

## Report of the Director of Resources

### Report to Executive Board

**Date: 12<sup>th</sup> December 2012**

**Subject: Strategic and Financial Plan 2013/14 to 2016/17 including Initial Budget Proposals for 2013/14**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### Summary of main issues

This Report sets out the Initial Budget Proposals for 2013/14 within the context of developing a financial plan for the period 2013/14-2016/17 which is designed to deliver the Council's "best council" ambition, but recognising that there will be further significant reductions in the level of funding available to the authority.

The Council to date has managed to achieve £145m savings over the past 2 years and it is very likely that the next four years will bring further challenges and it is therefore important that there is a very clear direction to inform decision making. By the end of 2016/17 compared to 2010/11 it is forecast that the Council will need to save around £285m and will be a smaller organisation employing a lot less staff. Many of the services we currently provide, we will not provide at all or will be provided by others. This will require many challenging decisions to be taken over the next four years.

Over the four year planning period, although we have a broad understanding of the magnitude of the reductions the council will face, there is uncertainty as to precise figures, and this also applies to 2013/14 as the Local Government Finance Settlement is not due to be announced until late December 2012. Recognising this uncertainty as to the Council's funding for 2013/14, the Initial Budget Proposals need to be seen as a step in the context of a longer term financial plan. The proposals for next year include significant reductions across a broad range of services totalling £51.3m and includes net reductions in staffing equating to 388 ftes by the end of 2013/14.

### Recommendation

The Executive Board are asked to agree this report as the initial budget proposals for 2013/14 and for them to be submitted to Scrutiny and for wider consultation.

## **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 27th February 2013. Importantly, the initial budget proposals for 2013/14 are presented within a longer term financial plan for the Council, setting out how resources will be aligned to the Council's "best council" ambitions for the 4 year period up to 2016/17.
- 1.2 Subject to the approval of the 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 15<sup>th</sup> February 2013. It will also be made available to other stakeholders as part of a wider and continuing process of consultation.
- 1.3 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 11.1 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 THE NATIONAL AND LOCAL CONTEXT**

- 2.1 The setting of the Council's annual budget has to be done within a context of both new policy agendas being set by the Government and unprecedented reductions in public spending as part of the Government's plans to eliminate the nation's budget deficit by the end of the current Parliament. These spending plans were initially set out in the Government's emergency Budget of June 2010 and in their October 2010 Comprehensive Spending Review. This set out to reduce public spending by £81bn between 2011/12 and 2014/15, with local government funding from central government falling by 20% in cash terms over that four year period, equivalent to a reduction of 28% taking into account their forecast of inflation. In addition, it was clear from the Spending Review that the cuts for local government funding would be front loaded over the four years.
- 2.2 To date the Council has been able to respond successfully to the reduction in government grants, achieving savings of more than £90m in 2011/12 and setting a budget to bridge a funding gap of £55m for 2012/13. Since April 2010 the full time equivalent of around 1,800 staff have left the Council, which excluding school based staff, represents a 12.5% reduction in the Council's workforce. As part of this reduction the Council has reduced its number of senior officers (JNC grade) by 118 over the same period, which equates to a 21% reduction. In addition, over the last two years the Council has reduced spend on non-staffing budgets by around £50m, increased or introduced new charges which have generated additional income of over £4m and reduced our office accommodation space by 237,000 sq. ft. The Council has also closed a number of facilities, including 13 libraries, 1 sport centre, 5 residential homes, 4 day centres, 2 community centres, 1 one stop centre and 3 hostels.

- 2.3 Executive Board considered a report on the Council's Financial Strategy 2013 to 2017 on the 17<sup>th</sup> October 2012. 2013/14 is year 3 of the review period, and as set out in the Comprehensive Spending Review, support for local government was planned to reduce by just 0.8%, the smallest reduction in any of the four years. 2013/14 also sees the introduction of the Business Rates Retention Scheme, which although complex and operating within the context of the Government's deficit reduction plans, does enable local authorities to retain some of the benefit of growth in local business rates. The October report provided information about how the new business retention scheme will work and also new local government spending control totals for 2013/14 and 2014/15. As illustrated in Table 1 below, these new spending totals mean that local government is now facing further significant reductions of £1.2 billion for 2013/14 and £1.7 billion for 2014/15, over and above those implied by the 2010 Spending Review, although an element of the New Homes Bonus will be received by the Council in accordance with the scheme.

**Table 1**

	2012/13 £m	2013/14 £m		2014/15 £m	
<b>CSR</b>	<b>23,385</b>	<b>23,196</b>	<b>-0.8%</b>	<b>21,856</b>	<b>-5.8%</b>
1% Pay Award Cap		-240		-497	
New Development Deals		-20		-20	
Fire Grants		-49		-50	
Neighbourhood Planning		-15		-20	
Capitalisation (accounting)		-100		-100	
Safety Net		-245		-245	
New Homes Bonus		-500		-800	
	<b>23,385</b>	<b>22,027</b>	<b>-5.8%</b>	<b>20,124</b>	<b>-8.6%</b>

- 2.4 The report to the board, as well as expressing concern as to the scale of these further reductions, also identified a number of concerns as to the way in which these reductions are being implemented, which will mean that they will likely fall most heavily on the most deprived areas of the country.
- 2.5 The latest forecast from the Office for Budget Responsibility (OBR) suggest that the deficit in the public finances will not now be eliminated by the end of the current Parliament, and most commentators are now of the view that there will be further real term reductions in public sector spending for both 2015/16 and 2016/17, if not beyond. This was confirmed by reductions in public spending for these years published as part of the Government's 2011 Autumn Statement. These indicative spending totals would normally be translated down to departmental totals through a Spending Review which should take place during 2013.
- 2.6 In the report on the Financial Strategy 2013 to 2017 the forecast was that by 2016/17 our Government grant will have reduced by around £90m. By making assumptions about other factors, this means that the resource envelope on a like for like basis will be around £60m less by then. Taking account of likely levels of inflation and other spending pressures, including demographic demand, it is

forecast that the funding gap by 2016/17 will be in excess of £140m. These forecasts by their nature are uncertain but nevertheless do provide an order of magnitude as to the scale of the financial challenge facing the Council. The forecast of the 2016/17 resource envelope will be subject to regular review and reporting to Executive Board as more information becomes available, but is also subject to variation resulting from decisions made in the years up to 2016/17.

2.7 It is clear that the financial challenge going forward is likely to be as great as that which the Council has already had to deal with. Whilst a pragmatic approach has to date delivered a robust budget, if the Council is to deliver the required reductions, and at the same time deliver the Council's ambition of being the "best council" in the UK, there is a need to develop and refine a more strategic and longer term approach to the Council's financial strategy, which will in turn inform annual budget setting. In 2011, Leeds undertook a Commission on the Future of Local Government (Executive Board received reports in November 2011, April 2012 and July 2012). The vision from the commission is about a new leadership style for local government, where councils become more enterprising, businesses and other partners become more civic and citizens become more engaged. There are five propositions from the Commission that can be used as a vision for the future of local government. They are: Becoming civic entrepreneurs; Stimulating jobs, homes and good growth; Establishing 21<sup>st</sup> century infrastructure; Devising a new social contract; Solving the English question (which in this context means making the most of devolved powers to make a difference to local people).

2.8 Another significant part of developing these proposals has been to get feedback from our communities. In 2010 residents were asked to list their priorities for the council's budget in the 'Spending Challenge'. In total over 2,000 responses were received from which the top priorities were:

- Tackle the worst anti-social behaviour first
- Encourage people to recycle and throw less away
- Help people stay in their own homes for as long as possible
- Bring services together and make better use of building
- Work to get local jobs for local people

More recently a 'You Choose' campaign has been launched to engage people in the budget challenges. So far, over a thousand responses have been received from people using the simulator to try and balance the budget by cutting services, introducing ways to save and by generating income. The results of this work will be reported in detail in the final budget report in February 2013, but early indications show that:

- respondents are making proportionately the largest budget reductions to all Culture and Leisure services, and economic and planning-related services.
- All child-related services have received proportionately the lowest budget reductions
- In the 2010 'Spending Challenge' consultation, residents made 'supporting older and disabled residents' a top priority. In 2012, related service areas are, so far, neither the most nor the least 'protected'

- Two income generating proposals were supported by 50% or more of the respondents. These were bulky waste charges and increased income through sports centres.

