

## Proposed Budget for 2023/24 and Provisional Budgets for 2024/25 and 2025/26

Date: 14<sup>th</sup> December 2022

### Agenda Item 7A

Report of: Chief Officer – Financial Services

Report to: Executive Board

Will the decision be open for call in?

 Yes  No (Rec. d only)

Does the report contain confidential or exempt information?

 Yes  No

### Brief summary

The purpose of this report is to recommend the Council's Proposed Budget for 2023/24 and to note the provisional budgets for 2024/25 and 2025/26 for consultation.

These budget proposals are set within the context of the 2023/24 – 2027/28 Medium Term Financial Strategy (MTFS), which was approved by the Executive Board on 21st September 2022, and which continues the journey commenced in 2019 whereby the Council's revenue budget becomes more financially robust, resilient and sustainable.

Recognising the challenge of bridging the estimated budget gaps for the period of the Strategy, whilst at the same time seeking to ensure that the Council's budget is robust, resilient and sustainable, another savings programme has been established. Reviews have been – and continue to be - carried out across the Authority to identify opportunities to continue to modernise and improve services, reduce costs and generate additional income. The outcome of this work has provided a number of saving proposals for consideration by the Executive Board: an initial set considered at the Board's October meeting with further proposals presented today. This report should therefore be read in conjunction with the accompanying '*Revenue savings proposals for 2023/24 to 2025/26*' reports. Savings approved for implementation, or consultation as required, will subsequently be built into the 2023/24 Budget and Provisional Budgets for 2024/25 and 2025/26.

The Proposed Budget for 2023/24 and the provisional budgets for 2024/25 and 2025/26 need to be seen in the context of inherent uncertainty for the Council in respect of future funding and spending assumptions. Whilst the Government's future spending plans with regard to local government and other areas of the public sector were outlined in the Chancellor's Autumn Statement to Parliament on November 17th, and further details will be provided in the Provisional Local Government Finance Settlement in December, these spending plans will continue to be influenced by the performance of the economy following the UK's withdrawal from the European Union, the recovery of the economy following the COVID-19 pandemic and the Government's ongoing response to the significant increase in borrowing that has been undertaken in response to the pandemic and the cost of living crisis.

The impact of pay and price inflation on the Council's Proposed Budget for 2023/24 has been significant and the respective assumptions are detailed in this report. Cost of living pressures are likely to have a wider impact on the Council with increased demand for support and welfare services, and reduced income across a range of services as Leeds residents and visitors choose to spend differently as a consequence of rising inflation.

The Council's Medium Term Strategy, which was received at Executive Board in September, identified a funding gap of £63.6m for 2023/24. Subsequent review of the assumptions detailed in that Strategy identified additional net pressures, leading to an updated gap of £65.7m in 2023/24 that was reported to this Board in October through the Revenue Savings Proposals report. Following the receipt of those budget savings proposals at October's Executive Board and further proposals that can be found elsewhere on this agenda, the announcement of additional social care funding in November's spending review, the review of Council Tax and Business Rates along with the use of the Council's Strategic Contingency reserve a balanced position for the forthcoming financial year, 2023/24, can be presented in this report.

The provisional budget positions for 2024/25 and 2025/26 identify estimated budget gaps of £48.0m and £26.7m respectively. The revised gaps for these two years take into account the directorate savings proposals brought to this Board in October and elsewhere on today's agenda through the reports, 'Revenue Savings Proposals for 2023/24 to 2025/26'. Further budget savings proposals to reduce the estimated gaps for 2024/25 and 2025/26 will be brought to this Board for consideration.

As set out in both the Medium Term Financial Strategy 2023/24-2027/28 and this Proposed Budget report for 2023/24, the budget proposals detailed in this report need to be viewed within the context of the longer term approach to increase the financial sustainability, robustness and resilience of the Council's financial position. Specifically, this is to reduce reliance on one off funding sources to fund revenue expenditure and to reduce the Council's expenditure base so that it is affordable with the level of resources that are available to the Council in line with the Council's MTFS.

The headlines for the 2023/24 proposed Budget when compared to the 2022/23 budget are as follows:

- No change in the Settlement Funding Assessment (SFA)
- The Autumn Statement announced a core council tax increase of 2.99% and an option to increase the Adult Social Care precept of 2%. In addition, there has been a partial recovery in the council tax base as levels of Council Tax Support required have decreased and growth in the tax base has increased as the impact of COVID-19 lessens. The total contribution of council tax to the Net Revenue Budget is projected to increase by £19.9m in 2023/24.
- Business rates income increases as the economy continues to recover from COVID-19 although the impact of the cost of living crisis still remains highly uncertain. The Government has however confirmed in the Autumn Statement that the enhanced retail, hospitality and leisure reliefs will continue in to 2023/24. These reliefs will be available at 75% of liability rather than 50% and are fully funded by Government. Despite this, our current forecasts are that retained business rates income will improve by £15.3m, largely due to the reduced deficit on the Collection Fund compared to 2022/23.
- Reflecting the above, the Net Revenue Budget for the Council has increased in 2023/24 by £35.2m to £557.1m.
- Overall, pay, price and demand pressures mean that the Council will need to deliver £69.8m of savings by March 2024.
- £23.1m of savings already identified in the MTFS reduce this target to £46.6m. Savings have been identified through the financial challenge process to generate a balanced budget position for the Proposed Budget 2023/24.

Changes since the Medium-Term Financial Strategy, received by this Board in September, are summarised as follows:

- The Financial Strategy identified an estimated budget gap of £63.6m for 2023/24. Since that report, there has been a net increase in assumed resources of £41.7m, offset by a net increase in budget pressures of £24.7m.

- The Council's established 'Financial Challenge' programme has continued to identify savings to contribute towards closing this gap. In October this Board received budget savings proposals reports totalling £11.3m; further savings proposals for 2023/24 of £42.6m are presented to this Board through the report on today's agenda, 'Revenue savings proposals for 2023/24 to 2025/26'. Of these, £7.3m are reclassified as reduced cost pressures or new use of resources or funding.

In respect of the Housing Revenue Account:

- It was announced at the Autumn Statement that social rent increases would be capped at 7% in 2023/24. This supersedes the application of the Government's formula of annual rent increases being no greater than CPI+1% which would have given an allowable rent increase of up to 11.1%. As such the Proposed Budget assumes an increase in rental income of 7% in 2023/24.
- Service charges will increase by 38% for tenants in multi storey flats and low/medium-rise flats where they receive additional services such as cleaning of communal areas, lift maintenance, staircase heating and lighting and CCTV. This increase is mainly made up of energy charges.

## Recommendations

Executive Board is recommended to:

- a) Note that the Proposed Budget for 2023/24 presented in this report is based on the approval and delivery of £69.8m of directorate savings for 2023/24, £46.6m of which have been identified this year and have been brought to this Board through the accompanying reports, 'Revenue Savings Proposals for 2023/24 to 2025/26' at its October meeting and on today's agenda.
- b) Agree to consultation on the Proposed Budget for 2023/24. This includes the proposed 2.99% increases in core Council Tax and the 1.99% increase in the Adult Social Care precept. Further to this, that these budget proposals are submitted to Scrutiny and for wider consultation with stakeholders.
- c) Note the provisional budget position for 2024/25 and 2025/26 and to note that further savings proposals to address the updated estimated budget gaps of £48.0m and £26.7m for 2024/25 and 2025/26 respectively will be reported to future meetings of this Board.
- d) Approve that, should the application to form a 2023/24 Leeds City Region Business Rates Pool be successful, Leeds City Council becomes a member of the proposed Pool and acts as lead authority for it. The establishment of this new Pool will be dependent upon none of the other proposed member authorities choosing to withdraw within the statutory period after designation.

## What is this report about?

- 1 Executive Board members are required to recommend a balanced Revenue Budget and funded Capital Programme for 2023/24 to Full Council in February. The Proposed Budget provides a key part of the budget setting process.
- 2 This report presents an update to the financial position reported to this Board in September 2022 in the Medium Term Financial Strategy for 2023/24 to 2025/26.

## What impact will this proposal have?

- 3 The Equality Act 2010 requires the Council to have "due regard" to the need to eliminate unlawful discrimination and promote equality of opportunity. The law requires that the duty to pay due regard be demonstrated in the decision making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show due regard.
- 4 The Council is fully committed to ensuring that equality and diversity are given proper consideration when we develop policies and make decisions. In order to achieve this the Council has an agreed process in place and has particularly promoted the importance of the process when taking forward key policy or budgetary changes. Equality impact assessments also ensure that we make well informed decisions based on robust evidence.
- 5 Equality impact screenings have been carried out on all 'service review' savings proposals previously approved by this Board for implementation / consultation at its October meeting and are included with the further service review proposals in the accompanying 'Revenue Savings Proposals for 2023/24 to 2025/26' report on today's agenda. Where appropriate, equality impact assessments will be carried out as part of the Council's decision-making process.
- 6 The proposals within this report have been screened for relevance to equality, diversity, cohesion and integration (Appendix 4) and a full strategic analysis and assessment will be undertaken on the 2023/24 Revenue Budget and Council Tax report which will be considered by Executive Board and subsequently by Full Council in February 2023. Specific equality impact

assessments will also be undertaken on all budget decisions identified as relevant to equality as they are considered during the decision-making process in 2023/24.

### How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 7 The Best City Ambition is the Council's strategic plan which sets out the ambitions, outcomes and priorities for the City of Leeds and for the Local Authority. The Three Pillars of inclusive growth, health and wellbeing and the climate change emergency underpin this vision, and these can only be delivered through a sound understanding of the organisation's longer term financial sustainability, which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints. This is the primary purpose of the Medium Term Financial Strategy, which then provides the framework for the determination of the Council's annual revenue budget for which the proposals for 2023/24 are contained in this report. Further, that the Council realises the requirement to be financially sustainable and to be able to set a balanced budget for 2023/24.

### What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

Yes

No

- 8 The Authority's financial strategy is driven by its ambitions and priorities as set out in the Best City Ambition. This was adopted by Council in February 2022 following consultation with members and officers throughout its development, with additional extensive stakeholder consultation carried out on the range of supporting plans and strategies.
- 9 The Council's Medium Term Financial Strategy 2023/24 – 2027/28, received at Executive Board in September 2022, was informed by the public consultation exercise carried out between December and January 2022 on the Council's 2022/23 budget proposals. Whilst the consultation covered the key 2022/23 proposals, it also included the principles of how we should be funded, proposed changes to Council Tax and how we plan to spend the revenue budget. Further questions included satisfaction with how the Council runs things overall, and ideas for opportunities for the Council to do things in more modern and efficient ways. This supplemented the ongoing process of consultation through which residents are consulted on a variety of issues throughout the year.
- 10 The public consultation on the Proposed Budget for 2023/24 will be carried out through an online survey: with the public via the council's website, social media and the Citizens' Panel; with staff through the intranet; and with stakeholders, including representatives from the Third Sector and the Business sector. The consultation will begin once this report is initially agreed by Executive Board and will run for four weeks, with findings timetabled to be reported at the following meeting, prior to finalisation of the Budget.
- 11 With regard to the individual savings proposals approved by this Board at its October meeting and those put forward in the accompanying, 'Revenue Savings Proposals for 2023/24 to 2025/26' report for consideration by the Executive Board today, both senior members and staff have been engaged in their development. Trade unions have also been informed in headline terms of emerging proposals. Where required, further meaningful consultation and engagement has been, and will be, carried out with staff, trade unions, service users and the public as

appropriate on the 'Service Review' savings proposals. The outcomes of any consultation will inform the Council's decision-making and, where completed and analysed in time, be incorporated into the 2023/24 Budget Report for consideration at February's Executive Board and Full Council.

- 12 All five Scrutiny Boards will be initially consulted on the savings proposals (both those brought to the Executive Board in October and those put forward today), as relevant to their remits, through working group meetings held during December. Subject to the approval of Executive Board, this Proposed Budget report will also be submitted to Scrutiny Boards for consideration and review as part of their formal cycle of meetings in January 2023. The outcome of their deliberations will be reported to the planned meeting of this Board on 8th February 2023.

### **What are the resource implications?**

- 13 The financial position, as set out in the Medium Term Financial Strategy received at September's Executive Board, identified an estimated budget gap of £123.6m for the period 2023/24 to 2025/26 of which a gap of £63.6m related to 2023/24. This position took account of the estimated level of resources available to the Council. In addition, it reflected the requirement to make the Council's revenue budget more financially resilient and sustainable over the medium term whilst at the same time recognising increased demand pressures for the services that we deliver.
- 14 Proposals to address this position and ultimately to deliver a balanced budget position for 2023/24 are contained within Appendix 1 of this Proposed Budget report.
- 15 The provisional budgets for 2024/25 and 2025/26 have been updated and the estimated budget gaps are now £48.0m and £26.7m for the respective years. Details are contained within Appendix 1 of this Proposed Budget report.

