

LEEDS CITY COUNCIL 2018/19 BUDGET REPORT

Directorate: Resources and Housing

Whilst full details of the Directorate's budget report for the 2018/19 financial year has been provided below, please note that the Directorate's carbon reduction and housing related functions fall within the remit of the Environment, Housing and Communities Scrutiny Board.

1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2018/19 financial year.

2 Service Context

- 2.1 The Directorate contains the Council's key professional support services; Finance, HR, Technology, Legal Services, Project Management and Procurement, Shared Services, Democratic Services and Strategy and Improvement and Intelligence. These services support the strategic direction of the Council and provide essential support to Members and managers to improve outcomes and deliver change.
- 2.2 The Directorate is also responsible for delivering Catering and Cleaning, Corporate Property Management, Fleet Services, Facilities Management and Passenger Transport. Some of these services are provided on a trading basis to Council Directorates and schools as well as external customers and suppliers.
- 2.3 The Directorate, beyond its universal duties, also serves some of the most vulnerable in the city. As well as providing advice to the many thousands in housing need, the Directorate supports many others to sustain their tenancies. The Directorate intervenes in the private sector to tackle some of the worst housing conditions in the city.
- 2.4 Within the context of the Best Council Plan, the Directorate has a number of key priorities which this budget is designed to support. They are as follows:
- Preventing homelessness;
 - Ensuring that air quality standards are met across the city.
- 2.5 The Directorate is actively engaged in leading the delivery of the Council's breakthrough projects in respect of cutting carbon in Leeds and promoting Housing growth to meet the challenge of a growing population.

- 2.6 Given this context the Directorate's budget submission for 2018/19 will seek to protect services and initiatives which advance these priorities. The Directorate will also seek to consolidate the major efficiencies that were incorporated into the 2017/18 budget.

3 Budget Proposals

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

3.2 Budget Adjustments and Transfers

- 3.2.1 There have been a number of service transfers and other budget adjustments which are reflected in the 2018/19 budget.
- 3.2.2 Recharges between services are often seen as not only being divisive, and sometimes lead to protracted disputes after the work has been done, but often they are seen as an impediment to service delivery. Therefore as a continuation of the process of reducing the number of recharges between services, the 2018/19 budget submission reflects the net transfer of budgetary provision of £4,530k to the Resources and Housing Directorate in respect of Legal Services. The intention is that the 2018/19 budget will also be adjusted to reduce recharges for Fleet Management, and where recharges remain for other services, a reduction in the frequency of charging will be targeted.
- 3.2.3 Following a review of the Public Private Partnership Unit (PPPU), which provides project management and procurement support to directorates, a new operating model is to be adopted which disbands the current unit with resources being integrated into existing directorate teams. Implementation of this proposal has transferred resources of £1,570k to City Development. With respect to income, a piece of work to allocate the associated income budget to both this Directorate and City Development (from the Strategic and Central Accounts) is underway and a budget adjustment will be undertaken in 2018/19. A significant level of this income will be primarily derived from recharges to capital and charges to the HRA. Sustaining this level of income in 2018/19 represents a key risk to the directorate next year
- 3.2.4 The budget has been adjusted by £277k to reflect the net impact of further transfers into the Shared Services function (£377k) and the transfer of the brokerage budget (£100k) into Treasury Management.
- #### **3.3 Changes in prices – pressure of £3,930k**
- 3.3.1 The budget includes provision of £4,103k for the National Employers' two year pay offer made in December 2017. For 2018/19 this offer was for a 2% increase for spinal column points (SCP) 20 and above, with increases

greater than 2% for SCP 6 to 19. In addition it also provides £154k for the adoption of the Living Wage Foundation's recommended minimum hourly rate. This will see a rise for Leeds City Council employees from the current minimum rate of £8.25/hour to £8.75/hour.

3.3.2 No provision has been made for inflation on running cost budgets other than where there are specific contractual commitments and on utilities. The provision for price inflation is £1,012k which includes £515k for Leeds Building Services, £167k for CEL, £200k for Housing and Property and £130k for the rest of the services in the Resources and Housing directorate.

3.3.3 Inflationary increases in the level of fees, charges and income from other organisations, are estimated to generate £1,342k. Most of this increase, £1,132k, relates to price uplifts with Leeds Building Services.

3.4 Actuarial Review – pressure of £308k

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

3.5 Capitalised Pension Costs – saving of £255k

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

3.6 Specific Grant Funding Changes

3.6.1 In February 2017 the Council was notified of its 2017/18 and 2018/19 Flexible Homelessness Support Grant (FHSG) allocations. FHSG is calculated on the basis of homeless prevention outcomes and, as Leeds has achieved a high level of preventions, the allocation for Leeds in 2018/19 is £1,794k.