2.9 As part of the wider “You Choose” consultation, a separate session was arranged to engage with a group of young people on the Children’s Services budget. The group was tasked with saving £14m, and proposed that the majority of savings would have to be made in Children’s social care, whilst putting additional money into preventative and early intervention measures.

### **3.0 DEVELOPING THE COUNCIL’S FOUR YEAR FINANCIAL PLAN**

3.1 Using the Best City ambitions and the future of local government propositions, a Best Council Blueprint for 2013/14-2016/17 has been developed to deliver these ambitions with the aim of becoming an “enterprising council”. This blueprint is at a high level, but is about :

- Demonstrating strong democratic leadership, both city-wide and local
- Achieving city priorities through commissioned and directly provided services
- Having locally responsive, integrated front line services
- Having an enabling corporate centre
- Having a values base, enterprising culture

3.2 A set of organisational values are also in place to underpin and drive individual and collective behaviour. These values are :

- Working as a team for Leeds
- Being open, honest and trusted
- Working with communities
- Treating people fairly
- Spending money wisely

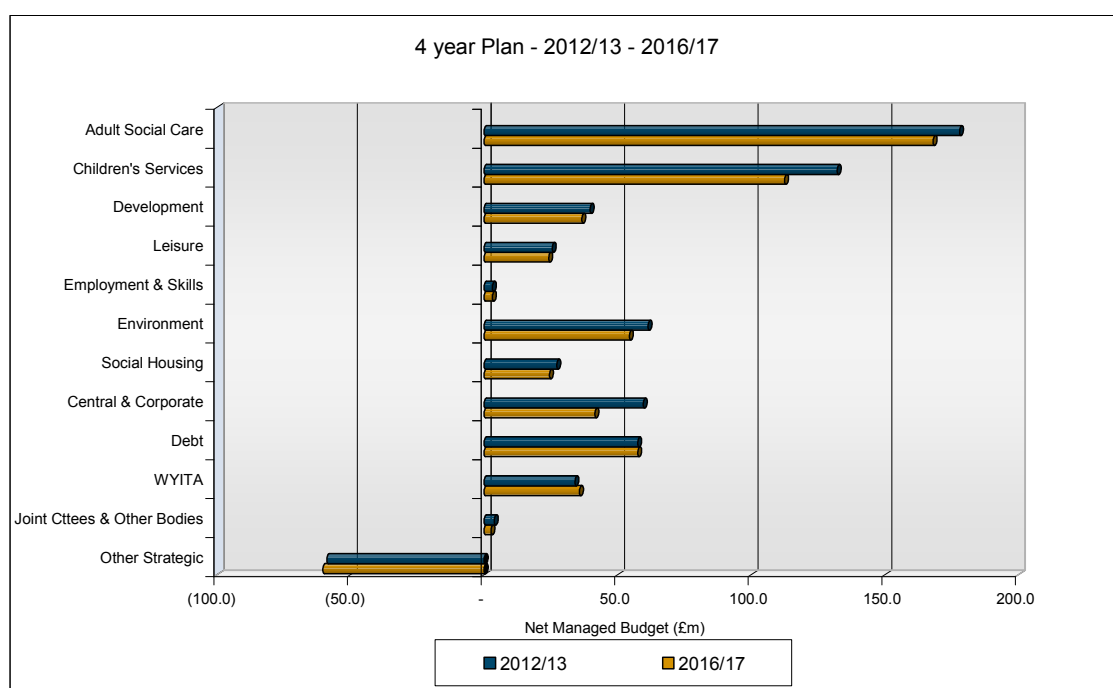
3.3 This clearer longer term approach is aimed at creating some stability and certainty around the budget direction, thereby enabling the Council to continue to manage budget cuts sensitively and methodically whilst working towards the strategic ambition.

3.4 Based on an exercise to project forward the likely level of resources available to the Council by 2016/17, using the best information available, including forecast public sector expenditure totals published by the government in the 2012 budget announcement, it is forecast that the Council’s net revenue budget will decline by around £60m over the period; in real terms this reduction would amount to £112m.

3.5 Chart 1 below is an attempt to set out what the potential impact of this reduction could have on the Council's activities by 2016/17. The key features of this projection are as follows:

- No Council service will have more cash to spend in 2016/17 than in 2012/13, and this will mean at best a real terms reduction of 8.2%.
- All other back office functions will be reviewed as part of a business management review and in general support functions will see a cash reduction of 30% over the period.
- The plan assumes that the Council will reduce its spend on looked after children by at least 15%, through a range of preventative interventions which will lead to better outcomes for children.
- Whilst demographic growth for older people is recognised in the plan, assumptions are also made that cost reductions can be achieved through improved operational efficiencies and the modernisation of services.
- A key element of the Council's financial position will be to achieve both housing and business growth in the city. In recognition of this, spend on services such as planning and economic development are protected as far as possible.
- In order to maintain the condition of the road network following many years of capital investment, the highway maintenance budget is maintained at current levels.
- An increase in spend on transport over the period demonstrates the Council's commitment to the West Yorkshire Transport Fund as set out in the City Deal.
- Debt will be maintained as far as possible at current levels, unless further investment leads to further revenue savings, or essential service improvements.
- The plan reflects savings arising from the implementation of the Council's waste strategy including savings arising from the construction of a new waste treatment facility.

**Chart 1**



- 3.6 This four year financial plan can only be as good as the financial projections that it is based on and there continues to be considerable uncertainty around many of the figures. However, the plan itself attempts to provide a broad financial framework within which the Council can make service plans and to indicate the relative financial priorities of the Council.
- 3.7 The plan also provides an opportunity to enter into meaningful dialogue with other partners across the city to identify over the next four years how the combined resources of the Council and its partners can be best utilised in the best interests of the Leeds community.
- 3.8 In order to deliver the Council's services within the funding envelope implied by this plan, there are a number of workstreams which the Council needs to prioritise over the next 12-18 months and approach as a coherent programme delivered at pace. This includes:
- reducing and making better use of the Council's assets
  - maximising the potential for income generation through charging and trading
  - looking at the way the Council is organised including consideration of alternative delivery models
  - implementing a business improvement programme
  - improving the approach to locality working
  - reducing the cost of looked after children through improved early intervention and prevention
  - progressing the better lives programme in Adult Social Care
  - implementing significant changes to the management of waste
  - working with others to drive economic growth in the city and deliver increases in business rates and new homes bonus
  - continue to focus on the values and staff and member development
- 3.9 The following sections set out the initial budget proposals for 2013/14, but these need to be seen within the context of the strategic and financial direction as set above.

#### **4.0 ESTIMATING THE FUNDING ENVELOPE FOR 2013/14**

- 4.1 Although the Government's spending review covers four years, the local government settlement confirmed on the 31<sup>st</sup> January 2011 covered just two years, namely 2011/12 and 2012/13. Taking account of variations in core grants, the settlement meant a cash reduction for the Council in 2011/12 of £51.4m and for 2012/13, £26.4m.
- 4.2 The Council's net revenue budget for 2012/13 was set at £563.1m, supported by the use of £6.9m general fund reserves. Further details of the 2012/13 budget can be found in Appendix 1.
- 4.3 At the time of writing, the Council has not received its finance settlement for 2013/14, and it is not expected until late December 2012. Given this position, the Council's initial budget proposals for 2013/14 have had to be developed based upon an estimate of the grant settlement. This takes account of:

- The new national total for Local Government funding for 2013/14.
- Specific grants transferring into the formula grant system as follows:
  - Council Tax Support Grant
  - Early Intervention Grant (except for funds to provide free education to 2 year-olds)
  - Homelessness Prevention
  - Lead Local Flood Authorities
  - Learning Disability & Public Health Reform Funding
- The transferring out of the formula grant system into a specific grant of £1.218bn nationally in respect to funding for central education functions (LACSEG) , responsibility for which is transferring to DfE. This will used as the basis for reducing funding from Local Authorities in respect to future academy transfers.