### **What are the key risks and how are they being managed?**

- 16 The Proposed Budget 2023/24 and the provisional budgets for 2024/25 and 2025/26 need to be seen in the context of significant inherent uncertainty for the Council in terms of future funding and spending assumptions.
- 17 The Council's current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way, in that the Council cannot balance its Revenue Budget, is identified as one of the Council's corporate risks, as is the Council's financial position going into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the Council's risk-based reserves policy. Both these risks are subject to regular review and reporting.
- 18 Failure to address these issues will ultimately require the Council to consider even more difficult decisions that will have a far greater impact on front-line services including those that support the most vulnerable and thus on our Best Council Plan ambition to tackle poverty and reduce inequalities.
- 19 Financial management and monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach will continue to be included in the in-year financial reports brought to Executive Board.
- 20 In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required.

21 Specific risks relating to some of the assumptions contained within this Proposed Budget are identified at Appendix 1 to this report.

### **What are the legal implications?**

- 22 This report has been produced in compliance with the Council's Budget and Policy Framework. In accordance with this framework, the Proposed Budget, 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 2023 meeting of this Board at which proposals for the 2023/24 budget will be considered prior to submission to Full Council on 22<sup>nd</sup> February 2023.
- 23 The Proposed Budget will, if implemented, have implications for Council policy and governance and these are explained within the report. The budget is a key element of the Council's budget and policy framework, but many of the proposals will also be subject to separate consultation and decision making processes, which will operate within their own defined timetables and be managed by individual directorates.
- 24 In accordance with the Council's Budget and Policy Framework, decisions as to the Council's budget are reserved to Full Council. As such, recommendations a., b. and c. are not subject to call in, as the budget is a matter that will ultimately be determined by Full Council. The report referred to in Recommendation a., 'Revenue Savings Proposals for 2023/24 to 2025/26', which appears elsewhere on today's agenda, is separately subject to call-in.
- 25 However, Recommendation d., regarding the Council's participation in the 2023/24 50% Leeds City Region Business Rates Pool, is a decision of the Executive Board and as such is subject to call-in.
- 26 With regard to the individual savings proposals considered at the October meeting of this Executive Board and additional proposals put forward in the accompanying, 'Revenue Savings Proposals for 2023/24 to 2025/26' report on today's agenda, decisions giving effect to the Business as Usual proposals can be taken by the relevant Director or Chief Officer in accordance with the Officer Scheme of delegation (Executive functions) and will be subject to the Executive and decision – making procedure rules. Notice of any decision which is "Key" will be published on the list of forthcoming decision not less than 28 clear calendar days in advance of the date of the proposed decision.
- 27 Decisions giving effect to the Service Reviews will be made following the outcome of consultation having regard to representations made. Decisions will be taken by the relevant Director or Chief Officer, save where the Leader or the relevant Portfolio Holder has directed or the Director considers that the matter should be referred to Executive Board for considerations.

### **Options, timescales and measuring success**

#### **What other options were considered?**

28 Not applicable.

#### **How will success be measured?**

29 Not applicable

#### **What is the timetable and who will be responsible for implementation?**

30 Not applicable.

## **Appendices**

- 31 Appendix 1: Proposed Budget for 2023/24 and Provisional Budgets for 2024/25 and 2025/26
- Appendix 2: Net Managed Budget by Directorate 2023/24
- Appendix 3: The 10 Year Capital Programme
- Appendix 4: Equality, Diversity, Cohesion and Integration Screening

## **Background papers**

- 32 None.





# Proposed Budget for 2023/24 and Provisional Budgets for 2024/25 and 2025/26



# Appendix 1:

## Introduction

This report details the Proposed Budget for 2023/24. This Proposed Budget is set within the context of the [Medium-Term Financial Strategy 2023/24 to 2027/28](#) (MTFS) approved by Executive Board in September 2022, the Spending Review 2021, the 2022 Autumn Statement and proposed savings reports received at Executive Board in October and December 2022 which contribute towards bridging the estimated budget gap for 2023/24.

A key objective of the MTFS is to ensure that effective financial planning and management contribute to the Authority achieving its strategic ambitions, to be the Best Council in the Best City in the UK. The Proposed Budget reinforces that objective, continuing to forecast influences on the resources available to the Council, estimating expenditure requirements, making sure that value for money is achieved, and ensuring the Council is financially resilient, stable and sustainable for the future.

Subject to the approval of the Executive Board, this Proposed Budget for 2023/24 will be submitted to the respective Scrutiny Boards for their consideration and review, with the outcome of their deliberations to be reported to the planned meeting of this board on 8<sup>th</sup> February 2023. These budget proposals will also be made available to other stakeholders as part of a wider and continuing process of engagement and consultation.

This report also provides an update on the provisional budgets for 2024/25 and 2025/26 and the Executive Board are asked to note these revised positions.

### [Part 1: Context and Scene Setting](#)

### [Part 2: Summary Changes since the MTFS](#)

### [Part 3: Changes in Resources and Funding](#)

### [Part 4: Cost Pressures, Budget Growth and Adjustments](#)

### [Part 5: Addressing the Budget Gap](#)

### [Part 6: Summary Proposed Budget 2023/24](#)

### [Part 7: Provisional Revenue Budgets for 2024/25 and 2025/26](#)

### [Part 8: Ringfenced Budgets](#)

### [Part 9: Capital Programme](#)

### [Part 10: Management of Key Risks](#)



**Part 1: The Context for Leeds City Council's Proposed Budget 2023/24 and Provisional Budgets for 2024/25 and 2025/26**

- 1.1 This report brings before Executive Board the Proposed Budget for 2023/24. The report presents proposals to date, and is based on assumptions set out in the Council's 5 year [Medium-Term Financial Strategy 2023/24 to 2027/28](#). This report also sets out the recommended council tax increase for 2023/24, excluding those for the precepting authorities. This report is a precursor to the Final Budget proposals which will be submitted to Executive Board in February 2023 and to Full Council for approval later that month.

**Influences affecting the Proposed Budget**

- 1.2 The funding available to local authorities, and the way this is used, is influenced by factors at a regional, national and international level. This Proposed Budget is produced at a time when Leeds is facing significant change and challenges, some of which come as a result of developments far beyond the City's borders.
- 1.3 The Council's Medium Term Financial Strategy (MTFS) notes that we are in a period of political and economic volatility, describing a range of influences and factors that impact on the development of the Proposed Budget. Paragraphs 1.5-1.15 list these influences, explaining where the situation has progressed since publication of the MTFS and linking to the MTFS where the Council's position remains the same.
- 1.4 The predominant influences affecting the Proposed Budget and Medium Term Financial Strategy include: the Economy both global and national including the impact of Cost of Living; Annual Government Announcements; National Policy; Regional Working; COVID-19 and the resulting operating context; and Health and Social Care funding.
- 1.5 **The Economy**
- **Office of Budget Responsibility forecasts** – At the time of the Autumn Statement in November 2022, the Office for Budget Responsibility (OBR) published its updated independent economic and fiscal forecasts. The OBR forecasts a significant deterioration in the outlook for the economy, as set out below:
    - the OBR's forecasts for nominal GDP growth averages 2.24% a year between 2022 and 2026, down from 3.8% on the forecast in March 2022.
    - Real GDP is expected to grow by 4.2% in 2022/23, before falling by 1.4% in 2023/24 and returning to growth of 1.3% in 2024/25.
    - The OBR estimates that inflation (CPI) will average 9.1% in 2022/23 before falling back to 7.4%% in 2023/24, 0.6% in 2024/25 and -0.8% in 2025/26.
    - Rates of unemployment are peaking at a significantly higher level than forecast in March 2022, at 4.9% in the third quarter of 2024





rather than the forecast 4.1% as forecast in March 2022.

- Average earnings are forecast to grow by 5.9% in 2022/23 and 4.2% in 2023/24 before falling back to 1.7% in 2024/25 and 2025/26, 1.9% in 2026/27 and increasing slightly to 2.7% in 2027/28.
- **Cost of living; Britain's exit from the European Union:** both are discussed in the [Medium-Term Financial Strategy 2023/24 to 2027/28](#).

## 1.6 Annual Government Announcements – 2022 Autumn Statement

- The Chancellor presented the 2022 Autumn Statement to the House of Commons on 17<sup>th</sup> November 2022. Despite the worsening economic and fiscal outlook, he did not change the immediate departmental expenditure limits outlined in the Spending Review 2021, which set out the Government's spending plans until the end of this Parliament in 2024/25. Spending Review 2021 saw a net increase in funding to local government of approximately £1.5 billion in 2022/23, with funding remaining almost constant at this level until the end of the Spending Review period.
- However, in the Autumn Statement 2022 the Chancellor did announce a number of additional funding streams targeted to Adult Social Care. This included funding of £1 billion to be provided through the Better Care Fund, which will be administered through Integrated Care Boards, and £680 million to be provided to local authorities through a ringfenced Adult Social Care grant. The Chancellor also announced that the 'Dilnot Reforms', which sought to cap the total cost of social care and other reforms to local care markets, would be delayed from April 2023 for two years although the funding for these schemes already promised to local government would be honoured.
- The Chancellor's Autumn statement provides £28.9m which can be used to support the delivery of the social care function in Leeds. Subsequently this Proposed Budget for 2023/24 assumes that this resource will be used to offset a shortfall in previously budgeted income (£6.7m) from the NHS which is no longer available due to pressures in the Health sector, £1.9m replaces previously targeted income with Children's Services, £10.6m will be used to resource cost pressures within the Adult Social Care function that are detailed elsewhere in this report and £7.1m will allow for the payment of the Real Living Wage to care staff in services that the Council commissions, all of which measures support the local care market. In addition, £2.6m will be held to mitigate potential demand and employment pressures.
- The utilisation of the additional grant income within the adult social care function will also contribute towards supporting the NHS by releasing capacity



at hospitals as beds are freed up as more elderly patients will be able to be cared for more appropriately in the community.

- The headline announcements in the Autumn Statement 2022 are as follows:
  - Local Government’s Core Spending Power (CSP) in 2023/24 will be £2.4 billion higher than that previously announced. The Council awaits further details at the provisional Settlement in late December.
  - An up to 3% increase in “core” council tax plus a further 2% increase in the Adult Social Care (ASC) precept. The impact on the Leeds budget could be an increase of up to £16.8m the core increase, plus £7.5m for the ASC precept, subject to Full Council approval. This is further discussed at paragraph 3.7.
  - The business rates multiplier will be frozen at the 2022/23 rate (49.9%). Local authorities will receive full compensation for the loss of income they will experience.
  - The National Living Wage will increase by 9.7% to £10.42 an hour effective from 1st April 2023. The Council’s Proposed Budget provides for an increase to £10.90 per hour to meet the recent Real Living Wage announcement.
  
- Government acknowledges that the capacity to generate income through the ASC precept varies widely between authorities and are believed to be exploring a redistribution mechanism.
  
- As referenced above, we expect further detail including local authority allocations at the Provisional Local Government Settlement in late December.
  
- As such this Proposed Budget is based on the announcements made during the Spending Review 2021 and Autumn Statement 2022, and previous Government announcements relating to social care funding.

1.7 **Previous Annual Government Announcements** – the 2021 Comprehensive Spending Review and 2022 Spring Statement are both discussed in the [Medium-Term Financial Strategy 2023/24 to 2027/28](#).

### 1.8 **National Policy**

- **Levelling Up** – The Government’s “Levelling Up” policy is intended to “level up opportunities across all parts of the United Kingdom, supporting jobs, businesses and economic growth and addressing the impact of the pandemic



on public services.”<sup>1</sup> A Levelling Up Fund was announced in 2020, initially making £4.8bn available for UK local infrastructure through a competitive bidding process, with this funding to be delivered through local authorities. Government published its Levelling Up white paper in February 2022 providing further detail on how the Levelling Up policy would develop and “setting the medium-term ambition” of the Government. The first £1.7bn of funding allocations were announced alongside the Spending Review 2021, with £20m allocated to Leeds for ‘Connecting West Leeds’, a new transport infrastructure scheme focusing on travel and environmental improvements to the Outer Ring Road between Horsforth and Pudsey. A second round of funding opened in April 2022 with the Council submitting 6 bids. The outcome of this second round is awaited.

1.9 **Regional Working – West Yorkshire Combined Authority** is discussed in the [Medium-Term Financial Strategy 2023/24 to 2027/28](#).

1.10 **COVID-19 and a new operating context** is discussed in the [Medium-Term Financial Strategy 2023/24 to 2027/28](#).

#### 1.11 **Health and Social Care**

- **NHS Integration:** In February 2022 the Government announced a White Paper, ‘Health & Social Care integration: joining up care for people, places and populations’. The White Paper aims to achieve this by bringing together the NHS and local government to jointly deliver for local communities.
- **Cost of Care:** Adult social care charging reform in local authorities - The Government is delaying the national rollout of social care charging reforms from October 2023 to October 2025. As discussed at paragraph 1.6, funding for implementation will be maintained within local government to enable local authorities to address current adult social care pressures and this will be allocated at the Local Government Finance Settlement through the Social Care Grant.

