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Report of the Chief Officer – Financial Services
Report to Executive Board
Date: 7th January 2020

Subject: Initial Budget Proposals for 2020/21

Are specific electoral wards affected? If relevant, name(s) of ward(s):	☐ Yes	☒ No
Has consultation been carried out?	☐ Yes	☒ No
Are there implications for equality and diversity and cohesion and integration?	☒ Yes	☐ No
Will the decision be open for call-In? Recommendations 16.4 and 16.5 are eligible for call in; 16.1, 16.2 and 16.3 are not eligible.	☒ Yes	☐ No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	☐ Yes	☒ No

Summary

1. Main issues

- The purpose of this report is to both set out the Council's initial budget proposals for 2020/21 and to note the provisional budgets for 2021/22 and 2022/23.

- These budget proposals support the Council's Best City/Best Council ambitions, policies and priorities aimed at tackling poverty and reducing inequalities as set out in the Best Council Plan. (Please refer to the proposals to refresh the Best Council Plan for 2020/21 to 2024/25, elsewhere on today's agenda.)

- These budget proposals are set within the context of the 2020/21 – 2024/25 Medium Term Financial Strategy which was approved by the Executive Board on the 24th July 2019, the Revenue Budget 2020/21-2021/22 update report which was received at Executive Board on the 16th October and the Government's technical consultation in respect of the 2020/21 Local Government Finance Settlement.

- The technical consultation in respect of 2020/21 Local Government Finance settlement provides some certainty with regard to the level of resources available to the Council for the forthcoming financial year only and this has informed the assumptions contained in this report. A letter from MHCLG to the Chief Executive/Chief Finance Officer dated 5th November stated that a provisional settlement will not be possible before the General Election on the 12th December. However the department (MHCLG) "anticipates that the provisional settlement will be a priority for Ministers to consider after the General Election" and that MHCLG will "take all possible steps to ensure that the final settlement aligns with local authority budget setting timetables." In the meantime local authorities "should take account of the proposals the Government has published in the technical consultation in drawing up draft budgets for next year." We expect the provisional Settlement in early January 2020 and any announcements following publication of this report will be tabled at the meeting of Executive Board.

- The current financial climate for local government continues to present significant risks to the Council's priorities and ambitions and this report has been prepared against a background of uncertainty with regard to the Government's spending plans from April 2021. The Council continues to make every effort possible to protect the front line delivery of services and to avoid large scale compulsory redundancies. It is clear from the size of the estimated budget gap for the period 2020/21 to 2024/25 that was reported to Executive Board in October 2019 that the position is becoming increasingly challenging to manage and therefore it will be increasingly difficult to maintain current levels of service provision without significant changes in the way the Council operates.

- The forecast position for the financial period to March 2023, as referenced in this report, recognises the requirement to make the Council's budget more financially resilient and sustainable whilst providing increased resources to support demand led services within the Council.

- The headlines from the 2020/21 initial budget proposals, when compared to the 2019/20 budget, are as follows:

    - An increase in the Settlement Funding Assessment (SFA) of £3.1m (1.7%)

    - An increase in council tax of 1.99% together with a further 2% in respect of the Adult Social Care precept and an increase in the council tax base, generating an additional £17.0m of local funding

    - Whilst resources receivable from SFA and council tax have increased pay, price and demand pressures mean that the Council will need to deliver £23.2m of savings by March 2021.

    - This requirement to deliver £23.2m of savings is after the use of £10m from the Council's general reserve and the application of an additional

£10m in capital receipts which is being used to smooth the impact of Minimum Revenue Provision (MRP) increases.

- An increase in the Council's net revenue budget of £10.2m to £526.8m

- In respect of the Housing Revenue Account, the return to the Government's formula of annual rent increases being no greater then CPI+1% from April 2020 will see rents for all tenants increase by 2.7% in 2020/21 whilst garage rental rates will increase by RPI of 2.4%.

- The North and West Yorkshire 75% Business Rates Retention pilot, of which Leeds City Council is a member, concludes on the 31st March 2020. After the one year Spending Round announced on 4th September 2019, it became clear that 75% Business Rates Retention nationally would be delayed by a further year to 2021/22. As such, pools will return to the rules under 50% retention. Leeds City Council has been successful in submitting an application on behalf of 13 of the members of the current North and West Yorkshire Pool to form a pool operating under the national 50% scheme in 2020/21: the advantage of forming a business rate pool is the retention of levy payments within the region that would otherwise have to be made to Central Government. Leeds City Council were advised of the successful outcome of this application on 19th December. These initial budget proposals recognise that Leeds City Council will be required to make a levy payment in 2020/21 to the new North and West Yorkshire Business Rates Pool.

- From 1st April 2013 to 31st March 2018 Leeds City Council charged a 50% council tax premium on empty dwellings unoccupied for more than two years. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 permitted councils to increase this premium incrementally from 1st April 2019. In January 2019 Full Council agreed to increase the long term empty premium from 50% to 100%. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 permits councils to increase the premium for properties that have been empty for at least five years to 200% from 1st April 2020. The proposal to implement this additional premium will be decided by Full Council in January 2020. The estimated Council Tax base used for these initial budget proposals assumes that this additional premium will be implemented.

- In the Autumn Budget 2018 the Chancellor announced new business rates reliefs for small retail businesses with a rateable value of less than £51,000, who will receive a one third reduction in their business rates liability for the two years 2019/20 and 2020/21. These proposals assume local newspaper offices will receive a £1,500 reduction for a further year and public lavatories will by statute now receive 100% business rates relief. Local authorities will be compensated in full by Government for any resultant loss of income.

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

2. Best Council Plan Implications

- The Best Council Plan is the Council's strategic plan which sets out its ambitions, outcomes and priorities for the City of Leeds and for the Local Authority. The City ambitions as set out in the Best Council Plan are that the Council, working in partnership, will continue to tackle poverty and inequalities through a combination of strengthening the economy and doing this in a way that is compassionate and caring. Three pillars underpin this vision and these are inclusive growth, health and wellbeing and the climate change emergency which aims to embed sustainability across the Council's decision making. The Authority's internal "Best Council" focus remains on becoming a more efficient, enterprising and healthy organisation.

- The Best Council Plan can only be delivered through a sound understanding of the organisation's longer-term financial sustainability which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints. This is the primary purpose of the Medium Term Financial Strategy which then provides the framework for the determination of Council's annual revenue for which the initial proposals for 2020/21 are contained in this report.

3. Resource Implications

- The financial position as set out in the report to October's Executive Board identified an estimated budget gap of £161.5m for the period 2020/21 – 2024/25 which reflects the requirement to make the Council's revenue budget more financially resilient and sustainable over the medium term whilst at the same time recognising increased demand pressures for the services that we deliver.

- Within the reported position at October a gap of £36.6m was identified for 2020/21 and budget savings proposals to address this position and deliver a balanced budget position are contained within this Initial Budget Proposals report.

Recommendations

- Executive Board is asked to agree the initial budget proposals for 2020/21 and for them to be submitted to Scrutiny and also for the proposals to be used as a basis for wider consultation with stakeholders.

- Executive Board is asked to note the initial budget position for 2021/22 and 2022/23 and to note that savings proposals to address the updated estimated budget gaps of £47.4m and £29.9m for 2021/22 and 2022/23 respectively will be reported to a future meeting of this Board.

- Executive Board is asked to note that the proposal to approve the implementation of an additional Council Tax premium on any dwelling where the empty period is at least five years, from 100% to 200% premium, will be decided by Full Council in January 2020.

- Executive Board is asked to agree that Leeds City Council become a member of the new North and West Yorkshire Business Rates Pool and act as lead authority for it. The establishment of this new Pool will be dependent upon none of the other proposed member authorities choosing to withdraw within the statutory period after designation.

- Executive Board is asked to agree that the final year of Government funding to offer discretionary relief to businesses most impacted by the 2017 Business Rates Revaluation be distributed to childcare businesses in the city.

1. Purpose of report

1.1 This report sets out the initial budget proposals for 2020/21, set within the context of the Medium Term Financial Strategy approved by Executive Board in July 2019, the Revenue Budget Update report for 2020/21-2024/25 which was received at Executive Board in October 2019, the Technical Consultation in respect of the 2020/21 Local Government Finance settlement and proposed budget savings proposals to bridge the estimated budget gap for 2020/21.

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 12th February 2020. These budget proposals will also be made available to other stakeholders as part of a wider and continuing process of engagement and consultation.

1.3 This report also provides an update on the provisional budgets for 2021/22 and 2022/23 and the Executive Board are asked to note these revised positions.

1.4 In accordance with the Council's budget and policy framework, decisions as to the Council's budget are reserved to Full Council. As such, the recommendations in paragraphs 16.1 to 16.3 are not subject to call in as the budget is a matter that will ultimately be determined by Full Council.

1.5 However the recommendations in paragraphs 16.4 and 16.5, regarding the Council's participation in the 2020/21 50% Business Rates Pool and the distribution of discretionary business rate reliefs are decisions of the Executive Board and as such are subject to call-in.

2. The national context and Autumn budget

2.1. The economic context in which public spending must be considered continues to be very much dominated by the debate concerning the impact of the EU referendum and the strength and resilience of the national economy. The Chancellor announced the results of the Government's Spending Review on 4th September. This is to cover the financial year 2020/21 only. A full multi-year spending review will be conducted in 2020 for capital and resource budgets beyond 2020/21. The multi-year review will take into account the nature of Brexit and set out further plans for long-term reform.

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

- No Government Department to face cuts to its day to day budget, each will increase at least in line with inflation.
- In 2020/21 there will be a £13.4 billion increase in total public spending: £11.7 billion in revenue DEL and £1.7 billion in capital DEL.
- Assumption that the core council tax increase is limited to 2%, this position to be consulted on as part of the Provisional Settlement (now expected in late December or early January).
- Within his speech, the Chancellor announced that councils will "have access to new funding of £1.5 billion for social care next year, on top of the existing £2.5 billion social care grants". These existing social care grants are Improved Better Care Fund, Winter Pressures Grant and Social Care Support Grant. The new funding is comprised of £1 billion additional social care funding. In addition Government are expecting to consult on an additional 2% Adult Social Care precept, which could generate a further £0.5 billion funding nationally.
- Confirmation that local authorities will receive additional resources through a real terms increase in the Public Health Grant and through

the NHS contribution to adult social care through the Better Care Fund.

- Business Rates baseline will increase with inflation.
- No changes to New Homes Bonus.
- The settlement includes continued funding for the Northern Powerhouse and Midlands Engine.
- The Troubled Families Programme will have its funding continued.
- An additional £54 million for homelessness/rough sleeping funding taking the total to £422 million next year.
- Confirming £3.6 billion new Towns Fund.
- Integration Areas Programme to receive an additional £10 million funding for English as a second language provision.
- Schools: pledged funding increase of £7.1 billion by 2022/23.
- Day to day funding for every school rising by at least inflation and pupil numbers. Secondary schools will receive a minimum of £5,000 per pupil, every primary at least £3,750 rising to at least £4,000 in the following year.
- The additional schools funding includes over £700 million for special educational needs (SEN), paid through DSG.
- The government will also increase early years spending by £66 million to increase the hourly rate paid to childcare providers through the government's free hours offer.
- Also an additional £400 million in 2020/21 for Further Education, increasing core funding and supporting targeted interventions.

2.3. The 2019 Autumn Budget was due to be announced on the 6th November 2019. Following the announcement of the General Election on the 12th December, it was made clear that the Autumn Budget would not be held until after the Election. Although no date has been specified at the time of writing this report, indications are that the next Budget will be held in February 2020.

2.4. Further, a letter from MHCLG to the Chief Executive/Chief Finance Officer dated 5th November stated that a provisional settlement would not be possible before the General Election on the 12th December. However the department (MHCLG) "anticipates that the provisional settlement will be a priority for Ministers to consider after the General Election" and that MHCLG will "take all possible steps to ensure that the finals settlement aligns with local authority budget setting timetables." In the meantime local authorities "should take account of the proposals the Government has published in the technical consultation in drawing up draft budgets for next year." We expect the provisional Settlement in early January 2020.

2.5. As such these initial budget proposals are based on the announcements made during the 2019 Spending Review, referenced above, and the Local Government Finance Settlement Technical Consultation, discussed in more detail later in this report.

2.6. Following the postponement of the Budget, the Office for Budget Responsibility (OBR) was minded to publish a restated version of their March 2019 public finance forecast, incorporating subsequent ONS classification and other statistical changes. The OBR later announced that it was no longer possible to do this as it would not be consistent with the Cabinet Office's General Election Guidance.

2.7. Consequently, the following statistical forecasts are based on the most recent OBR release in March 2019:

- Economic growth is forecast to be 1.4% of GDP in 2020/21, this is slightly higher than the forecast for 2019/20 but significantly lower than earlier statistical forecast releases. The OBR identify Brexit uncertainty and a global slowdown, especially in Europe, as the main reasons for this forecast slowdown in the UK.
- Longer term forecasts for growth, assuming an orderly exit of the UK from the European Union, returns to, or improves on, previous forecasts as the economy bounces back from the current uncertainty.
- Borrowing continues to be forecast to fall in every financial year to £13.5 billion in 2023/24. This is a significantly lower deficit than forecast in the Budget in October 2018 following continued higher than expected tax revenues over the last six months.
- National debt as a share of GDP is falling more quickly than forecast in the October Budget, continuing a pattern that has established over the last four fiscal events. In the 2019 Spring Statement the Chancellor commented that this allowed more headroom within the Government's fiscal rules, for the Autumn Budget and spending, but stressed that this was in the context of an orderly Brexit.
- Public Sector Current Expenditure (PSCE) is forecast to be slightly higher in 2020/21 than was forecast in the Autumn Budget in October 2018. Again, the Chancellor noted that additional funding would be available if the UK had an orderly Brexit.