4.4 The estimate of these transfers in 2013/14 is summarised in table 2 below:

**Table 2**

	<b>2012/13 £m</b>	<b>Transfers 2013/14 £m</b>	<b>Variation 12/13 - 13/14 £m</b>
LACSEG	-17.155	-17.155	0
Council Tax Support	46.930	41.610	-5.320
Early Intervention Grant	32.724	23.914	-8.810
Homelessness Prevention	1.040	0.921	-0.119
Lead Local Flood Authorities	0.270	0.146	-0.124
Learning Disability & Public Health	10.227	10.527	0.300
<b>Sub-Total Transfers</b>	<b>74.036</b>	<b>59.963</b>	<b>-14.073</b>

4.5 As well as identifying the transfer from specific grants to formula grant, the above table does also highlight a reduction in these of £14.1m. Generally variations in specific grants will be dealt with within the directorate initial budget proposals, but two are worthy of comment at this point:

- In accordance with the Government's scheme for the localisation of Council Tax benefit in which benefits will be replaced by discounts, the current subsidy from 2013/14 will be replaced by a government grant which is based upon just 90% of the level of Council Tax benefits in 2011/12. The Council's scheme following consultation is the subject of another report on this agenda, and our financial forecasts reflect the recommendations of that report.
- For 2013/14, the Early Intervention Grant is abolished with an estimated £23.914m being transferred to formula grant – a reduction of £8.810m. Whilst an element of this will be transferred to the Dedicated Schools Grant there remains a pressure of £5.4m which will effectively reduce the



funding available locally to support services to our most vulnerable and challenging children and young people. There are specific concerns as to the implications of these changes and these are further discussed within the directorate initial budget proposals.

- 4.6 Our forecast of formula grant for 2013/14 is £342.946m, which on a cash basis is an increase of £48.168m from 2012/13. However, after taking account of the above net transfer of £59.963m, our estimate is that our formula grant on a like for like basis will reduce by £11.795m, as set out in table 3 below.

**Table 3**

	£m
Formula Grant 2012/13	294.778
Estimated Formula Grant 2013/14	342.946
Cash variation	48.168
less transfers	59.963
Like for like variation	-11.795

- 4.7 Clearly until grants are announced it is not possible to confirm these estimates. There is an additional degree of uncertainty as to methodology changes and the updating of data which it has not been possible to factor into our calculations. Several changes are proposed to the formula grant process, which will provide the starting point for the new system. They are:

- changes to the concessionary travel formula;
- a number of changes to sparsity adjustments to help rural areas;
- restoring the Relative Resource Amount to the same absolute level as in 2010/11 which means changing the percentage from -26.6% to -31.3%, with the Relative Needs Amount being held at 83.0%, and the Central Allocation being increased from 46.6% to 48.3% to compensate.

The data used in the calculation of formula grant is to be updated as far as possible. The most important are population data. DCLG proposes using figures derived from the 2011 Census. The Census figures for Leeds has a population of 751,500 in 320,600 households, compared to a population of 788,686 in the latest previous estimates the ONS provided. This is a drop of over 37,000 or 4.71%, when compared to the population estimate included in our current formula grant, and is likely to reduce the funding for Leeds, but this will depend upon the changes relative to others, and also the mix of the population change.

- 4.8 Under the new funding regime, what would have been formula grant will be split between Revenue Support Grant (RSG) which will come from the Government, and a baseline level of business rates, which will be the starting point for the retention of business rates. Any increase in business rates over and above this

base level or starting figure will then be shared with the Government on a 50:50 basis. Our assessment of RSG and the starting point for business rates for 2013/14 is follows:

RSG	£191.2m
Business Rates base	<u>£151.7m</u>
Total	£342.9m

4.9 In determining the funding envelope for 2013/14 there are a number of other factors and further assumptions that we need to make. These include:

- The withdrawal of the Government's 2012/13 Council Tax freeze grant, which for Leeds was £6.7m and was, unlike the 2011/12 freeze grant, awarded for one year only
- Changes in the Council Tax base - our forecast is for an additional 2,250 properties for 2013/14, either being new or brought back into use. The Council not only benefits from the additional Council Tax raised from these properties, but also through the additional funding provided by the Government in the form of the New Homes Bonus, which for 2013/14 is estimated as an additional £3.4m. In addition, the estimated change in the Council Tax base reflects the proposed changes to the Council Tax discounts for empty properties which has been subject to consultation, but a final decision will be made by Full Council as part of their decision on the Council Tax base.

The impact of these changes are shown in the table below:

**Table 4**

	£m
Council Tax 2012/13	268.3
Council Tax Base - additional properties	2.6
Council Tax Support - switch from grants	-46.9
Council Tax Support scheme	4.2
Discounts etc	6.4
Council Tax 2013/14	234.5
Cash variation	-33.8
less transfers	41.6
Like for like variation	7.8

- It is assumed that business rates will grow by 2.4% over and above our base line figure, and that our share of this increase will be £3.4m in 2013/14.
- In the current year, the forecast use of General Fund Reserves is £5.4m. In addition, the budget assumed the usage of £11.4m from earmarked reserves. For 2013/14, only £1.2m of these earmarked reserves will be available. It is assumed that, in order to maintain General Fund reserves above the minimum level, which has been calculated as £17m, the 2013/14 budget will be supported by £3.0m, as shown in the table below. This is dependent upon delivering the current year within the approved budget and the Council will continue to review its level of reserves in the light of its risk based approach to assessing the adequacy of its reserves.

**Table 5**

	2012/13 £m	2013/14 £m
Balance 1st April	25.4	20.0
/less net usage in year	-5.4	-3.0
Estimated Balance 31st March	20.0	17.0

- 4.10 For 2011/12 and 2012/13, the Council Tax freeze grant received by the Council was equivalent to the amount that would be generated by increasing council tax by 2.5% in each year. On 8<sup>th</sup> October 2012, the Government announced a further Council Tax freeze scheme for 2013/14. However, local authorities that take up the offer will receive a grant equivalent to a 1.0% increase in council tax, and will receive it for both 2013/14 and 2014/15. Any authorities that do not take up the offer will be limited to an increase of 2%, excluding levies. Any authority wishing to exceed a 2.0% increase would need to hold a referendum.
- 4.11 The initial budget proposals assume that the Council accepts the Council Tax freeze grant, but this will be subject to further review once the settlement is announced and the detail of precisely how the cap will be calculated is known. On the assumption that a council tax freeze is accepted, the Leeds element of the Council Tax for 2013/14 will be as detailed below (the precepts for Police and Fire are matters for the Police and Crime Commissioner and the Fire authority to determine).

**Table 6**

	2012/13 £	2013/14 £
Band A	748.99	748.99
Band B	873.82	873.82
Band C	998.66	998.66
Band D	1123.49	1123.49
Band E	1373.15	1373.15
Band F	1622.82	1622.82
Band G	1872.48	1872.48
Band H	2246.98	2246.98

- 4.12 Although the Council has not received its financial settlement, based upon the above, our best estimate of the funding envelope for 2013/14 is a reduction of £15.7m, summarised in table 7 below:

**Table 7**

<b>Change in Resources:</b>	£m
<b>Government Funding:</b>	
RSG/NNDR	11.8
2013/14 Council Tax Freeze Grant	-2.3
Withdrawal of 2012/13 Council Tax freeze grant	6.7
	16.2
<b>Properties</b>	
New Homes Bonus	-3.4
Tax Base	-2.6
	-6.0
<b>Locally Determined</b>	
NNDR growth	-3.4
Council Tax	-5.2
Change in Use of Reserves	14.1
Sub-Total	5.5
<b>Total reduction</b>	<b>15.7</b>

## 5.0 INITIAL BUDGET PROPOSALS 2013/14

- 5.1 This section provides a strategic overview of the initial budget proposals for 2013/14. Further detailed information is provided in Appendix 2 as to how the proposals relate to individual directorates.
- 5.2 After taking into account provision for a 1% pay award, essential price inflation and unavoidable directorate pressures the funding gap is estimated at £51.3m.

**Table 8**

	Pressures £m	Savings Options £m	Net £m
Reduced Resources	15.7		
Inflation	7.9		
Adult Social Care	7.2	-9.4	-2.2
Children's Services	10.8	-18.3	-7.6
City Development	2.3	-6.0	-3.7
Environment & Neighbourhoods	3.7	-6.3	-2.6
Central & Corporate	1.6	-6.5	-5.0
Debt	2.0		2.0
Strategic - general procurement		-2.0	-2.0
Investment of New Homes Bonus	0.1		0.1
Reduction in contingency fund		-1.5	-1.5
Other efficiencies		-1.2	-1.2
	27.6	-51.3	-23.6
Total	51.3	-51.3	0.00

- 5.3 The key pressures are as follows:

- 5.3.1 General Inflation of £7.9m - After taking account of further reductions in staff numbers, the initial proposals for the 2013/14 budget provide for a 1% growth in staffing budgets; this reflects an assumption that following two years of a general pay freeze, there will be a need to provide for an increase in staff pay in line with the Government's funding assumptions. Despite cost inflation currently running at 2.6% (September 2012), no provision will be made for inflation on running cost budgets, other than where there are specific contractual commitments and in the cost of utilities.
- 5.3.2 An inflationary allowance has been applied to the level of fees and charges and this is estimated to generate an additional £1m. There are a number of specific proposals where it is felt that the market will bear an above inflationary increase.