#### **About Leeds: Socio-economic context**

1.12 Leeds is a growing city with a population that continues to become more diverse in terms of age, countries of origin and ethnicity. Leeds has a large, urban core but, unlike many other cities, its administrative boundary includes a significant rural area, with villages and market towns.

1.13 During the two decades prior to the last global financial crisis, the city’s economy

<sup>1</sup> Prime Minister’s Office, Queen’s Speech 2021, 11 May 2021



experienced significant growth, driven in large part by financial and business services. Leeds established itself as a vibrant, diverse and dynamic city, with a strong knowledge-based economy and recovered from the economic impact of the COVID-19 pandemic faster than many of its neighbours. However, as elsewhere, it is now being impacted by the cost of living crisis: not only in terms of the challenges to households (particularly those on the lowest incomes), but through the further pressure it applies to vital public service provision through increased demand and costs too.

- 1.14 The cost of living crisis is further exacerbating more deep-rooted inequalities. Poverty and deprivation remain significant challenges. Despite very strong performance in job creation in recent years, low pay is a stubborn problem, with people caught in a loop of low pay, low skills and limited career progression. These challenges not only limit the opportunities for individuals, but hold back the economy, affect productivity, cause skills' shortages, and create additional costs for businesses and the public sector.
- 1.15 Further information on Leeds' socio-economic context is available in the [Medium-Term Financial Strategy 2023/24 to 2027/28](#).

### **Developing the 2023/24 Budget and Medium Term Financial Strategy with the Best City Ambition**

- 1.16 Between the 2010/11 and 2022/23 budgets, the Council's core funding from Government has reduced by around £263m. Additionally the Council has faced significant demand-led cost pressures, especially within Adult Social Care and Children's Services. To date, the Council has responded successfully to the challenge since 2010 through a combination of stimulating good economic growth, creatively managing demand for services, increasing traded and commercial income, growing council tax from new properties and a significant programme of organisational efficiencies, including reducing staffing levels since 2010/11 by over 2,812 FTEs up to 31<sup>st</sup> October 2022.
- 1.17 Through targeting resources into preventative services, the Council strives to ensure that the implications of demand and demographic pressures that have resulted in significant cost pressures in other local authorities are being contained within Leeds as much as possible. In respect of Children Looked After, Leeds City Council's rate per 10,000 is below that of other local authorities considered as having similar characteristics, as identified through CIPFA's nearest neighbour statistical analysis. Management of demand and demography is also reflected in service areas such as the number of people registered in Temporary Accommodation where Leeds benchmarks favourably against most Core Cities and our Regional and Statistical neighbours.
- 1.18 The Best City Ambition is the Council's strategic plan which sets out the ambitions, outcomes and priorities for the city of Leeds and for the local authority. The Three Pillars of Inclusive Growth, Health and Wellbeing, and Zero Carbon underpin this vision. These can only be delivered through a sound understanding





of the organisation's longer-term financial sustainability, which enables decisions to be made that balance the resource implications of the council's policies against financial constraints. This is the primary purpose of the Medium Term Financial Strategy, which then provides the framework for the determination of the Council's annual revenue budget for which the proposals for 2023/24 are contained in this report.

- 1.19 Inevitably, managing the £263m reduction in Government funding, combined with increasing cost pressures, has meant that the Council has had to make some difficult decisions around the level and quality of services that it delivers.
- 1.20 Looking ahead, and as detailed in the Council's Medium Term Financial Strategy, the Council is facing an updated estimated budget gap of £144.1m for the period up to and including 2027/28, £74.7m of which is in 2024/25 and 2025/26. The financial challenge now facing the Council is to manage these pressures alongside the significant ongoing impact of COVID-19 and the cost of living crisis. The needs of the communities serviced by Leeds City Council have already increased and will continue to do so, and the various funding streams that support local government are affected by the longer-term economic scarring as a result of the virus and cost of living.
- 1.21 In recognition of the financial challenge the Council has embarked on a programme of service reviews which, when combined with business as usual savings and cross-cutting reviews, contribute towards closing the estimated revenue budget gap and enable the Authority to present a balanced budget position in 2023/24. As detailed in the Council's Medium Term Financial Strategy, it is becoming increasingly difficult over the coming years to identify further financial savings without significant changes in what the Council does and how it does it. This impacts on the delivery of the Council's ambitions as detailed in our strategic plan and will have significant implications for directly provided services and those commissioned by the Local Authority, impacting upon staff, partners and service users. In order to deliver the Council's ambitions of tackling poverty and reducing inequalities, consideration may have to be given to stopping, delivering differently or charging for those services that are no longer affordable and are a lesser priority than others. This will be achieved through a continuing process of policy and service reviews across the Council's functions and ongoing consultation and engagement.





# Proposed Budget for 2023/24 and Provisional Budgets for 2024/25 and 2025/26

## Part 2: Summary of changes since the Medium Term Financial Strategy (MTFS)

- 2.1 The Council's Medium Term Financial Strategy 2023/24 – 2027/28 was presented to Executive Board in September 2022 and included a budget gap of £63.6m in respect of 2023/24. Table 1 summarises the movement in the 2023/24 position since the MTFS, showing the main changes in resources available to the Council and the budget movements relating to changes in cost assumptions.
- 2.2 Table 1 also shows the value of savings proposals that have been identified and which contribute towards balancing the 2023/24 budget within the estimated available resources. These are detailed in Part 5: Addressing the budget gap. Overall, the Proposed Budget shows a balanced position for 2023/24.

**Table 1 – Summary of Changes in Resources, Costs and Savings Proposals in the Proposed Budget 2023/24 and comparison with the position at the Medium Term Financial Strategy**

|   | MTFS<br>£m    | Changes<br>since MTFS<br>£m | Proposed<br>Budget 23/24<br>£m |
|---|---------------|-----------------------------|--------------------------------|
| <b>Resources</b>                                    |               |                             |                                |
| Increase in Net Revenue Charge                      | (39.0)        | 3.8                         | (35.2)                         |
| Change in contribution to/(from) General Reserve    | 3.0           | (3.0)                       | 0.0                            |
| Change in contribution to/(from) Earmarked Reserves | 4.9           | 0.8                         | 5.7                            |
| COVID-19 Grants (business rates reliefs)            | 27.2          | (3.0)                       | 24.1                           |
| Net Increases in Other Specific Grant               | (6.9)         | (20.2)                      | (27.2)                         |
| Other Non-Collection Fund Business Rates Movements  | 1.9           | (25.0)                      | (23.1)                         |
| Other Contributions                                 | 0.3           | 5.0                         | 5.3                            |
|   | <b>(8.6)</b>  | <b>(41.7)</b>               | <b>(50.3)</b>                  |
| <b>Pressures</b>                                    |               |                             |                                |
| Pay Inflation                                       | 10.3          | 23.1                        | 33.4                           |
| Energy Inflation                                    | 10.7          | 0.0                         | 10.7                           |
| General Inflation                                   | 22.5          | (0.2)                       | 22.3                           |
| Commissioned Services                               | 18.4          | 7.1                         | 25.5                           |
| Other incl. Debt                                    | 33.4          | (5.3)                       | 28.1                           |
|   | <b>95.3</b>   | <b>24.7</b>                 | <b>120.0</b>                   |
| <b>Total Resources and Cost Pressures</b>           | <b>86.7</b>   | <b>(17.0)</b>               | <b>69.8</b>                    |
| <b>Existing Actions to Reduce the Budget Gap</b>    | <b>£m</b>     | <b>£m</b>                   | <b>£m</b>                      |
| Business As Usual                                   | (7.7)         | 0.1                         | (7.5)                          |
| Service Reviews                                     | (4.2)         | (2.0)                       | (6.2)                          |
| <b>Total Existing Savings</b>                       | <b>(11.9)</b> | <b>(1.9)</b>                | <b>(13.8)</b>                  |
| <b>Routine Efficiencies identified 2022</b>         | <b>(11.2)</b> | <b>1.8</b>                  | <b>(9.4)</b>                   |
| <b>Gap Remaining After Existing Savings</b>         | <b>63.6</b>   | <b>(17.0)</b>               | <b>46.6</b>                    |
| <b>Additional Savings 2022</b>                      | <b>£m</b>     | <b>£m</b>                   | <b>£m</b>                      |
| <b>Directorate Savings</b>                          |               |                             |                                |
| <b>October 2022</b>                                 |               |                             |                                |
| Business As Usual                                   | 0.0           | (11.3)                      | (11.3)                         |
| <b>December 2022</b>                                |               |                             |                                |
| Business As Usual                                   | 0.0           | (23.5)                      | (23.5)                         |
| Service Reviews                                     | 0.0           | (11.9)                      | (11.9)                         |
| <b>Total Additional Directorate Savings</b>         | <b>0.0</b>    | <b>(46.6)</b>               | <b>(46.6)</b>                  |
| <b>Gap Remaining After Additional Savings</b>       | <b>63.6</b>   | <b>(63.6)</b>               | <b>(0.0)</b>                   |



### Part 3: Changes in Resources and Funding

#### 3.1. Summary Changes in Resources and Funding

**Table 2: Changes in Resources and Funding 2023/24**

|   | 2023/24<br>£m   |
|---|-----------------|
| Change in Resources due to Settlement Funding Assessment and Local Funding<br>Table 12 Paragraphs 3.2-3.9 | (35.174)        |
| Specific Grant Funding Changes<br>Paragraphs 3.10.12-3.10.28  | (26.119)        |
| Other Changes in Resources<br>Paragraph 3.10.29-3.10.30   | 5.296           |
| Movement on use of Reserves<br>Paragraphs 3.10.3-3.10.11  | 5.721           |
| <b>Total Funding Changes</b>  | <b>(50.276)</b> |

3.1.1. Table 2 summarises the changes detailed in Paragraphs 3.2-3.10. In brief, these include changes in resources in respect of local funding (such as Council Tax and Business Rates), specific grant funding changes, other changes in resources (e.g., Flexible Use of Capital Receipts) and movement on reserves showing use of or contribution to the Council's reserves.

#### 3.2. Estimating the Net Revenue Budget

##### Settlement Funding Assessment – increase of £0.0m

3.2.1. Settlement Funding Assessment is essentially the aggregate of core government grant and business rate baseline funding for a local authority.

3.2.2. In the last three financial years, local government has received single-year settlements, making financial planning more difficult. Despite there being a three-year Spending Review in 2021, it remains unclear whether Local Government will receive a one or two-year Settlement in December 2022, particularly as there is a new ministerial team in place at the Department for Levelling Up, Housing and Communities (DLUHC).

3.2.3. Table 3 sets out the Council's estimated Settlement Funding Assessment for 2023/24, which is based on an assessment of what the Council may expect to receive from announcements in the Autumn Statement 2022 and Spending Review 2021. There is no indication that there will be a change in general revenue support for local government in 2023/24, so it is assumed that Revenue Support Grant will remain the same as in 2022/23. Government announced at the Autumn Statement 2022 that the business rates multiplier would be frozen in



2023/24 and therefore the Business Rates Baseline, which increases in line with the multiplier, will also be frozen. As Settlement Funding Assessment is the sum of these two elements the current assumption is that Settlement Funding Assessment will remain the same as in 2022/23.

**Table 3: Settlement Funding Assessment**

|                                      | 2022/23      | 2023/24      | Change     |
|--------------------------------------|--------------|--------------|------------|
|                                      | £m           | £m           | £m         |
| Revenue Support Grant                | 29.3         | 29.3         | 0.0        |
| Business Rates Baseline Funding      | 158.4        | 158.4        | 0.0        |
| <b>Settlement Funding Assessment</b> | <b>187.7</b> | <b>187.7</b> | <b>0.0</b> |

3.2.4. The business rates element of the Settlement Funding Assessment is determined by taking the 2022/23 baseline business rates amount and uplifting it by the same percentage increase as the small business rates multiplier, frozen for 2023/24. This is then reduced by the tariff the Authority has to pay to Government because it is assessed as collecting more business rates than it requires for its spending needs, which are known as its baseline funding level. The tariff would ordinarily increase in line with any increase in the multiplier from its 2022/23 amount. However, as a revaluation of all business properties in England will take effect from 1<sup>st</sup> April 2023 and Government has assured local authorities that this should not lead to any changes in revenue for them, the Government intends to adjust tariffs to take out any impact of the 2023 Revaluation. Due to aggregate Rateable Value in Leeds increasing as a result of the Revaluation, it is therefore expected that our tariff will also increase, and any increased business rates collected will be paid to Government. It is currently estimated that the Council's tariff will increase from £14.4m to £23.7m, but this won't be confirmed until the provisional Local Government Finance Settlement in late December 2022. Although local authorities will receive full compensation for the freezing of the business rates multiplier in 2023/24 there remains some uncertainty as to whether this will be compensated with reference to CPI or RPI inflation. This Proposed Budget assumes the lower CPI rate.

3.2.5. Prior to 2013/14 when the Business Rates Retention Scheme was introduced, business rates were paid to Government and redistributed as general grant according to relative needs and resources. In 2013/14, in addition to general grant, a number of other funding streams were rolled into the Settlement Funding Assessment. However, since 2014/15 Settlement Funding Assessment has been adjusted without reference to these individual grants and therefore it is not possible to identify how much of the total funding receives relates to each constituent part.



3.2.6. A list of these individual funding streams is provided in Table 4.

**Table 4 – Grants Rolled into the Settlement Funding Assessment**

|   | 2023/24       |
|---|---------------|
|   | £m            |
| <b>Settlement Funding Assessment</b>      | <b>187.69</b> |
| <b>Which includes:</b>                    |               |
| Council tax freeze grant 2011/12          |               |
| Council tax freeze grant 2013/14          |               |
| Early intervention grant                  |               |
| Preventing homelessness                   |               |
| Lead local flood authority grant          |               |
| Learning disability & health reform grant |               |
| Local welfare provision                   |               |
| Care act funding                          |               |
| Sustainable drainage systems              |               |
| Carbon monoxide & fire alarm grant        |               |

### 3.3. Business Rate Retention

**Table 5 – Rateable Value in Leeds and Business Rates Income Generated**

|  | £m            |
|--|---------------|
| <b>Rateable Value in Leeds on draft ratings list as at 1st April 2023</b>    | <b>957.74</b> |
| multiplied by business rates multiplier                                      | 0.499         |
| <b>Gross business rates based on projected rateable value</b>                | <b>477.91</b> |
| Estimated Growth   | 2.54          |
| <b>equals gross business rates to be collected in Leeds</b>                  | <b>480.46</b> |
| less: -  |               |
| Mandatory Reliefs  | -76.50        |
| Discretionary Reliefs  | -18.88        |
| Transitional Adjustments (year 1)  | 0.00          |
| <b>equals net business rates paid by ratepayers</b>                          | <b>385.07</b> |
| less adjustments for: -  |               |
| Bad debts and appeals  | -24.29        |
| Cost of collection   | -1.25         |
| Projected Enterprise Zone and renewable energy projects yield                | -4.20         |
| Transitional Adjustments repaid to Government                                | 0.00          |
| <b>equals non-domestic rating income in Leeds</b>                            | <b>355.33</b> |
| Split into shares: -   |               |
| <b>Leeds City Council (49%)</b>  | <b>174.11</b> |
| West Yorkshire Fire Authority (1%)   | 3.55          |
| Central Government (50%)   | 177.67        |
| less deductions from operation of business rates retention scheme: -         |               |
| Leeds City Council's tariff from Local Government Finance Settlement         | -23.68        |
| Leeds City Council's share of surplus from 2022/23                           | 2.64          |
| Adjustment for spreading the 'exceptional deficit' from 2020-21 over 3 years | -12.23        |
| <b>Leeds City Council 's 2023/24 income from business rates</b>              | <b>140.85</b> |

3.3.1. Leeds is the most diverse of all the UK's main employment centres and has seen the fastest rate of private sector jobs growth of any UK city in recent years. Yet





this apparent growth in the economy has not translated into business rate growth; in fact, the business rates income available to the Council declined from 2015/16 to 2017/18, only returning to 2014/15 levels in 2018/19 with the introduction of the 100% Business Rates Retention pilot. The effect of the Coronavirus crisis reversed this growth again with in-year income levels from the Business Rates Retention (BRR) Scheme (i.e., excluding the exceptional effects of the Collection Fund deficits from 2020/21 and 2021/22) declining below 2015/16 levels in 2021/22 and not projected to recover to budgeted 2020/21 levels, set before the impact of the COVID-19 crisis, until 2026/27.

- 3.3.2. The total rateable value of businesses in Leeds on the draft 2023 ratings list as at 1<sup>st</sup> April 2023 is £957.74m which would generate gross business rates income of £477.91m. It is projected that there will be some modest growth in gross business rates of £2.54m in 2023/24 which is approximately half the growth trend prior to the COVID-19 pandemic. As shown in Table 5, the impact of a range of business rate reliefs (see paragraph 3.4) and statutory adjustments reduces this to a net income figure of £355.33m.
- 3.3.3. Under the projected 50% BRR scheme, Leeds City Council's share of this income is £174.11m (49%). The Authority then pays a tariff of £23.68m to Government because Leeds is assessed to generate more business rates income than it needs.
- 3.3.4. Leeds must also meet its share of the business rates deficit created in 2021/22, which totals £9.59m. The unusually large deficit from 2021/22 comprises a number of components. The first is a significant surplus carried forward from 2021/22 of £8.0m generated after the Council declared its projected deficit in December 2021 because the Taxbase declined in that year, it slowed in the latter quarter of the year. The second is an in-year deficit generated in 2022/23 of £5.4m because of higher than expected demand in 2022/23 for the extended Retail Relief in that year and the backdated award of COVID-19 Additional Relief Fund reliefs relating to 2021/22. Both these reliefs are fully funded by central Government and the funding is held in reserve to offset the cost of this deficit in 2023/24 (see paragraph 3.4 and paragraph 3.10.23). The surplus of £8.0m from the end of 2021/22 and the £5.4m deficit generated from the additional reliefs in 2022/23 equate to a net surplus projected for the end of 2022/23 of £2.6m as shown in Table 5. Finally, there is the final instalment of the exceptional deficit from 2020/21 to repay, which is £12.2m.
- 3.3.5. As shown above, business rates income is shared between local and central government. Under the 50% BRR scheme local authorities experiencing business rates growth are able to retain 49% of that growth locally, but also bear 49% of the risk if business rates fall or fail to keep pace with inflation, although a safety net mechanism is in place to limit losses in-year.
- 3.3.6. In particular, BRR exposes local authorities to risk from reductions in rateable values. The system allows appeals if ratepayers think rateable values have been wrongly assessed or that local circumstances have changed. One major issue is



that successful appeals are usually backdated to the start of the relevant valuation list, which means that for every £1 of rateable value lost on the 2010 list, growth of £6 would be necessary to fund the cost. The 2010 list is closed for new appeals and the backlog of appeals has reduced greatly. At the end of September 2022 there were 88 outstanding appeals against the 2010 ratings list in Leeds although many of these appeals are for properties with high Rateable Values, such as supermarkets. The Council holds significant provisions of £4.8m against the risk that these will result in reductions.

- 3.3.7. The 2010 ratings list was based on rental values in 2008, just before the 'financial & economic crisis' but came into effect after that crisis, when property values had greatly reduced. Appeals submitted against the new 2017 list can be backdated to 1st April 2017, and, together with the impact of the 'check, challenge, appeal' appeals process also introduced in April 2017, this appears to have reduced the number of business rate appeals and the resultant volatility going forward when compared with the 2010 list.
- 3.3.8. Since 2013/14 the total amount repaid by way of business rate appeals is £214.7m, at a cost to the Council's General Fund of £110.8m. The provision for business rate appeals within the Collection Fund has been reviewed and recalculated to recognise new appeals and the settlement of existing appeals. The 2023/24 Proposed Budget provides for an additional £1.8m contribution from the General Fund to fund this provision.

#### 3.4. **Small Business Rates Relief and other mandatory reliefs**

- 3.4.1. Before the pandemic almost 12,600, about 30%, of business properties in Leeds paid no business rates, of which just over 9,700 receive 100% Small Business Rates Relief. From April 2017, Government increased the rateable value threshold for small businesses from £6,000 to £12,000 and the threshold above which businesses pay the higher national business rates multiplier from £18,000 to £51,000. As a result, an additional 3,300 small businesses in Leeds immediately paid no business rates at all. Whilst Small Business Rates Relief and other threshold changes reduce the business rates income available to Leeds, the Authority recovers 69.1% of the cost of the relief through Government grant. A fixed grant of £0.8m is paid by Government for the changes to the multiplier threshold and a further £8.9m is recovered through the ratepayers in more valuable properties who pay rates based on the higher business rates multiplier. The overall proportion any individual authority recovers depends on the mix of large and small businesses in that area.
- 3.4.2. Unlike Small Business Rates Relief, in 2023/24 Leeds will bear 49% of the cost of other mandatory business rate reliefs such as mandatory charity relief and empty rate relief but has no control over entitlement and no powers to deal with their use in business rates avoidance. Costs of mandatory reliefs have increased significantly since the introduction of BRR, further reducing Leeds's retained business rates income: in real terms mandatory charity relief alone has increased by almost 30%, from approximately £22.6m in 2012/13 to a projected £28.1m in



2022/23 costing the Council an estimated £2.7m more in lost income under 49% retention in 2022/23.

3.4.3. In the Spending Review 2021 Government announced a further relief scheme for 2022/23, in which retail, hospitality and leisure businesses receive a 50% relief against their 2022/23 business rates liability up to a maximum of £110,000 per business. Local authorities receive full compensation for this measure. The Council estimated around £10.0m would be for this measure, which also has the effect of improving collection rates as the Council need to collect less directly from businesses. The Council estimated around £10.0m would be awarded in 2022/23 based on a similar scheme in 2019/20, however the demand was considerably higher and to date £17.7m has been awarded. The 49% cost to the Council under 50% business rates retention will be recovered from Government and excess funding will be held in reserve to meet the cost of the deficit generated. At the Autumn Statement 2022 the Government confirmed that this relief would be continued into 2023/24 and increased to 75% relief up to a maximum of £110,000 per business nationally. The forecast for this expanded relief in the light of the Council's experience in 2022/23 is detailed in section 3.5 below. Government also funded a scheme to give relief to businesses particularly impacted by the COVID-19 pandemic in 2021/22 but not helped by other reliefs in that year. The Council has awarded £8.9m of relief in 2022/23 backdated to 2021/22 and the funding received from the COVID Additional Relief Fund for this will be held in reserve to meet the cost of the relief included in the deficit. This additional relief will not continue to impact retained business rates income in 2023/24. Extensive relief schemes such as these, which are fully funded by Government, do not directly impact the net resources the Council has available. However, they do reduce the amount of funding to be collected from businesses and therefore the risk of non-collection and the cost of provisions for bad debts.

### 3.5. Business Rate Retention and the Proposed Budget

3.5.1. In terms of this Proposed Budget, it is estimated that the local share of business rates funding in 2023/24 will be £174.1m. As per Table 6, the Proposed Budget recognises business rate decline below the baseline of £8.0m, a decrease of £3.3m from the 2022/23 budget. This is a significant decline in the City's locally generated revenue below the baseline (1.7%) largely caused by the expected increased cost of extended Retail Relief in 2023/24. The elements of this decline are set out in the paragraphs below.

**Table 6 – Business Rates, Estimated Growth/(Decline) to the Baseline**

|                               | 2022/23 | 2023/24 | Change |
|-------------------------------|---------|---------|--------|
|                               | £m      | £m      | £m     |
| Business rates local share    | 168.10  | 174.11  | 6.02   |
| Less: business rates baseline | 172.79  | 182.11  | 9.32   |
| Growth above baseline         | (4.70)  | (8.00)  | (3.30) |



- 3.5.2. Table 7 sets out the main changes in business rates income that result in this £3.3m decline in growth above the baseline in 2023/24. The single largest element (-£12.3m) is the continuation of extended Retail and Leisure Relief at a higher 75% rate as announced by Government at the Autumn Statement 2022, for which the Council will be fully compensated by Section 31 grant. Some further costs are expected in respect of reliefs due to an increased demand for Small Business rates Relief (-£0.9m) following the Revaluation. This relief is compensated for at a rate of 69.1% by Section 31 grant.
- 3.5.3. These additional costs will be partly netted off by a number of improved elements of business rates income as the economy continues to recover from COVID-19. They include a return to in-year growth (£1.2m), a reduction in the requirement for bad debt provisions (£1.1m), and a slight reduction in the demand for Empty Rate Relief (£0.7m) as demand for business property slowly increases again. There are numerous smaller adjustments, mainly to other reliefs funding by Section 31 grants, that represent an additional cost to income of £1.4m.