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

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

2.10. At the time of announcement, all of these forecasts were based on there being a Brexit deal, and the OBR has previously stated that "a disorderly [Brexit] could have severe short-term implications for the economy, the exchange rate, asset prices and the public finances"[1]. It is within this economic context that the initial budget proposals for 2020/21 need to be considered.

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

- 24% of Leeds' LSOAs now fall within the most deprived 10% nationally, compared with 22% in 2015 which highlights some increase in relative deprivation.
- Leeds ranks 33 out of 317 (where 1 is most deprived and 317 is least deprived) local authorities when looking at proportions of LSOAs in the most deprived 10% nationally.
- The most deprived areas are concentrated in the inner east and inner south of the city.
- 12 LSOAs in Leeds have been ranked in the most deprived 1% nationally which compares to 16 in 2015.

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

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

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

3. **Developing the 2020/21 Budget and Medium Term Financial Strategy with the refreshed 2019/20-2020/21 Best Council Plan.**

3.1. Between the 2010/11 and 2019/20 budgets, the Council's core funding from Government has reduced by around £266m. Additionally the Council has faced significant demand-led cost pressures, especially within Adult Social Care and Children's Services. 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 3,045 or 2,319 FTEs.

3.2. Through targeting resources into preventative services the Council has ensured that the implications of demand and demographic pressures that have resulted in significant cost pressures in other local authorities have been contained within Leeds. This is reflected in comparative levels of spend which reflect the fact that for final quarter of 2018/19 Leeds had 25 people registered in Temporary Accommodation whilst Birmingham and Manchester had 2447 and 1971 respectively. Similarly for the same period Leeds didn't have anybody in Bed and Breakfast whilst Birmingham and Manchester had 364 and 173 respectively. The Children Looked After (CLA) rate per 10,000 in Leeds has reduced significantly in the past few years although the rate has remained constant for the last two years. Leeds benchmarks favourably against most Core Cities and our Regional and Statistical neighbours. This position with CLA has been achieved in the context of significant demographic growth in Leeds, particularly in the more deprived areas of the city.

3.3. In February 2019, Council approved the 2019/20 – 2020/2021 Best Council Plan and the supporting budget for 2019/20. 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 2019/20 Best Council Plan: with an overarching vision of reducing poverty and tackling inequalities, the authority's "Best City" ambition is articulated around having a strong economy and being a compassionate city; the "Best" Council ambition being to be an efficient, enterprising and healthy organisation.

3.4. Inevitably, managing the large reduction in Government funding (which has reduced by £266m between 2010/11 and 2019/20), combined with increasing cost pressures has meant that the Council has had to make some difficult decisions around the level and quality of services that it delivers. However, as signposted in the Council's Medium Term Financial Strategy 2020/21 – 2024/25 and the Revenue Budget Update for 2020/21 to 2024/25 report to October's Executive Board, it will become increasingly difficult over the coming years to identify further financial savings without significant changes in what the Council does and how it does it. This will have significant implications for directly provided services and those commissioned by the Local Authority, impacting upon staff, partners and service users. In order to deliver the Council's ambitions of tackling poverty and reducing inequalities, consideration may have to be given to stopping, delivering differently or charging for those services that are no longer affordable and are a lesser priority than others. This will be achieved through a continuing process of policy and service reviews across the Council's functions and ongoing consultation and engagement.

4. Estimating the net revenue budget for 2020/21

4.1. Settlement Funding Assessment – increase of £3.1m

4.1.1. Settlement Funding Assessment is essentially the aggregate of core government grant and business rate baseline funding for a local authority. 2019/20 is the final year of a 4-year funding settlement for the period 2016/17 to 2019/20.

4.1.2. During 2019/20 councils expected to be notified of a further, multi-year, spending review. However, following the ongoing delays to Brexit, a one-year Spending Round was announced on 4th September 2019, with a full multi-year spending review to be conducted in 2020 for capital and resource budgets beyond 2020/21. The review will take into account the nature of Brexit and set out further plans for long-term reform.

4.1.3. Table 1 below sets out the Council's estimated Settlement Funding Assessment for 2020/21, which is based on an assessment of what the Council may expect to receive from the Spending Round 2019 announcements and Technical Consultation proposals for 2020/21. This represents a small increase of £3.1m compared to 2019/20 which is equivalent to a 1.7% increase. Nationally, the Government has decided that the SFA will be uprated in line with the change in CPI. The total, national, change in SFA between 2019/20 and 2020/21 will not be known until the publication of the Provisional Financial Settlement but it is estimated to be in the order of a £271m increase across England.

Table 1 – Settlement Funding Assessment

	2019/20	2020/21	Change	
	£m	£m	£m	%
Revenue Support Grant	0.0	28.2	28.2	
Business Rates Baseline Funding	183.7	158.5	(25.1)	
Settlement Funding Assessment	**183.7**	**186.8**	**3.1**	**1.7**

4.1.4. The business rates element of the Settlement Funding Assessment is determined by taking the 2019/20 baseline business rates amount and uplifting it by inflation. This has then been adjusted to allow for the assumed move from 75% retention to 50% retention and the associated tariff payment due to Government. The business rates baseline continues to be uplifted by CPI, rather than RPI, for which Local Authorities receive full compensation.

4.1.5. In addition to general grant, there are a number of other funding streams that make up the settlement funding assessment. It is currently assumed that these will roll forward at 2019/20 levels. If necessary this assumption will be updated following publication of the Provisional Financial Settlement. These funding streams include early intervention, homelessness prevention, lead local flood authorities and learning disability & health reform funding.

Table 2 - Breakdown of the Settlement Funding Assessment

	2019/20 £m	2020/21 £m	Change £m
Settlement Funding Assessment	**183.66**	**186.78**	**3.12**
Which includes:			
Council tax freeze grant 2011/12	6.64	6.64	0.00
Council tax freeze grant 2013/14	2.77	2.77	0.00
Early intervention grant	13.73	13.73	0.00
Preventing homelessness	0.86	0.86	0.00
Lead local flood authority grant	0.24	0.24	0.00
Learning disability & health reform grant	11.46	11.46	0.00
Local welfare provision	2.59	2.59	0.00
Care act funding	6.62	6.62	0.00
Sustainable drainage systems	0.02	0.02	0.00
Carbon monoxide & fire alarm grant	0.00	0.00	0.00

4.2. Business Rate Retention

4.2.1. Leeds has the most diverse economy of all the UK’s main employment centres and has seen the fastest rate of private sector jobs growth of any UK city in recent years. Yet this apparent growth in the economy has not translated into business rate growth; in fact the income from business rates available to the Council declined from 2015/16 to 2017/18, only returning to 2014/15 levels in 2018/19 with the introduction of the 100% retention pilot.

4.2.2. The total projected rateable value of businesses in Leeds is £939.3m which would generate gross business rates income of £468.7m. Further business rates growth anticipated in 2020/21 increases gross business rates collectable to £473.9m. 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 £376.9m.

4.2.3. Under the projected 50% Business Rates Retention (BRR) scheme, Leeds City Council’s share of this income is £184.69 (49%). The Authority then pays a tariff of £14.37m to Government because Leeds is assessed to generate more business rates income than it needs and must also meet its share of the business rates deficit created in 2019/20, a further £5.6m. This leaves net income of £164.7m which contributes to the Council's net revenue budget.

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

	£
Rateable Value in Leeds projected to 31 December 2019	**939.26**
multiplied by business rates multiplier	0.499
Gross business rates based on projected rateable value	**468.69**
Estimated Growth	5.19
equals gross business rates to be collected in Leeds	**473.88**
less: -	
Uprated Mandatory Reliefs	-70.68
Uprated Discretionary Reliefs	-7.28
Transitional Adjustments (year 3)	3.33
equals net business rates paid by ratepayers	**399.25**
less adjustments for: -	
Bad debts and appeals	-16.52
Cost of collection	-1.23
Projected Enterprise Zone and renewable energy projects yield	-1.26
Transitional Adjustments repaid to Government	-3.33
equals non-domestic rating income in Leeds	**376.92**
Split into shares: -	
Leeds City Council (49%)	**184.69**
West Yorkshire Fire Authority (1%)	*3.77*
Central Government (50%)	*188.46*
less deductions from operation of business rates retention scheme: -	
Leeds City Council's tariff from Local Government Finance Settlement	-14.37
Leeds City Council's share of deficit from 2019-20	-5.60
Leeds City Council 's 2020/21 income from business rates	**164.72**

4.2.4. As shown above, business rates income is shared between local and central government. Under the 50% Business Rates Retention scheme local authorities experiencing business rates growth are able to retain 49% of that growth locally, but also bear 49% of the risk if business rates fall or fail to keep pace with inflation, although a safety-net mechanism is in place to limit losses in year.

4.2.5. In particular, BRR exposes local authorities to risk from reductions in rateable values. The system allows appeals if ratepayers think rateable values have been wrongly assessed or that local circumstances have changed. One major issue is that successful appeals are usually backdated to the start of the relevant valuation list, which means that for every £1 of rateable value lost on the 2010 list growth of £6 would be necessary to fund the cost. At the end of October 2019 there were around 1,100 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 2019, the Council has received 2553 checks and challenges against the 2017 ratings list, with 436 of these remaining outstanding. Whilst a number of amendments have been made as a result of these earlier stages, only 2 cases have so far reached the final ‘appeal’ stage from the Leeds area and are awaiting determination by the Valuation Tribunal.

4.2.7. Since 2013/14 the total amount repaid by way of business rate appeals is £150.7m, at a cost to the Council’s general fund of £79.6m. The provision for business rate appeals within the collection fund has been reviewed and recalculated to recognise new appeals and the settlement of existing appeals, and the 2020/21 initial budget proposals provide for an additional £6.0m contribution from the general fund to fund this provision.

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

4.3.1. From April 2017, Government increased the rateable value threshold for small businesses from £6,000 to £12,000 and the threshold above which businesses pay the higher national business rates multiplier from £18,000 to £51,000. As a result an additional 3,300 small businesses in Leeds immediately paid no business rates at all and in total almost 12,600, about 40%, of business properties in Leeds will pay no business rates in 2020/21. Of these businesses just over 9,500 receive 100% Small Business Rates Relief. Whilst Small Business Rates Relief and other threshold changes reduce the business rates income available to Leeds, the Authority recovers 69.1% of the cost of the relief through Government grant. A fixed grant of £1.2m is paid by the Government for the changes to the multiplier threshold and a further £9.0m is recovered through the ratepayers in more valuable properties who still pay rates based on the higher business rates multiplier. The overall proportion any individual authority recovers depends on the mix of large and small businesses in that area.

4.3.2. Unlike Small Business Rates Relief, in 2020/21 Leeds will bear 49% of the cost of other mandatory business rate reliefs such as mandatory charity relief and empty rate relief, but has no control over entitlement and no powers to deal with their use in business rates avoidance. Costs of mandatory reliefs have increased significantly since the introduction of BRR, further reducing Leeds’s retained business rates income: in real terms mandatory charity relief alone has increased by almost 30%, from approximately £21.9m in 2012/13 to £28.2m in 2019/20, costing the Council an estimated £4.6m more in lost income under 75% retention in 2019/20.

4.3.3. In the Autumn Budget 2018 the Chancellor announced new business rates reliefs for small retail businesses, particularly focussing on the High Street. Eligible businesses with a rateable value of less than £51,000 receive a reduction in their liability for business rates of a third in 2019/20 and

2020/21. It is assumed that local newspaper offices will continue to receive a £1,500 reduction for a further year and that public lavatories receive a new statutory 100% relief against business rates. Local authorities receive a government grant to compensate them for any resultant loss of income.

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

4.4. Business Rate 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 2020/21 will be £184.7m, as set out in Table 3 above. As per Table 4 below, the initial budget proposals recognise business rate growth above the baseline of £11.8m, a decrease of £5.0m from the 2019/20 budget. Whilst this is a significant decrease (29.8%), this is due to the assumed move from 75% Business Rates Retention in 2019/20 to 50% Business Rates Retention in 2020/21.

Table 4 – Business Rates, Estimated Growth above the Baseline

	2019/20 £m	2020/21 £m	Change £m
Business rates local share	273.55	184.69	(88.86)
Less: business rates baseline	256.77	172.91	(83.86)
Growth above baseline	16.78	11.78	(5.00)

4.4.2. The £184.7m local share of business rates funding is then reduced by a £14.4m tariff payment and £5.6m deficit on the collection fund to give the £164.7m estimated business rates funding shown in Table 5 below.

4.4.3. Comparing the £164.7m of business rates funding against the £158.5m business rates baseline (Government's assessment of what it expects a local authority to collect before any local growth is taken into account) produces a surplus of £6.2m which is a £10.0m net deterioration against the budgeted surplus in the 2019/20 financial year. Contained within this £10.0m net deterioration is a £5.0m increase in the budgeted deficit (£0.6m in 2019/20 and £5.6m in 2018/19), and a £5.0m reduction in retained growth because of the move from 75% retention to 50% retention.