These are detailed in the attached Appendix 2 and overall they are forecast to generate additional income of £1.3m.

- 5.3.3 An assumption has been made that the Government will increase the price of allowances in respect of the Carbon Reduction Commitment Energy Efficiency scheme from £12 per tonne of carbon dioxide emitted to £16 per tonne in 2013/14.
- 5.3.4 Adult Social Care – Demographic factors form a key element of the strategic context for Adult Social Care. People are living longer and consequently an increasing number have higher levels of need. This has been most evident in relation to adults with learning disabilities for some time and for older people, the average cost of care packages to support people living at home continues to increase. More people are also being supported to live at home through increased use of direct payments and personal budgets. The budget proposals include additional provision of £3.8m to address the estimated additional pressures from demography and demand, of which £2.7m relates to people with a Learning Disability. These pressures have been partly offset by a £1.9m saving which will be manifested in the ongoing reduction in residential bedweeks and reduced care packages.
- 5.3.5 Children's Services – provision of £3.1m has been made for continued investment in SEN support, temporary social work capacity, additional in-house fostering and adoption capacity. From April 2013, Government proposed changes to the core Early Intervention Grant will create a net budget pressure of £5.4m in 2013/14. This will effectively reduce the funding available locally to support services to our most vulnerable and challenging children and young people. Following the progress in 2012/13, the demand-led pressures within the placement budgets are forecast to reduce further into 2013/14 and the proposals include potential savings of £7m around reducing placement numbers and changing the funding mix across the externally provided residential and fostering placement budgets.
- 5.3.6 Health Funding – health funding of £6m was budgeted for in 2012/13 to support Adult and Children's Social Care. There is no certainty that funding will continue in 2013/14, and a prudent estimate of £3m is included in the initial budget proposals. In addition, the Adult Social Care budget in 2012/13 included additional funding in relation to reablement and other one-off funding, and the fall out of this funding in 2013/14 gives rise to a net reduction of £1m. This is offset by a £2m increase in former NHS social care funding which was transferred to the Council in the 2011/12 budget.
- 5.3.7 Public Health – The public health function will transfer from the Primary Care Trust to the Council from 1<sup>st</sup> April 2013. The current spend is around £32m and the initial budget proposals assume that the service will continue to receive ring-fenced funding at this level, although this will not be confirmed by Government until late December 2012 as part of the Local Government finance settlement.
- 5.3.8 City Development – the release of Sovereign street for development will result in reduced income of £0.38m, together with a £0.6m reduction in income to reflect income trends due to the continuing economic climate. Additional provision of £0.25m has been made to maintain surplus properties prior to disposal.

5.3.9 Environment and Neighbourhoods – provision has been made for the £8 per tonne increase in Landfill Tax from April 2013. The closure of Quarry Hill car park together with other income reduction amounts to £1.0m.

5.3.10 Welfare Reform - The 1<sup>st</sup> April 2013 sees the introduction of a number of changes as part of the Government's welfare reform agenda. These include the localisation of Council tax benefit, caps on certain benefits, changes to local housing allowances and the devolvement of the social fund to local authorities. These changes will have implications which will impact upon both the resources of the Council and on workloads.

From April 2013 Council Tax benefit will be replaced by a local scheme of discounts which is being funded through Government grant, but at a level equivalent to just 90% of previous spending on benefits. The government grant towards Council Tax discounts will not be known until the announcement of the Local Government Finance settlement which is not until late December, but our best estimate at this stage is that for 2013/14 the grant will be £41.6m. Based upon previous spending levels this represents a cost to the Council of £5.3m, as the Government are assuming that case loads are declining. A separate report on this agenda deals with these issues in more detail, but this report reflects the recommendation of that report which is for a scheme which overall is estimated to result in a pressure of £1.1m. However, it needs to be appreciated that any in year increases in volumes will fall to be met by the Council.

The way in which the local scheme of Council Tax discounts will operate will be through the Council's tax base, in that there will be more Council Tax demands sent out against which an amount, net of discounts, will need to be collected. The initial budget proposals includes additional provision of £650k within the Revenue and Benefit service to deal with the additional collection burden of the new local discount scheme and also the administration of the social fund which is being devolved to local authorities. In addition £200k is provided within Customer Services to deal with the anticipated additional enquires resulting from the various welfare reforms. The Council will receive some additional government grant towards administering the social fund. It is also felt prudent, at this time, to reduce our assumed collection rate from 99.2% to 99%, although clearly every effort will continue to be made to collect sums due.

5.3.11 Capital Charges – It is currently estimated that as a minimum capital financing costs will increase by around £2m in 2013/14 in order to deal with existing capital commitments. This still assumes the strategy of keeping new borrowing short term to take advantage of low rates and includes a target reduction that 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.

5.3.12 Investment of New Homes Bonus – to help achieve Leeds’ ambitions of growth and prosperity, it is proposed to invest an amount of New Homes Bonus in the housing market. Executive Board approved in September 2012 the development of an investment programme which will use £1.5m of New Homes Bonus to bring empty properties back into use and provide an equity loan scheme targeted at new build properties. This will generate additional New Homes Bonus for the Council, giving a financial return over the life of the scheme. These proposals include provision of £0.1m to fund the borrowing cost of the £1.5m investment.

5.4 Directorate detailed proposals for bridging the £51.3m gap are provided in Appendix 2 but a summary of savings areas is provided below:

5.4.1 Employees – in response to the Spending Review 2010, the Council recognised that it would be necessary to significantly reduce its workforce. The Council has operated a voluntary retirement and severance scheme in both 2010/11 and 2011/12 which has resulted in a reduction in the workforce of 1,795 ftes at the 31<sup>st</sup> March 2012. The current year’s budget assumed that the equivalent of around 180 ftes would leave the Council (excluding Schools) and a new Early Leavers scheme has recently been launched covering the period up to and including March 2016. Excluding the inflationary impact, staffing reductions of around £4.1m are included in the 2013/14 initial budget proposals.

The Council’s expectation following the Spending Review was that there would be a reduction of around 2,500 – 3000 ftes over the 4 year period 2011/12 - 2014/15.

As in previous years, this will mean that staff will leave the authority from across the whole range of services and it will be necessary therefore to continue to manage this very carefully and make arrangements to retrain and redeploy staff where appropriate.

The initial budget proposals provide for a net reduction in anticipated staff numbers of 388 ftes by 31<sup>st</sup> March 2014, as shown in Table 9 below:

**Table 9**

	Increases ftes	Decreases ftes	Net Movement ftes
Adult Social Care	27.1	-216.8	-189.7
Children's Services	146.4	-131.3	15.2
City Development	4.0	-89.0	-85.0
Environment & Neighbourhoods	8.4	-25.7	-17.3
Central & Corporate:			
Commercial services		-15.0	-15.0
Revenues and Benefits	10.0		10.0
Customer Access & Performance	3.0		3.0
Support Services		-109.2	-109.2
<b>Total</b>	<b>198.9</b>	<b>-587.0</b>	<b>-388.0</b>

5.4.2 Procurement – The Council has achieved significant procurement savings since 2011/12, with around £25m being achieved in 2011/12 and a further £15m budgeted for in 2012/13. These savings are being achieved through:



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

In addition to limiting inflation on running cost budgets to essential items only, which is expected to save around £7m in 2013/14, the initial budget includes proposals to save a further £7.5m from procurement activity including:-

- £2.0m within Children's Services from regional framework contracts in respect of externally provided residential and fostering placements as well as savings on other commissioned budgets
- £0.6m in respect of the disposal of recycled materials, the recent retendering of the weedspraying contract and the advancement of the PFI procurement process towards contract implementation
- Budget rebasing and efficiencies

5.4.3 Transport – The Council aims to reduce the cost of transporting children from home to school/college by £2.8m. The current policy includes discretionary provision represented in the availability of free home to school travel to faith schools; post 16 mainstream transport to schools/colleges and also home to school/college transport for young people with special educational needs (SEN) between the ages of 16 and 25. These proposals recognise the need to review, with effect from September 2013, the continuing discretionary provision around mainstream and SEN post-16 transport and also the free provision of transport to faith schools.