**Table 7 – Changes in Growth above the baseline between the 2022/23 and 2023/24 Budgets and later years**

|   | 2023/24<br>Indicative | 2024/25<br>Indicative | 2025/26<br>Indicative |
|---|-----------------------|-----------------------|-----------------------|
| Leeds share of growth above the baseline                | 49%                   | 49%                   | 49%                   |
| <b>Growth above baseline assumed previous year (£m)</b> | <b>-4.7</b>           | <b>-8.0</b>           | <b>-4.9</b>           |
| Increased cost of extended Retail Relief at 75% (£m)    | -3.8                  | 0.0                   | 0.0                   |
| Change in cost of Mandatory Charity Relief (£m)         | 0.0                   | 0.0                   | 0.0                   |
| Change in cost of provisions for appeals (£m)           | -0.2                  | 0.0                   | 0.0                   |
| Change in cost of bad debt provisions (£m)              | 1.1                   | 1.2                   | 1.2                   |
| In-year growth of business rates yield (£m)             | 1.2                   | 1.9                   | 2.7                   |
| Change in cost of Small Business Rates Relief (£m)      | -0.9                  | 0.0                   | 0.0                   |
| Change in cost of empty rate relief (£m)                | 0.7                   | 0.0                   | 0.0                   |
| Other changes in the tax base (£m)                      | -1.4                  | 0.0                   | 0.1                   |
| <b>Growth above baseline assumed current year (£m)</b>  | <b>-8.0</b>           | <b>-4.9</b>           | <b>-1.0</b>           |

- 3.5.4. In conclusion, although the economic environment in Leeds remains buoyant, and construction in the city is strong, the additional Retail Relief mandated by central Government (and fully funded by section 31 grant) acts to reduce the amount of business rates to be collected in the city. Furthermore, the construction of new properties often replace pre-existing buildings which have to be taken off the ratings list, new buildings do not become liable to business rates until they are occupied and the ongoing impact of reduced Rateable Values due to appeals, also counteract the growth seen from many construction projects.
- 3.5.5. The £174.1m local share of business rates funding is then reduced by a £23.7m tariff payment and £9.6m deficit on the collection fund to reduce the funding available to the Council to £140.8m.
- 3.5.6. When compared to the £158.4m Business Rates Baseline (Government's assessment of what it expects an authority to collect before any local growth is





taken into account), the funding available of £140.8m represents a deficit of £17.6m, as shown in Table 8. Compared to the budgeted deficit in 2022/23 of £32.9m this is a net improvement to the Net Revenue Charge of £15.3m. However, in both years the Council received funding from Government for the reliefs awarded to the retail sector as a response to the Coronavirus crisis. In 2021/22 the Council was able to hold £32.1m of this funding in reserve to apply to the deficit in 2021/22. In 2022/23 the reliefs offered to ratepayers were more restricted and therefore the Council received far less compensation from Government. At £8.0m, the amount held in reserve to apply in 2023/24 is £24.1m lower than in the previous year meaning the net impact of Business Rates Retention in 2023/24 is a deterioration of £8.8m. However, if this is taken together with the increase of £22.2m of projected section 31 grant funding for in-year reliefs and the cap to the multiplier in 2023/24 as detailed at paragraph 3.10.26, this net impact becomes a gain of £13.4m.

**Table 8 – Business Rates Retention 2022/23 to 2023/24**

|   | 2022/23<br>£m | 2023/24<br>£m |
|---|---------------|---------------|
| <b>Business rates baseline (including tariff)</b>                               | <b>158.4</b>  | <b>158.4</b>  |
| Projected growth above the baseline to March                                    | (5.3)         | (9.2)         |
| Estimated growth in the year  | 0.6           | 1.2           |
| <b>Total estimated growth</b>   | <b>(4.7)</b>  | <b>(8.0)</b>  |
| Estimated provision for appeals   | 1.3           | 1.8           |
| Additional cost of transitional arrangements and provision for bad debts        | 2.7           | (2.2)         |
| Expanded Retail Relief  | (32.1)        | (8.7)         |
| Other changes in taxbase  | 0.0           | (0.5)         |
| <b>Estimated total year-end Collection Fund deficit (Leeds Share)</b>           | <b>(28.2)</b> | <b>(9.6)</b>  |
| <b>Estimated Business Rates Funding</b>   | <b>125.5</b>  | <b>140.8</b>  |
| <b>Increase/(reduction) against the Business Rates baseline</b>                 | <b>(32.9)</b> | <b>(17.6)</b> |
| <b>Business Rates Retention - Impact on General Fund Income</b>                 |               | <b>15.3</b>   |
| <b>Application of the reserve of the additional funding for 2022/23 reliefs</b> |               | <b>(24.1)</b> |
| <b>Net impact of Business Rates Retention on the 2023/24 General Fund</b>       |               | <b>(8.8)</b>  |

### 3.6. Leeds City Region application to pool 50% Business Rate Retention

- 3.6.1. In 2022/23 the Council is a member of the Leeds City Region Business Rates Pool, with 50% business rates retention. Due to local government re-organisation in North Yorkshire one of the members, Harrogate, cannot continue as a member of the existing Pool. When the membership of a Pool changes, a new application to Central Government has to be made and the Secretary of State makes the decision as to whether the new pooling arrangement can go ahead.
- 3.6.2. Following discussions between the remaining Leeds City Region authorities it was agreed that the Pool should continue into 2023/24 and the following have submitted an application to Government to pool in 2023/24: Bradford, Calderdale, Kirklees, Leeds, Wakefield and York. We expect to be informed whether it has been successful at the provisional Settlement.



- 3.6.3. Under the 50% scheme the advantage of forming a business rate pool is the retention of levy payments within the region that would otherwise have to be made to Government. We estimate gains to the region of around £3.2 million if such a pool was designated and income from the Business Rates Retention Scheme remains at current projections. Leeds City Council's financial commitment would be in the region of £0.4m, whether as a levy to the Pool or to Government. This Proposed Budget recognises that Leeds City Council will be required to make a levy payment in 2023/24.
- 3.6.4. The application itself is not binding. Any member of the proposed Pool will be able to withdraw during the statutory 28-day window after Government designates the new Pool, as set out in the Local Government Finance Act 2012. However, should any member withdraw, not only would the Pool be revoked but there would be no opportunity to fall back on existing pooling arrangements.
- 3.6.5. This report asks Executive Board to agree that, should the application for a 2023/24 business rates pool be successful, Leeds should become a member of this new Business Rates Pool and should act as lead authority for it. Notwithstanding this decision, the continuation of the Pool will be dependent upon none of the member authorities choosing to withdraw within the statutory period after designation.

### 3.7. Council Tax

- 3.7.1. The 2022/23 budget was supported by a 2.99% increase in the level of council tax, 1% of which was attributable to the Adult Social Care precept. Leeds City Council's council tax remains the 2<sup>nd</sup> lowest of the English core cities and mid-point of the West Yorkshire districts, as detailed in Table 9.

**Table 9 – 2022/23 Council Tax Levels (Figures include Police and Fire Precepts)**

| Core Cities  | Band D £:p      | West Yorkshire Districts |                 |
|--------------|-----------------|--------------------------|-----------------|
|              |                 |                          | Band D £:p      |
| Nottingham   | 2,294.14        | Kirklees                 | 1,990.87        |
| Bristol      | 2,230.37        | Calderdale               | 1,967.67        |
| Liverpool    | 2,194.97        | <b>Leeds</b>             | <b>1,860.22</b> |
| Newcastle    | 2,086.87        | Wakefield                | 1,850.30        |
| Sheffield    | 2,053.83        | Bradford                 | 1,837.39        |
| Manchester   | 1,872.59        |                          |                 |
| <b>Leeds</b> | <b>1,860.22</b> |                          |                 |
| Birmingham   | 1,808.26        |                          |                 |



- 3.7.2. The 2023/24 Proposed Budget recognises a projected gain of £7.8m (3,547 band D equivalent properties) due to both increases in tax-base growth during the 2021/22 financial year and a decrease in the number of Council Tax Support claimants as employment has recovered following the relaxation of lockdown restrictions. It also recognises an increase in the projected deficit on the collection fund of £4.4m, which together with a deficit of £2.1m generated in 2022/23 because of pressures on collection as the cost of living crisis impacts on council taxpayers in Leeds, results in a £6.6m projected deficit. In addition, the third final payment of £4.5m deficit from 2020/21 generated at the time of the national restrictions during COVID19 lockdowns and which the Government mandated local authorities should repay over three years will become due.
- 3.7.3. In 2022/23 the Government allowed local authorities to increase their core council tax charge by up to, but not including, 2% before having to submit their proposed increase to a local referendum. The Council decided to increase its core council tax by 1.99%. During the Autumn Statement 2022 Government stated that the limit for core council tax would increase to 2.99% for 2023/24. These proposals therefore include a 2.99% increase in the Council's core council tax; however the final decision remains with Full Council.
- 3.7.4. At the Spending Review 2021 the Chancellor announced that local authorities with social care responsibilities would be able to increase their ASC precept by up to 1% in 2022/23. In 2022/23, the Council decided to increase its ASC precept by 0.99%. At the Autumn Statement 2022 Government stated that authorities would be permitted to increase the precept by up to 2% in 2023/24. These budget proposals therefore include a 1.99% increase to the Council's ASC precept. As with the core increase, a final decision on this will be taken by Full Council.
- 3.7.5. The impact of the proposed core and ASC precept increases on the Leeds share of the council tax charge by band is shown at Table 10. The Leeds council tax charge will be presented to Full Council for approval in February 2023.

**Table 10 – Proposed 2023/24 Leeds Council Tax**

| <b>BAND</b> | <b>BAND</b> | <b>BAND</b> | <b>BAND</b> | <b>BAND</b> | <b>BAND</b> | <b>BAND</b> | <b>BAND</b> |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>A</b>    | <b>B</b>    | <b>C</b>    | <b>D</b>    | <b>E</b>    | <b>F</b>    | <b>G</b>    | <b>H</b>    |
| £ p         | £ p         | £ p         | £ p         | £ p         | £ p         | £ p         | £ p         |
| 1096.62     | 1279.39     | 1462.16     | 1644.93     | 2010.47     | 2376.01     | 2741.55     | 3289.86     |

- 3.7.6. Table 11 sets out the estimated total council tax income in 2023/24; recognising the £7.8m estimated increase in the council tax base, an £11.2m core increase in the council tax rate and a £7.5m increase due to the ASC precept. Table 11 also recognises the £2.1m deficit generated in 2022/23 due to pressures on collection activity during the cost of living crisis and the payment of the £4.5m final instalment of the deficit generated in 2020/21 during the COVID-19 crisis and which has to be repaid over three years.



Table 11 – Estimated Council Tax Income in 2023/24

|   | 2022/23      | 2023/24      |
|---|--------------|--------------|
|   | Baseline     | Forecast     |
|   | £m           | £m           |
| Previous year council tax funding                     | 344.9        | 367.1        |
| Change in tax base - increase / (decrease)            | 13.7         | 7.8          |
| Increase in council tax level                         | 7.2          | 11.2         |
| Adult Social Care precept                             | 3.6          | 7.5          |
| <b>Council Tax Funding before surplus/(deficit)</b>   | <b>369.4</b> | <b>393.6</b> |
| Surplus/(Deficit) 2021/22                             | (2.2)        |              |
| Surplus/(Deficit) 2022/23                             |              | (2.1)        |
| Council Tax Adjustment for spreading over three years | 4.5          |              |
| Council Tax Adjustment for spreading over three years | (4.5)        | (4.5)        |
| <b>Contribution (to)/from Collection Fund</b>         | <b>(2.2)</b> | <b>(6.6)</b> |
| <b>Total - Council Tax Funding</b>                    | <b>367.1</b> | <b>387.0</b> |
| Increase from previous year                           |              | 19.9         |

- 3.7.7. Spending Review 2020 included £762m to fund 75% of “irrecoverable loss of council tax and business rates revenues in 2020-21”. “Irrecoverable losses” were not defined formally until after the Council’s 2021 Budget was approved, but the Council is now estimated to receive some £2.2m from this fund for losses experienced from reduced Council Tax revenues in 2020/21. It is proposed that this funding be held in reserve to assist the Council in meeting the final instalment of the deficit from 2020/21, which is due in 2023/24.
- 3.7.8. In total the level of Council Tax receivable by the Council in 2023/24 is projected to increase by £19.9m when compared to that receivable in 2022/23.
- 3.7.9. The Settlement Funding Assessment includes an element to compensate parish and town councils for losses to their council tax bases arising as a result of Local Council Tax Support (LCTS). As this amount is not separately identifiable it is proposed, as in previous years, that LCTS grant should be pro-rated in line with the assumptions for Leeds’s overall change in the Settlement Funding Assessment. The value of this increase, if any, will be confirmed at the provisional Settlement.





### 3.8. Adult Social Care Precept

- 3.8.1. At Spending Review 2021, the Chancellor stated that the Government had the expectation that the Adult Social Care precept would increase by around 1% over the lifetime of the next Spending Review, that is 2022/23 to 2024/25. However, at the Autumn Statement 2022 the Government announced that this could be increased to 2% in respect of 2023/24.
- 3.8.2. Based on these statements, the indicative budget proposals for 2024/25 and later years have assumed a 0.99% increase in the Adult Social Care precept. Any final decision remains that of Full Council when approving the annual budget.

### 3.9. The Net Revenue Budget 2023/24

- 3.9.1. After taking into account the anticipated changes to the Settlement Funding Assessment, business rates and council tax, the Council's overall net revenue budget is anticipated to increase by £35.2m or 6.7% from £521.9m to £557.1m, as detailed in Table 12 and at **Appendix 2**. This includes a significant reduction in the business rates deficit of £18.6m.