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

	2019/20 £m	2020/21 £m
Business rates baseline (including tariff)	**183.7**	**158.5**
Projected growth above the baseline to March	12.8	9.2
Estimated growth in the year	3.9	2.5
Total estimated growth	**16.8**	**11.8**
Estimated provision for appeals	(1.0)	(6.0)
Additional cost of transitional arrangements and provision for bad debts	0.3	0.4
Estimated year-end Collection Fund deficit (Leeds Share)	**(0.6)**	**(5.6)**
Estimated Business Rates Funding	**199.8**	**164.7**
Increase/(reduction) against the Business Rates baseline	**16.2**	**6.2**
Business Rates Retention - Variance in General Fund Income		**(10.0)**

4.4.4. The Council, as a member of the North & West Yorkshire Business Rates Pool, is piloting 75% Business Rates Retention in 2019/20 for one year only. The Council has submitted a bid on behalf of North and West Yorkshire Authorities to become a 50% retention Business Rates Pool in 2020/21 because this means levy payments that would otherwise be paid to central government will instead be retained within the region. Leeds City Council were advised that this application was successful on the 19th December. Paragraph 4.5 of these initial budget proposals reflects this successful outcome.

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

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

4.5.2. On the 4th September 2019, the Chancellor of the Exchequer announced the Spending Round 2019, for the financial year 2020/21. The announcement clarified that 75% Business Rates Retention nationally would be delayed by a year to 2021/22.

4.5.3. Following this announcement and discussions with MHCLG (Ministry of Housing, Communities and Local Government) it is understood that business rates retention pilots at 75% were for one year only and therefore will not roll forward to 2020/21. As a result these pools will return to the rules governing 50% retention. However this appears to exclude the original ‘Devo areas’ (areas with devolution deals and elected mayors) who will continue to retain 100% of business rates.

4.5.4. Following discussions with NWY Pool member authorities, 13 of the 14 original member authorities agreed to submit an application for a business rates pool. Due to the legislation surrounding the designation of business rates pools, this process included requesting the revocation of the existing 2019/20 North and West Yorkshire Pool and the designation of a new North and West Yorkshire Pool for 2020/21. This application was submitted on the 25th October 2019 and we were informed that it had been successful on the 19th December.

4.5.5. Under the 50% scheme the advantage of forming a business rate pool will only be the retention of levy payments within the region that would otherwise have to be made to central government. Whilst this is significantly below the financial gain from 75% retention, we estimate the gains to the region would be around £9.6 million if such a pool was granted. Leeds City Council's financial commitment would be in the region of £2.0 million, whether as a levy to the Pool or to Central Government. These initial budget proposals recognise that Leeds City Council will be required to make a levy payment in 2020/21.

4.5.6. The application itself is not binding. Any member of the proposed pilot Pool will still be able to withdraw during the statutory 28 day window after Government designates the new pilot Pool, as set out in the Local Government Finance Act 2012. It must be noted however that, should any member withdraw, not only would the pilot Pool be revoked but there would be no opportunity to fall back on existing pooling arrangements.

4.5.7. This report asks Executive Board to agree that Leeds should become a member of this new 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.

4.6. Council Tax

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

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.

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

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

4.6.3. The 2020/21 initial budget proposals recognise £4.2m of additional income from increases to the Council Tax base (3,166 band D equivalent properties) but also an increase in the deficit on the collection fund of £0.3m (a budgeted £1.1m collection fund deficit in 2019/20 increasing to an estimated deficit on the collection fund of £1.4m in 2020/21).

4.6.4. Under section 11B of the Local Government Finance Act 1992, from 1st April 2013 to 31st March 2019 Leeds City Council charged a 50% council tax premium on empty dwellings that have been unoccupied for more than two years. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, which received Royal Assent on 1st November 2018, permitted councils to increase this premium on dwellings unoccupied for more than two years to 100% from 1st April 2019. In respect of the financial year 2020/21, from 1st April 2020 the Act permitted that from this date the maximum premium is 200% in respect of any dwelling where the empty period is at least 5 years. Additionally, from 2021 the maximum premium is 300% in respect of any dwelling where the empty period is at least 10 years. A final decision on whether to implement the second year of this additional premium, specifically, to charge a 200% premium on any dwelling where the empty period is at least 5 years, will be made by Full Council as part of their decision on the Council Tax base in January 2020. The estimated change in the Council Tax base for these initial budget proposals assumes that this additional premium will be implemented.

4.6.5. Following an increase in 2018/19, in 2019/20 Government maintained the limit of council tax increases at up to but not including 3%, above which a Local Authority must seek approval through a local referendum. Whilst the referendum ceiling for 2020/21 has yet to be announced, the 2019 Spending Review and the Technical Consultation on the 2020/21 Local Government Finance Settlement indicates that the limit is likely to reduce to 2% in 2020/21, and this assumption is reflected in these initial budget proposals. Subject to this confirmation, it is proposed that core council tax is increased by 1.99%, although a final decision on this matter will be taken by Full Council.

4.6.6. In the Spending Round 2019, the Chancellor of the Exchequer announced an adult social care precept of 2% on top of the core principle of up to 2%. In the absence of an Autumn Budget, this was further confirmed in the Technical Consultation for the Local Government Finance Settlement 2020/21. This increase for adult social care is further to the additional flexibility given in the 2017/18 Provisional Local Government Finance Settlement, 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%. Leeds City Council maximised the funding made available over the three years from 2017/18 to 2019/20. In respect of the Spending Round 2019, the initial budget proposals for 2020/21 include an increase of 2% in this regard.

4.6.7. Table 7 sets out the estimated total council tax income in 2020/21, recognising the £4.4m estimated increase in the council tax base and the £1.4m estimated deficit on the collection fund together with £6.4m of additional income generated from the Adult Social Care precept and the general £6.4m increase in the council tax rate. In total the level of Council Tax receivable by the Council in 2020/21 will increase by £17.0m when compared to that receivable in 2019/20.

Table 7 – Estimated Council Tax Income in 2020/21

	2019/20 Baseline £m	**2020/21 Forecast £m**
Previous year council tax funding	301.7	316.8
Change in tax base - increase / (decrease)	4.4	4.4
Increase in council tax level	9.0	6.4
Adult Social Care precept	3.1	6.4
Council Tax Funding before surplus/(deficit)	**318.2**	**334.1**
Surplus/(Deficit) 2018/19	0.2	
Surplus/(Deficit) 2019/20	(1.1)	(1.1)
Surplus/(Deficit) 2020/21		(1.4)
Change in collection fund contribution - increase/(decrease)	**(1.4)**	**(0.3)**
Total - Council Tax Funding	**316.8**	**333.8**
Increase from previous year		**17.0**

The Settlement Funding Assessment includes an element to compensate parish and town councils for losses to their council tax bases arising as a result of local council tax support (LCTS). As this amount is not separately identifiable it is proposed, as in previous years, that LCTS grant should be pro-rated in line with the assumptions for Leeds's overall change in the Settlement Funding Assessment, an increase of 1.7% for 2020/21 from £64.6k to £65.7k.

4.7. **Adult Social Care Precept and Grant Income**

4.7.1. The initial budget proposals for 2020/21 also reflect additional grant monies made available by Government for social care. Together the precept and a share of the new Social Care Grant announced in the 2019 Spending Review allocated to adult social care, as referenced in paragraph 5.2.2, will be utilised to fund a range of adult social care pressures and priorities.

4.7.2. Specifically pressures within the Adult Social Care service including the cost of the pay award for 2020/21 and relating to commissioned care services, cost pressures associated with demand including demography, demand led pressures such as inflation, the cost of the national living wage and resourcing further development towards implementing the Ethical Care Charter will cost an additional £14.1m in 2020/21.

4.7.3. As discussed above in paragraph 4.6.6, it is proposed that the Leeds element of the council tax is increased by a 2% Adult Social Care precept in 2020/21. The additional £6.6m realised through the Adult Social Care precept along with £7.5m of additional social care grant will be used to fund the £14.1m of pressures outlined in 4.7.2 above.

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

4.7.5. Contained within the 2020/21 initial budget proposals outlined in this report, and outside of addressing the cost of demand pressures, the Adults and Health Directorate have identified a number of efficiencies which are expected to deliver savings of £10.4m.These proposals are detailed in Appendix 2.

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

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 £10.2m or 2.0% from £516.7m to £526.8m, as detailed in Table 8 below and at Appendix 1.

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

	2019/20 £m	2020/21 £m	Change £m
Revenue Support Grant	0.0	28.2	28.2
Business Rates Baseline	183.7	158.5	(25.1)
Settlement Funding Assessment	183.7	186.8	3.1
Business Rates Growth	16.8	11.8	(5.0)
Business Rates Deficit	(0.6)	(5.6)	(5.0)
Council Tax (incl. Adult Social Care Precept)	318.0	335.3	17.3
Council Tax surplus/(deficit)	(1.1)	(1.4)	(0.3)
Net Revenue Budget	**516.7**	**526.8**	**10.2**

4.8.2. Table 9 analyses this £10.2m estimated increase in the net revenue budget between the Settlement Funding Assessment and locally determined funding sources.

Table 9 – Increase in the Funding Envelope

Funding Envelope	**2020/21 £m**
Government Funding	
Settlement Funding Assessment	3.12
Sub-total Government Funding	**3.12**
Locally Determined Funding	
Council Tax (incl tax base growth)	17.03
Business Rates	(10.00)
Sub-total Locally Determined Funding	**7.03**
Increase/(decrease) in the Net Revenue Budget	**10.15**

5. Initial budget proposals 2020/21

5.1. This section provides an overview of the changes in funding, primarily specific grants (paragraph 5.2), and cost increases (paragraphs 6.1 to 6.20) which the Council is facing in 2020/21 and concludes with the savings proposals (paragraphs 7.1 to 7.5) to balance the 2020/21 budget to the estimated available resources. Table 10 provides a high level of summary of these changes:

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

	£m
Funding	
Additional Net Revenue Charge	(10.2)
Other Non-Collection Fund Business Rates Movement	2.0
Increases in Specific Grant	(15.7)
Fall Out of Specific Grant	7.4
Contribution to/from General Reserve	(14.5)
Change in Use of Earmarked Reserves	6.3
	(24.7)
Pressures	
Pressures - Pay Inflation	6.6
Pressures - General Inflation	15.3
Pressures - Other	26.0
	47.9
Funding and Cost Pressures	**23.2**

Actions to Reduce the Budget Gap

	£m
Business As Usual	(21.1)
Service Delivery	(1.1)
Workforce	(0.7)
Service Delivery/Workforce	(0.3)
Service Review	(0.1)
	(23.2)

5.2. Decreases/(Increases) in Funding

5.2.1. Changes in both the Settlement Funding Assessment (SFA) of (£3.12m) and local funding (£7.03m), a net increase of £10.2m, are detailed in sections 4.1.3, 4.4.3 and 4.6.7 respectively.

5.2.2. **Specific Grant Funding Changes – Adults and Health (£8.4m).** The technical consultation in respect of the 2020/21 Local Government Finance Settlement not only set out the Government's intention to protect all social care grants that were receivable in 2019/20, but in addition it referenced an injection of £1 billion of new Social Care grant funding in 2020/21 for adults and children's services. Of this Leeds will receive £13.998m of which £7.5m will be used within adult social care. It is proposed that the application of the grant to adults and children's social care is flexible so that it can be used to target priority areas.

5.2.3. In the 2019 spending review the Government outlined its intention for real term increases in the amount it spends on Public Health. Consequently the level of Public Health grant receivable in 2020/21 will increase by £0.9m from £43.1m to £44.0m.

5.2.4. **Specific Grant Funding Changes – Children and Families Directorate (£5.2m).** Whilst the residual sum of the Innovation Grant (£1.7m) will no longer be receivable in 2020/21 the services that this grant supported continue to be provided. It is assumed that School Improvement Monitoring and Brokerage Grant will continue to be receivable and that this will increase by £0.4m in 2020/21. As detailed in paragraph 5.2.2 above the Government have announced £1 billion of additional funding for social care. Of the £13.998m receivable by Leeds in 2020/21 £6.5m will be used to support children's social care.

5.2.5. **Specific Grant Funding Changes – Communities and Environment £0.1m.** The Housing Benefits and Local Council Tax Support administration grants are expected to reduce by £0.4m, reflecting the continuing reductions in the national quantum of funding allocated to local authorities. This reduction is partially offset by an assumption that £0.1m of additional new burdens funding will be received from the DWP during 2020/21 to compensate local authorities for additional work streams. Following the Prime Minister's announcement in March 2018, parents will no longer have to meet the costs of burials or cremations. The fees will be waived by all local authorities and met instead by a Government Funeral Fund for grieving parents who have lost their child. However, as Leeds City Council had already announced that it would abolish these fees as a part of the 2018/19 approved budget, the assumed level of funding of £0.2m will offset the loss of income already provided for.

5.2.6. **Specific Grant Funding Changes – Brexit Grant £0.1m.** In order to support local authorities to prepare for leaving the European Union additional resources have been provided by Government. In 2020/21 it is assumed that the additional £0.1m provided to Leeds will no longer be receivable. A corresponding reduction in the authority's expenditure has also been assumed, so that the impact on the revenue budget will be nil.