5.4.4 Within Environment and Neighbourhoods there is a proposal to implement the alternate weekly collection of recyclable and residual waste. By the end of the year it is anticipated that 150k or 44% of household will receive this enhanced service for the collection of recyclables.

5.4.5 Income - as explained in paragraph 5.3.2 above, the initial budget proposals do include some increases in the level of fees and charges in particular services. In addition, a number of further income sources are included within the detailed directorate proposals at Appendix 2. These are estimated to generate an additional £1.8m.

Within Children's Services, a review of subsidised and traded services, including Learning Improvement and the Music Services, is expected to generate an additional £0.8m, and a proposal to reduce subsidised childcare provision in children's centres through increasing nursery fees by £2 per day is forecast to generate an additional £0.1m.

Within Adult Social Care, consultation in respect of charges for non-residential services is currently underway and it is anticipated that revised charges will be proposed that could generate additional income of up to £0.7m in 2013/14. This reflects Leeds remaining lower than comparator authorities in terms of both levels

of charges and income generation, which in turn reflects on our ability to commission and deliver services at a comparable level with other local authorities.

Within City Development, £0.75m is provided for the possibility of the introduction of charges for permits issued through resident parking schemes which are currently provided free of charge.

Other new sources of income are detailed in the directorate proposals at Appendix 2.

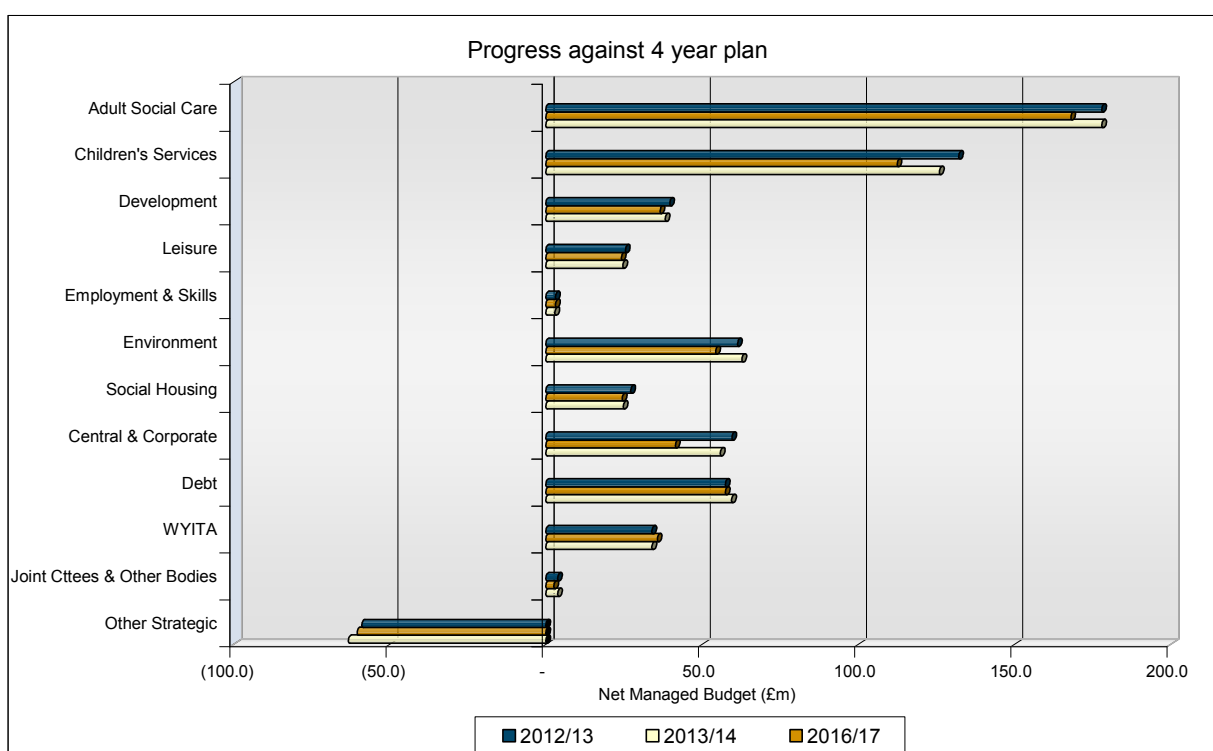
- 5.4.6 The proposals outlined above are reflected in table 10 below which gives a subjective breakdown of the Council's initial budget in 2013/14, compared to 2012/13.

**Table 10**

	Budget 2012/13 £m	Adjusted 2012/13 £m	Budget 2013/14 £m	%age variation £m
Employees	430.0	430.0	430.6	0.1%
Other running expenses	208.0	208.0	193.8	-6.8%
Capital Charges	58.7	58.7	60.7	3.4%
Payments to External Service Providers	302.6	302.6	295.8	-2.2%
Fees & Charges/Other income	-200.3	-200.3	-206.6	3.1%
Specific Grants	-217.5	-190.4	-192.6	1.2%
Use of Reserves	-18.3	-18.3	-4.2	-77.0%
<b>Net Spend before grants</b>	<b>563.1</b>	<b>590.2</b>	<b>577.4</b>	<b>-2.2%</b>
Funded by:				
Formula Grant	-294.8	-368.8	-342.9	-7.0%
Council Tax	-268.3	-221.4	-234.5	5.9%
<b>Total funding</b>	<b>- 563.1</b>	<b>- 590.2</b>	<b>- 577.4</b>	<b>-2.2%</b>

- 5.4.7 The following graph shows the extent to which the initial budget proposals for 2013/14 make progress towards achieving the Council's intended financial shape for 2016/17 as set out in section 4.

**Chart 2**



## 6.0 THE SCHOOLS BUDGET

- 6.1 The Schools Budget is funded by the Dedicated Schools Grant (DSG). The DSG is a ring-fenced grant and may only be applied to meet costs that fall within the Local Authority Schools Budget. Any under or over spend of grant from one year must be carried forward and applied to the Schools Budget in future years. The Schools Budget comprises of Individual School Budgets delegated to schools, the 15hrs of free early years education for 2, 3 and 4 year olds attending private, voluntary and independent settings, the cost of supporting pupils with high needs and a number of prescribed services and costs in support of education in schools.
- 6.2 The DSG for 2013/14 is to be split into three separate blocks. These will be known as The Early Years Block, The High Needs Block, and the Schools Block.
- 6.3 The Early Years Block will be used to fund the free early education of 3 and 4 yr olds, and the early education of vulnerable 2 yr olds in Schools, Academies and Private, Voluntary and Independent settings. The grant will be based on the number of 3 and 4 yr olds on the January 2013 and January 2014 census, multiplied by a figure of £3,883 per full time equivalent pupil. The funding for the 2013/14 financial year will therefore not be finalised until after the end of the year. Funding for 2yr old provision will be based on a DfE target for 2yr old places.
- 6.4 The High Needs Block will be used to fund Special Schools, Resourced SEN places in Mainstream Schools, Pupil Referral Units and Education other than at School. The funding will be paid as a block grant based on the 2012/13 level of

expenditure on services falling within this block. The 2012/13 baseline for the High needs Block is £53.77m. The baseline will be adjusted for population changes and funding available to the DfE, with additional funding for post 16 SEN responsibilities transferring from the Education Funding Agency.

- 6.5 The Schools Block funds the delegated budgets of Primary and Secondary Schools for pupils in reception to year 11, and a number of prescribed services and costs in support of education in schools. The grant for 2013/14 will be based on pupil numbers in Leeds (including those in Academies) as at October 2012, multiplied by a unit rate of £4,538. It is estimated that pupil numbers will increase by 1,060 year on year and the Schools Block will increase by £4.8m.
- 6.6 The delegated Schools Budget will be allocated to Primary and Secondary Schools including academies through the use of a simplified funding formula. The funding allocated to academies through the funding formula will be top sliced from the Schools Block paid to the City Council.
- 6.7 Pupil Premium - The Pupil Premium grant is paid to the Local Authority to be passported on the individual Schools based on pupils eligible for free school meals or looked after. The government has announced that the grant rate for 2013/14 will be £900 per qualifying pupil. This will deliver a year on year increase of £9m to schools including academies in Leeds.