3.6.2 The FHSG allocation represents a significant windfall for the Council and is being used to achieve further increases in homeless prevention outcomes, further reductions in temporary accommodation placements and to best assist entrenched rough sleepers with drug and alcohol dependency issues. In addition the grant will be used to support organisations such as St Anne's advice centre, the Street Outreach service and St George's Crypt.

3.6.3 The Council has received £168k in 2018/19 to meet the new burdens associated with the Homelessness Reduction Act.

3.7 Other budget pressures –£3,550k

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

3.8 Savings

3.9 Efficiencies – £3,570k

- 3.9.1 A review of the Council's support services functions which took effect in 2017/18 saw all business administration staff transfer into the council's Shared Service. Through both the consolidation of this function under one professional lead and a review of business processes significant savings have been realised in 2017/18 and it is estimated that a further £1,100k will be realised in 2018/19.
- 3.9.2 Financial Services will deliver further savings of £500k through the realisation of the benefits of consolidating the function into one

geographical location combined with a review of business processes.

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

3.11 Income – Fees and Charges £1,090k

- 3.11.1 Within Shared Services additional income of £350k reflects existing trends in respect of advertising and recruitment (£100k) and £250k for the print unit.
- 3.11.2 Other Support Services will realise additional income of £650k largely through a combination of increased charges to external organisations utilising these services and a review of activity levels within DIS support the requirement for appropriate costs to be charged to projects funded through the capital programme (£310k).
- 3.11.3 Within Housing Support and Housing Partnerships a review of current activity levels support the requirement for increased capitalisation of staffing costs in respect of work undertaken adapting people's houses to meet their specific requirements (£90k)

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

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

4 Risk Assessment

- 4.1 In determining the 2018/19 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2018/19 budget for Resources and Housing are:
- 4.2 Further reduction in support services may reduce the capacity to support managers within the council and it is vital to ensure that these planned reductions do not impact upon the delivery of services city wide and the achievement of the 2018/19 budget proposals.
- 4.3 Failure to provide up to date and resilient information technology systems that support the delivery of our services. Priority has been

given to adequately resourcing the service and also to key IT projects that support the council's priorities.

- 4.4 That assumptions in respect of both staff turnover and staff exiting the Authority through the Early Leaver's Initiative aren't realised. Any variation could have implications for the delivery of the budgeted level of savings.
- 4.5 That the level of homelessness increases across the city with the subsequent requirement for the council to support these individuals in temporary accommodation.

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Resources and Housing

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

Directorate - Resources & Housing

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

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Directorate: City Development

The following relevant information has been extracted from the Directorate's budget report for the 2018/19 financial year in accordance with the remit of the Strategy and Resources Scrutiny Board.

- Following the cancellation of the European Capital of Culture competition by the European Commission, the Council has signalled the strong intent to retain the allocated funding in order to progress the ambitions which winning the competition would have delivered, albeit by a new route. Cultural Legacy Funding of £385k for 2018/19 is the first part of that commitment.
- At the time of publication, the exact nature of how to move forward is still a matter of discussion with other stake-holders but it is anticipated that Council investment would attract significant external funding (potential leverage x2.5) over the course of 2018-24. The majority of spend in 2018/19 is likely to be in the second half of the year.
- In May 2018 Leeds will host the conclusion of the Tour de Yorkshire with the race scheduled to finish on The Headrow, in exactly the same place as the 2014 Tour de France started. The estimated net cost of hosting the Tour de Yorkshire (£100k) is also recognised within the 2018/19 budget proposals.
- The 2017/18 base budget identified £50k to support the Directorate's partnership working with British Cycling and the intention to enter into a new long term partnership agreement. It is anticipated that such an arrangement may require an additional cash contribution of circa £25k in 2018/19 and has the potential to lever in significant further funding from British Cycling and its partners.
- The 2018/19 budget also incorporates £170k of additional income for the Arts & Heritage Service and £70k of additional income for Economic Development. These proposals include £50k of additional income for 'Breeze', £80k for Museums, £40k for events/licences and £30k for street trading.

Directorate - City Development

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

LEEDS CITY COUNCIL 2018/19 BUDGET REPORT

Directorate: Communities & Environment

The following relevant information has been extracted from the Directorate's budget report for the 2018/19 financial year in accordance with the remit of the Strategy and Resources Scrutiny Board.