**Table 12 – Estimated Net Revenue Budget 2023/24 compared to the 2022/23 Net Revenue Budget**

|  | 2022/23<br>£m | 2023/24<br>£m | Change<br>£m |
|--|---------------|---------------|--------------|
| Revenue Support Grant                                      | 29.3          | 29.3          | 0.0          |
| Business Rates Baseline                                    | 158.4         | 158.4         | 0.0          |
| <b>Settlement Funding Assessment</b>                       | <b>187.7</b>  | <b>187.7</b>  | <b>0.0</b>   |
| Business Rates Growth                                      | (4.7)         | (8.0)         | (3.3)        |
| Business Rates Surplus that will not be spread             | (15.9)        | 2.6           | 18.6         |
| Business Rates Deficit: One-third of 'exceptional balance' | (12.2)        | (12.2)        | 0.0          |
| Council Tax (incl. Adult Social Care Precept)              | 369.4         | 393.6         | 24.3         |
| Council Tax Surplus that will not be spread                | 2.2           | (2.1)         | (4.4)        |
| Council Tax Adjustment: One-third of 'exceptional balance' | (4.5)         | (4.5)         | (0.0)        |
| <b>Net Revenue Budget</b>                                  | <b>521.9</b>  | <b>557.1</b>  | <b>35.2</b>  |

- 3.9.2. Table 13 analyses this £35.2m estimated increase in the net revenue budget between the Settlement Funding Assessment and locally determined funding sources.



Table 13 – Increase in the Funding Envelope

| Funding Envelope                                     | 2023/24<br>£m |
|--|---------------|
| Government Funding                                   |               |
| Settlement Funding Assessment                        | 0.00          |
| <b>Sub-total Government Funding</b>                  | <b>0.00</b>   |
| Locally Determined Funding                           |               |
| Council Tax (incl tax base growth)                   | 19.89         |
| Business Rates                                       | 15.29         |
| <b>Sub-total Locally Determined Funding</b>          | <b>35.17</b>  |
| <b>Increase/(decrease) in the Net Revenue Budget</b> | <b>35.17</b>  |

- 3.9.3. The estimated increase in the 2023/24 net revenue budget compared to 2022/23 cannot be properly understood without considering changes in general fund income streams associated with the Collection Fund. In 2021/22 Government funded reliefs against business rates for the retail and leisure sectors which was forwarded to local authorities to meet the resultant business rates deficit in 2022/23. In 2022/23 the Government announced further reliefs but at a much reduced level, the excess funding for which will also be held in reserve to meet the smaller resultant deficit in 2023/24. This means that although the net revenue budget due to business rates has increased by £35.2m because the business rates deficit has reduced, the reduction in funding held in reserve to meet this deficit is £24.1m. As can be seen in Table 8 the net result is that business rates revenue to the Council has actually reduced by £8.8m.
- 3.9.4. Council tax is projected to increase by £19.9m as detailed below. Since the 2021/22 budget the level of applications for council tax support has reduced as unemployment has reduced, which has the effect of increasing the council tax base. Growth in the council tax base, with new homes being completed in the City, has also markedly improved as construction resumed following the lockdowns in 2020/21. Finally, Government announced at the Autumn Statement 2022 that core council tax could rise by up to 3% and the Adult Social Care precept by up to 2% in 2023/24. As discussed at paragraph 3.7 this Proposed Budget assumes subject to the approval of Full Council.

### 3.10. Decreases/(Increases) in General Fund Resources

- 3.10.1. The changes in local funding, detailed in paragraphs 3.2 – 3.9, change the Council's Net Revenue Budget and form part of the funding envelope available to the Council.



- 3.10.2. Other movement in the Council's available resources are shown in paragraphs 3.10.3 – 3.10.30.

### Movement on the use of Reserves £5.7m

- 3.10.3. **Changes in contributions to/(from) the General Reserve £0.0m** – The opening General Reserve position in 2022/23 stood at £33.2m with the opening position for 2023/24 estimated to be unchanged at £33.2m, reflecting no budgeted contribution to this reserve in 2022/23. This Proposed Budget does not allocate any additional resources to the General Reserve in 2023/24 but the provisional position for 2024/25 assumes a base budget increase of £3.0m. In 2023/24 £3m of resources will be contributed from the Strategic Contingency Reserve to the General Reserve as part of measures to ensure financial robustness and sustainability. As such a £3m increase in the General Reserve is assumed as is a contribution in every subsequent year of the Medium Term Financial Strategy, giving a projected General Reserves position of £48.2m at 31st March 2028.

### Changes in contributions to/(from) Earmarked Reserves £5.7m

- 3.10.4. Opening General Fund earmarked reserves for 2022/23 stood at £131.4m. A net in year use of reserves in 2022/23 of £71.3m is currently forecast which would result in earmarked reserves of £60.1m being carried forward into 2023/24.
- 3.10.5. The paragraphs below set out the proposed use of and contributions to these earmarked reserves in 2023/24. Overall, the measures in this Proposed Budget apply a net contribution from the revenue position of £5.7m to Earmarked Reserves.
- 3.10.6. Opening General Fund earmarked reserves for 2022/23 stood at £143.4m. This total includes £37.5m of **Strategic Contingency reserve**, which was established in 2020/21 to fund future unforeseen budget pressures and to ensure the Council becoming more financially resilient. The 2022/23 budget assumed a net use of £6.6m from this reserve and there are currently in year commitments of £2.5m relating to funding COVID Backlog Recovery, £28.4m remains available. Based on updated housing growth, £2.1m of additional New Homes Bonus Funding is estimated to be receivable in 2022/23. This will be carried forward in the Strategic Contingency Reserve and used in 2023/24. The 2023/24 Proposed Budget then assumes use of a further (£12.3m) to support the Authority to deliver a balanced budget, dependent on the approval of Full Council at the 2023/24 Budget meeting. As discussed at paragraph 3.10.3, £3m will be contributed to the General Reserve. The Proposed Budget position also reflects fallout of use of £10.8m when compared with 2022/23, resulting in a net movement of (£6.6m) in the General Fund in respect of this reserve. The estimated balance remaining on this reserve after the proposed use in 2023/24 is £13m. However, this balance may be required in 2022/23 due to the overspend position for the current year which is £15.4m at Month 7 as reported elsewhere on this agenda.



- 3.10.7. The 2021/22 approved budget allowed for the creation of an **earmarked reserve for COVID pressures**. £3.5m has been carried forward into 2022/23 but it is anticipated that this will be used in full in the current year to fund specific ongoing effects of COVID. The MTFs reflects the £4.2m impact of fallout of use of this reserve, which is largely offset by the fallout of COVID pressures discussed at paragraph 4.23. As no further contributions to this reserve are proposed, the balance on this reserve will be nil for 2023/24.
- 3.10.8. An **Energy Contingency reserve** was also established in the 2021/22 approved budget to provide contingency funding should energy costs exceed provision in the budget: £1.1m was carried forward into 2022/23 and a further £2.9m has been added so that the reserve currently stands at £3.9m. The Proposed Budget assumes that this contingency will be used in full in 2022/23, reflecting the significant inflationary pressures expected with regard to the cost of energy. This Proposed Budget reflects the fallout of this (£2.9m) contributions to the reserve. As no further contributions to this reserve are proposed, the balance on this reserve will be nil for 2023/24.
- 3.10.9. A net increase in contribution of £1.0m to the **Investment and Innovation** reserves is provided for. This additional funding will support a range of transformational activities across the authority where they are identified as generating future savings, supporting the delivery of the Financial Strategy and improving the financial resilience of the Authority.
- 3.10.10. The Proposed Budget removes the ongoing provision of (£0.5m) to the **Staffing and Management Support reserve** established in the 2022/23 budget. Balances carried forward into 2023/24 will continue to provide a resource to support HR initiatives.
- 3.10.11. The remaining movement provides for a net increased pressure of £5.4m on the General Fund in 2023/24, mainly as a consequence of fallout of the use of Adults and Health reserves of £2.6m in both 2021/22 and 2022/23.

### Changes in Grant Funding £32.2m

- 3.10.12. **Specific Grant Funding Changes – Adults and Health (£25.4m)**. The final 2021/22 Local Government Finance Settlement confirmed Government's intention to roll forward all social care grants that had been receivable in 2020/21, with an additional injection of £300 million of new Social Care grant funding in 2021/22 for adults and children's services. This Proposed Budget assumes that all of these will continue to be protected.
- 3.10.13. As a part of the 2022/23 final Local Government Finance Settlement the Government introduced a new grant, Market Sustainability and Fair Cost of Care Fund, with a national allocation of £162m in 2022/23. The Leeds share of this was £2.2m. It was also announced that for 2023/24 and 2024/25 a further £600m would be made available per annum. The Leeds share of this is estimated to be £8.2m, an increase of £6.0m on the 2022/23 allocation.





- 3.10.14. As discussed at paragraph 1.6 above, additional Social Care funding was announced at Autumn Statement 2022. The announcement indicated funding of £28.9m, of which an estimated £22.9m is new funding (and therefore not previously included the Council's assumptions), whilst £6m reflected the announced delay in the Fair Cost of Care reforms discussed at paragraph 3.10.13, with authorities permitted to retain the funding allocated. The Proposed Budget utilises the retained £6.0m and £18.3m of this new funding to mitigate pressures within the care market. This is further discussed in Part 4: Cost Pressures, Budget Growth and Adjustments.
- 3.10.15. The Proposed Budget also includes an inflationary increase of £1.1m for the Better Care Fund, reflecting inflationary rises in 2022/23 (not previously budgeted for) and 2023/24.
- 3.10.16. As discussed in Section 3.7, the Proposed Budget assumes a 2% uplift in the Adult Social Care Precept as permitted at the Autumn Statement. Should this proposal be approved, the additional 2% Precept income will provide further funding for Adult Social Care services of almost £7.5m for Leeds in 2023/24, of which 1% (£3.7m) was assumed in the MTFs and the additional 1% noted in the Autumn Statement would increase local funding by a further £3.7m if approved. This continues the trend in recent years whereby social care provision is increasingly funded by local taxation.
- 3.10.17. **Specific Grant Funding Changes – Children and Families Directorate (£1.9m).** As discussed at paragraph 3.10.12, the final 2021/22 Local Government Finance Settlement confirmed the Government's intention to roll forward all social care grants receivable in 2020/21. This Strategy assumes continuation of all existing Children's Social Care grants, apart from the School Improvement Monitoring and Brokerage Grant which is ending but is expected to be replaced by alternative income. If the assumed levels of grant funding are not realised, the directorate will be required to reduce their expenditure budget accordingly. These allocations were included in the 2022/23 Budget and have been rolled forward in the Strategy for the Proposed Budget 2023/24, and beyond.
- 3.10.18. Leeds is one of three authorities to receive funding through the Department for Education (DfE) Strengthening Families Protecting Children (SFPC) Programme to support the spread of innovation programmes across 20 local authorities over five years. The 2023/24 budget for the Children and Families Directorate includes the fourth tranche of additional grant of £1.6m. The fallout of this grant in 2024/25 is reflected in the Strategy.
- 3.10.19. Of the £28.9m of new social care funding announced at the Autumn Statement, the Proposed Budget utilises £1.9m to support the Children Looked After service. As such, the Proposed Budget assumes a £1.9m increase in Children's Social Care resources over the period 2023/24 to 2026/27 and reflects the fallout of the £1.6m per annum Strengthening Families grant in 2024/25.



- 3.10.20. **Specific Grant Funding Changes – Communities, Housing and Environment £0.2m.** The Proposed Budget for 2023/24 allows for fall out of the Asylum Migration and Integration Grant (£0.07m) and ESIF grant (£0.11m).

**Specific Grant Funding Changes – Strategic and Central Accounts (£1.0m).**

- 3.10.21. The Local Government Finance Settlement, published in February 2022, confirmed a new Services Grant, a new specific grant, outside of the Net Revenue Budget. In 2022/23 the Leeds share of this was £10.9m. Whilst new funding to the sector, Local Authorities were advised that grant included an element for local authorities to fund the new Health and Social Care Levy, which was introduced from 2022/23 and was an additional National Insurance cost. Since then, the Mini Budget, announced in September 2022, announced that the Health and Social Care levy was to be scrapped from November 2022 and that this element of funding would be reduced from future year Services Grant. As such, the Proposed Budget assumes that the Services Grant will reduce by £2.9m, the estimated cost to the Authority of the Health and Social Care levy.
- 3.10.22. **Specific Grant Funding Changes – New Homes Bonus £0.0m** Government introduced the New Homes Bonus in 2011 to encourage housing growth: initially councils received grant for six years for each net additional property added to the tax base each year. This grant is funded by top slicing Revenue Support Grant. In 2016/17 Government made some changes, including gradually reducing the number of years 'legacy payments' are receivable from six to four years and imposing a 0.4% growth baseline on new allocations before any Bonus is paid. From 2020/21 New Homes Bonus has been paid for one year only, with no legacy payments. In February 2021 the Government published a consultation on the future of New Homes Bonus indicating that the scheme in its current form would be phased out. The Council is currently awaiting the Government response. To remain prudent, it is assumed that there will be no further payment of New Homes Bonus after the current Spending Review period in ends in March 2025. The Council will account for the final year in 2023/24 and therefore it is assumed £2.2m of New Homes Bonus will be accounted for in that year, based on average growth in the Council Tax base since 2013/14, but will drop out of the Council's budget in 2024/25. As such there is no change for 2023/24. The position should become clearer in the Provisional Financial Settlement in December 2022.
- 3.10.23. **Specific Grant Funding Changes – Collection Fund COVID-19 Grants £24.1m.** In 2021/22 the Government awarded generous reliefs to retail and leisure establishments in Leeds. These reliefs added to the Council's Collection Fund deficit but full compensation was received. However, the deficit did not have to be paid until 2022/23 and therefore the £32.1m received was held in reserve and applied in 2022/23. In 2022/23 the Government awarded reliefs to these sectors again, although at a much lower level. Once again, the Council will hold this funding, £8.0m, in reserve to apply to the Collection Fund deficit that becomes due for payment in 2023/24. This represents a reduction in the funding to be applied of £24.1m.



- 3.10.24. **Other Non-Collection Fund Business Rates and Council Tax Movements (£26.0m).** Local authorities are allocated Section 31 grants to compensate for changes made by Government to the business rates system. An authority's allocation depends on the level of business rates yield in that authority's area, the extent to which it awards certain reliefs mandated by Government and its share of any losses resulting from these.
- 3.10.25. At the Autumn Statement 2022 Government announced that it would award relief to retail and leisure businesses in recognition of continuing challenges for these sectors during the cost of living crisis. These businesses will receive 75% relief against their business rates liabilities up to a maximum of £110,000 per business. This represents an increase in these reliefs which only gave 50% relief up to a maximum of £110,000 in 2022/23. In this Proposed Budget an allowance for this relief against business rates income of £17.7m has been assumed, attracting additional Section 31 compensation of £10.4m.
- 3.10.26. Government also announced at the Autumn Statement 2022 that the Small Business Rates Multiplier and higher National Multiplier would be frozen at its 2022/23 level instead of increasing by CPI as would normally be the case or being adjusted because of the Revaluation. Local authorities receive compensation from Government for the loss of income this entails. It is estimated that this compensation will amount to £37.2m because the rate of CPI inflation is so high. These proposals also include the continuation of the special relief for local newspapers. In total Section 31 compensation for business rates reliefs and the freeze on the multiplier is expected to increase by £22.2m
- 3.10.27. The Council will have to pay a levy on any growth in the total of retained business rates income and Section 31 income either to the Leeds City Region Business Rates Pool or to Government, currently estimated at £0.4m in 2023/24, a decrease of £0.5m on the budgeted amount for 2022/23 due to slow recovery in business rates income in the city.
- 3.10.28. At the Spending Review 2020 the Chancellor announced that £762m was to be used to provide support to local authorities for 'irrecoverable losses' in business rates in 2020/21 that authorities would have to repay to the Collection Fund in 2021/22, 2022/23 and 2023/24. The definition of irrecoverable losses was confirmed in May 2021 and the Council estimates that it will receive £11.8m in total, although final allocations have not yet been confirmed. In 2021/22 £8.6m was applied to the deficit to be repaid in year and none of the remaining funding was applied in 2022/23. These proposals assume that the remaining £3.2m held in reserve will be applied to the final instalment of the 2020/21 deficit in 2023/24.

#### **Other Changes in Resources £5.3m**

- 3.10.29. The 2022/23 approved Budget included proposals to access additional income from the NHS to support the cost of council services where there are shared



pathways of care. Due to pressures within that sector this proposal is reversed in 2023/24 by £5.0m as the funding is no longer available.

- 3.10.30. In February 2021, alongside the Local Government Finance Settlement, the then Secretary of State announced the continuation of the capital receipts flexibility programme for a further three years, giving local authorities the continued freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings. The 2022/23 Budget included additional planned expenditure of £7.1m relating to transformational work that meets these criteria to be funded through the Government's flexible use of capital receipts regulations. In 2023/24 the Strategy reflects the £0.3m part-fallout of this resource.





**Part 4: Cost Pressures, Budget Growth and Adjustments**

4.1. Table 14 summarises the projected cost increases in the 2023/24 Proposed Budget.

**Table 14 – Cost Increases 2023/24**

|  | <b>2023/24<br/>£m</b> |
|--|-----------------------|
| Pay - Leeds City Council                             | 37.8                  |
| Pay - Health and Social Care Levy removed            | (2.9)                 |
| Employer's LGPS contribution                         | (0.7)                 |
| Capitalised pension costs                            | (0.8)                 |
| Wage costs - commissioned services                   | 25.5                  |
| Inflation: General                                   | 22.3                  |
| Inflation: Electricity and Gas Tariffs               | 10.7                  |
| Demand and demography - Adult Social Care            | 2.3                   |
| Demand and demography - Children Looked After        | 1.6                   |
| Demand and demography - Other                        | 0.2                   |
| Financial Sustainability                             | 9.0                   |
| CLA Transport  | 2.3                   |
| Leeds 2023   | 0.7                   |
| Income pressures                                     | 2.8                   |
| Debt - external interest / Minimum Revenue Provision | 11.2                  |
| Fall out of COVID pressures                          | (5.3)                 |
| Other Pressures/Savings                              | 3.4                   |
| <b>Cost Increases</b>                                | <b>120.0</b>          |

4.2. **Pay Inflation** – The Proposed Budget allows for £37.8m of pay inflation in 2023/24. The increase provides for the following elements: £18.8m which reflects the Employer's final offer for 2022/23 and which was not agreed until after approval of the 2022/23 budget this increase reflects the difference between the pay award that was budgeted for 2022/23 at 2%, and the final offer; £17.0m for an assumed 2023/24 pay award incorporating a 4% pay award for all other staff and the recently announced Real Living Wage of £10.90 at pay scale points 1 and 2; £0.3m in regard to the pay impact of the additional day of leave included in the 2022/23 pay award to be implemented from 2023/24; and £1.6m for the additional cost of Enhancements.

4.3. **Health and Social Care Levy** – The 2021 Spending Review introduced plans to increase funding for health and social care over three years through the introduction of a new tax, the Health and Social Care Levy, a 1.25% increase in National Insurance contributions (NICs) paid by employees, employers and the self-employed. This levy was reversed in the Mini Budget with effect from 6<sup>th</sup> November 2022. The value of the levy in 2023/24 was estimated to be £2.9m, the Proposed Budget reflects this falling out. Whilst this is a reduction in the pay costs of the Authority, the Council received funding from Government to meet the



employer NICs element and this funding will also be discontinued in 2023/24.

- 4.4. **Employers Local Government Pensions Contributions** – The 2022 actuarial valuation showed that the West Yorkshire Pension Fund is in a surplus position. Following initial discussions with the Pension Fund, it is assumed that the Council's employer's contribution will reduce from 15.9% to 15.7% from 1<sup>st</sup> April 2023 and remain unchanged for three years, delivering a £0.7m estimated saving each year when compared to the base position.
- 4.5. The fall out of **capitalised pension costs** associated with staff who have left the Council under the Early Leaver's Initiative (ELI) will save an estimated £0.8m in 2023/24 with further net savings in the later years of the Council's financial strategy as pension strain costs continue to fall out.
- 4.6. **National Living Wage for commissioned services and the Ethical Care Charter** – in respect of services commissioned from external providers by both Adults and Health and Children and Families directorates, provision has been made for £25.5m in 2023/24 for increased contract costs reflecting the increase in the National Living Wage. The majority of this increase sits in the Adults and Health Directorate, with £0.6m per annum provided for in the Children and Families Directorate. The increased costs in the Adults and Health Directorate reflect the announced Real Living Wage rate of £10.90/hour and a further 40p/hour for Homecare in 2023/24.
- 4.7. These increased costs are associated with both paying our staff the Real Living Wage and encouraging the services we commission to pay their staff the Real Living Wage to enable sustainability of the market, with the majority (£51.8m) having been resourced by the Council. The additional £7.1m is funded through use of the additional funding announced at the Autumn Statement discussed at paragraph 3.10.14.
- 4.8. Since the declaration of the climate emergency in 2019, the Council has made substantial reductions in its energy consumption, an estimated 24% in gas and electricity consumption when comparing 2018/19 levels with those expected for 2022/23. This has been achieved through a broad range of measures including reduction/optimisation of the corporate estate, delivery of capital schemes to deliver energy efficiencies and decarbonisation, a wholesale LED roll-out across the City's street lighting, delivery and expansion of the district heating network, and installation of heat pumps, solar PV and other energy efficiency measures. However, increases in global energy prices have resulted in significant budgetary pressures, with energy commodity prices currently around six times historical levels. The Council's forward purchasing of energy has hedged the Council significantly against the full impact of these market factors, but the budgetary impact is expected to increase. Current forecasts assume continuation of a Government business energy cap beyond March 2023, and the Proposed Budget allows for **energy price inflation** of £10.7m. To address these pressures, the Council has initiated an accelerated programme of work to reduce energy consumption including: further LED installations; enhanced building management



controls; further permanent or temporary building closures and partial building shutdowns; focused site specific action plans at high energy consuming sites; street lighting dimming; reducing peak time electric vehicle charging; progressing the delivery of major local renewables generation schemes.

- 4.9. In budget proposals for previous years inflation has only been provided where there is a contractual commitment. Whilst this can vary from contract to contract, it is often index linked to CPI or RPI which are both exceptionally high in 2022 (September 2022 CPI was 10.1% and RPI 12.6%). The Council will need to provide for the increase accordingly, however for some contracts the reference month's inflation figures are not yet available. Any changes will be included in the Final Budget proposals.
- 4.10. In addition, due to the significant inflationary pressures in the economy, the 2023/24 Proposed Budget also makes allowance for net **general price inflation** of £22.3m as follows: Adults and Health £5.0m, Children and Families £8.3m, City Development £3.7m, Communities, Housing and Environment £3.6m, Resources £2.1m and Strategic (£0.5m). The OBR expects inflation to return to more normal levels by 2024/25.
- 4.11. The Proposed Budget has assumed an inflationary uplift on fees and charges where it is considered they can be borne by the market. Given the significant financial pressures faced by the Council, proposed levels of fees and charges continue to be reviewed to identify potential to increase income.
- 4.12. The Proposed Budget recognises the increasing **demography** and consequential **demand pressures** for services in **Adults and Health, Children and Families** and **Communities, Housing and Environment**.
- 4.13. Within **Adults and Health**, the population growth forecast assumes a steady increase in the number of people aged 85+ between 2021 and 2026. These increases of 0.9%, 1.2%, 0.9%, 1.2% and 1% respectively result in additional costs for domiciliary care and care home placements. In addition, the Medium Term Financial Strategy reflects the anticipated impact of increasing cash personal budgets through to 2025. The Learning Disability demography is expected to grow by 1.02% (based on ONS data) over the period. It should be noted that the high cost increase in this area of service is primarily a combination of increasingly complex (and costly) packages for those entering adult care, as well as meeting the costs of the increasing need for existing clients whose packages may last a lifetime. The Strategy provides £2.3m for the 2023/24 financial year to deal with this demand and demographic growth.
- 4.14. **Children and Families** continues to face demographic and demand pressures due to several different factors. Birth rates were relatively high in previous years, particularly within the most deprived clusters in the city. Although the birth rate has now reduced, the population peak is now moving through to adolescents, who can require more complex and therefore costly placements. The main drivers of demand pressures are well documented nationally and locally. The



demand for Children and Families services has been significantly influenced by the Covid-19 pandemic, which has had a huge impact on the communities of Leeds with those most vulnerable significantly affected in terms of their health and well-being as well as their economic circumstances. This has also led to an increased need for children's social care. Other specific drivers of demand pressures include an increasing population of children and young people with special and very complex needs, greater awareness of the risks of child sexual exploitation, grooming by criminal gangs, levels of domestic abuse, misuse of drugs and alcohol, levels of poverty and a children's home sector that requires rebuilding from the perspective of children's needs rather than private sector financial incentive. There are also growing expectations of families and carers in terms of services offered and the impact of Government legislation, including 'staying put' arrangements that enable young people to remain with their carers up to the age of 21.

- 4.15. As a result of these trends, Children Looked After (CLA) numbers nationally and in Leeds continue to increase. This trend is expected to continue and has been built into the Council's Medium Term Financial Strategy. The Proposed Budget for 2023/24 includes £1.6m for the projected demand in the CLA and financially supported non-CLA budgets, excluding inflation.
- 4.16. Based on **demand pressures** due to assumed housing growth, provision of £0.2m has been made for the increased disposal costs of waste to the Recycling and Energy Recovery Facility (RERF).
- 4.17. The Proposed Budget includes further measures to improve **financial sustainability**. The 2023/24 Proposed Budget allows for an additional £5.0m to reduce reliance on capitalisations and £4.0m to reduce internal charging.
- 4.18. **Children and Families Transport** – pressures of £2.3m in Children and Families for Transport are provided for, mainly relating to home to school transport for children and young people with Special Educational Needs and Disabilities (SEND).
- 4.19. **Leeds 2023** – the Proposed Budget provides for an additional £0.7m to fund the agreed contribution to the Leeds 2023 Trust as we approach the City's celebration of culture.
- 4.20. **Income variations** of £2.8m reflect a reduction in assumed income from the Children Looked After service of £1.9m, which is balanced within the service through additional grant (as referenced at Paragraph 3.10.18). Other variations largely reflects a projected reduction in estimated earned income, arising due to the additional day of leave (with effect from 1<sup>st</sup> April 2023) agreed as part of the 2022/23 pay negotiations.
- 4.21. This Proposed Budget provides for an £11.2m increase in the costs associated with the **Council's debt**. Within this figure, the budget for total external interest costs will increase by £6.2m, of which an additional £1.4m will be recharged to





the HRA, meaning a net increase of £4.6m in the General Fund debt budget. MRP will increase by £ 5.0m as a result of the ongoing capital programme, and other Debt variations include providing £2.9m for reduced reliance on capital receipts to fund PFI liabilities and a £0.5m reduction in respect of PFI lifecycle costs. Interest income earned is budgeted to increase by £0.5m.