## **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. Following the implementation of self financing for the HRA from April 2012, and the abolition of housing subsidy, maintaining the sustainability of the HRA places a premium upon sound finances.
- 7.2 The HRA Business Plan, to be received at Executive Board in February 2013, will detail and update members in respect of the delivery of key housing priorities.
- 7.3 The 2013/14 budget will be influenced by the Council's rent strategy that was agreed by Executive Board in February 2012. This adopted policy smoothed the incidence of the rent increases that had been assumed by Government in their debt settlement with the Council following the implementation of HRA self financing in April 2012. It is proposed to increase rents by an average of 5.9% in accordance with the agreed rent strategy.
- 7.4 From April 2013 the impact of the government's welfare reforms in respect of under occupation and universal credit will be felt by Council tenants. It is anticipated that this will have implications for the level of rental income that is receivable by the Council and this will be reflected in assumptions that will have to be made as to how much an additional contribution will have to be made to the bad debt provision. The implementation of welfare reform will also result in increase in turnover as the Council will seek to mitigate its impact by transferring those tenants who request a move, to appropriately sized properties.

- 7.5 Any variation in the rental income stream will impact upon the level of resources that are available to deliver the essential investment strategy to maintain and improve the Council's housing stock.
- 7.6 The Housing investment plan is to be refreshed and will have particular focus on new build, in response to the lack of affordable housing in the city, improving sheltered housing and multi storey properties. In addition the investment strategy will be closely linked to adult care objectives around older person's housing. Investment in Little London and Beeston is expected in the forthcoming financial year.
- 7.7 The HRA budget will be determined against the background of the ongoing review of housing management arrangements that was reported to Executive Board in October 2012, and on which, option(s) for the future governance and delivery arrangements for the management of council housing in Leeds are to be considered at Executive Board in January. The outcome of the review of housing management is uncertain but a key objective will be to deliver efficiencies through the eradication of duplication between ALMOs and the Council.

## **8.0 CAPITAL PROGRAMME**

- 8.1 Over the period 2013/14 to 2015/16 the existing capital programme includes investment plans which total £504m. The programme is funded by external sources in the form of grants and contributions and also by the Council through borrowing and reserves. Where borrowing is used to fund the programme, the revenue costs of the borrowing will be included within the revenue budget. Our asset portfolio is valued in the Council's published accounts at £3.5bn excluding the value of community assets such as highways and parks, and the Council's debt stands at £2.0bn. For every £1 of debt the Council has assets of £1.75.
- 8.2 When capital investment is funded from borrowing, there is a cost to the revenue budget both in terms of interest and minimum revenue provision. When capital expenditure is funded by borrowing, councils are required to make an annual minimum revenue provision (MRP) charge to the revenue accounts. This is the means by which capital expenditure which has been funded by borrowing is paid for by the council tax payer. In recent years the annual MRP charge has averaged around 4% of the amount borrowed to fund capital and for 2012/13 is around £36m.
- 8.3 Over the next 4 years there is a proposal to get to a position where the Council funded capital programme is restricted to the level of MRP so that the level of borrowing overall does not increase. However, before we can get to that position there are a number of capital investment plans which are either contractually committed or are of strategic importance to the city which the Council will need to provide for, for example Flood Alleviation, Changing the Workplace and New Generation Transport. Borrowing to fund these and other projects will mean that for 2013/14 the revenue cost of debt will need to increase by at least £2m.
- 8.4 There are a number of key annual expenditure programmes which need to be provided for within the capital programme each year. These total £33.7m each year and are shown in the table below. Based on a Council funded capital

programme of £36m per annum, this leaves £2.3m available for new investment. For each additional £1m of capital investment funded by borrowing, a budget of £80,000 per year would be required in the revenue budget. If an additional £1m of revenue budget was available each year, an additional £12m of capital investment could be carried out.

<b>CAPITALISATION / ANNUAL PROGRAMMES</b>	
	<b>£000</b>
<b>Capitalisation</b>	
General Capitalisation	4400.0
PFI capitalisation	830.0
Library Books	700.0
Highway Maintenance	1,500.0
Capital Programme Management	500.0
<b>Annual Programmes</b>	
S278 grant used in revenue	5,000.0
Adaptation to Private Homes	400.0
Contingency	1,000.0
Maintenance of Council buildings	1,500.0
Disabled Facilities Grants	3,930.0
General Refurbishment of Schools	1,500.0
Highways Maintenance	10,000.0
ICT Essential Services Programme	1,200.0
Traffic Management Programme	200.0
Demolition and asbestos removal	1,000.0
<b>Total Annual Programmes</b>	<b>33,660</b>

- 8.5 A review of all uncommitted schemes within the existing capital programme is being undertaken to draw up a proposed programme for the future based on the debt budget available.

## **9.0 CORPORATE CONSIDERATIONS**

### **9.1 Consultation and Engagement**

- 9.1.1 As explained at section 2 above the initial budget proposals have been informed through a number of consultations including a 'You Choose' campaign to get people engaged in the budget challenges. Subject to the approval of the board, this report will be submitted to Scrutiny for their consideration and review, with the outcome of their deliberations to be reported to the planned meeting of this board on the 15<sup>th</sup> February 2013.

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

## **9.2. Equality and Diversity / Cohesion and Integration**

- 9.2.1 Leeds City Council has a leading role in the city to promote equality and value diversity. During 2012 work has continued to take place to make equality an integral part of our work and in particular in how we deliver services, how we employ people, how we work with our partners and how we make decisions. This builds on the work that was outlined in last years initial budget proposal report.
- 9.2.2 The Council's business plan has a cross cutting priority that 'Every year we will be able to evidence that equality issues have been considered in 100% of major decisions'. It is therefore important that in all cases the relevance of equality is determined and where relevant evidence that due regard to equality has been given is included within decision making report. All key and major decisions undertaken by the Council are now subject to a robust qualitative and quantitative analysis process to ensure that relevance to equality has been considered.
- 9.2.3 In addition the Equality Improvement Priorities 2011 – 2015 were developed and approved. Closer alignment with the Vision for Leeds, the City Priority Plan and the Council Business Plan were built into the development of the priorities and has provided the foundations for a move towards a city wide approach to equality.
- 9.2.4 This approach sets out the Council's continued commitment to equality. It outlines the council's equality objectives, identifies how progress will be measured and how we will continue to improve and further embed the equality agenda.
- 9.2.5 A strategic approach to giving due regard to equality has been used to consider the initial budget proposals outlined in this report. This has determined whether or not there is any relevance to equality for all the proposed pressures or savings that have been identified.
- 9.2.6 Many of the proposals contained in this paper will be subject to separate decision making processes.
- 9.2.7 Where relevance to equality has been determined further work on each individual proposal will be undertaken within the normal decision making process, which gives due regard to equality through use of screening and equality impact assessments.

## **9.3 Council Policies and City Priorities**

- 9.3.1 The initial budget proposals seek to ensure that the policies and priorities of the Council are supported by directing financial resources towards the Council's policies and priorities.

## **9.4 Resources and Value for Money**

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

## **9.5 Legal Implications, Access to Information and Call In**

- 9.5.1 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 2013 meeting of this board at which proposals for the 2013/14 budget will be considered prior to submission to full Council on the 27<sup>th</sup> February 2013.
- 9.5.2 The initial budget proposals will, if implemented, have significant implications for Council policy and governance and these are explained within the report. The budget is a key element of the Council's Budget and Policy framework, but many of the proposals will also be subject to separate consultation and decision making processes, which will operate within their own defined timetables and managed by individual directorates.
- 9.5.3 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 11.1 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.

## **9.6 Risk Management**

- 9.6.1 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.
- Demand pressures in Adult Social care and Children's services could be greater than anticipated. In addition, anticipated funding from the health service may not be secured in full
  - Reductions in government grants are greater than anticipated. Grant figures for the Council for 2013/14 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
  - Increase in the Council Tax base could be less than anticipated
  - Growth in business rates could be less than anticipated, or base could decline
  - Council Tax discounts could be greater than forecast
  - 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



- Impact of Government welfare reforms could have a greater impact upon the delivery of the Council's services than currently anticipated
- 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

9.6.2 A full risk register of all budget risks in accordance with current practice will be maintained and will be subject to quarterly review. Any significant and new risks are contained in the budget monitoring reports submitted to each meeting of the Executive Board, together with any slippage on savings.

## **10.0 CONCLUSIONS**

- 10.1 This report has shown that the current position continues to be the most challenging faced by local government in post-war period. Government are radically changing the way that local government is financed, but without specific figures the picture remains uncertain. The Council is committed to providing the best service possible for the citizens of Leeds and to achieving the ambition for the city of being the best in the UK. In order to achieve both the strategic aims and financial constraints, the Council will be more enterprising, working with business and partners to be more civic, and working with the public to be more engaged.
- 10.2 The Council's approach to the medium term financial strategy is consistent with previous years in that it is 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. 2013/14 is the third year of the Spending Review, and the Council is again facing the need to generate savings of £51.3m. The initial budget proposals for 2013/14 set out in this document, subject to the finalisation of the detailed proposals in February 2013, will, if delivered, reduce the Council's spend by the required amount.
- 10.3 In the current budget year the Council needs to save £55m with reductions and pressures combined. For the four year spending review period the expectation is the Council's resources will reduce by around £60m. Reserves have to date helped significantly to meet the financial pressures but for the future the Council will need to be focussed on changing the way services are provided and commissioned and direct spend to counter disadvantage and reduce inequality.
- 10.4 The challenge is significant, and the council has responded well so far, recognising the need to change. For the future the Council will continue to reduce in size, but will aim to become a bigger one in influence, becoming an enterprising council and transforming the way it works with partners and communities. As such the relationship with the people of Leeds will change, but with the ultimate aim of making Leeds a better place to live for all the people of Leeds.

## **11.0 RECOMMENDATION**

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

## **12.0 Background documents<sup>1</sup>**

- 12.1 There are no background documents relating to this report.

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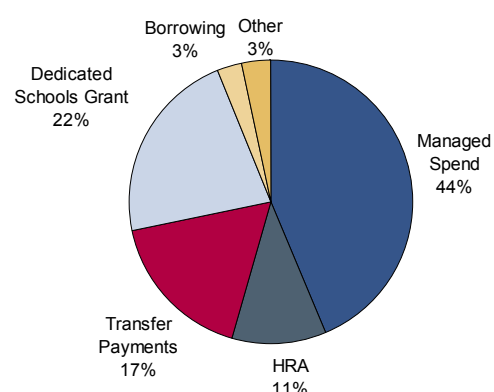
<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

## THE COUNCIL'S 2012/13 Budget

The Council's net revenue budget for 2012/13 was set at £563.1m supported by the use of £6.9m general fund reserves. However, the Council actually spends around £2bn each year although the Council does not have full freedom to decide how to spend all of this money because much of it is given by central government as "ring-fenced" grants, which reflect past borrowing decisions or has other legal constraints. This means, for example, that certain funds can only be spent on schools, or on benefit payments, or on council housing. These constrained areas account for 56% of the Council's spending, so any savings can only be delivered from the remaining 44%.

### Analysis of Revenue Budget 2012/13

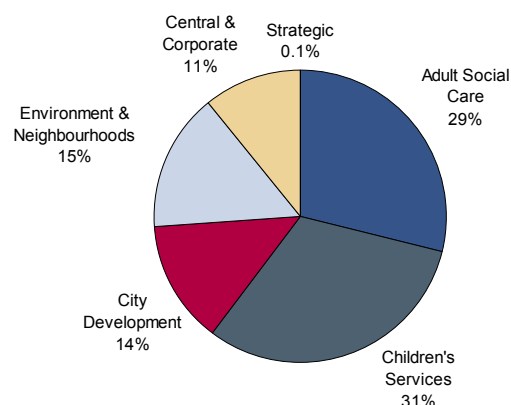
	2012/13 £m
Managed Spend	862.3
Housing Revenue Account (HRA)	215.0
Transfer Payments	341.2
Dedicated Schools Grant	437.6
Borrowing	58.65
Other	64.2
Total	1978.9



The managed expenditure from which savings can be made totals £862.3m, and is summarised by service below:

### Managed Spend by Directorate

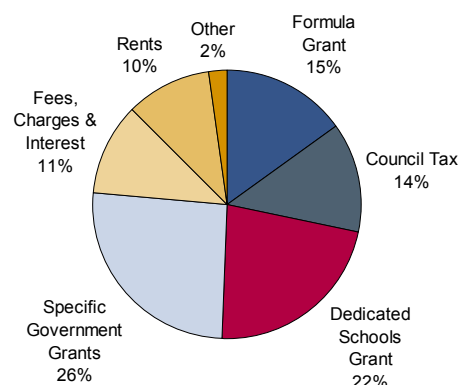
	2012/13 £m
Adult Social Care	249.2
Children's Services	269.9
City Development	118.7
Environment & Neighbourhoods	131.6
Central & Corporate	92.1
Strategic	0.8
Total	862.3



Around 63% of the Council's funding comes from Government as illustrated below, with just 14p in each £1 coming from local Council Tax payers.

### Where the money comes from

	2012/13 £m
Formula Grant	294.7
Council Tax	268.4
Dedicated Schools Grant	437.6
Specific Government Grants	510.0
Fees, Charges & Interest	220.9
Rents	201.7
Other	45.6
Total	1,978.9



The Council collects £268.4m each year in Council Tax. The band D level of Council Tax (including Police and Fire precepts) in Leeds is currently £1,306.40, and is the 7<sup>th</sup> lowest amongst the metropolitan authorities and the second lowest amongst the eight Core Cities.

## **Initial Budget Proposals - 2013/14**

### **City Development**

#### **Background to the Budget Proposals**

The City Development Directorate is responsible for the Council's physical, economic and cultural services. The range of services and functions that it provides makes a significant contribution to the life, growth and vitality of the city, whether this is through the maintenance of more than 3,000 km of public highway, the management of all planning applications and new developments, the delivery of a range of events and cultural activities, the city's network of sport centres, libraries and museums, or the development of a multi billion pound property portfolio.

Since 2010/11 the Directorate has managed significant reductions in spending and staffing, including over £11m of savings in the 2011/12 budget. These savings included reductions to maintenance budgets and the rationalisation of sport and library services. Staffing levels have reduced by approximately 20% over the last 3 years. With the funding reductions that the Council faces over the next four years it is recognised that the Directorate will need to contribute to this by identifying further savings proposals. Whilst further service budget cuts and efficiencies will inevitably form part of the budget strategy the Directorate will also seek to strengthen the connection between the budgets of services and their ability to attract new opportunities for funding. The Directorate will also pursue alternative service models and a greater utilisation of shared services and in some cases services delivered directly by and for the community. The budget reductions will, however, mean a review of current service provision and further reductions in staffing across the directorate

The Directorate will actively support and develop the concept of Civic Enterprise for example improving the skills and job opportunities for young people through apprenticeships and will continue working closely with other directorates to support social enterprise in initiatives such as linking financial inclusion with fashion to engage with young people living in areas of deprivation. We are seeking to strengthen delivery against all five propositions of the Commission for Local Government but have a particular focus on ensuring the Council continues to develop its role in:

- Stimulating jobs, homes and good growth
- Establishing a 21<sup>st</sup> Century Infrastructure
- Devising a new social contract

#### **Stimulating jobs, homes and good growth**

The Directorate will continue to provide strong City Leadership on the economy, well being and sustainability. The Directorate will take a lead role in maximising income for the Council and will provide a focussed and high calibre economic and development service that create the environment for private, public and third sectors

to thrive for example through support for businesses and enterprise and acting as client for the Council's services and objectives delivered through Leeds and Partners. The Directorate will seek to maximise the use of the Council's land and property assets to stimulate economic growth, promote the development of key sectors and develop a quality environment for people to both live and work. It will also make full use of new freedoms afforded by government to develop additional revenue in the form of the retention of business rates and New Homes Bonus. Similarly, housing investment to increase the supply of new houses and deliver new affordable homes is currently being achieved in a wide variety of ways including the HCA funded Affordable Housing Investment Programme, work with developers to deliver affordable housing via the planning system and LCC direct investment in new homes. The Development services will target good growth as a means of optimising revenue from these sources and seek to make a stronger link between operational budgets and performance in achieving good growth.

City Development has taken a lead role in managing the Leeds interface with the City Region and in particular the work emanating from the City Deal relating to the £400m Investment Fund and the £1bn Transport Fund for the city region over the next 10 years. We will also develop new partnerships to stimulate economic growth with both the private, public and third sectors and all of this clearly sits within the structure provided through developing the Core Strategy and Local Development Framework. This will also link with initiatives such as the Apprenticeship Training Agency in partnership with the City College.

The Directorate will continue to lead on supporting key developments in the city such as the Trinity Development and the Eastgate and Harewood, developing the Enterprise Zone status for the Aire Valley, the development of the Leeds Arena and developing a strategy for Kirkgate Market.

### **Establishing a 21<sup>st</sup> Century Infrastructure**

The Directorate will continue to lead on the development of the City's infrastructure including transport, flood alleviation and broadband and to optimise external funding opportunities whilst working in partnership at a local, regional and national basis. Where appropriate we will seek to deliver efficiencies through a combined authority model.

The Council is the largest owner of land and property in Leeds. The Council's asset base is a valuable resource that has a fundamental impact on the quality of life in the city. As part of the budget plus process the Directorate will deliver an effective investment programme to ensure that the council's assets are fit for purpose and a linked asset rationalisation programme that will help to pay for it by undertaking a full asset review project over the next 4 years.

As part of a review of service delivery the Directorate will consider community asset transfers in instances where the management of local assets can be delivered better by the community and develop our approach to neighbourhood planning to ensure that we fully support local communities to develop robust and coherent neighbourhood plans that inform the future development of local areas. Local regeneration initiatives will continue to be promoted by working collaboratively with

communities and land owners to bring forward well formed solutions that meet local need

### **Devising a new social contract**

The Directorate will seek to make stronger links between our leisure services and Health including initiatives such as shared use of leisure facilities for people with learning difficulties and the autumn opening of the Holt Park Wellbeing centre and continue to take a more proactive and targeted approach to the use of our leisure resources to mitigate against the long-term impact of unhealthy lifestyles. We will also work alongside Health and Sport England to promote improving health to those who currently don't participate in any activity, and using less busy times in our sites to achieve these objectives. We will base this on an existing successful project happening in another authority.

Through working closely with Children's Services in areas such as the hugely successful Breeze, and a range of other Library, Arts and Heritage service led initiatives. We will also continue to support the aspirations of being a Child Friendly City.

### **2013/14 initial budget proposals**

The draft budget for 2013/14 includes both savings and income generation proposals and also provides some additional funding for specific budget pressures. The ongoing difficult economic conditions have continued to have an impact on the Directorate's income base. It is proposed that a number of income budgets are to be reduced reflecting trends in 2012/13 which are expected to continue into 2013/14. These include reductions to rental income and advertising income budgets and income from work on PFI schemes. The planned disposal of part of the sovereign street car park site during 2013/14 will lead to a reduction of income of approximately £380k. The cost of securing and maintaining void properties increased significantly in 2011/12 and has continued to be an issue in 2012/13. This has been mainly as a result of the asset rationalisation programme which has increased the number of void properties. Proactive management of the properties has seen the number of properties and cost reduce during 2012/13 but the base budget going forward needs to be increased for the next two years to reflect the increase in void properties. It is proposed to increase the void property budget by £250k next year, it is anticipated that costs will then reduce as options for the void properties are brought forward. Other funded expenditure pressures include an additional £350k for energy costs in Sport and an increase in the Planning and Development staffing budget of £150k to provide for additional staffing to support the development of the Core Strategy and Neighbourhood Planning. As in previous years the Directorate will continue to look to reduce staffing numbers where appropriate. A saving of £2m on the staffing budget has been included in the 2013/14 budget proposals. It is anticipated that reductions will be achieved through the Early Leaver Initiative and through further service restructures which will aim to reduce areas of duplication and ensure efficient service support and focused service delivery. Restructures are planned to be implemented in Asset Management and Regeneration, Heritage Services, Highways and Transportation, Building Control, Economic Development and Leeds Lights. These will lead to a reduction in posts and to refocused and reduced service provision. It is

estimated that there will be a net reduction of approximately 85 FTEs in 2013/14. The budget proposals include some provision for increases to fees and charges but as in 2012/13 these will be kept to around inflation levels. Planning fees are set by the Government and the last increase was in 2008/09. The Government is proposing an average increase in Planning fees of 15% from late November 2012. This is estimated to result in additional fee income of approximately £350k. Fees and charges in the Directorate have been reviewed and the scope for increases and raising additional income assessed. The potential for new sources of income will be explored including the possibility of the introduction of charges for permits issued through resident parking schemes which are currently provided free of charge.

A target saving of £1.1m has been included in budget proposals to be realised from a review of operational budgets and anticipated savings from improved procurement arrangements. To achieve a reduction in operational spend service provision will have to be reviewed and could include reductions on advertising and promotional budgets and spend such as equipment and maintenance. Other expenditure savings include a reduced cost of insurance in Highways and Transportation following a reduction in claims and further street lighting energy savings from installing energy saving technology.

Sport and Library facilities were reviewed as part of the 2011/12 budget proposals and although it is not proposed to further reduce service provision significantly, it is proposed that the scope for reduced opening hours at the costliest Sport Centres is explored together with other options such as examine whether other service delivery models could be appropriate for some services and seasonal closure of some Heritage facilities. Savings from these proposals will include reductions in staffing levels which will also contribute to the £2m staffing reduction target. A review of the Events programme and budget will be carried out to identify proposals for further reducing the net cost of events in the City with a target saving of £330k.

A key part of the Council's Budget Plus proposals will be a review and ultimately a reduction on the number of assets that the Council owns. Although the majority of savings will be in service budgets a target saving of £100k has been included in City Development's budget proposals for 2013/14. As part of the Budget Plus process the links between Corporate Property Management and Property Maintenance will be reviewed with the aim of identifying the scope for savings.



## City Development

Pressures/Savings	2013/14 £m	2014/15 £m	FTEs	EIA required Y/N
<b>Budget Pressures</b>				
a) Disposal of sovereign st car park site	0.38	0.36	0.0	N
b) Energy costs in Sport	0.35	0.0	0.0	N
c) Rental income shortfall	0.35	0.0	0.0	N
d) Main bill board advertising contract reduced income following re tendering	0.25	0.0	0.0	N
e) Void property budget	0.25	-0.10	0.0	N
f) Income from PFI project work in planning and economic development	0.20	0.0	0.0	N
g) Neighbourhood consultations including East Leeds	0.05	0.0	0.0	N
h) Base budget staffing adjustment in planning and economic development	0.30	0.0	0.0	N
i) Additional planning staffing resource requirement for Core strategy etc.	0.15	0.0	4.0	N
j) Holt Park PFI affordability gap	0.00	0.20	0.0	N
	2.28	0.46	4.0	
<b>Savings</b>				
<b>Stop Doing/Service reductions</b>				
a) Staffing reductions across the directorate from ELIs and restructures across some services Includes planned restructures in Asset Management and Regeneration, Heritage Highways, Building Control, Economic Development, Leeds Lights. As a result there will be a reduction in the number of posts and reductions in service provision and with a realignment of service prioritisation.	-2.00	-1.00	-83.0	Y
b) Street lighting energy savings following roll out of pilots	-0.12	0.0	0.0	Y
c) Reduced openings at 5 of the costliest sport centres per visit	-0.15	-0.05	-3.0	Y
d) Seasonal closures - Heritage services	-0.03	-0.02	0.0	Y
e) Review net cost of events programme	-0.33	0.0	0.0	Y
f) Reduced Operational spend All services bringing forward proposals for reductions to operational spend. Includes reductions to spend in the City Centre and on advertising, promotional budgets, reductions to planned spend on equipment and maintenance.	-1.10	-0.40	0.0	Y

<b>Partnership Working</b>				
g) Pursue social enterprise/CAT for Leisure facilities	-0.05	-0.05	0.0	Y
h) Review CPM, property maintenance, building control	-0.10	-0.10	-3.0	Y
i) Asset rationalisation	-0.10	-0.10	0.0	Y
<b>Income Proposals</b>				
j) Fees and charges increases and review across the directorate includes price increases for licences and street trading, other planning charges, highway charges, other leisure charges	-0.20	-0.20	0.0	Y
k) Review of residents parking	-0.75	0.0	0.0	Y
l) Sport price increases	-0.25	-0.10	0.0	Y
m) Planning fee increase (average 15%) (set by central government)	-0.35	0.0	0.0	N
n) Neighbourhood Planning grant	-0.10	0.0	0.0	N
<b>Other</b>				
o) Highways insurance charges	-0.35	0.0	0.0	N
	-5.98	-2.02	-89.0	
<b>Total</b>	-3.70	-1.56	-85.0	