5.2.7. **Specific Grant Funding Changes – New Homes Bonus £5.2m** Government introduced the New Homes Bonus in 2011 to encourage housing growth: initially councils received grant for six years for each net additional property added to the tax base each year. This grant is funded by top slicing Revenue Support Grant. In 2016/17 Government made some changes, including gradually reducing the number of years 'legacy payments' are receivable from six to four years and imposing a 0.4% growth baseline on new allocations before any Bonus is paid. In the Technical Consultation for the 2020/21 Local Government Finance Settlement, published in September 2019, the Government proposed that new allocations earned in 2020/21 and paid in 2021/22 would be paid in the first year but not for the following three years as would normally be the case. Leeds accounts for the receipt of this grant in the year in which the housing growth has taken place, with the grant actually received in the following year. As the allocation earned in 2016/17 will also drop out in 2020/21 two years of allocations will no longer form part of the grant in 2020/21, resulting in a shortfall of £5.2m. Since New Homes Bonus is funded by a topslice from local government funding, a 'refund' is assumed, possibly through an increase to the SFA, but this would not be received until 2021/22 and cannot be accounted for in advance. The initial budget proposals assume that the remaining two years of legacy payments from 2017/18 and 2018/19 will continue to be paid in 2020/21 although the Government has not confirmed this.

5.2.8. **Other Non-Collection Fund Business Rates Movements - £2m**
Section 31 grants are allocated to local authorities to compensate them for changes made by Government to the business rates system. An authority's allocation depends on the level of business rates yield in that authority's area, the extent to which it awards certain reliefs and its share of any losses resulting from these. These initial budget proposals assume that the Council will return to 50% Business Rates Retention in 2020/21, which will result in a reduction in business rates income as Leeds moves from 75% Retention in 2019/20. Consequently section 31 grant compensation is estimated to reduce by £6.1m in 2020/21. The historic capping of business rates multipliers will continue to be compensated, although this will reduce because of lower retention, and Government has confirmed it will continue to compensate authorities for capping the multiplier at CPI in 2020/21 instead of RPI. The net result is that compensation for under-indexing the multiplier is estimated to increase by £0.05m in 2020/21.

5.2.9. In addition to these movements in section 31 grants, under the 75% Retention pilot in 2019/20 the levy payments that had previously to be paid to the North & West Yorkshire Pool were replaced by a complex scheme of making and receiving contributions to and from the North & West Yorkshire Business Rates Pool resulting in an overall net gain to Leeds estimated at £9.2m compared to 50% Retention. With the return to 50% Retention in 2020/21 the normal levy calculations will apply and, although Leeds will no longer make net contributions to the Pool of £6.0m, the Council will incur a cost of £2.0m for the levy payment.

5.2.10. Overall the return to 50% Retention in 2020/21 represents a reduction in Non-Collection Fund Business Rates income compared to 2019/20 of an estimated **£2.0m.**

5.3. **Contributions from the General Reserve** – the movement of £14.5m in the use of the general reserve reflects the £10m being used to support the 2020/21 revenue budget and this compares against the budgeted contribution of £4.5m in 2019/20.

5.4. **Changes in the use of Earmarked Reserves –** the £6.3m change in the use of earmarked reserves reflects a reduction in the contributions from the reserve to fund Schools PFI payments (£1m), the Early Leaver's Initiative Reserve (£2m), Public Health reserves (£0.7m) and the Flexible Homelessness Grant reserve(£0.7m). These initial budget proposals for 2020/21 assume contributions from general balances of (£0.5m) the Wellbeing reserve (£0.2m) and the Waste Management reserve (£0.4m).

5.5. **Use of Section 106 balances –** Subject to satisfying any legal requirements contained in the agreement e.g. clawback, Section 106 balances have been used to support the revenue budget. However in order to make the Council's financial position more financially sustainable and resilient it is proposed to reduce by £1.9m the contribution that Section 106 balances make to support the revenue budget. This variation has been included in the £6.3m overall change in the use of earmarked reserves above. Section 106 agreements (based on that section of the 1990 Town & Country Planning Act) are private agreements made between local authorities and developers and can be attached to a planning permission. Through this mechanism contributions can be sought for the costs associated with providing community and social infrastructure the need for which has arisen as a consequence of a new development taking place.

5.6. The Initial Budget Proposals provide for the creation of two new reserves – an Innovation Fund and Investment Fund setting aside £1.5m for these purposes. The Investment Fund will focus upon service improvement, service transformation or additional income generation where an additional investment would generate cost reductions or income for the Council. The Innovation Fund will support those more conceptual schemes which need to be developed further. Since not all of these schemes will be successful there will be a requirement for successful schemes to repay the Fund with the aim of it becoming self-financing in the future. The schemes supported by these funds strengthen the Council's longer term resilience.

6. Projected Cost Increases

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

6.2. ***Table 11 Cost Increases***

	£m
Pay - Leeds City Council	8.7
Wage costs - commissioned services	7.1
Employer's LGPS contribution	(0.9)
Fall-out of capitalised pension costs	(1.3)
Inflation: General	7.5
Inflation: Electricity and Gas Tariffs	0.6
Demand and demography - Adult Social Care	2.0
Demand and demography - Children Looked After	1.4
Demand and demography - Other	0.2
Income pressures	1.8
Migration to Microsoft Cloud	0.8
Transforming Care Programme	0.5
Housing Benefit Overpayment income	0.4
Investment in Climate Emergency	0.3
Other Pressures/Savings	2.6
Debt - external interest / Minimum Revenue Provision	16.0
Cost Increases	**47.9**

6.3. **Inflation -** the initial budget proposals include allowance for £21.9m of net inflation in 2020/21. This includes provision of £8.7m which largely provides for a 2% pay award and for the costs of the Council's minimum pay rate (see paragraph 6.5). The initial budget proposals allow for net price inflation of £7.5m where there is a contractual commitment, but anticipate that the majority of other spending budgets are cash-limited. Specific energy increases for gas and electricity of £0.6m have been incorporated into these initial budget proposals and this additional provision is consistent with projected price increases for both metered and unmetered usage. The budget assumes an inflationary uplift on fees and charges where they can be borne by the market.

6.4. **Local government pensions -** the most recent actuarial valuation took place in November 2019 and this showed that the West Yorkshire Pension Fund is in a surplus position. As a result of this position, a reduction in the employer's contribution from the current 16.2% to 15.9% has been assumed in 2020/21. This reduction, yet to be finalised, results in a saving of £0.9m which has been incorporated into these initial budget proposals for 2020/21.

6.5. **Leeds City Council minimum pay rate**– at its September 2015 meeting Executive Board agreed that the Council would move towards becoming a Real Living Wage employer. In November 2015 the Living Wage Foundation announced a living wage of £8.25 per hour (outside London) and this was implemented by the Council in January 2017. Since then the Council has maintained its commitment to be a real living wage employer and the initial budget submission provides for further increases in the Leeds City Council minimum wage, which will now rise to £9.36 per hour for employees which is 6p above the recently announced Real Living wage rate of £9.30 per hour. Apprentices and new starters on the Scale Point 1 spinal point will be paid £9.30 per hour for the first year only.

6.6. **National Living Wage for commissioned services and the Ethical Care Charter** - in respect of services commissioned from external providers by both Adults and Health and Children and Families directorates, provision of £7.1m has been included and this is consistent with the national minimum wage assumptions for 2020/21. Elements of the Ethical Care Charter, particularly in respect of better terms and conditions including improved rates of pay for care staff, have already been implemented. These initial budget proposals for 2020/21 will permit further developments in this area.

6.7. The increased costs associated both with paying our staff the Real Living Wage and ensuring that the services we commission pay their staff the national minimum wage have been resourced by the Council without the receipt of any additional funding from the Government.

6.8. The fall out of capitalised pension costs associated with staff who have left the Council under the Early Leaver's Initiative (ELI) will save an estimated £1.3m.

6.9. 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 2019 in the number of people aged 85-89 between 2020 and 2025. These increases of 2.8%, 2.7%, 1.8%, 2.6% and 1.3% respectively result in additional costs for domiciliary care and placements. In addition, the current Medium Term Financial Strategy reflects the anticipated impact of increasing cash personal budgets through to 2025. The Learning Disability demography is expected to grow by 2.3% (based on ONS data) over the period. It should be noted that the high cost increase in this area of service is primarily a combination of increasingly complex (and costly) packages for those entering adult care, as well as meeting the costs of the increasing need for existing clients whose packages may last a lifetime. A sum of £2m has been built into these Initial Budget Proposals for 2020/21 to deal with this demand and demographic growth.

6.10. Children and Families directorate continues to face **demographic and demand pressures** reflecting relatively high birth rates (particularly within the most deprived clusters within the city), increasing inward migration into the city (particularly from BME groups from outside the UK), the increasing population of children & young people with special and very complex needs, greater awareness of the risks of child sexual exploitation, growing expectations of families and carers in terms of services offered and changes in Government legislation, including 'staying put' arrangements that enable young people to remain with their carers up to the age of 21. The initial budget proposals provide £1.4m for the projected growth in the 0-19 population to increase the Children Looked After budget and the transport budget.

6.11. Based on assumed housing growth, provision of £0.2m has been made for the increased disposal costs of waste to the RERF.

6.12. **Transforming Care** is a national NHS England programme designed to place people with learning difficulties and autism, currently based in a hospital setting, into the community with the right support and close to home. The net impact of this programme is anticipated to be £0.5m in 2020/21.

6.13. The Initial Budget Proposals include £1.8m for a number of income variations. Specifically £0.9m provides for a reduction in car parking income resulting from a reduction in car parking spaces in the city centre; a reduction of £0.5m reflects the requirement to more closely align fee income receivable at nurseries to current activity levels; there is a £0.2m reduction in income for the schools catering function reflecting a reduction the number of meals sold and court fee income is projected to fall by £0.1m as a result of fewer prosecutions for non-payment of council tax.

6.14. A combination of Microsoft encouraging organisations to move to cloud based services and the end of a three year price fix on all Microsoft product licences will require an additional payment to Microsoft of £0.8m in 2020/21.

6.15. In recent years there has been a decline in the average value of Housing Benefit overpayments which the Council can recover and this is expected to be further impacted upon by the rollout of Universal Credit which is now live in Leeds. The net impact on the 2020/21 budget is estimated to be £0.4m.

6.16. A further £0.3m is to be provided to help resource the Council’s ambition to increasingly become carbon neutral whilst at the same time address the climate emergency that the Council has declared.

6.17. Changes approved at Full Council in 2017 to previous years **Minimum Revenue Provision Policy (MRP)**, based on the fact that MRP had been overprovided for between 2008/09 and 2014/15, enabled the Council to benefit from reduced MRP payments for the three years 2017/18 to 2019/20. However from 2020/21 this position starts to unwind and MRP will increase by £27.6m in this year. In order to smooth the impact of this increase upon the Council’s revenue budget, interest rate savings have been realised by taking advantage of falls in the bond markets which has created the opportunity for the Council to convert some of its short term borrowing into longer term borrowing at record low interest rates. By locking in this opportunity the Council will de-risk its exposure to higher rates in the future. In addition it is proposed to utilise an additional £10m of capital receipts to help meet the MRP revenue budget requirement in 2020/21. As a result of interest rate reductions and utilisation of these additional capital receipts, the revenue pressure the impact of MRP has on the 2020/21 budget reduces to £16m.

6.18. **Clean Air Zone (CAZ)** – The Council continues to work proactively towards tackling the Climate Emergency in Leeds. One of the key programmes is the Clean Air Zone (CAZ). The zone is anticipated to come into effect in the summer of 2020, however this is contingent on Government systems being delivered on time. An update report will be brought to a future Executive Board in 2020 together with an indication of the projected costs and income associated with the CAZ.

6.19. **Selective Licencing** - Members approved the implementation of selective licensing schemes for privately rented residential properties in areas of Beeston and Harehills at Executive Board in July 2019. The planned commencement date is 6th January 2020. The proposed budget for 2020/21 will reflect this decision in terms of additional staffing requirements within the Housing Management function as well as the requirement to budget for licence income. However, the scheme will be cost neutral to the Council as income collected from licences from landlords will be applied to the Council’s revenue account over the period of the licence.

6.20. **Other Pressures and Savings -** other net budget pressures of £2.6m have been identified for 2020/21. These include:

- The cost of the apprenticeship levy will increase by £0.2m largely due to variations in the number of staff within the Council;
- Additional resources of £0.2m provides for further work to be undertaken with schools to facilitate school improvements.
- An additional £2.1m is provided for delivery of the Council's Waste Strategy and to support implementation of the waste review, with further investment planned for 2021/22;
- Following a revaluation there is an £0.2m NNDR saving at the Arium
- The net effect of other pressures across all Directorates is £0.3m.

7. The Budget Gap – Savings Options - £23.2m

7.1. After taking into account the impact of the anticipated changes in funding of £24.7m and cost pressures of £47.9m outlined above, it is forecast that the Council will need to generate savings, efficiencies and additional income to the order of £23.2m in 2020/21 to balance to the anticipated level of resources available.

7.2. The requirement to deliver savings of £23.2m needs to be seen in the context of the Council's gross revenue budget of £1,352m (excluding schools and the Housing Revenue Account) and its current net revenue charge of £516.68m. In addition this requirement to make savings needs to be seen in the context of the fact that the Council has delivered over £570m in savings since 2010 in order to address both a reduction of £266m in core funding from the Government and having to provide for pay, price and demand pressures for the services that it provides.

7.3. Table 12 summarises the proposed savings to balance the 2020/21 budget with additional detail in the sections below and in Appendix 2.The savings identified fall into one of the following categories:

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

- **Workforce Proposal** which relates to the restructure of a service and consultation with staff will be required;
- **Service Delivery/ Workforce Proposal** budget savings proposals may require consultation with service users **and staff** on options for future service delivery.

Table 12 – Actions to reduce the budget gap

	£m
Business As Usual	(21.1)
Service Delivery	(1.1)
Workforce	(0.7)
Service Delivery/Workforce	(0.3)
Service Review	(0.1)
	(23.2)

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

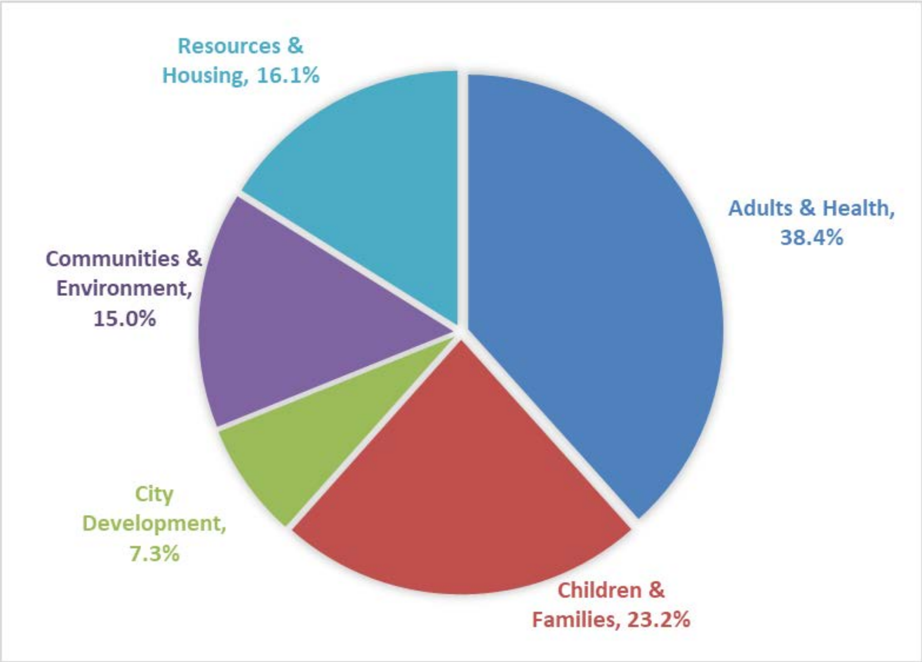
- Organisational design;
- Continuing demand management through investment in prevention and early intervention particularly in Adult Social Care and Children's Services.
- Savings across the range of support service functions;
- Ongoing recruitment and retention management;
- Closer working between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

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

7.6. **Summary Budget By Directorate**

7.6.1. The indicative 2020/21 revenue budget for each Directorate resulting from these initial budget proposals is included in Appendix 1b. This shows the incidence of gross expenditure of £1,621m and the net managed budget of of £526.8m. The pie chart below shows the proposed share of net managed expenditure between directorates for 2020/21 based on these initial budget proposals.

7.6.2. **Share of Net Managed Expenditure 20/21(Proposed)**



7.6.3. It should be noted that these resource allocations may be subject to amendment 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.

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 2,300 full time equivalents (fte's) or 3,045 headcount to March 2019.

8.2. The initial budget proposals outlined in this report provide for an estimated net increase of 76 full time equivalents by 31st March 2021. In the context of future staffing reductions that will be required to meet the estimated revised budget gap of £116.3m for 2021/22 to 2024/25, it is the Council's intention to issue an updated S188 notice in January 2020.

8.3. In managing future staff reductions the Council remains committed to doing everything it can to try to avoid compulsory redundancies through natural turnover, continuing the voluntary early leaver scheme, staff flexibility, reviewing and reducing both agency and overtime spend and continuing the positive consultation and joint working with the trade unions.

9. 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 mitigate the potential impact of future events or developments which may cause financial difficulty.

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 2020/21 assume a contribution of £10m from the general reserve and the level of general reserves at 31st March 2021, as set out in Table 13, is projected to be £22.5m.

Table 13 - General Reserve

General Reserve	**2019/20**	**2020/21**	**2021/22**	**2022/23**
	£m	**£m**	**£m**	**£m**
Brought Forward 1st April	28.0	32.5	22.5	22.5
Change in Incidence of Receipt of Innovation Grant	1.7	0.0	0.0	0.0
Budgeted Contribution/(Use) in-year	2.8	(10.0)	0.0	0.0
Carried Forward 31st March	**32.5**	**22.5**	**22.5**	**22.5**

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.

9.6. As referenced in the Revenue Budget Update for 2020/21-2024/25 report, received at October's Executive Board, Grant Thornton have issued their "Annual Audit Letter" for the year ended 31st March 2019 in which they note that "the Council has continued to maintain reserves at around 5% of net revenue expenditure" and that with future projections "the level of reserves may reduce. We recommend there is a need for the Council to consider the adequacy of its reserves going forward." In accordance with this requirement the Medium Term Financial Strategy which covers the period to March 2025 provides for a £3m contribution to the General Reserve in 2023/24.

9.7. Whilst the pressures faced by the Authority continue to 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. Revenue Budget 2021/22 and 2022/23

10.1. At its meeting in October 2019 Executive Board agreed the revisions to the Council's forecast budget gap for 2020/21 to 2024/25. The forecast gap was £161.5m of which £52.5m relates to 20201/22 and £31.3m relates to 2022/23. The report received at Executive Board in October recognised that savings would be required to be identified in order that a balanced budget position could be delivered in 2021/22 and 2022/23.

10.2. In the context of both the Spending Review from September, the Technical Consultation released in respect of the 2020/21 Local Government Finance Settlement and other variations identified during the determination of these 2020/21 initial budget proposals, the financial projections for 2021/22 and 2022/23 have been refreshed to reflect these latest assumptions. In addition the revised position reflects assumed core council tax increases of 2.99% in each year and no Adult Social Care precept. However it should be stressed that under the Council's constitution the decision to set the council tax base and rate of council tax can only be taken by Full Council and therefore these decisions will continue to be made as part of the Council's annual budget setting process.

10.3. The Government's intention is to move to 75% business rate retention from 2021/22. Given the uncertainty about how this will impact on local authority funding, the initial budget for 2021/22 and 2022/23 assumes that any increases in business rates income are offset by a commensurate increase in the business rate tariff paid to the Government so that there is no baseline gain. Similarly the 2021/22 and 2022/23 projection assumes that the impact of any business rates reset and the implications of the outcome of the Government's Fair Funding review, which is expected in the autumn of 2020, is revenue neutral upon the Council with any impacts being addressed through transitional arrangements. For calculating SFA no increases have been assumed for either 2021/22 or 2022/23.

10.4. In the determination of the revised financial projections for both 2021/22 and 2022/23 significant areas of uncertainty remain as to the Council's financial position in respect of both funding and spending assumptions, compounded by Brexit and the impact of the result of the General Election held on December 12th. Specifically the implications of the Government's future spending plans remain unclear, the implications of implementing 75% business rate retention nationally have yet to be finalised by Government, the outcome of the Government's own Fair Funding review won't be known until the autumn of 2020 at the earliest and the future funding arrangements for social care remain unknown.

10.5. After taking account of the funding assumptions outlined in 10.2 and 10.3 above and the variation in pressures and savings that have been identified in the determination of the 2020/21 initial budget proposals, the revised positions for 2021/22 and 2022/23 are detailed in Table 14.

Table 14 - Revenue Budget 2021/22 and 2022/23

	2021/22 £m	2022/23 £m
October Executive Board	**52.5**	**31.3**
Revised Pressures since October 2019		
Debt	5.9	(0.4)
Income Pressures	0.1	(0.0)
Other	2.4	1.9
	8.5	**1.5**
Revised Savings		
	(6.2)	(2.7)
Changes to Funding		
Grants	(9.1)	(0.1)
Reserves	1.7	(0.1)
	(13.6)	**(2.9)**
Revised Gap	**47.4**	**29.9**

10.6. As can be seen in Table 14, the estimated budget gap has decreased to £47.4m in 2021/22 and £29.9m in 2022/23 respectively. The use of £10m of capital receipts falls out in 2021/22 but the impact on debt is reduced by a combination of further interest savings resulting from converting short term borrowing to longer term; the impact of a reduction in New Homes Bonus impacting on the 2020/21 budget rather than in 2021/22 as was assumed in the position reported to October's Executive Board; and the full year effect of 2020/21 budget savings plus new proposals for 2021/22 and 2022/23.

10.7. The position set out above contains a number of assumptions, as set out in paragraphs 10.2, 10.3 and 10.4 for which updated information would alter the projected financial position and any such changes in these assumptions will be incorporated into an updated Medium Term Financial Strategy that will be presented to a future meeting of this Board.

11. **Schools Budget**

11.1. The Dedicated Schools Grant (DSG) for 2020/21 is funded in four separate blocks for early years, high needs, schools and central schools services.

11.2. A new National Funding Formula (NFF) was implemented from April 2018 for high needs, schools and central schools services. The schools formula was initially a “soft” formula to allow local authorities some limited flexibility and this remains the case for 2020/21.

11.3. 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. There is an additional 15 hours per week provision for working families of 3 and 4 year old children. The funding hourly rate has been confirmed as £5.28 for 2 year olds (from £5.20 in 2019/20) and £4.89 for 3 and 4 year olds (from £4.81 in 2019/20) and the grant received will continue to be based on participation. The actual grant received during 2020/21 depends on pupil numbers in the 2020 and 2021 January censuses. The early years pupil premium is also included in this block and is payable to providers for eligible 3 and 4 year olds. The hourly rates for 2020/21 for this element remain at £0.53 per hour. In addition, the Disability Access Fund rate has been confirmed at £615 per eligible child per year. The grant value shown below is based on the actual pupil numbers in January 2019.

11.4. The High Needs Block supports places and top-up funding in special schools, resourced provision in mainstream schools and alternative provision; top-up funding for early years, primary, secondary, post-16 and out of authority provision; central SEN support and hospital & home education. An indicative allocation under the NFF calculation has been published though the final allocation will not be issued until December 2019. The value in the table below is before any deductions are made by the Education and Skills Funding agency (ESFA) in respect of funding for academies, free schools and post 16 places. The High Needs Block is facing a number of financial pressures nationally and in recognition of this the national allocation has increased by £780m for 2020/21. For Leeds the indicative allocation is an increase of £12.38m for 2020/21 although there is still a cap on gains within the national funding formula and this has been applied to the funding allocation to Leeds to the value of £4.6m. Despite the increase in funding for 2020/21 the anticipated increase in special school places and pupils eligible for additional top-up funding means that there is expected to be on going funding pressures for the High Needs Block which will need managing within the overall available funding. As part of managing the funding pressures it is proposed to transfer funding from the Schools Block and the Central Schools Services Block as outlined below.

11.5. The Schools Block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11. The grant for 2020/21 will be based on pupil numbers (including those in academies and free schools) as at October 2019. The pupil numbers from this census are not yet available. Schools have been consulted on options for the local formula in 2020/21 and on proposals to transfer funding to the High Needs Block. The results of the consultation have been presented to Schools Forum to enable further discussion with a final decision being made by the Director of Children and Families in early 2020. As part of the consultation a majority of schools which responded supported a proposal to transfer £2.65m from the Schools Block to the High Needs Block. At the Schools Forum meeting on the 14th November Schools Forum approved this transfer. A majority of schools who responded to the consultation also supported a proposal for maintained schools to contribute funding of £150k towards severance costs. Schools Forum also approved this contribution.

11.6. As part of the NFF, the Central School Services block (CSSB) was created from the DSG funding that is held 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 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 2019. The funding for the historic commitments element has been reduced by 20% in 2020/21. However, it is anticipated that there will be funding available of up to £250k to transfer to the High Needs Block and a final decision on the amount to transfer will be made by the Director of Children and Families in early 2020.

11.7. At the end of 2019/20 it is projected that there will be a deficit balance of £4.1m on DSG compared to a surplus balance of £1.1m at the end of 2018/19. The deficit balance will be carried forward into 2020/21 and proposals to address the deficit will need to be incorporated into the medium term financial plan for the High Needs Block and DSG funding. A formal deficit recovery plan has to be submitted to the Education and Skills Funding Agency (ESFA) if the deficit exceeds 1% of the total DSG funding for the Local Authority. For Leeds this would apply if the cumulated deficit exceeded £6.9m.

11.8. Funding for post-16 provision is allocated by the ESFA. Funding for high need post-16 pupils is no longer to be part of this grant and is now included in the DSG High Needs Block totals. Funding for 2020/21 will be based on 2019/20 lagged student numbers.

11.9. Pupil Premium grant is paid to schools and academies based on the number of eligible Reception to year 11 pupils on the school's roll in January each year. The rates for 2020/21 are expected to remain at: primary £1,320, secondary £935, for each pupil registered as eligible for free school meals (FSM) at any point in the last 6 years and £300 for children of service families. The pupil premium plus rate for children looked after and children who have ceased to be looked after by a local authority because of adoption, a special guardianship order, a child arrangements order or a residence order is also expected to remain the same at £2,300.

11.10. The Primary PE grant will be paid in the 2019/20 academic year to all primary schools at a rate of £16,000 plus £10 per pupil. It is expected that these rates will remain the same for 2020/21.

11.11. For the Year 7 catch up grant in 2019/20, funding is allocated to schools on the basis that they receive the same overall amount of year 7 catch-up premium funding received in 2018/19. It will be adjusted to reflect the percentage change in the size of their year 7 cohort, based on the October 2019 census. It is assumed that 2020/21 will be on the same basis and so dependent on the October 2020 census information.

11.12. A grant for the universal provision of free school meals for all pupils in reception, year 1 and year 2 was introduced in September 2014. Funding for the 2019/20 academic year is based on a rate of £2.30 per meal taken by eligible pupils, giving an annual value of £437. Data from the October and January censuses will be used to calculate the allocations for the academic year.

11.13. A grant is received in relation to additional teacher's pay costs from 1st September 2018 and September 2019. The values below are a full year in 2019/20 and a part year for 2020/21 as the grant ceases at the end of the 2020/21 academic year.

11.14. A further grant has also been announced in relation to additional costs incurred in respect of increases in the teacher's pension scheme from September 2019. Nationally, £1.5 billion per year will be provided to continue funding these additional pension costs from 2020/2021 through to 2022/2023. The values below are a part year in 2019/20 and an estimate of the full year for 2020/21.

11.15. **Schools funding summary**

All the grant values are before ESFA deductions (e.g. for payments to academies) for 2019/20 (latest estimate) and 2020/21 estimates are shown in Table 15. The amounts for DSG for 2020/21 are subject to final confirmation in December 2019 and will be based on pupil numbers as at October 2019.

Table 15 – the Estimated Schools Budget

	2019/20 Current £m	2020/21 Estimate £m	Change £m
DSG - Schools Block	516.31	535.64	19.33
DSG - Central Schools Services Block	5.32	4.99	-0.33
DSG - High Needs Block	72.93	85.31	12.38
DSG - Early Years Block	58.75	59.67	0.92
ESFA Post 16 Funding	26.06	25.77	-0.29
Pupil Premium Grant	39.00	39.00	0.00
PE & Sports Grant	4.30	4.30	0.00
Year 7 Catch-up Grant	0.96	0.96	0.00
Universal Infant Free School Meals Grant	9.51	9.68	0.17
Teachers' Pay Grant	6.16	2.56	-3.60
Teachers' Pension Grant	11.80	20.32	8.52
	751.10	**788.20**	**37.10**

12. **Housing Revenue Account**

12.1. 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 2020/21 are detailed in Table 16.

12.2. 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. The Government has confirmed a return to allowing up to a CPI+1% rent increase for five years from 2020/21.

12.3. **<u>Income</u>**

An increase in accordance with the Government's rent formula of CPI (1.7% as at September 2019) +1% is therefore proposed. This overall 2.7% rise equates to approximately £5.3m in additional rental income.

12.4. It is proposed to increase garage rental rates by RPI of 2.4%.

12.5. 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 (RTB) legislation continues to sustain an increase in the number of sales with a subsequent reduction in the amount of rent receivable. Based on latest sales, a further 645 sales are forecast in 2020/21. In addition, the higher than estimated number of RTB sales in 2019/20 impacts on income for 2020/21. The impact of these RTB sales, along with other stock reductions in year for demolitions, will cost the HRA around £2.3m in lost income in 2020/21.

12.6. Tenants in multi storey flats and in low/medium rise flats receive additional services such as cleaning of communal areas, staircase lighting and lifts. It is proposed to increase these charges by an inflationary increase of RPI of 2.4%. In 2020/21 this would generate an additional £150k compared to 2019/20.

12.7. Currently tenants in sheltered accommodation receiving a support 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, £6 in 2018/19, £8 in 2019/20 and it is proposed to increase this charge by a further £2 per week in 2020/21 to £10 per week. A review of the Sheltered Charge has been undertaken for 2020/21.The sheltered charge full cost is £14.71 per week and is eligible for Housing Benefit.

12.8. An analysis of the impact on tenants of increasing rents by 2.7% and implementing the proposed charges above has been undertaken. These figures are based on average rents for various categories of tenants as individual levels will vary.

12.9. With a return to a rental increase of CPI+1, all tenants will pay more in 2020/21 than in 2019/20 as outlined in the table below. The 2.12% of tenants whose average weekly increases is the highest relates to tenants who are self-payers in Sheltered Accommodation. These tenants would have faced between £3.87 and £4.15 per week average increase, however it is proposed to cap any overall increase to £3.50 per week.

% of Tenants	Average Increase £/per week
40.25	1.77-2.00
57.63	2.01-2.37
2.12	Capped at 3.50

12.10. These increases will be funded through Housing Benefit for eligible tenants or tenants eligible for Universal Credit (UC) will receive payments for this increase. Approximately 47% of tenants are in receipt of Housing Benefit with a further 12% in receipt of UC, a total of 59%.

12.11. A change in legislation will impact on the amount of income receivable for telecommunications masts located on HRA buildings. This reduction is estimated to be in the region of £400k in 2020/21 and this will reduce further as existing lease agreements fall out in later years.

12.12. **Expenditure**

The proposed budget assumes a 2% increase for the pay award which will cost an estimated £0.6m, partially offset by lower employer superannuation costs of £70k. The budget proposals include an additional £590k investment in Enhanced Community Safety Initiatives in High Rise Flats and £165k to increase the Enhanced Income Team to provide support to tenants, particularly around the continued roll out of Universal credit.

12.13. Provision will be made for rising utility costs £0.3m and inflationary uplifts for the PFI contractor and contributions to the Private Finance Initiative sinking fund within the agreed model.

12.14. The budget will reflect the investment in Leeds PIPES (Providing Innovative Pro-Environment Solutions) which is providing heating to some MSF's. The cost of the heating, produced from the Recycling and Energy Recovery Facility will be offset through service charges to those tenants benefitting from purchasing cheaper energy than their current supply.

12.15. A combination of efficiencies are proposed to balance the 2020/21 budget including; vacancy management; a review of the level of revenue expenditure that can be more appropriately charged to capital (shown as internal income on the table below), cash limiting the repairs budget in light of the continued stock reduction, reviewing the provision for bad debts and reviewing the level of all line by line expenditure within the HRA.

12.16. The costs associated with servicing the HRA's borrowing have increased due to a combination of lower rates previously applied to the overall level of debt falling out and the planned increase in borrowing to support the Council's new build programme which will see approximately 120 homes delivered in 2020/21 as part of the current £203.6m Council House Growth Programme.

12.17. 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.

12.18. In addition, the Council aims to maintain a consistent level of capital expenditure with a view to improving the condition of the housing stock. The total draft capital programme for the HRA remains at around £80m in 2020/21.

Table 16 – Housing Revenue Account Pressures and Savings

	£m
Income	
Rental Increase	(5.07)
Reduction in rental income due to stock reduction	2.30
Internal Income – review of charge to capital.	(0.26)
Increase Service Charges	(0.39)
Increase in Other Income	(0.07)
Increase in External Income	0.04
Leeds PIPES	(0.46)
Loss of Telecom income	0.39
End of Gainshare	0.21
Total	**(3.32)**
Expenditure	
Pay and Price pressures	1.65
Supplies and Services	0.29
Leeds PIPES	0.56
Enhanced Community Safety Initiatives in High Rise Flats	0.59
Change in provisions of Doubtful debt	(0.47)
Private Finance Initiative –payments to contractor	1.77
Contribution to captial (Includes use of RTB Receipts to fund capital)	(1.28)
Capital Charges	1.24
Other	(1.022)
Total	**3.32**

13. Capital Programme

13.1. The Council has revised its approach to setting the Council's capital programme to ensure that the choice to spend limited resources is taken at the same time across capital and revenue spending decisions.

13.2. The Council has now moved towards injecting schemes at the same time that the revenue budget is approved in February each year. To ensure there is consideration and consultation of scheme proposals, a prioritised list of scheme proposals was included within the November half year Executive Board capital programme report. This is included at Appendix 4. Recognising that the Council needs to take a longer term view of its investment in assets the proposals include details of its 10 year capital spending intentions.

13.3. Over the period 2019/20 to 2022/23 the existing capital programme includes investment plans which total £1.4bn. Of this, approximately two thirds funds key infrastructure that supports front line services and schemes that generate additional income or save costs. The remaining third is for investment in capital schemes that support the Council's best plan priorities. 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 are included within the revenue budget. Our asset portfolio is valued in the Council's published accounts at £5.6bn, and the Council's net debt, including PFI liabilities stands at £0.6bn. It is also noted that removal of the HRA housing debt cap will impact upon the investment and borrowing plans as additional investment is agreed.

13.4. The initial budget proposals provide for a £26m increase in the cost of debt and capital financing. This assumes that all borrowing is taken short term at 1.25% interest for the remainder of 2019/20 and at an average of 1.50% in 2020/21.

13.5. 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 treasury management and financial health reporting.

13.6. A capital programme update report will be presented to the Executive Board in February 2020.

14. Corporate Considerations

14.1. Consultation and Engagement

14.1.1. The Authority's financial strategy is driven by its ambitions and priorities as set out in the Best Council Plan. The current Best Council Plan was approved by Council in February 2019 following consultation with members and officers throughout its development, with additional extensive stakeholder consultation carried out on the range of supporting plans and strategies. These arrangements will continue to inform further updates to the Best Council Plan.

14.1.2. The Council's Medium Term Financial Strategy 2020/21 – 2024/25, received at Executive Board in July 2019, was informed by the public consultation exercise carried out between December 2018 and January 2019 on the authority's 2019/20 budget proposals. Whilst the consultation covered the key 2019/20 proposals, it also incorporated questions around the ongoing principles that underlie both the Best Council Plan and the Council's financial plans and was therefore relevant to the Medium Term Financial Strategy.

14.1.3. Consultation is an ongoing process and residents are consulted on many issues during the year. Further to this we will also consult around the principles and high level proposals in this report through a wider consultation survey. This will be carried out with: the public via the Council's website, social media and the Citizens' Panel; with staff through the intranet; and with stakeholders, including representatives from the Third Sector and the Business sector. The consultation will begin once this report is initially agreed by Executive Board, and will be timetabled to report findings at the following meeting, prior to finalisation of the Budget. Due to the shortened timescale this year between today's Executive Board meeting and that in February, this year's Budget consultation will be carried out via online means only and over a 3-week period to enable all results to be collated and analysed in time to inform the final proposals to this Board and subsequently Full Council. This compares with the month-long consultation exercise carried out in previous years and with postal surveys being available last year upon request – though it should be noted that the proportion of offline survey responses has been declining year-on-year (15% of the 1,241 responses last year) as more people opt for online.

14.1.4. Subject to the approval of Executive 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 12th February 2020.

14.2. **Equality and diversity / cohesion and integration**

14.2.1. The Equality Act 2010 requires the Council to have "due regard" to the need to eliminate unlawful discrimination and promote equality of opportunity. The law requires that the duty to pay "due regard" be demonstrated in the decision making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show "due regard".

14.2.2. The Council is fully committed to ensuring that equality and diversity are given proper consideration when we develop policies and make decisions. In order to achieve this the Council has an agreed process in place and has particularly promoted the importance of the process when taking forward key policy or budgetary changes. Equality impact assessments also ensure that we make well informed decisions based on robust evidence.

14.2.3. 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 2020/21 Revenue Budget and Council Tax report which will be considered by Executive Board and subsequently by Full Council in February 2020. Specific equality impact assessments will also be undertaken on all budget decisions identified as relevant to equality as they are considered during the decision-making process in 2020/21.

14.3. **Council policies and Best Council Plan**

14.3.1. The Best Council Plan sets out the Council's ambitions and priorities. The Plan's development and implementation continues to inform, and is informed by, the authority's funding envelope and by staffing and other resources. The current Plan and its proposed update for 2020/21 (please refer to the Best Council Plan refresh item on today's agenda) is therefore aligned with both the Council's Medium-Term Financial Strategy and its annual budget.

Climate emergency

14.3.2. In conjunction with inclusive growth and health and wellbeing, the Best Council Plan update report on today's paper proposes that the climate change emergency becomes the third 'pillar' underpinning the Council's Best City ambition to tackle poverty and reduce inequalities. A specific focus on this emergency aims to embed sustainability considerations into all aspects of the authority's decision-making. As such, whilst there are no implications for the climate emergency resulting from this report, should any specific service and budget proposals that emerge through the development of the Council's 2020/21 Budget create potential climate emergency issues or opportunities, these will be addressed in the final Budget reports to Executive Board and Full Council in February 2020.

14.4. **Resources, procurement and value for money**

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

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

14.5.1. This report has been produced in compliance with the Council's Budget and Policy Framework. 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 2020 meeting of this Board at which proposals for the 2020/21 budget will be considered prior to submission to Full Council on the 26th February 2020.

14.5.2. The initial budget proposals will, if implemented, have 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 be managed by individual directorates.

14.5.3. 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 recommendations at paragraphs 16.1, 16.2 and 16.3 are not subject to call in, as the budget is a matter that will ultimately be determined by Full Council.

14.5.4. However the recommendations in paragraphs 16.4 and 16.5, regarding the Council's participation in the 2020/21 50% Business Rates Pool and the distribution of discretionary business rate reliefs, are decisions of the Executive Board and as such are subject to call-in.

14.6. **Risk management**

14.6.1. The Council's current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way is identified as one of the Council's corporate risks, as is the Council's financial position going into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the Council's risk-based reserves policy. Both these risks are subject to regular review.

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

14.6.3. Financial management and monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach will continue to be included in the in-year financial reports brought to Executive Board.

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

Risks to Funding

14.6.5. The period covered by the Government's current spending review will end in March 2020. Whilst the Spending Review on the 4th September provided details of the Government's spending intentions for 2020/21 these have not yet been ratified by Government through the annual budget process.

14.6.6. Further to this, whilst the annual Budget was expected to be announced on 6th November 2019, it was subsequently delayed following the announcement of the General Election on 12th December 2019. The provisional Financial Settlement has also been delayed as a consequence. We now expect the provisional Settlement in early January 2020, with the next Budget likely to be held in February. Assumptions within this document are based on announcements from Spending Review 2019 and subsequent Technical Consultation document for the Local Government Financial Settlement. There is a risk that, following the Election, the incoming Government could change existing financial plans for 2020/21 and introduce a new set of priorities. This could significantly vary from our estimates on the Settlement Funding Assessment and the amount that Leeds City Council will receive in 2020/21.

14.6.7. After Spending Round 2019, it was confirmed that 75% Business Rates Retention would be delayed by one year to 2021/22. It was also confirmed that the current 75% business rate retention pilots will cease and return to the rules governing 50% retention. The effect of this return to 50% retention is included in these initial budget proposals. However, following discussions with the current North and West Yorkshire Pool member authorities, 13 of the 14 original member authorities agreed to submit an application for a business rates pool in 2020/21. We were advised that this application had been successful on the 19th December 2019. We estimate this Pool could lead to additional funding to the region of £9.6m, some of which could be to the benefit of Leeds City Council. As with previous years' Pools, there remains a risk that if a member authority becomes entitled to a safety net payment, because its retained income has fallen dramatically, then that safety net payment will no longer be received from the Government but will have to be met by other members of the pool. This will represent a loss of income to the region.

14.6.8. The level of business rates appeals continues to be a risk. Whilst there is very limited scope for new appeals against the 2010 list and the Council has appropriate provision for these, there is very little information available on which to assess appeals against the 2017 list. Therefore income could be adversely affected both by appeals against the 2017 list and by business rate growth being less than assumed. This in turn would reduce the overall level of resources available to fund the services that the Council provides.

14.6.9. The level of council tax collected could be affected by either the increase in the council tax base being less than assumed and/or collection rates being below budgeted assumptions.

Key risks to cost and income assumptions

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

14.6.11. The implementation of proposed savings and additional income realisation could be delayed. Equally, the level of savings generated and/or the level of additional income realised could be less than that assumed in this report.

14.6.12. Inflation including the pay award to employees could be higher than that assumed in this report. In addition these initial budget proposals make a number of assumptions about the costs associated with managing the Council's debt. Whilst the Council has benefited from converting some of its shorter term borrowing into longer term borrowing at record low interest rates, it still has debt as short term rates which means that it is exposed to any upward movement in rates which would result in an increase in costs to the Council.

14.6.13. The Council's and City's economic and fiscal position is clearly impacted upon by the wider national economic context. The UK's withdrawal from the EU could potentially weaken the pound, increase inflation, reduce domestic and foreign direct investment and impact upon borrowing costs. Conversely the UK's exit from the EU could have the opposite effect upon the economy. What is also unclear is to what extent the UK’s exit from the EU will impact upon the level of resources available to the Council and the level of demand for the services that it provides.

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

15. Conclusions

15.1. The Initial Budget Proposals for 2020/21 and the projected budgets for 2021/22 and 2022/23 need to be seen in the context of significant inherent uncertainty for the Council in respect of future funding and spending assumptions. Specifically the implications of the Government’s future spending plans with regard to local government and other areas of the public sector after 20202/1 remain unknown. To compound this uncertainty the Government remains both committed to move to 75% business rate retention nationally and implementing the Fair Funding review of the methodology which determines current funding baselines which are based on an assessment of relative needs and resources. The outcome of both these changes, and the subsequent implications for Leeds, won’t be known until the autumn of 2020. In addition it remains uncertain how the Government intend to fund social care in future years and the implications of the UK leaving the EU are as yet unknown.

15.2. In the determination of these initial budget proposal and the forecast position for 2021/22 and 2022/23 a number of assumptions have been made as to the level of resources available to the Council. These assumptions are under constant review to reflect any changes in circumstances or if further information emerges in respect of known risks.

15.3. Based on the details contained in Government’s technical consultation in respect of the 2020/21 Local Government Finance the Settlement Funding Assessment will increase by 1.7% or £3.1m with a corresponding increases in funding from council tax of £17.0m, which offsets a business rates variation of £10m, which overall gives an increased net revenue budget of £526.8m in 2020/21. However, the initial budget proposals for 2020/21 as set out in this report, subject to the finalisation of the detailed proposals in February 2020, will still require savings and additional income of £23.2m to produce a balanced budget.

15.4. As set out in both the Medium Term Financial Strategy 2020/21-2024/25 and Revenue Budget Update reports to the July and October Executive Boards respectively, the budget proposals detailed in this report need to be viewed within the context of the longer term approach to increase the financial sustainability and resilience of the Council’s financial position.

16. Recommendations

16.1. Executive Board is asked to agree the initial budget proposals for 2020/21 and for them to be submitted to Scrutiny and also for the proposals to be used as a basis for wider consultation with stakeholders.

16.2. Executive Board is asked to note the initial budget position for 2021/22 and 2022/23 and to note that savings proposals to address the updated estimated budget gaps of £47.4m and £29.9m for 2021/22 and 2022/23 respectively will be reported to a future meeting of this Board.

16.3. Executive Board is asked to note that the proposal to approve the implementation of an additional Council Tax premium on any dwelling where the empty period is at least five years, from 100% to 200% premium, will be decided by Full Council in January 2020.

16.4. Executive Board is asked to agree that Leeds City Council become a member of the new North and West Yorkshire Business Rates Pool and act as lead authority for it. The establishment of this new Pool will be dependent upon none of the other proposed member authorities choosing to withdraw within the statutory period after designation.

16.5. Executive Board is asked to agree that the final year of Government funding to offer discretionary relief to businesses most impacted by the 2017 Business Rates Revaluation be distributed to childcare businesses in the city.

17. **Background documents**[2]

None.

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

Appendix 1

2020/21	Adults & Health £m	Children & Families £m	City Development £m	Communities & Environment £m	Resources & Housing £m	Strategic & Central £m	Total Net Revenue Budget £m
Net managed budget (2019/20) - RESTATED	**206.55**	**121.77**	**35.84**	**78.92**	**82.26**	**(8.65)**	**516.68**
Pay - Leeds City Council	1.06	2.14	1.01	1.55	2.96		8.72
Wage costs - commissioned services	6.49	0.59		0.05			7.13
Employer's LGPS contribution	(0.11)	(0.18)	(0.13)	(0.18)	(0.31)		(0.90)
Fall-out of capitalised pension costs	(0.23)	(0.37)	(0.16)	(0.26)	(0.24)		(1.25)
Inflation: General	4.20	0.71	2.04	0.46	0.13		7.55
Inflation: Electricity and Gas Tariffs	0.01	0.02	0.51	0.04	0.06		0.64
Demand and demography - Adult Social Care	2.00						2.00
Demand and demography - Children Looked After		1.40					1.40
Demand and demography - Other				0.19			0.19
Income pressures	0.00	0.70	(0.07)	0.46	0.21	0.50	1.80
Migration to Microsoft Cloud					0.81		0.81
Transforming Care Programme	0.51						0.51
Housing Benefit Overpayment income				0.40			0.40
Investment in Climate Emergency					0.30		0.30
Other Pressures	0.01	0.06	1.76	2.02	0.38	(1.65)	2.58
Debt - external interest / Minimum Revenue Provision	(0.28)			0.01		16.29	16.02
New Homes Bonus						5.19	5.19
Impact of 50% Business Rates Retention						(4.04)	(4.04)
S31 Business Rate grants						6.01	6.01
Public Health grants	(0.91)						(0.91)
Additional Social Care Grant (SR2019)	(7.50)	(6.50)					(14.00)
School Improvement Monitoring and Brokerage Grant		(0.43)					(0.43)
DfE Innovations Grant (Slippage)		1.70					1.70
Housing Benefit Admin Grant				0.40			0.40
Housing Benefit New Burdens Funding				(0.10)			(0.10)
Childrens Funeral Fund				(0.24)			(0.24)
Brexit Grant						0.10	0.10
Contribution to / (from) General Reserve						(14.49)	(14.49)
Change in Use of Earmarked Reserves	(0.01)	1.51	0.74	(0.15)	0.66	3.50	6.25
Total - cost and funding changes	**5.24**	**1.36**	**5.71**	**4.66**	**4.97**	**11.41**	**33.34**
Budget savings proposals As per Appendix 2	(10.42)	(1.37)	(3.11)	(4.78)	(2.74)	(0.76)	(23.19)
Total - Budget savings proposals	**(10.42)**	**(1.37)**	**(3.11)**	**(4.78)**	**(2.74)**	**(0.76)**	**(23.19)**
2020/21 Submission	**201.37**	**121.75**	**38.43**	**78.81**	**84.48**	**2.00**	**526.83**
Increase/(decrease) from 2019/20 £m	**(5.18)**	**(0.02)**	**2.59**	**(0.12)**	**2.22**	**10.65**	**10.15**
Increase/(decrease) from 2019/20 %	**(2.51%)**	**(0.01%)**	**7.24%**	**(0.15%)**	**2.70%**	**(123.05%)**	**1.96%**
TOTAL FUNDING AVAILABLE (Forecast Net Revenue Charge)							**526.83**
GAP							**0.00**

Indicative Revenue Budget by Directorate 2020/21 **Appendix 1b**

	Indicative Budget 2020/21 (£m)		
	Gross Expenditure	**Gross Income**	**Net Budget**
Adults & Health	366.9	(165.5)	201.4
Children & Families	302.3	(180.5)	121.8
City Development	155.5	(117.0)	38.4
Communities & Environment	425.0	(346.2)	78.8
Resources & Housing	264.4	(180.0)	84.5
Strategic & Central Accounts	107.3	(105.3)	2.0
Net Managed Budget	**1,621.3**	**(1,094.5)**	**526.8**

ADULTS & HEALTH - Savings options 2020/21

Appendix 2

Savings Proposal	Comments	2020/21 £m	Is this relevant to Equality & Diversity?
A) BUSINESS AS USUAL			
Cessation of schemes associated with short term funding	Spring Budget fall out: related fallout of Invest to Save spend	(2.11)	N
Back office spend	Review has identified potential savings over a range of services	(0.09)	Y
Enablement Service	To be delivered through productivity improvements	(0.50)	Y
Learning Disability	Review packages and service offer to ensure an efficient way of meeting assessed care needs is achieved	(1.00)	Y
Client Transport	Savings targeted against re-routing reviews, insourcing private hire routes, Personal Transport Allowance & Independent Travel Training.	(0.30)	Y
Collection of Client Income	Identify potential areas for maximisation of assessed income from review of internal systems and processes	(1.00)	Y
Demand (all service groups)	Extend impact of strengths based approach	(0.70)	Y
Fines	improve processes to ensure fines for delayed transfers of care are removed	(0.07)	N
Physical Impairment	Review cost of Physical Impairment packages	(0.10)	Y
Home care	Review packages to ensure assessed care is delivered efficiently	(0.10)	Y
Meals on Wheels	Remove current £200k subsidy through increasing volume of service users and/or reducing costs through improved processes	(0.20)	Y
Assistive Technology	Enhance and commercialise our current offer and technological advances available to support as many people as possible to live independent and active lives	(0.20)	Y
Occupational Therapists	Occupational Therapist time appropriately charged to the annual Disabled Facilities Grant	(0.20)	N
CHC/S117 cases	Impact of review of classification of Continuing Health Care and S117 cases	(0.10)	Y
Better Care Fund	Better Care Fund - inflationary uplift and additional funding sought	(3.70)	N
Skills for Care	Apply for funding to undertake planned developments.	(0.05)	N
Sub-Total Business As Usual		**(10.42)**	
B) SERVICE DELIVERY			
		0.00	N
Sub-Total Service Delivery		**0.00**	
C) WORKFORCE			
		0.00	N
Sub-Total Workforce		**0.00**	
D) SERVICE DELIVERY/WORKFORCE			
		0.00	N
Sub-Total Service Delivery/Workforce		**0.00**	
E) SERVICE REVIEW			
		0.00	N
Sub-Total Service Review		**0.00**	
Total Savings Options - ADULTS & HEALTH		**(10.42)**	

CHILDREN AND FAMILIES - Savings options 2020/21

Savings Proposal	Comments	2020/21 £m	Is this relevant to Equality & Diversity?
A) BUSINESS AS USUAL			
Supplies and Services savings across the Directorate	Full year effect of 2019/20 savings in supplies and services budgets across the Directorate.	(0.23)	Y
Savings in passenger transport costs to offset increases in demand	Savings to be achieved from route reviews, in-sourcing private hire routes, Personal Transport Allowances, private hire contract savings and independent travel training.	(0.44)	Y
Additional income from DSG for the cost of Personal Transport Allowances	Additional income from charging the increase in payments for PTAs to the Dedicated Schools Grant (High Needs Block)	(0.15)	Y
Additional income from traded services	This includes additional income from educational psychology based on trends and recruitment plans, specialist training in autism and raising standards, Artforms and Learning Improvement.	(0.10)	Y
Additional external income - grants and contributions	Additional income from workforce development trading £0.04m, Partnerships £0.05m, Youth Offending Service £0.1m, external funding streams £0.12m	(0.31)	Y
Additional income for the education costs of external residential placements	Move to full cost recovery of the education costs of ER placements from DSG (High Needs Block)	(0.15)	Y
Sub-Total Business As Usual		**(1.37)**	
B) SERVICE DELIVERY			
		0.00	N
Sub-Total Service Delivery		**0.00**	
C) WORKFORCE			
		0.00	N
Sub-Total Workforce		**0.00**	
D) SERVICE DELIVERY/WORKFORCE			
		0.00	N
Sub-Total Service Delivery/Workforce		**0.00**	
E) SERVICE REVIEW			
		0.00	N
Sub-Total Service Review		**0.00**	
Total Savings Options - CHILDREN AND FAMILIES		**(1.37)**	

CITY DEVELOPMENT - Savings options 2020/21

Savings Proposal	Comments	2020/21 £m	Is this relevant to Equality & Diversity?
A) BUSINESS AS USUAL			
Asset Rationalisation	Freeing up existing building capacity and reducing void management costs.	(0.20)	Y
Street Lighting LED Conversion	Continuation of the Street Lighting LED conversion scheme	(0.43)	Y
Other Operating Expenditure	Directorate wide review of other operating expenditure to identify reductions	(0.41)	Y
Advertising	Increase in external advertising income	(0.20)	N
Income	Mitigation of pay inflation via charging	(0.62)	N
Sub-Total Business As Usual		**(1.86)**	
B) SERVICE DELIVERY			
Strategic Investment Fund	Further acquisition of strategic investments to provide an income stream after borrowing	(0.75)	N
Planning	Increased fees and services for pre application enquiry services	(0.25)	N
Sub-Total Service Delivery		**(1.00)**	
C) WORKFORCE			
		0.00	N
Sub-Total Workforce		**0.00**	
D) SERVICE DELIVERY/WORKFORCE			
Highways	Increase in Site Development staffing resources to undertake chargeable external works	(0.25)	N
Sub-Total Service Delivery/Workforce		**(0.25)**	
E) SERVICE REVIEW			
		0.00	N
Sub-Total Service Review		**0.00**	
Total Savings Options - CITY DEVELOPMENT		**(3.11)**	

COMMUNITIES & ENVIRONMENT - Savings options 2020/21

Savings Proposal	Comments	2020/21 £m	Is this relevant to Equality & Diversity?
A) BUSINESS AS USUAL			
Staffing efficiencies	Increased vacancy factor across all services	(0.10)	Y
Operational expenditure	Review of operational expenditure across all services	(0.18)	Y
Welfare & Benefits postage costs	Reduction in printing and postage costs reflecting increased e-billing	(0.05)	Y
Registrars fee income	Reflects fee structure effective from January 2020	(0.03)	Y
Safer Leeds efficiencies	Further efficiency savings including maximising external income and staffing savings	(0.19)	Y
Woodhouse Lane Car Park	Increase commuter fee by 50p to £8.50	(0.10)	Y
Car Parking enforcement	Income in respect of fixed camera monitoring at Leeds Bradford Airport	(0.02)	N
Parks & Countryside - Tropical World	Additional income following development of Indoor Play area	(0.12)	Y
Waste Management	Waste disposal savings and other efficiencies	(3.10)	N
Waste Management - replacement bins	Inclusion of £5 delivery charge on replacement wheeled bins	(0.06)	Y
Elections	Review of cost of elections in line with schedule of elections	(0.40)	N
Sub-Total Business As Usual		**(4.35)**	
B) SERVICE DELIVERY			
Sub-Total Service Delivery		**0.00**	
C) WORKFORCE			
Waste Management staffing savings	Staffing savings reflecting a review of management structures	(0.05)	Y
Communities staffing savings	Staffing savings reflecting a review of management structures	(0.08)	Y
Customer Access/Welfare & Benefits staffing savings	Review of staffing arrangements across Customer Access, Council Tax and Benefits to reflect falling caseloads due to the migration of Housing Benefits to Universal Credit.	(0.20)	Y
Sub-Total Workforce		**(0.33)**	
D) SERVICE DELIVERY/WORKFORCE			
Sub-Total Service Delivery/Workforce		**0.00**	
E) SERVICE REVIEW			
Community Centres	Asset transfer savings and running cost efficiencies to reduce net cost of service	(0.10)	Y
Sub-Total Service Review		**(0.10)**	
Total Savings Options - COMMUNITIES & ENVIRONMENT		**(4.78)**	

RESOURCES AND HOUSING - Savings options 2020/21

Savings Proposal	Comments	2020/21 £m	Is this relevant to Equality & Diversity?
A) BUSINESS AS USUAL			
Shared Services & DIS	Mail and Print Review - Remove Printers; Reduce Printing volumes and investment in print unit equipment to reduce external spend	(0.54)	Y
DIS	Working with Health to deliver shared platforms and working together across City	(0.25)	N
DIS	"Breakfix" - reduce devices sent to external provider for repair	(0.06)	N
CEL - Facilities Management	Merrion House - review servicing meetings, refreshments offer & "develop Kiosk"	(0.10)	Y
CEL - Catering	Reduce reliance on meat based dishes	(0.04)	Y
CEL - Catering	Generate additional net income in Civic Flavour and Schools by winning contracts	(0.03)	N
CEL - Fleet	Generate additional external income from maintenance of other public sector vehicles	(0.21)	N
CEL - Fleet	Electric Fleet replacement & reduction in long term hire	(0.34)	N
Housing Management	Mainly Additional staff capitalisation (DFG)	(0.21)	N
Directorate Wide	Review of vacant posts and vacancy factors	(0.22)	Y
Directorate Wide	Review of line by line expenditure across all services	(0.33)	Y
Sub-Total Business As Usual		**(2.31)**	
B) SERVICE DELIVERY			
CEL	Bring LCC office waste disposal and voids in house	(0.08)	N
Sub-Total Service Delivery		**(0.08)**	
C) WORKFORCE			
Shared Services - Staffing	Automation of Invoice Processing within BSC & Admin review of servicing meetings	(0.35)	N
Sub-Total Workforce		**(0.35)**	
D) SERVICE DELIVERY/WORKFORCE			
		0.00	N
Sub-Total Service Delivery/Workforce		**0.00**	
E) SERVICE REVIEW			
		0.00	N
Sub-Total Service Review		**0.00**	
Total Savings Options - RESOURCES AND HOUSING		**(2.74)**	

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: Victoria Bradshaw	**Contact number: 88540**

1. Title: Initial Budget Proposals 2020/21
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 2020. The initial budget proposals report for 2020/21 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) Whilst the level of resources available to the Council has increased between 2019/20 and 2020/21 the initial budget proposals identify a savings requirement of £22.7m due to 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 2020/21 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 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 2020. There will also be further equality impact assessments on all key decisions as they go through the decision making process in 2020/21.

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**
Victoria Bradshaw	Chief Officer Financial Services	4th December 2019
Date screening completed		4th December 2019

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: 9th December 2019
For Delegated Decisions or Significant Operational Decisions – sent to appropriate **Directorate**	Date sent:
All other decisions – sent to equalityteam@leeds.gov.uk	Date sent:

APPENDIX 4

Capital Programme Review 2019/20 to 2028/29

Annual Programme Capital Review

	LCC RES 2019/20 £000,	LCC RES 2020/21 £000,	LCC RES 2021/22 £000,	LCC RES 2022/23 £000,	LCC RES 2023/24 £000,	LCC RES 2024/25 £000,	LCC RES 2025/26 £000,	LCC RES 2026/27 £000,	LCC RES 2027/28 £000,	LCC RES 2028/29 £000,	Total LCC RES £000,
Highways Maintenance			2,400	13,000	13,000	13,000	13,000	13,000	13,000	13,000	93,400
Highways Section 278				3,500	2,800	2,100	1,400	700			10,500
Highways Section 278 external contributions					700	1,400	2,100	2,800	3,500	3,500	14,000
Highways Maintenance Capitalisations				4,600	3,700	2,800	1,800	900	0	0	13,800
Corporate Property Management		1,201	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	13,201
Schools Capital Expenditure				3,500	2,800	2,100	1,400	700	0	0	10,500
Fire Risk Assessments			750	750							1,500
Demolition in year				1,000	1,000	1,000	1,000	1,000	1,000	1,000	7,000
General Refurbishment Schools				1,000	1,000	1,000	1,000	1,000	1,000	1,000	7,000
Library Books				700	600	400	300	100			2,100
Sports Maintenance				500	500	500	500	500	500	500	3,500
Adaptations - Disabled Facilities Grants				1,069	1,069	1,069	1,069	1,069	1,069	1,069	7,483
Adaptations - supported by external funding				6,449	6,449	6,449	6,449	6,449	6,449	6,449	45,143
Telecare ASC				600	600	600	600	600	600	600	4,200
Adaptation to Private Homes				470	470	470	470	470	470	470	3,290
Childrens centres				50	50	50	50	50	50	50	350
Essential Services Programme (USB)				4,210	3,400	2,500	1,700	800	0		12,610
Digital Development				5,000	5,000	5,000	5,000	5,000	5,000	5,000	35,000
Climate Emergency Woodland Creation		300	250	200	150	100	50				1,050
Climate Emergency Woodland Creation - supported by external funding		50	100	150	200	250	300	350	350	350	2,100
Project Support Fund - Groundwork				70	70	70	70	70	70	70	490
General Capitalisation			737	4,500	3,600	2,700	1,800	900	0	0	14,237
Vehicle Programme				2,079	1,700	1,200	800	400	0	0	6,179
Fin Dev Capital Programme Management				575	575	575	575	575	575	575	4,028
Capitalisation Interest				190	300	300	300	300	300	300	1,990
LCC Borrowing	0	1,501	5,637	49,063	43,884	39,034	34,384	29,634	25,134	25,134	253,407
External Funding	0	50	100	6,599	7,349	8,099	8,849	9,599	10,299	10,299	61,243
Total	0	1,551	5,737	55,662	51,233	47,133	43,233	39,233	35,433	35,433	314,650

Major Programme Capital Review

	LCC RES 2019/20 £000,	LCC RES 2020/21 £000,	LCC RES 2021/22 £000,	LCC RES 2022/23 £000,	LCC RES 2023/24 £000,	LCC RES 2024/25 £000,	LCC RES 2025/26 £000,	LCC RES 2026/27 £000,	LCC RES 2027/28 £000,	LCC RES 2028/29 £000,	Total LCC RES £000,
City Development											
Regent Street Flyover	3,000	10,400	8,900	700	0	0	0	0	0	0	23,000
Flood Risk Mgt	0	250	250	250	250	0	0	0	0	0	1,000
Regeneration Feasibility	0	150	100	100	100	0	0	0	0	0	450
Fearnville LC	250	2,024	12,154	0	0	0	0	0	0	0	14,428
City Square			250	250	0	0	0	0	0	0	500
Parklife now included	300	2,800	100	0	0	0	0	0	0	0	3,200
Chidrens and Families											
Childrens Home Refurb	0	500	500	500	0	0	0	0	0	0	1,500
Burley Park Childrens Centre	0	850	0	0	0	0	0	0	0	0	850
Resources and Housing											
Core Systems Review	500	829	0	0	0	0	0	0	0	0	1,329
Community and Environments											
Community Hubs year 3 Phase 3	0	1,350	1,380	0	0	0	0	0	0	0	2,730
Core Centre Infra Upgrade	0	330	170	0	0	0	0	0	0	0	500
Web & Insite Dev	0	303	315	134	52	0	0	0	0	0	804
Climate Emergency Woodland Creation	150	0	0	0	0	0	0	0	0	0	150
Cottingley cemetery expansion	600	0	0	0	0	0	0	0	0	0	600
Lawnswood Crematoria Replacement	0	1,000	0	0	0	0	0	0	0	0	1,000
Summary/Key											
Supported Bids	4,150	19,475	28,771	50,363	44,234	39,034	34,384	29,634	25,134	25,134	300,315
Supported with External Funding attached	0	50	100	6,599	7,349	8,099	8,849	9,599	10,299	10,299	61,243
Reprioritised from Existing Directorate Programme	500	1,329	500	500	0	0	0	0	0	0	2,829
Reprioritised to/from another Directorate Programme	150	1,483	485	134	52	0	0	0	0	0	2,304
Total Capital Review 2019/20 to 2028/29	4,800	22,337	29,856	57,596	51,635	47,133	43,233	39,233	35,433	35,433	366,691