- Responsibility for maintaining the Street Register has transferred from the Resources and Housing Directorate to be managed by the Local Land Charges Team. This service generates income for the provision of information and the net budget transferring is a surplus of £32k.
- Following a fallow year in 2017/18, the cost of reinstating the Elections budget to fund the stand alone local elections in 2018/19 is estimated to be £1,120k.
- Within Elections, Licensing and Registration savings of £25k are anticipated by utilising permanent polling stations wherever possible, thereby reducing the hire costs of porta cabins for elections.
- A fee review in respect of the non-statutory charges of the Registrars service is expected to generate an additional £42k in 2018/19.

Directorate - Communities & Environment

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

LEEDS CITY COUNCIL

2018/19 BUDGET REPORT

Directorate: Strategic Central Accounts

1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Central Accounts budget for the 2018/19 financial year.

2 Service Context

- 2.1 Central accounts holds a variety of corporate budgets which do not relate directly to individual services, as well as council-wide budgets which largely for timing reasons have not been allocated to individual services. Generally these council-wide budgets will be allocated to services in year, once their impact is known. Corporate budgets include the Council's capital financing costs and associated entries relating to the complexities of the capital accounting requirements. In addition, in accordance with accounting requirements, Central accounts includes those costs which are defined as the Corporate and Democratic Core. Other budgets within Central accounts include contributions to joint committees and levies.

3 Budget Proposals

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

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

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

- 3.2.3 In addition, a £1,500k grant budget relating to the Better Care Fund has been transferred to the Adults directorate budget.

3.3 Specific Grant Funding Changes - £2,189k

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

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

3.4 Increase in Debt costs – £4,276k

- 3.4.1 The budget for debt costs included a net £4,266k increase in external debt costs, reflecting new borrowing to fund the capital programme and expected rises in interest rates.

- 3.4.2 In addition there has been a decrease of £11k in the budgeted level of prudential borrowing charges to directorates.

3.5 Other budget pressures – £2,778k

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

- 3.5.2 There has also been a reduction of £1,000k in the forecast level of S278 income which the council will be able to recognise in revenue as a result of developer funding of highways schemes.

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

- 3.6.1 Contributions to joint committees and other bodies have decreased by a net £187k. Within this figure, the contribution to the West Yorkshire Combined Authority has decreased by £290k, reflecting continued efficiencies. This decrease is partially offset by an increase of £71k in the council's contribution to the West Yorkshire Coroners Service, largely reflecting the outcome of the national review of coroners' pay. There has also been an increase of £12k in the contribution to the West Yorkshire Joint Services Committee, reflecting the expansion of its service to counter financial exploitation

of vulnerable adults, net of continued efficiencies in the joint committee's other operations.

- 3.6.2 The following table gives details of the contributions and levies. In approving these contributions, Members will note that they are not approving the individual budgets of the Joint Committees, but the estimated effect on the Council's budget.

	Leeds' contribution			
	2017/18 £m	2018/19 £m	Variation £m %	
Joint Committees				
Joint Services	1.384	1.395	0.011	1%
Other Bodies				
Flood Defence Levy	0.37	0.39	0.02	5%
Combined Authority and Transport Fund	34.046	33.756	-0.29	-1%
Coroners	1.295	1.366	0.071	6%
Probation Service (Debt only)	0.006	0.006	0	0%

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

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

3.8 Other efficiencies - £1,756k Cr

- 3.8.1 The budget for 2018/19 includes an increase of £1,000k in the target for capitalisation of expenditure which would otherwise be charged to revenue budgets. This increased target reflects the levels achieved in 2016/17 and 2017/18.
- 3.8.2 The Strategic budget also includes a corporate target of £600k for savings arising from negotiating prompt payment discounts with

suppliers of goods and services.

- 3.8.3 There is projected to be a reduction of £156k in the level of historic unfunded pension costs for 2018/19.

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

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

4 **Risk Assessment**

- 4.1 In determining the 2018/19 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2018/19 budget for the Central Accounts are:
- 4.2 Budgeted position on MRP relies on the availability of £26.7m of capital receipts as an alternative source of funding to repay debt. If the forecast level of capital receipts is not achieved, either as a result of worsening conditions in the property market or because of specific issues, then these savings in the revenue budget may not be achieved
- 4.3 The budgeted capital financing costs are based on assumptions about market interest rates during 2018/19. If rates are greater than forecast then the actual borrowing costs incurred could be greater.
- 4.4 There is a budget of £3.9m for the use of section 278 contributions. This is dependent on the authority receiving these contributions from developers.

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Directorate - Strategic Central Accounts

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