans to address, consultation and engagement activities (taken place or planned) with those likely to be affected) The initial budget proposals identify a savings requirement of £34.3m due to a reduction in Government funding and unavoidable pressures such as inflation and demand/demography. Savings proposals to bridge this gap will affect all citizens of Leeds to some extent. The council has consulted on its priorities in recent years and has sought to protect the most vulnerable groups. However, the cumulative effect of successive annual government funding reductions, means that protecting vulnerable groups is becoming increasingly difficult. Further consultation regarding the specific proposals contained in this report will be carried out before the final budget for 2018/19 is agreed.
• **Key findings** (think about any potential positive and negative impact on different equality characteristics, potential to promote strong and positive relationships between groups, potential to bring groups/communities into increased contact with each other, perception that the proposal could benefit one group at the expense of another) The budget proposals will impact on all communities but those who have been identified as being at the greatest potential risk include: • Disabled people • BME communities • Older and younger people and • Low socio-economic groups The initial budget proposals have identified the need for significant staffing savings in all areas of the council which may impact on the workforce profile in terms of the at-risk groups. There will be some impact on our partners through commissioning and/or grant support which may have a knock on effect for our most vulnerable groups.
• **Actions** (think about how you will promote positive impact and remove/ reduce negative impact) A strategic equality impact assessment of the budget will be undertaken prior to its approval in February 2018. There will also be further equality impact assessments on all key decisions as they go through the decision making process in 2018/19.

5. If you are **not** already considering the impact on equality, diversity, cohesion and integration you **will need to carry out an impact assessment**.	
Date to scope and plan your impact assessment:	
Date to complete your impact assessment	

Lead person for your impact assessment (Include name and job title)	

6. Governance, ownership and approval Please state here who has approved the actions and outcomes of the screening		
Name	**Job title**	**Date**
Doug Meeson	Chief Officer Financial Services	24/11/17
Date screening completed		24/11/17

7. Publishing	
Though **all** key decisions are required to give due regard to equality the council **only** publishes those related to **Executive Board**, **Full Council, Key Delegated Decisions** or a **Significant Operational Decision.** A copy of this equality screening should be attached as an appendix to the decision making report: • Governance Services will publish those relating to Executive Board and Full Council. • The appropriate directorate will publish those relating to Delegated Decisions and Significant Operational Decisions. • A copy of all other equality screenings that are not to be published should be sent to equalityteam@leeds.gov.uk for record. Complete the appropriate section below with the date the report and attached screening was sent:	
For Executive Board or Full Council – sent to **Governance Services**	Date sent: 5/12/17
For Delegated Decisions or Significant Operational Decisions – sent to appropriate **Directorate**	Date sent:
All other decisions – sent to equalityteam@leeds.gov.uk	Date sent: