



Report of the Director of Resources

Executive Board

Date: 15th December 2010

Subject: Initial Budget Proposals

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In
(Details contained in the report)

EXECUTIVE SUMMARY

In accordance with the Council's Budget and Policy Framework, this report sets out the Executive's initial budget proposals for 2011/12. These proposals have been developed within a funding envelope with an assumed level of government grant based upon the announcements within the Government's October 2010 Spending Review. At the time of writing, the local government finance settlement for 2011/12 is imminently expected and further information will be provided to the board when it becomes available.

The initial budget proposals contained within this report respond to forecast reductions in government grants which are unprecedented in their scale. It is clear that it will be difficult for the Council to maintain the current model of service delivery, and therefore a fundamental review of the organisation is required if the Council is to achieve its ambition of being the best City Council in the UK.

Subject to the agreement of the board, the initial budget proposals will be submitted to Scrutiny for their review and consideration.

1.0 Purpose Of This Report

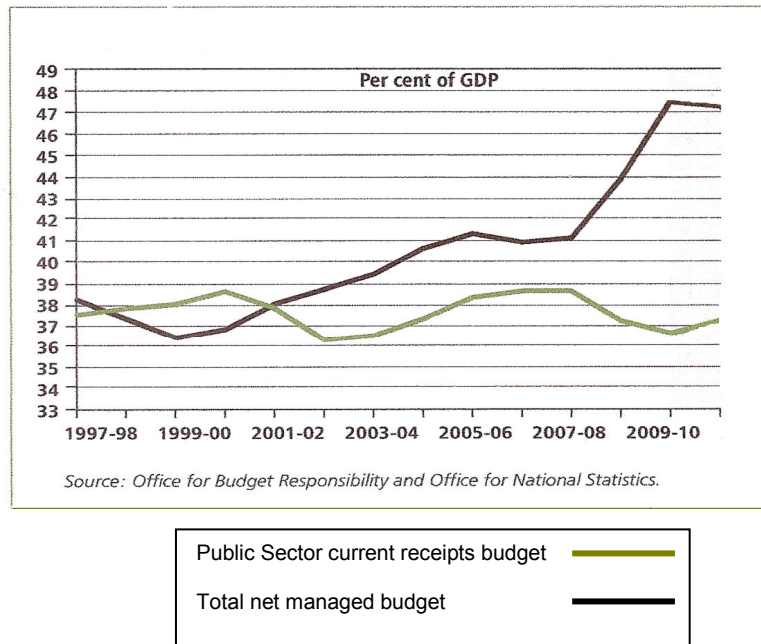
- 1.1 In accordance with the Council's constitution, the Executive is required to publish initial budget proposals two months prior to adoption by full Council which is scheduled for the 23rd February 2011. The purpose of this report is thus to publish initial budget proposals for 2011/12, in the context of the development of a new medium term financial strategy for the Council. The initial proposals for 2011/12 put forward in this report are based on a funding envelope including forecast reductions in government grants as indicated in the government's spending review announced in October 2010. The actual reduction in government grants for the Council will not be known until the local government finance settlement. At the time of writing, the settlement is imminently expected and details will be provided to the board as soon as they are available. Subject to the approval of the board, this report in accordance with the constitution 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 11th February 2011.
- 1.2 In accordance with the Council's Budget and Policy Framework, decisions as to the Council's budget are reserved to Council. As such, the recommendation at 13.1 is not subject to call in, as the budget is a matter that will ultimately be determined by Council, and this report is in compliance with the Council's constitution as to the publication of initial budget proposals two months prior to adoption.

2.0 National Context

- 2.1 The last decade saw a significant increase in Government spending with total government expenditure rising from £364 billion in 2000/01 (36.8% of GDP) to £669.3 billion in 2009/10 (47.7% of GDP). In addition, the "credit crunch" commencing in 2007 and the resulting economic recession, which lasted for six consecutive quarters, had a severe impact upon the health of the public finances. The Chancellor's 2009 budget report in April revealed the sharp increase in public spending and a severe reduction in tax revenues. On the spending side this was significantly impacted by the Government's financial stability package to provide support to the finance and banking sectors. Government borrowing in 2009/10 was £155.6 billion; this was higher than at any time since World War II and the public sector debt at the end of 2009/10 represented 53.9% of GDP. The annual deficit position is illustrated in the chart below:

Chart 1

Government receipts and expenditure

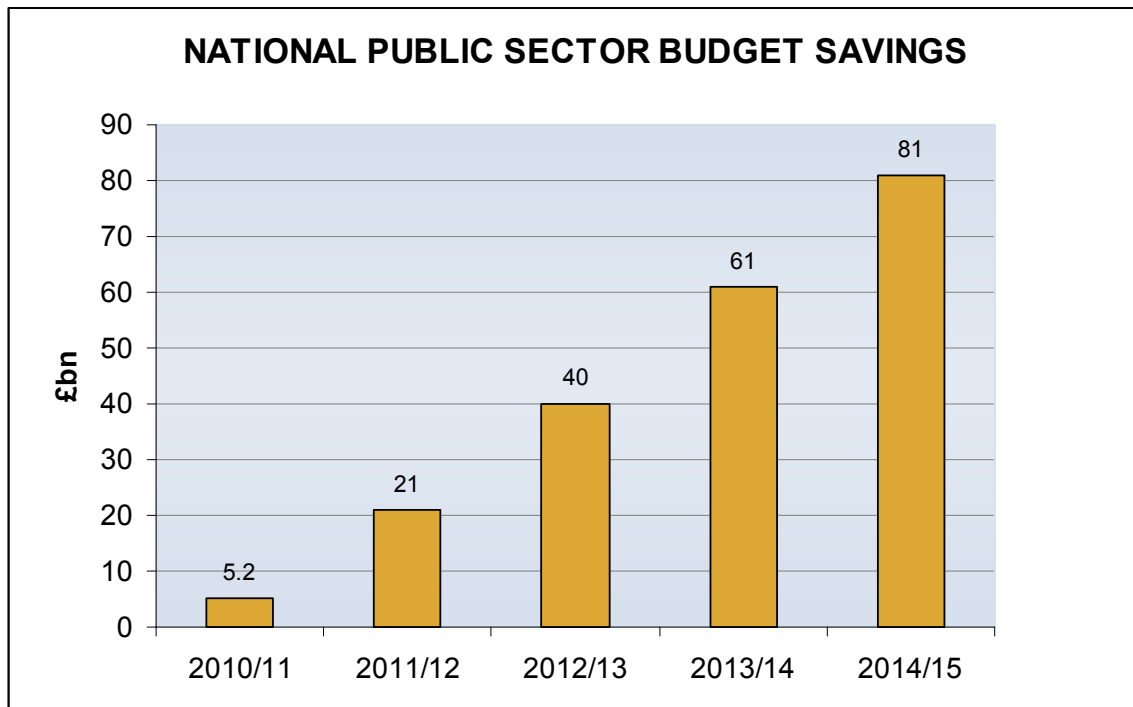


- 2.2 The new Government came into power in May 2010 and set out plans to reduce the UK's annual deficit, committing to accelerating the deficit reduction plans of the previous Government. As part of this plan, in year reductions in public spending of £6.2 billion were announced on the 10th June 2010, which included reductions in grants to local authorities totalling £1.166 billion. The Chancellor's emergency budget presented to Parliament on 22nd June 2010 set a target to eliminate the structured deficit by the end of 2015/16, which implied reducing the deficit by £128bn over five years, through a mixture of spending reductions (77%) and tax increases (net 23%).
- 2.3 At the same time, the Office of Budget Responsibility (OBR) also updated its forecast for GDP growth over the plan period to reflect this fiscal consolidation. It edged down its forecast to 1.2% (1.3% previously) in 2010 and 2.3% (2.6%) in 2011 with later years averaging 2.8% per annum. The Chancellor announced that he was continuing with the 2% target for inflation as measured by the Consumer Price Index (CPI). Whilst CPI is currently above target at 3.1% it is expected to return to trend during 2011 subject to the impact of the VAT increase from 17.5% to 20%. Public sector net debt is forecast to peak at 70.3% of GDP in 2013-14 before slowly falling back; it is likely to be many years before it returns to pre recession levels. The OBR's growth forecasts were subsequently altered in November 2010 to 1.8% for the current year, 2.1% in 2011 and 2.3% in 2012.

3.0 The Government's Spending Review

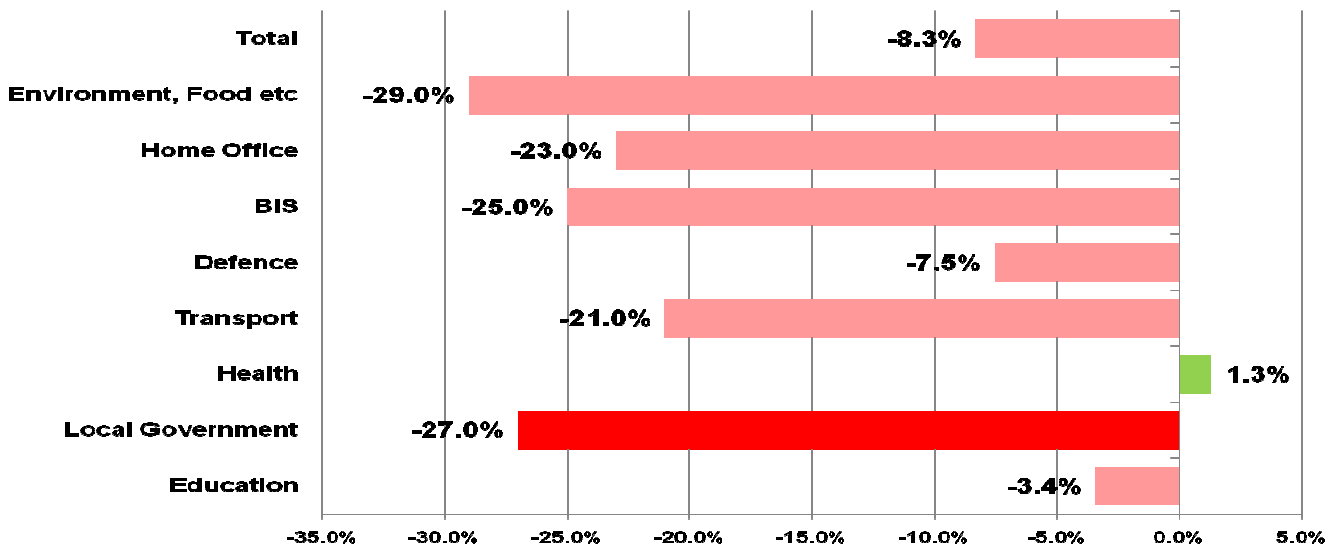
- 3.1 The Chancellor of the Exchequer published the Spending Review on the 20th October 2010 setting out expenditure plans for the next four years. A report was submitted to the Executive Board at its meeting on the 3rd November 2010, which set out the main implications for local government and Leeds City Council.
- 3.2 The review sets out plans to eliminate the structural deficit by the end of the current Parliament by reducing public expenditure by £81bn by 2014/15 as shown in the chart below:

Chart 2



3.3 Overall public spending is forecast to fall by 8.1%, but as illustrated in chart 3 below this varies significantly between Government departments:

Chart 3 Departmental Real Budget Change



Excluding Health and Overseas Aid which are protected, the average real terms reduction in departmental spending over the planning period is 19%.

3.4 On average, Central Government funding to Councils, police and fire is planned to decrease by 26% in real terms over four years which is at an average annual rate of 7.1% in real terms over the next 4 years. However, excluding Police and Fire, the reduction for Local Government is in excess of 28%, and as the table below shows, the reductions are significantly front loaded.

Table 1

National Funding	Base	Variation			
	2010/11 £bn	2011/12 £bn	2012/13 £bn	2013/14 £bn	2014/15 £bn
Local Government Funding	28.5	26.1	24.4	24.2	22.9
Real Terms reduction (%)		10.6%	8.3%	2.8%	7.2%

- 3.5 Most ring-fencing of grants is to be removed from 2011/12, and £4 billion of specific grants increasing to £4.5bn by 2014/15 will be rolled into Formula Grant, including extra funding announced of £1bn by 2014/15 for social care. Table 2 below provides details of these grants:

Table 2 Specific grants to be rolled into Formula Grant

	Baseline £m	2011/12 £m	2012-13 £m	2013/14 £m	2014/15 £m
Supporting People	1,636	1,625	1,620	1,620	1,590.2
Housing Strategy Older People	20	15.5	13.5	11.5	10.5
Race Equality	0.17	0.03	0.03	0.03	0.03
Economic Assessment	11.03	1.5	1.5	3	3
Open Source Planning	0	0	0	15	20
Fire	0	0	0	49.8	50.3
Concessionary Travel	223	224	204	208	212
Other Transport Revenue	112	79	72	80	83
Animal Health Enforce	8.5	4.8	4	3.2	2.4
Dept for Education (3)	114	109.3	83.2	70.5	66.3
Aids Support	25.5	27.7	30.3	33.1	36.2
Preserved Rights	235.4	228.9	221.7	215.1	209.8
Ongoing Social Services	752.3	767	784.4	805	826.3
Recycled Social Services	303	318.1	335.7	354.9	373.1
New Social Services	0	530	930	1000	1000
	3,440.9	3,930.8	4,300.3	4,469.1	4,483.1

- 3.6 After taking account of the above, there will be a remaining set of “Core Revenue Grants” which can be summarised as follows:

- Early Intervention Grant
- Public Health Grant (from 2013-14)
- Learning Disabilities
- New Homes Bonus
- Council Tax Freeze Grant
- Housing Benefit and Council Tax Benefit Administration Grant
- PFI Grant
- Dedicated Schools Grant
- Preventing Homelessness

- 3.7 Within the overall government funding announced for local government, £1bn is included by 2014/15 for social care referred to above; another £1bn for social care is to be provided from the Health budget.
- 3.8 Capital funding from Government to Councils will fall by around 45% over four years. The Government estimate that self-financed funding will fall by 17% and capital expenditure by 30%. In addition Government will guarantee a £200 million capitalisation fund in 2011/12 to support authorities that wish to deliver efficiency savings early through internal restructuring.
- 3.9 Overall Council budgets on average are estimated by the Government to decrease by 14% in real terms over four years allowing for the Office for Budget Responsibility's projections for increases in Council tax and for growth in the tax base.
- 3.10 The Government will provide funding for a one year Council tax freeze for 2011/12. Councils will be provided with funding to cover a 2.5% increase. If any authorities choose to increase Council tax, they would not receive any support from this scheme. This funding of £650m will be for each of the next four years to cover the resultant loss to the tax base. For any authority which chooses to increase its Council tax, the Secretary of State has indicated that capping powers would be used to curb any "excessive" increases.
- 3.11 A New Homes Bonus scheme is to be introduced. This will match fund the Council tax on every new home for each of the following six years, and the scheme will commence in the financial year 2011/12. Nationally £900m funding will be provided over four years. An initial estimate for Leeds suggests this might amount to about £2.7m in the first year, depending on the number of new dwellings built and how the scheme is structured.
- 3.12 Funding for 5 to 16 year olds through the dedicated schools grant is to be protected. There is a commitment that average cash per pupil will not fall and the base funding will increase by £1.1bn to allow for this. However, the minimum funding guarantee protecting funding per pupil at individual schools may allow the funding per pupil to decrease at individual schools.

In addition, a pupil premium worth £2.5bn per year by the end of the review period is to be introduced and paid directly to schools. The premium is designed to support the educational development of disadvantaged pupils and provide incentives for good schools to take on pupils from poorer backgrounds. The overall cash increase of £3.6 billion over the Review period provides a real-terms increase in 5 to 16 funding of 0.1% a year for each of the next 4 years.

Sure Start funding (worth £1.55 billion nationally) is to be protected in cash terms but refocused on early intervention for families who need the most support. Provision is to be made to extend the 15 hours of free nursery care a week for 3 and 4 year olds to disadvantaged 2 year olds.

4.0 Possible Grant Implications for Leeds

- 4.1 The figures per the Spending Review (SR) indicate a real terms reduction of 26% over the four years of the SR. In addition, the Government's proposed reductions, rather than being spread evenly, are to be frontloaded. Table 3 below provides a forecast of the real terms reduction in government grants to the Council, based upon an extrapolation of figures within the SR:

Table 3

Leeds Position	Base	Variation				
	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total £m
Government Grant	634.4					
Real terms change		- 77.2	- 47.0	- 15.1	- 40.0	- 179.3
Funding for Council Tax		6.7				6.7
New Homes Bonus		2.7	2.7	2.7	2.7	10.8
		566.6	522.3	509.9	472.6	
Reduction from previous year		- 67.8	- 44.3	- 12.4	- 37.3	

- 4.2 The Government's inflation assumptions over the period are 2.4% in 2011/12, 1.9% in 2012/13 and 2.0% in the final two years.
- 4.3 The above should be treated with caution, being a straight extrapolation of headline figures within the spending review, and does not take account of any distributional impacts such as the ending of the Working Neighbourhoods Fund which will not impact on Leeds' funding as we do not receive any, nor the transfer of specific grants to Formula Grant.
- 4.4 As noted earlier, at the time of writing, the local government finance settlement is imminently expected, and, when available, details will be provided to members of the board.

5.0 DEVELOPING THE COUNCIL'S BUDGET PLANS

- 5.1 It is clear that the Government's Spending Review and its reductions in grants presents a very significant financial challenge to the Council, which is without precedent in recent times. In addition to the substantial reduction in Government funding, the Council also faces significant cost pressures which will also need to be taken into account in setting budgets for the next four years. There are particularly acute cost pressures in both Adult Social Care and Children's Services, and in addition income continues to decline in both City Development and Environment and Neighbourhoods.
- 5.2 Our current forecast of reduced funding and spending pressures in cash terms over the next four years suggests that the Council will need to deliver savings in excess of £159m by 2014/15 and nearly £90m in 2011/12. In summary the position is as per table 4:

Table 4

	Reduced Funding £000s	Increased Spend £000s	Overall Shortfall £000s
2011/12	51,091	38,735	89,826
2012/13	76,293	50,801	127,094
2013/14	69,565	63,980	133,545
2014/15	87,546	72,062	159,608

- 5.3 Given the level of shortfalls in the Council's funding and cost pressures as illustrated above, the Council needs to develop a robust financial strategy covering the next four years. In doing so it needs to reflect the new financial environment, but equally it needs to also reflect the Council's ambitions. It will be difficult for the Council to maintain the current model of service delivery, and therefore a fundamental review of the organisation is required. All Council services will be affected by the scale of the financial challenge and the Council will be a very different organisation in four years time.
- 5.4 The city of Leeds has a new ambition to be not just the biggest in the North and the third largest in the country, but also to be the best city in the UK. If it is to achieve this ambition, Leeds City Council will need to be the best city Council in the UK, providing strong civic leadership to galvanise the private, public and third sectors. Leeds Initiative has served the city well as a partnership vehicle, but its structures are now being refocused and rationalised to meet this new challenge. The Council will need to enable the provision of excellent, personalised services delivered locally by the Council itself, or, if others are better placed to do so, the third sector, public agencies or the private sector. The Council will work to a new set of values in this new environment:
- Teamwork (leading the new city-wide partnership structures),
 - Openness (including the publication of all spending transactions over £500),
 - Diversity (reflecting the diversity of the population in its workforce, and responding to the needs of the whole city),
 - Citizen-focussed (through integrated locality working) and
 - Value for money (achieving £90m of efficiencies)
- 5.5 Attached at Appendix 1 is an overview of each directorate's initial budget proposals.
- 5.6 In developing the Council's financial plans, the priority is to ensure that resources are focused as much as possible on front line services to its customers. In that context these budget proposals are designed to achieve the level of cost reductions required whilst minimising the impact on services to customers. In order to support this, the following principles were agreed by Executive Board at its meeting of 3rd November:
- a) The Council should aim to achieve maximum financial benefit from procurement and commissioning. Procurement activities should be organised on a Council wide basis wherever possible.
 - b) The Council will develop locality based management arrangements where appropriate
 - c) Common business activities across the Council should be centralised and/or should be managed from a central point in the organisation where this can demonstrate better value for money.
 - d) Fees and charges should be set at a level to recover full cost, or set at a market rate. Where charges are not at full cost, the financial subsidy should be transparent and be justified in the achievement of outcomes for service users.
 - e) Provision of services should be by the most appropriate provider taking in to account value for money, quality of service, maturity of the market, in-house resilience, etc.

- f) Where specific grants are reduced, there should be no presumption that the service to which it relates will be reduced, however it will be necessary to demonstrate that it still represents a priority.
- g) Funding of external organisations should all be on the basis of service agreements and should take account of other public sector funders.
- h) Opportunities will be identified and pursued where appropriate, to provide services in collaboration with other local authorities, or other public organisations within the City and if appropriate beyond.
- i) Capital investment will be targeted at priorities. As a general principle, borrowing will only be used to fund projects which generate savings in excess of the cost of borrowing. Other capital investment should therefore be funded by external funding sources or receipts from the sale of assets.
- j) All proposed reductions will be subject to equality impact assessments, and we will ensure that there is a full understanding of the impact of any reductions upon the voluntary and community sector.

6.0 Initial budget proposals – 2011/12

6.1 Based on the grant settlement and spending projections the gap between our likely spend and our resources for 2011/12 is around **£90m** made up as follows:

Table 5

Funding Envelope	£m
Net spend before grants 2010/11	900.274
Formula Grant/Specific Grant:	- 61.974
Council Tax compensation	6.683
Tax Base/New Homes Bonus	4.200
Reduction in Funding	- 51.091
2011/12 spending target	849.183
Spend	£000s
Inflation: NI & Income	- 1.955
Demography:	
Adults	16.300
Children's	11.200
Waste Strategy	1.200
Loss of car parking income	1.000
Street Lighting	0.990
Debt	10.000
Sub-Total Pressures	40.690
Shortfall in government funding	51.091
Funding Gap	89.826

6.2 The key assumptions for 2011/12 are as follows:

- **Inflation of -£1.955m:** The initial proposals for the 2011/12 budget provide for no pay awards for staff in the year. Provision is made for the increase in employer's national insurance contributions announced in last year's budget. In addition it is assumed that income budgets will rise by 3% reflecting the current level of inflation. Despite cost inflation currently running at more than 3%, no provision will be made for inflation on running cost budgets, other than where there are specific contractual commitments.
- **Increased Spending commitments** – additional provision is made in the following areas of spend:
 - **Adult Social care**– These budget proposals provide for an additional £16.3m to provide funding towards the cost of the continuing demands of an ageing population, this also reflects the current year pressure on the community care budgets for residential nursing and domiciliary care. Additional provision is also included for the Council's contribution towards the learning disability pooled budgets, which as well as reflecting increasing numbers, also reflects the increasing of cases supported.
 - **Children's Social care**– The Council has prioritised improvements in services to young people and an additional £11.2m will be provided towards the cost of safeguarding vulnerable children in the city. These additional resources will fund additional external placements and the rise in the cost of fostering care reflecting the trends experienced in the current year.
 - **Waste Strategy**– The budget will provide for the additional cost of funding the Council's Waste Strategy including the roll out of food waste collection and also provides funding for the £8 per tonne increase in landfill tax from April 2011. In total this amounts to an additional £1.2m in 2011/12.
 - **Car parking income** – the current year has seen a significant decline in car parking income, which includes the loss of some car parking spaces. Accordingly the budget for 2011/12 will need to be adjusted to reflect this trend and to that end car parking income has been reduced by £1m in these initial proposals.
 - **Street Lighting PFI**– The five year investment in new street lighting across the city will be completed in 2011/12. The planned increase in unitary charge will increase the Council's costs by almost £1m.
 - **Capital Financing Costs** – Additional provision for the financing costs of existing capital commitments will be required in 2011/12. An increase of £10m will required assuming a continuation of the present low short term interest rates. Should rates begin to rise the Council will need to identify further funding.

6.3 It is proposed that for 2011/12, and in line with Government's expectation, that Council Tax is frozen which will mean that the Council will be compensated by the

Government for the equivalent of a 2.5% Council tax increase, which is £6.683m. On the basis of the Government's scheme, the Council will continue to receive this level of compensation for the loss of the increase in 2011/12 over the subsequent three years.

- 6.4 The delivery of £90m of savings in 2011/12 will be on a base budget of £1.1bn of spend less £200m of income. This excludes spending by schools and within the Housing Revenue Account. It also excludes Housing and Council Tax benefit which are largely met by specific Government Grant. As such the required savings represent around 10% of the Council's net spending. The £900m is summarised in the table below:

Table 6

	2010/11 £000s
Employees	441,760
Premises	78,878
Other Supplies & Services	273,233
Transport	34,630
Capital Charges	57,269
Payments to External Service Providers	222,117
Fees & Charges/Rents	- 207,613
Net Spend before grants	900,274
Funded by:	
Specific Grant	-330979
Formula Grant	-303444
Council Tax	-265851
Total funding	- 900,274

- 6.5 Delivering savings in excess of 10% in one year clearly represents a significant challenge. A number of policy options have been identified which will deliver savings over the period of the Comprehensive Spending Review, however in light of the front loading of grant reductions, consideration needs to be given to accelerating these options where possible. In addition it will be necessary to consider proposals which can deliver short term savings which over the planning period may be replaced as other longer term options take effect.
- 6.6 In the paragraphs below, the initial budget proposals are set out; in addition attached at Appendix 1 is an overview of the effect of these proposals within each directorate:
- 6.6.1 **Employees – current spend £442m.** – Employee expenditure represents almost 50% of the Council's relevant net expenditure of £900m. It is inevitable therefore that a substantial element of the £90m savings required will come from reducing staff costs. It is the view of officers that the maximum reduction which the Council can achieve in its staff costs in 2011/12 is approximately £30m. This saving of £30m can be saved based on the following assumptions:
- Maintaining the Council's current recruitment freeze into next year - taking account of the forecast staff savings achieved in 2010/11 and assuming a normal level of turnover in 2011/12, it is anticipated that the Council can save £6m from its current budget, provided that strict vacancy management control is maintained.

- Voluntary Early Retirement/Voluntary Severance -The Council has invited all staff to express an interest in accepting voluntary severance, early retirement or reductions in hours worked. The deadline for expressions of interest has now passed and based on an assumed level of acceptance of 75%, it is calculated that the Council would make a net saving of £20m in staffing costs next year. However this can only be achieved if the Council is successful in its application to capitalise redundancy costs; this is at the discretion of the Secretary of State for Communities and Local Government, and the Council will be informed of the decision by the 17th December. A negative response will seriously hamper our ability to set a balanced budget
- A reduction in the level of spend on agency workers will be targeted. There are many occasions when the use of agency workers is essential for the operation of services, to cover sickness, leave, etc, and in some cases may be financially beneficial. However in the present circumstances it is essential that this expenditure is reduced and therefore an exercise has been undertaken to reduce agency spend with immediate effect. This includes a review of the need for all agency workers and a renegotiation of the fees charged by agencies. It is anticipated that savings of at least £2m can be achieved in 2011/12.
- Superannuation costs - The West Yorkshire Pension Fund has undergone an actuarial review in 2010, the results of which will be reported soon. Early indications are that the rates for 2011/12 will at least stay the same and a reduction is possible.

The Council is making every effort to build a strong, strategic and proactive relationship with the trade unions during these challenging times and is working hard to fulfil its commitment to reduce staff numbers as far as possible without the need for compulsory redundancies. The extent of staff reductions set out in these initial budget proposals are considered to be the maximum achievable without compulsory redundancies. In the event that further reductions are needed, due to the timescales involved and the cost of redundancy payments it is unlikely that there would be significant savings achieved in 2011/12.

It is therefore concluded that the Council's budget plans for next year will include a reduction of £30m in staffing budgets, which is the maximum which can reasonably be achieved. Inevitably this approach will mean that staff will leave the authority from across the whole range of services and it will be necessary therefore to manage this very carefully and make arrangements to retrain and redeploy staff where appropriate. The final budget proposals to Council on 23rd February 2011 will need to include details of how this will be effected across the Council whilst ensuring staffing levels are maintained in priority services through careful workforce planning. These proposals will also encompass a review of senior management costs, in respect of which a 20% reduction will be targeted over the next 4 years. Significant staffing reductions of around 16% over the next four years will be targeted from most support service functions across the Council and a 10% reduction from the integration of Education Leeds and Children's Services will also be targeted for delivery in 2011/12.

6.6.2 Premises – current spend £79m – The initial budget proposals anticipate a reduction in premises costs of £5m. It proposed that savings of £1m can be achieved through restricting building maintenance to essential/health and safety work only; this can only be a short term measure, and reducing our building stock will enable savings to be consolidated in the future. Further savings will be achieved through targeting energy consumption. The Council currently holds a number of buildings which are currently empty but incurring costs including business rates and security;

disposal of these buildings where possible, will generate savings in 2011/12. The Council needs to reduce the number of buildings we occupy, whether this is administrative buildings or customer facing facilities. Overall the Council has more buildings than it can afford to run. A number of policy options are under consideration in Adult Social Care which will change the way services are provided in the future; this will result in the closure of some residential homes and day centres. Similarly a review of the library service is expected to lead to the closure of some libraries. The current level of sports provision will also need to be reviewed. Detailed proposals for reducing our building stock needs to be shared with the Council's partners in order to develop a cross city approach to provision. The Council aims to identify opportunities to share buildings within the Council and with partners where this can be achieved.

The Council is also considering measures to reduce the cost of street lighting by turning off some street lights beyond midnight. Options for dimming street lights in certain instances will also be considered.

A review is being undertaken to consider options to delay some highways expenditure from 2011/12 into 2012/13, whilst prioritising work on the fabric of the roads. This proposal needs to be considered together with the level of highways capital spend including resources provided directly by the Council and those provided through the Local Transport Plan allocation.

6.6.3 Other Supplies and Services – current spend £273m - this is a large and significant area of spend. In addition to the cash limiting of these budgets, as set out in paragraph 6.2 above, savings of at least £10m to £15m from procurement activity will be targeted and budgets will be adjusted accordingly. Savings already identified against this target include a £1.2m reduction in the cost of landfill contracts which have been recently re-let.

These procurement savings are anticipated to be achieved through:

- Contract renewals and renegotiations;
- Strict adherence to corporate contract arrangements;
- Further contracts put in place where they do not currently exist; and
- Minimising the number of officers with the authority to commit the Council to further spending, including challenging the need to spend at all.

The Council values its partnership with the Third Sector. The Third Sector provides many important services which are complementary to the Council's objectives, and this partnership continues to be essential into the future. However, in the context of strict financial constraints, the Council will in consultation with Third Sector representatives, review grant arrangements which are currently in place to ensure that they properly reflect the Council's priorities and represent value for money. On similar lines the Council will also review the level of support it provides to major arts organisations in the city.

6.6.4 Transport – current spend £35m. - The Council aims to reduce the cost of transport in 2011/12 by £3m. Deferring the replacement of vehicles will generate savings of almost £700k net of the additional cost of maintenance, and further savings can be delivered through efficiencies in the provision of transport in adults and children's social care. Further savings can be generated through the amalgamation of the parks vehicle maintenance function with the rest of the Council's vehicle maintenance service.

6.6.5 Capital Charges – current spend £57m – It is currently estimated that as a minimum capital financing costs will increase by around £10m in 2011/12 in order to deal with existing capital commitments. This still assumes we continue with our strategy of keeping new borrowing on short term to take advantage of low rates. The budget proposals target a reduction in this increase next year by £5m. This will need to be achieved through a combination of:

- A rigorous review of the capital programme beyond the extent of the current review and restricting further capital commitments;
- Funding new commitments through selling assets; and/or,
- Using asset sales to repay debt.

6.6.6 Payments to other providers – current spend £222m - this is a significant category of spend and relates in large part to social care. The initial budget proposes that these costs will be reduced by £10m. The achievement of this will be through better procurement activity and better partnership working with the Health Service. Procurement activity will be particularly targeted at reducing the cost of expensive external placements of looked after children and vulnerable adults. Funding is set aside in the health service in 2011/12 to improve the system of health and social care, and the Council will work very closely with health partners to ensure that services are provided in the most effective and efficient way.

Executive Board received a report in November which set out proposals to change the way in which home care is provided in the city. The Council currently provides 36% of home care services whilst the independent sector provides 64% of services; a more cost effective provision could be achieved if a larger proportion was undertaken by the independent sector. The initial budget proposals identify a target of £0.4m to be achieved in 2011/12, with greater savings achievable in subsequent years.

6.6.7 Income – current level £208m – As referred to in paragraph 6.2 above, the base budget forecast assumes that income budgets will rise by 3% including the effect of increases in prices. In addition it is proposed that further income generating opportunities are identified either through higher than inflation increases where the market allows or through new income sources. It is anticipated that the Council can generate an additional £6.3m in this way. The main areas where this may be achieved are as follows:

- Charges for events - £0.5m (achieved either through charging or reducing the number of events);
- Reducing or eliminating subsidies across a range of services, including adult social care;
- Introduction of penalty charges for unauthorised use of bus lane; etc.
- Full cost recovery of services traded with schools.

6.6.8 Specific Grants - although the full impact and incidence of cuts in specific grants cannot be accurately assessed until the Local Government Finance Settlement is announced, there are some immediate areas where savings can be made including:

- Replicating the reductions in spend arising from the 2010/11 in-year grant reductions. Reductions implemented in 2010/11 will continue into 2011/12.
- Stopping school improvement activities where the grant has been withdrawn/reduced

- 6.9 By their nature the initial budget proposals contained in this report are those that are either significant by their scale or have implications for council policy or service delivery. Within directorates, there will be further spending pressures that directorates will need to contain.
- 7.0 Housing Revenue Account (HRA)**
- 7.1 The HRA includes all the expenditure and income incurred in managing the Council's housing stock, and, in accordance with Government legislation operates as a ring fenced account. The funding of the HRA is different to the way in which the rest of the Council's services are funded, with costs currently being met from rental income and HRA Subsidy.
- 7.2 The Council is currently undertaking a review of options for the future service delivery and investment in its housing stock. A key driver for this is that the Council will have insufficient resources to deliver investment needed over the next 30 years. This shortfall is estimated to be in the region of £1,767m. The recommended option of the review is for a continuation of the three ALMO/BITMO model with the establishment of a Shared Service Centre and a Strategic Governance Board.
- 7.3 The Government in October 2010 announced its intention to replace the existing HRA Subsidy system with a reformed system of Council housing finance. Under the proposals, Councils will be able to keep their rental income to fund the delivery of housing services and maintain their housing stock, subject to a one off debt settlement. The HRA will continue to operate as a ring fenced account and Councils will still be required to follow the Government's rent convergence policy with convergence assumed by 2015/16.
- 7.4 The impact of these reforms on the Council will not be known until November 2011 when the Government plans to consult on the proposed HRA reform settlements for each local authority. However, modelling undertaken to date indicates that if the HRA Subsidy system were to continue, the Council's HRA reserves would fall below required levels from 2019/20.
- 7.5 It is the Government's intention to implement the new system from 2012/13 with the existing HRA subsidy system remaining in place until then.
- 7.6 The Council's HRA budget for 2011/12 will therefore be the last budget to include HRA Subsidy. The draft HRA Subsidy Determination for 2011/12 has recently been issued for consultation by the Government. This is based upon rent convergence by 2015/16 and assumes the Council's rents will increase by a minimum of 6.8% in 2011/12. In previous years the Council has applied the Government's guideline rent increase to tenants. To do otherwise would be to financially disadvantage the Council since the Government assumes that the Council is applying this level of increase and the reallocation of resources between Government and the Council through Housing Subsidy reflects this assumption.
- 7.7 Other key factors within the draft Subsidy Determination are a 2% increase in Management Allowances, no increase in Maintenance Allowances and a reduction of £9 per property in the Major Repairs Allowance (MRA), which equates to a reduction in MRA resources of £698k for 2011/12.

- 7.8 The draft Determination includes ongoing grant for the Swarcliffe PFI scheme. However, grant support for the Little London, Beeston & Holbeck PFI scheme, due to start in 2011/12 will only be received subject to the project becoming operational.
- 7.9 Work is continuing on the Lifetime Homes PFI, but at present it is unclear whether this project will go ahead in light of the Government's spending plans.

8.0 Risks

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

- Reductions in government grants are greater than anticipated. Grant figures for the Council for 2013/14 and 2014/15 will not be known until later in the planning period.
- Inflation and pay awards could be greater than anticipated.
- Other sources of income and funding could continue to decline.
- Demand pressures in Adult Social care and Children's services could be greater than anticipated.
- Unplanned or unanticipated impact upon the delivery of services.
- The delivery of savings from the Council's transformation agenda and other saving options could be delayed or less than anticipated.
- Changes in interest rates could impact upon capital financing charges.
- Asset sales could be delayed requiring the Council to borrow more to fund investment.
- Reductions in staffing numbers from early leaver initiatives and natural turnover could be less than anticipated.
- Failure to understand and respond to the equality impact assessment.

8.2 A full risk register of all budget risks in accordance with current practice will be maintained and will be subject to quarterly review. Given the scale of the challenge it is proposed that from 2011/12 budget monitoring reports are submitted to the each meeting of the Executive Board, with significant and new risks being reported to the board on a quarterly basis. In addition, saving options will be monitored through the Resources and Performance Board, with any slippage being included in the regular reports to the Executive Board.

9.0 Consultation

9.1 The board at its meeting on the 3rd November 2010, agreed an approach to stakeholder consultation. Resident consultation on the spending challenge has now commenced which will run until the 17th December 2010. The results of the public consultation will be reported to the January 2011 meeting of the board, but it is possible to provide some initial analysis of responses up to the end of November. The survey provides residents with information that sets out the challenges the Council faces and potential actions in the following themes:

- Protecting and supporting young people
- Supporting older and disabled people
- Clean and safe neighbourhoods
- Economy, jobs and culture.

- 9.2 Residents are invited to rate the importance of a range of priorities and proposed actions in each theme. They can also suggest their own priorities for the Council, and what the Council could do less of, more of, stop completely or charge (more) for. It needs to be appreciated that the interim results described below may not reflect the final results:

The four themes

- Overall, ‘protecting and supporting young people’ and ‘supporting older and disabled people’ are seen as the two most important themes (both 90% very important or important).

Our principles

- ‘Prioritising front-line services for vulnerable people above everything else’ is seen as the most important principle (84% very important or important)

The following aspects of plans in each area are seen as most important:

Limiting the impact on front-line services

- ‘Making better use of buildings even if that meant services had to move’ (88% very important or important)
- Prioritising investment in services for vulnerable people (77% very important or important)

Protecting and supporting children and young people

- Bring services together where it is practical and makes better use of buildings (87% very important or important)
- Focus services at those with the greatest need (84% very important or important)

Supporting older and disabled people

- Help people stay in their own homes for as long as possible (89% very important or important)

Clean and safe neighbourhoods

- Expect more people to take responsibility for their own actions (90% very important or important)
- Prioritise our resources to tackle the worst anti-social behaviour (90% very important or important)

Economy, jobs and culture

- We work to get local jobs, for local people (84% very important or important)

- 9.3 Consultation is an ongoing process. Consultation has already taken place with representatives from the Third Sector and further consultation will take place, with, for example, the Youth Council and the Business sector prior to the finalisation of the budget in February 2011

10.0 Equality Impact Assessment

- 10.1 The council is fully committed to assessing and understanding the impact of its decisions on equality and diversity issues. We are currently assessed as “working towards excellent” under the national Equality Framework and are hoping to achieve the “Excellence” standard in April 2011. As part of this work, we have recently reviewed our equality impact assessment processes and have particularly promoted

the importance of the process when taking forward key policy or budgetary changes. Indeed, the report to members of Executive Board earlier in the year dealing with in-year budget reductions emphasised the importance of the equality impact assessment process and included a high level assessment of the reductions being progressed at that time. Since then, the council has launched a refreshed equality assessment process which includes a new screening process which helps determine whether a full impact assessment is required to be undertaken.

- 10.2 The initial budget proposals contained within this report have, where appropriate, been the subject of the council's equality impact assessment process. For more developed proposals, this will be a full equality impact assessment, for many others, the screening process will have been undertaken to understand the significance of any potential impact on equality considerations, which then determines whether a full equality impact assessment is required.
- 10.3 As a consequence of these being initial budget proposals, this paper provides an overview of the type of issues arising from equality impact assessments and screening assessments undertaken to date. More detail on specific proposals/issues will be available should this be required, however, for the benefit of this report, the following themes are identified.
- 10.4 Where funding is being reduced or where reviews affect services to vulnerable people, it will be necessary to do a full equality impact assessment to understand the full impact of such proposals and identify actions that can be taken to mitigate the impact of reduced funding.
- 10.5 Where increased fees and charges are being considered an assessment will need to be undertaken to assess the relevant impact on vulnerable groups (e.g. low income families) and what actions could be taken to mitigate such impact.
- 10.6 Some changes will involve changing the way citizens access some council services and in progressing such developments consideration will need to be given to ensure that hard to reach groups continue to be able to access essential services.
- 10.7 A significant proportion of our expenditure is targeted at supporting vulnerable adults and children and young people. As a consequence of the scale of such expenditure and, therefore, the reductions that need to be made, careful consideration will be given to the impact on vulnerable adults and children. Indeed, a theme of our proposed budget reductions involves more targeted support to vulnerable adults and children which should assist in mitigating the impact on those most vulnerable in society.
- 10.8 In developing proposals to respond to the challenging financial climate, it is inevitable that we will need to rationalise facilities and reduce or remove subsidies in certain areas. Detailed equality impact assessments will be undertaken on individual proposals of this nature. Careful consideration will need to be given to the accessibility of revised facilities both in a geographic sense and a personal finance sense.
- 10.9 Plainly, the nature of the budget proposals is such that many will inevitably have staffing implications. Such proposals will be subject, where appropriate, to full equality impact assessments with particular consideration being given to workforce representation issues and where relocation is required, the particular impact on disabled access and the need for reasonable adjustments.

11.0 Implications for Council Policy and Governance

- 11.1 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 meeting of this board at which proposals for the 2011/12 budget will be considered prior to submission to full Council on the 23rd February 2011.
- 11.2 The initial budget proposals will, if implemented, have significant implications for Council policy and governance and these are explained within the report. Many of the proposals will also be subject to separate consultation and decision making processes, which will operate within their own defined timetables and managed by individual directorates.

12.0 Conclusions

- 12.1 The government's Spending Review and resulting grant settlement will mean that the Council will need to operate within a more tightly constrained funding envelope than previously. This is at a time when many of the services provided by the Council face significant demand pressures now and into the future. The new financial environment will force the Council to review all its services and transform how it delivers many of them; nevertheless, the role of the Council will remain crucial in supporting communities across the City, and in particular those who are disadvantaged. The medium term financial strategy will be designed to provide an overall financial framework to ensure that the Council's key priorities can be supported within the available funding over the planning period, and to inform the delivery of the Council's annual budget.
- 12.2 The draft proposals set out in this document for 2011/12, subject to the finalisation of the detailed proposals in February, will, if delivered, reduce the Council's spend by the required £89.8m, and all things being equal will ensure the Council's financial stability. It is imperative that members understand the need to make clear and timely decisions which will deliver the level of savings required in 2011/12 and leave the Council in a strong enough financial position to go into 2012/13. However delays in making decisions, or slippage in the delivery of actions agreed could seriously threaten the Council's financial position. It is important that members are fully aware of the potential consequences to the authority if this should happen. Section 114 of the Local Government Finance Act 1988 sets out that where the Council's expenditure is likely to exceed its resources, the Responsible Financial Officer appointed under Section 151 of the Local Government Act 1972 (in Leeds, this is the Director of Resources) is obliged to issue a notice in the form of a report to all members of Council, copied to the Council's External Auditor, which requires members to agree appropriate actions within 21 days to bring the Council's financial position back into balance. The issue of a Section 114 notice is a very significant step and has serious operational implications. From the date on which the notice is issued the Council is prevented from entering into any further financial commitments until the appropriate actions are agreed.
- 12.3 This report has highlighted the extent of the financial challenge facing local government over the next four years, and in particular the front loading of the grant reductions in 2011/12 and 2012/13. This, along with the considerable pressure on the Council's resources through many demand led services, gives rise to the need for careful budgeting and robust action planning. The challenge of reducing spending by

£90m is enormous, and it should be borne in mind that a further reduction will be required for 2012/13. The current level of reserves is low and this can only be justified if the Council's budget plans are sufficiently realistic and deliverable. No reliance can therefore be placed on the use of reserves and should the identified savings not be delivered alternative savings options would be needed.

13.0 Recommendations

- 13.1 The Executive Board are asked to agree this report as the initial budget proposals and for them to be submitted to Scrutiny.

BACKGROUND PAPERS

Spending Review 2010, HM Treasury, October 2010 (Cm 7942)

Executive Board report 3RD November 2010 : GOVERNMENT SPENDING REVIEW 2010

Consultation http://www.leeds.gov.uk/About_Leeds/Spending_challenge.aspx

Adults Social Care

The vision for Adult Social Services is to ensure those most vulnerable in Leeds are supported in local communities and have access to personalised services enabling them to live healthy, safe and independent lives.

Our vision is for a community based approach for everyone, with an emphasis on health and wellbeing, living safely at home for as long as possible and making the fullest use of universal services in local communities. Adult Social Care will bring together, health, wellbeing and social care, supporting preventive services to avoid hospital admission or the need for residential care.

Increasingly social care services, when they are needed, will be provided through personal budgets or direct payments. We will ensure people have good information and support to find the care they need. The local authority will continue to provide assessment and where appropriate, early intervention services for those in crisis. Other services will be provided in partnership with the Health Service and/or by the Voluntary and Independent Sector. We will support the social care sector in Leeds through effective commissioning and quality assurance. Ensuring the Safeguarding of adults will continue to be a key priority.

Adult Social Care has a statutory duty to assess people's needs and, where their needs meet the Council's Fair Access to Care Services criteria, to ensure that services are available to meet those needs. Demographic factors form a key element of the strategic context for Adult Social Care. People are living longer and with higher levels of need. This has been evident in learning disability services for some time and for older people the average cost of care packages to support people living at home has increased.

To deliver the vision within the financial and service context will require a radical review of how Adult Social Care services are delivered across the city. Over the next five years the service provided directly by the Council will become smaller, more specialised and be delivered in partnership with the both the NHS and a range of other partners. Adult Social Care will need to continue to commission efficient and effective preventative services, but the means of delivery will need to change. In the future there will be much closer working with the voluntary and independent sectors in ensuring that these services deliver efficient and effective outcomes for vulnerable people in Leeds.

To ensure that people can maximize the benefits from exercising a greater level of choice and control over how their needs are met, and to ensure the best use of resources, will require a reduction in the services delivered directly by the Council and an increase in those provided by the independent and voluntary sectors, including those services procured through the use of personal budgets. This will apply particularly to residential and home care services, but also to day care services. The directly provided residential and day care services will also need to respond to reduced demand. Within the residential care sector an increased supply in recent years of new care homes with the most modern facilities have affected demand for Council run homes. There is significant over-capacity within older people's day care and increasingly people are likely to choose other more flexible ways of meeting their needs. The learning disability day care service is reconfiguring to provide smaller more localised bases and a greater focus on outreach services. Within mental health day services there is scope to work more effectively in partnership with the health and voluntary sectors which will reduce the requirement for Council-run day centres.

Based on these drivers, in 2011/12 the Council is likely to close 4 residential homes, rising to 13 by 2014/15. Eight day centre closures are anticipated in 2011/12, 4 for older people, 3 for people with learning disabilities and one for people with mental health problems. By 2014/15 it is expected that 16 centres will have closed, 10 for older people, 4 for people with learning disabilities and two for people with mental health needs. The reduction in day centre provision will have some impact on the level of transport provided and it may be appropriate to review the policy for customer transport to ensure that those people who are able to access services independently do so. The directly-provided home care service is expected to reduce by around 150 full-time equivalent staff by early 2011/12 and work is ongoing to develop future options for the service. There will be reduced staffing levels associated with these service changes as well as some savings in running expenses. The service has significant experience in working with individuals to ensure continuity of care and arrangement of equivalent alternative service. Special attention is given to respect the choices of individuals and their carers and maintaining friendship and support networks. It is acknowledged that this will mean change for some people in receipt of social care but it will also enable continuity of care in the current economic environment. Major consultation on these changes will commence from January.

There will be a major focus in 2011/12 on contract spend within Adult Social Care. The majority of savings will be delivered through managing inflation, efficiencies and cost reductions on major contracts, but smaller grants and contracts that are predominantly with the voluntary sector will also be reviewed. Efficiencies will also be targeted across general running expenses within the directorate. For 2011/12 a review of income will take place to reduce or remove the subsidy within the current charges. This will predominantly affect the home care, supported living, day care, transport and meals services.

The proposals outlined above will be subject to appropriate consultation and equality impact assessments. They will enable the Council to focus on influencing the solutions to the strategic challenges that the Health and Social Care system in Leeds now faces. At the forefront of these challenges is ensuring that we best meet the needs of vulnerable adults within the city through the commissioning and delivery of services in partnership with the Health, Independent and Voluntary Sectors.

Children's Services

There are 180,000 children in Leeds aged under 19 and the Council has a statutory responsibility and a duty to safeguard and promote welfare of these children and young people. We will develop a simpler, clearer children and young people's plan for Leeds, centred around an ambition to make Leeds a 'child friendly city', built around a collective commitment to put the child at the heart. There will be five clear outcomes: ensuring all children and young people are safe from harm, do well in learning and develop skills for life, choose healthy lifestyles, have fun growing up and are active citizens who feel they have voice and influence.

Given the continued demand pressures for our social care services – through referrals, the child protection system and Looked After Children – we must change the nature of some of the services we deliver. The current trend is not sustainable. We have to do this in a way that is safe, in partnership, and close to the community. We will look at radical ways to bring together the best of statutory and voluntary sector partners in localities and shaping more services around our schools, youth hubs and children's centres.

The creation of the new directorate is providing a critical opportunity to review the whole Children's Services budget to support the 2011/12 budget strategy and developing medium-term financial plan. Through our service and financial planning processes we are re-basing and re-prioritising all budgets whilst recognising the need to continue to invest in preventative and early intervention and to really target support & resources to the children & families who need it most.

Recognising the corporate budget principles, we are reviewing income through fees and charges, seeking to rationalise our use of premises, identifying savings across all supplies & services budgets and reducing our use of agency staff. In addition, we are using our commissioning processes to review and challenge services to deliver efficiencies and savings whilst also improving outcomes for children and young people. There are already a number of services that are commissioned from external partners and we will look for more opportunities to market test areas of service currently provided by the local authority where this would improve quality and cost effectiveness.

In line with council expectations, developing a new integrated directorate from the current arrangements with children's services and Education Leeds will mean a fundamental re-shape of leadership/management and business support functions leading to significant budget savings.

With regard to Integrated Youth Support Services specifically, the future of service delivery lies in radically changing and integrating youth work and targeted youth support so that they are delivered in localities through partnerships between the statutory, private and voluntary sector. This allows infrastructure and management costs to be shared to ensure that maximum services are delivered directly to young people for less cost.

In addition, there is a requirement to review the provision of educational support for young people/adults with learning disabilities at VINE. The current financial model is not sustainable in the medium-term with the current funding reducing significantly from August 2011. An options report, including an equality impact assessment, will be brought to Executive Board for decision in February 2011.

In line with the corporate review of transport, there is a need to fundamentally review all transport related policies and provision across Children's Services – from transport for looked after children through to Home to School transport.

School Improvement services are currently supported by significant levels of grant. Recognising the probability that these grants will be cut substantially over the next few years, savings of at least £2.5m are expected to be made for 2011/12 through managing staff reductions and trading with schools. Discussions are ongoing with schools about the scope of the traded offer to minimise financial risk.

City Development

The City Development Directorate has a lead responsibility in the Council for the economic, physical and cultural development of Leeds. Over the next 3 to 4 years the Directorate's focus will be maintaining Leeds' ongoing development as a regional, economic and cultural capital and facilitating its economic recovery.

Staffing comprises by the far the largest element of the directorate's net managed budget at 47.5% and proposals to reduce staffing form a major part of the budget strategy. Several major staffing restructures have taken place in the previous two years, mainly as a direct response to the economic recession and consequent loss of income and the 2011/12 budget proposals include provision for further staffing reviews, including consultation over the cessation of the in house Architectural Design Service currently taking place. It is also anticipated that a significant number of staff will leave the directorate at the end of 2010/11 and in early 2011/12 as a result of the corporate Early Leaver Initiative. The directorate aims to maximise the number of staff leaving through this initiative and in most service areas this will mean that there will need to be a remodelling of services partly based on the number of staff remaining. This will include a review of destination marketing activity and links with the private sector. The planned reduction in staffing will also link closely with the strategy to review the number of buildings and facilities that the directorate currently provides. Across the directorate it is anticipated that staff numbers will be reduced by approximately 10% in 2011/12 or between 250 and 300 FTEs.

Another significant cost in the directorate is the number of facilities and buildings that are currently operated. The budget proposals for 2011/12 continue with initiatives which are included in the revenue budget 2010/11, and this includes a review of the 10 year Vision for Council leisure centres, as approved by Executive Board. Proposals include the possible transfer to community ownership or closure of up to 3 additional sport centres and or swimming pools. It is proposed to review library provision in response to the public consultation and there will also be a review of Museum and Galleries provision, both of these reviews will include opening hours, staffing levels and provision.

Running costs and the level of subsidies across all services will be reviewed. Major proposals for savings include ending the Council's contribution to the 'free' city bus; reducing discretionary budgets across the directorate; reductions in ancillary farming activities at Temple Newsam and reviewing the level of total revenue and capital spend on highway maintenance with a proposed reduction of £1.5m in the highway maintenance revenue budget. A 10% reduction to the budget for grants to arts bodies and other organisations currently supported by the directorate is also proposed. Savings are also anticipated on street lighting through lighting efficiencies which will be achieved through various options currently being developed and presented to members.

The economic recession has resulted in £7m worth of downward trends of income over the last two years, and the budget for 2011/12 does not anticipate significant increases in external income, such as from planning and building fees. It is anticipated that on average fees and charges will be increased by 3% although the budget does provided for above inflation increases in charges in sport and cemeteries and crematoria where the market will bear the increase. A review of the Events programme is proposed, to look at the number of events, cost, and possibilities for charging at certain events. The directorate will also look to identify opportunities to increase income from advertising.

Environment & Neighbourhoods

The immediate priorities for the department are ensuring that the city is safe and clean, that it helps people meet their housing needs and assists people to find work. These priorities sit in a longer term context of promoting a sustainable approach to the environment and regenerating the most disadvantaged areas of this city. The budget proposals are designed to protect services and initiatives which advance these priorities. The proposals focus on eliminating duplication and improving collaboration with partners to make our joint resources go further.

Directorate wide proposals

A rationalisation (25%) of the JNC structure seeks to consolidate strategic and commissioning functions within the Department and respond to a locality based agenda. This move is important both in providing a new shape to the department but also to protect front line delivery

A review of staff engaged in strategy and performance functions, together with a review of administrative functions, has identified £0.5m. These savings are in advance of any DECATS work.

Environmental Services

The Council is committed to delivering a minimum of 50% recycling by 2014, not only as an environmental objective, but as a commitment within the PFI contract – there is a clear strategy to achieve this. A recent retendering of the landfill contract is offering a recycling boost of 4% points through pre screening of materials, as well as a £1m saving. This will enable the Council to make progress next year towards 50% without some of the service developments planned.

In 2011/12, the full year effect of the Refuse change programme will deliver further efficiencies of £0.4m, above the £1.6m in this year's budget.

In the area of enforcement, the Council has been adversely affected by reductions in external funding, with money for neighbourhood wardens and environmental enforcement officers disappearing. The Council puts considerable mainstream resources, however, into PCSO's, whose role, if redefined, could help tackle some of the shortfalls. By redefining the roles of PCSOs there is opportunity to consider a total place solution which jointly utilises our resources to best tackle enforcement within an area, relieving a £500k pressure.

This year, with a fall off in demand, the drop in car parking income represents a serious threat to the Council's budget. The closure of a number of car parks to support development opportunities in the city is recognised as a pressure. Fines for those entering the bus lanes in the city centre are due to be introduced in the New Year. The wider application of bus lane enforcement is under consideration. The motivation to introduce penalties is to impact on behaviour but its wider introduction could have an income revenue impact.

There are current discussions taking place with a view to providing a West Yorkshire service in relation to a number of regulatory functions within Environmental Health, along with improved business processes cost efficiencies in this area.

There are no proposals to reduce streetscene services. Proposals will be brought forward to implement local management and delegations to Area Committees of street cleaning and environmental enforcement.

Neighbourhoods and Housing

A shift to locality working in all departments lessens the requirement for a specific area management support. Reductions in the numbers of area management staff are planned, with the department concentrating on providing a direct service to area committees, in particular on the environmental and community safety themes.

Proposals will be brought forward to integrate the staff who administer the supporting people grant, drug funding and voluntary sector support. The integration will offer organisational savings, provide a simpler point of connection to outside bodies and reduce bureaucracy. Savings in grants to the voluntary sector will examine the opportunity to promote the consolidation of organisations offering similar services to the Authority.

The vast bulk of general fund supported housing services now falls in the Housing Options Service. Given likely increases in pressures on housing, it is not intended to make reductions in that area. Nevertheless, the service has been highly successful in preventing homelessness in recent years and this continues to offer savings within the Supporting People budget. A minimum of two hostels, currently commissioned, can be closed, utilising supported dispersed accommodation instead, which is more desirable, as well as more cost effective. This move, together with further efficiencies delivered through the commissioning of external contracts, can produce an estimated saving of £2m.

Savings are possible through the assimilation of Care Ring into Telecare services in Adult Social Care.

Community Safety continues to face funding fall out, with a further £1.3m dropping out next year. Given the significance of the service, it is not proposed to fully absorb that cut. There are two specific proposals. The Council has reduced support to Stop Hate UK to be proportionate to their activity in Leeds, rather than contributing to a national campaign. Secondly, the Council jointly funds five PCSO's per ward. It is proposed that the Council reduces its support by 20%, distributing provision based on objective evidence from the Police. This level of reduction is likely to be in line with the match funding pot available to the police. Together these savings generate £0.5m.

The size of the regeneration team will be reduced as commissioning and strategy jobs are consolidated in the department. Project staff will be reduced in proportion to the scale of regeneration activity underway. Savings in this area, however, are limited, given that a large proportion are charged to the HRA or capital.

The Council has substantially reduced the number of community centres over the past decade. Nevertheless there remain opportunities to look at the efficient utilisation of our assets and those belonging to others. Further work is required to firm up a figure for savings in this area.

The Jobs and Skills Service continues to face funding pressures with further grant reductions and in the past 5 years has reduced staffing by 75% or 250 staff. It is not proposed that the Authority reduces spending, particularly given the current economic situation. The Service will concentrate on outreach to those excluded from the labour market and connecting employers with the worklessness agenda.

Central and Corporate Functions

The central and corporate functions portfolio of services represents a wide range of both support services and significant front line services e.g. revenues and benefits, commercial services and customer services.

Given the extent of reductions in grant and spending pressures on front line services, it is right that the Council should seek to reduce the cost of support activities as far as is practicably possible, to limit the impacts on those at the front line. At the same time, an effective organisation needs strong support services which are proportionate and efficient. Insufficient support arrangements can often be more costly in the medium to longer term. There has been a strong focus on delivering support service efficiency savings over several years; all support service staff working in Human Resources, Property, Finance and ICT across the Council are now managed from the corporate centre. Significant savings have been made in this way with, in many cases, investment in new technology supporting new and more efficient ways of working the change.

The budget proposals set out to reduce further the cost of support activities by at least 16% over the next four years, It is anticipated that as far as practical a significant proportion of this saving will be delivered in 2011/12. These savings can be achieved through more rationalisation, and a review of services provided. This may in some instances mean providing a minimum safe level of support and greater manager and employee self services. In other areas, such as performance management and communication support for example, we will be implementing new corporately led solutions similar to those already introduced for HR, ICT, Finance etc. It will also be necessary to challenge directorate held support services and in some instances this will mean the centralisation of staff employed in administrative processes.

However, as this report sets out, there is significant organisational change planned for many services right across the Council, and it is important to recognise the important contribution that support activities make to this work. It is crucial that the Council strikes the right balance between the need to make savings and cost reductions in support services in order to protect front line services, and the need to maintain sufficient capacity in the organisation to provide professional and administrative support during a period of significant change.

Efficiencies can also be made in front line activities and the student support function will cease in accordance with the timetable to transfer the function to the national Student Loans Company. Furthermore a review of staffing structures within Revenues and Benefits Administration will result in the deletion of 23 posts and anticipated savings of £0.7m. There will be reviews of the staffing structures within Cleaning, Catering and Fleet services with corresponding reductions in charges to clients.

Whilst it is important that the Council continues to promote the city to attract inward investment, a 25% reduction in the contribution to Marketing Leeds is proposed, and for the Council's own newspaper "About Leeds" to be restricted to one edition per year.

In the medium term, we will look to deliver even more efficiencies from our customer service operations across the authority, under the auspices of DECATS, with a focus on getting more things right the first time, and thus avoiding contact wherever possible, and through maximising cheaper delivery channels such as self-service options.

We will focus our change resource (e.g. Customer services, Business Transformation and BPR resources) and, performance management on delivering significant efficiencies over the period of the financial strategy such as delivering procurement/commissioning savings

and on the changing the workplace programme. To achieve some of these savings will require an invest to save approach supported by robust business cases.

We will also review the council's governance arrangements to make sure they are proportionate and fit-for-purpose as well as ensuring the same for member and democratic services.

A review of legal services is underway which will include considering whether the present arrangements for the provision of the service are appropriate and represent value for money.