4.22. The impact of **COVID-19** on the Council's budget in recent years has been significant. However, the Council's current Financial Strategy (2023/24-2027/28), published in September 2022, assumes that the economy will continue to recover, and in accordance with Government's current assumptions it does not make provision for any ongoing impact of COVID-19. The 2023/24 Proposed Budget does therefore reflect the fallout of COVID pressures funded in 2022/23 (£5.3m).

4.23. **Other Pressures and Savings** – other net budget pressures of £3.4m have been identified for 2023/24. These include:

- £0.6m for costs of additional grounds maintenance including those associated with new capital schemes (East Leeds Orbital and City Park);
- £0.5m for repayment of schools balances;
- £0.5m for staffing and management pressures;
- £0.4m for additional cost of the Audit fee;
- £0.4m to reinstate the corporate graduate scheme;
- £0.4m for Microsoft licences as the Authority moves towards a cloud-based system;
- £0.4m for HR recruitment processes;
- £0.4m for a reduction of income relating to housing enquiry services;
- £0.2m following a review of assumptions on the Strategic Commissioning review;
- £0.2m for the increased costs of the Apprentice Levy reflecting pay award assumptions;
- Partly netted off by a (£1.0m) increase in general capitalisations;
- The net effect remaining of other pressures across all Directorates is £0.4m.



**Part 5: Addressing the Budget Gap – Savings Options**

- 5.1. After allowing for changes to funding and identified pressures, there remains an estimated budget gap of £69.8m. The savings programme in 2022/23 included a number of savings which impacted in the later years of the period covered by the Council's Medium Term Financial Strategy. In addition, a number of business as usual savings have been identified during 2022 that will impact on 2023/24 and later years. The MTFs, presented to September's Executive Board and shown at Table 1, assumed BAU savings of £13.8m routine efficiencies, these are reduced to £9.4m due to reversal of an action plan to access funding from the integrated commissioning board for recurring home care costs, recognising the financial pressures faced in that sector. New grant funding identified in the Autumn Statement will be used to fund this pressure.
- 5.2. As Table 15 shows, the effect of these prior year savings plans and 2022 efficiencies is to reduce the 2023/24 estimated budget gap down to £46.6m.
- 5.3. Savings proposals for 2023/24 totalling £11.3m were approved by this Board in October. There are a further £42.6m of directorate savings proposals for 2023/24 included in the 'Revenue Savings Proposals for 2023/24 to 2025/26' report for Executive Board's consideration on today's agenda. This includes £7.3m of proposals that have been reclassified in this report as noted at paragraph 5.3.8. Table 15 shows the savings target net of these reclassified savings. Should all the December savings proposals be approved by Full Council, combined with the those approved in October, this would result in proposals for a balanced budget.

**Table 15 – Budget Gap and Savings Options**

|  | Proposed Budget |              |
|--|-----------------|--------------|
|  | 2023/24         |              |
|  | £m              | £m           |
| <b>Total Resources and Cost Pressures</b>        |                 | <b>69.8</b>  |
| <b>Existing Actions to Reduce the Budget Gap</b> |                 |              |
| Business As Usual                                | (7.5)           |              |
| Service Reviews                                  | (6.2)           |              |
| <b>Additional Savings identified for MTFs</b>    |                 |              |
| Business As Usual                                | (9.4)           |              |
| <b>Total Existing Savings</b>                    | <b>(23.1)</b>   |              |
| <b>Gap Remaining After Existing Savings</b>      |                 | <b>46.6</b>  |
| <b>Additional Savings at Proposed Budget</b>     |                 |              |
| Business As Usual (Oct)                          | (11.3)          |              |
| Business As Usual (Dec)                          | (23.5)          |              |
| Service Reviews (Dec)                            | (11.9)          |              |
| <b>Total Additional Directorate Savings</b>      | <b>(46.6)</b>   |              |
| <b>Gap Remaining After Additional Savings</b>    |                 | <b>(0.0)</b> |



**Bridging the Revised Gap – the Corporate & Directorate Savings Programme**

- 5.4. The Medium Term Financial Strategy 2023/24 – 2027/28, approved at September’s Executive Board, reported an estimated budget gap of £63.6m in 2023/24. Subsequent review of the assumptions detailed in that Strategy identified additional net pressures of £26.5m, leading to an updated gap of £150.2m over the years 2023/24 to 2025/26: £65.7m in 2023/24, £49.4m in 2024/25 and £35.1m in 2025/26.
- 5.5. Building on the Financial Challenge savings programme carried out last year which resulted in £16.5m of budgeted savings and contributed to the setting of a balanced budget for 2022/23, the Council has again established a Financial Challenge savings programme focused on identifying robust and sustainable savings not just to help close the gap for 2023/24 but for the following years: 2024/25 and 2025/26. This approach enables the authority to take a longer-term view of its savings options, recognising that major change often requires one- to two-years’ lead time to implement. As such, the savings proposals set out in the *‘Revenue Savings Proposals for 2023/24 to 2025/26’* reports for Executive Board’s consideration at its October 2022 meeting and on today’s December agenda span the next three financial years.
- 5.6. The Financial Challenge programme continues to aim to protect services that support the most vulnerable whilst ensuring that the organisation becomes more financially resilient and sustainable for the future. Reviews have been – and continue to be - carried out across the authority to identify opportunities to continue to modernise and improve services, reduce costs and generate additional income. A key aspect of improving services and contributing to delivering savings is through the council’s greater application of automation and robotics, this also helping the organisation maintain service in key areas (such as Integrated Digital Services and the Business Administration Service) despite staffing shortages due to the current national recruitment issues. The cross-council senior officer group established in 2020 to provide support and ensure a co-ordinated, consistent approach across the Financial Challenge programme, continues to meet. Further support and challenge to identify new proposals and consider options put forward by officers is again being provided by Scrutiny Board working groups.
- 5.7. The outcome of this work has provided a number of savings for consideration by the Executive Board. Proposals are categorised as either ‘Business as Usual’ (BAU) which can be implemented within the council’s delegated decision-making framework and without consultation, or ‘Service Reviews’ which require meaningful consultation with relevant stakeholders prior to any decisions being taken. The results of any such consultation with staff, trade unions, service users and the public will be used to inform the final decision. Those approved for implementation, or consultation as required, will subsequently be built into the 2023/24 Budget and Provisional Budgets for 2024/25 and 2025/26.



- 5.8. With regard to 2023/24, in October the Board approved savings proposals totalling £11.3m. A further £35.3m are presented for the Executive Board's consideration. That report also includes £7.3m of Strategic proposals which impact on funding assumptions and pressures and are already reflected in those sections of this report. Should these proposals be approved for consultation, total directorate savings approved by this Board for 2023/24 will be £46.6m. As noted above, for further detail, please see the accompanying, 'Revenue Savings Proposals for 2023/24 to 2025/26' reports: the first set of proposals being considered at the Executive Board meeting in October 2022 and a second set on this agenda.



## Part 6: Summary Proposed Budget by Directorate

6.1. Table 16 summarises the changes identified above by Directorate.

**Table 16 – Proposed Budget by Directorate**

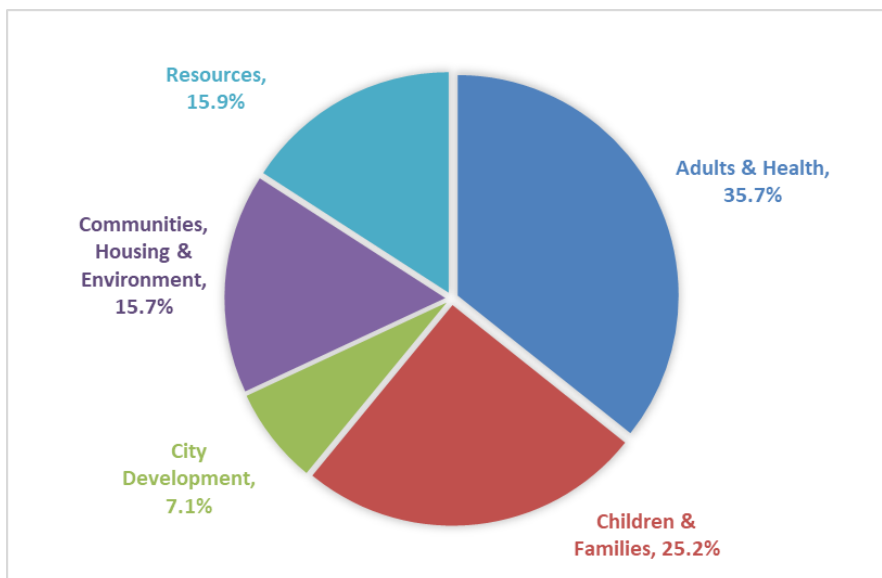
| DIRECTORATE                            | 2022/23<br>(£m) | 2023/24<br>(£m) |
|--|-----------------|-----------------|
| Adults & Health                        | 197.56          | 196.52          |
| Children & Families                    | 132.65          | 138.88          |
| City Development                       | 32.54           | 39.09           |
| Communities Housing & Environment      | 84.19           | 88.49           |
| Resources                              | 81.89           | 87.33           |
| <b>DIRECTORATE BUDGET REQUIREMENT</b>  | <b>528.83</b>   | <b>550.31</b>   |
| Strategic Accounts                     | (6.89)          | 6.81            |
| <b>TOTAL BUDGET REQUIREMENT</b>        | <b>521.94</b>   | <b>557.12</b>   |
| <b>RESOURCES</b>                       |                 |                 |
| <b>Locally Generated Funding</b>       |                 |                 |
| Council Tax                            | (367.13)        | (387.02)        |
| Business Rates Retained                | (154.81)        | (170.10)        |
| <b>TOTAL LOCALLY GENERATED FUNDING</b> | <b>(521.94)</b> | <b>(557.12)</b> |
| <b>TOTAL RESOURCES</b>                 | <b>(521.94)</b> | <b>(557.12)</b> |
| <b>UNFUNDED ONGOING REQUIREMENT</b>    | <b>0.00</b>     | <b>0.00</b>     |

6.2. This position reflects the additional social grant receivable announced in the Chancellor's Autumn Statement, therefore reducing the amounts of the Adult Social Care and Children and Families Net Managed Budgets, since the position is shown net of funding from specific grants.

6.3. The pie chart shows the proposed share of net managed expenditure between directorates for 2023/24 based on this Proposed Budget, again showing the position net of specific grants. Net managed expenditure represents the budgets under the control of individual directorates and excludes items such as capital charges, pensions adjustments and allocation of support costs in directorate budgets.





**Chart 1: Share of Net Managed Expenditure 2023/24 (Proposed Budget)**

- 6.4. It should be noted that these resource allocations may be subject to amendment as we move through the budget setting process.

### Impact of proposals on employees

- 6.5. The Council has operated a voluntary retirement and severance scheme since 2010/11 which has already contributed significantly to the reduction in the workforce since this time. Whilst there are other elements that will impact on the fluctuation of the workforce numbers such as natural attrition and turnover there has been an overall reduction of around 2,812 full time equivalents (FTEs) or 3,717 headcount up to 31<sup>st</sup> October 2022.
- 6.6. The 2023/24 Proposed Budget includes a net decrease of FTEs compared to the approved 2022/23 budget of 44.4 FTEs. This is comprised of a proposed increase of 109.8 FTEs (including 8.0 FTEs for the HRA) and a proposed reduction of 154.2 FTEs (including 8.8 FTEs for the HRA). This reduction includes the budget savings proposals received at October's Executive Board, and the budget savings proposals that are considered elsewhere on today's agenda. The net reduction in FTEs relating specifically to the savings programme is 64.6 FTEs (which are included in the FTE movements noted above).
- 6.7. However, given the context of the estimated budget gaps for 2024/25 and 2025/26, £48.0m and £26.7m respectively, future budget savings proposals to bridge these gaps will be required which, if approved, could result in a reduction in the number of budgeted FTE posts and carrying vacancies. In the context of further staffing reductions that may be required to deliver the significant level of



savings needed, we anticipate the need to serve a further Section 188 notice following today's Executive Board meeting.

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

### **General Reserve**

- 6.9. Under the 2003 Local Government Act (Part II) Section 25, the Council's Statutory Financial Officer is required to make a statement to Council on the adequacy of reserves as a part of the annual budget setting process. It is also good practice for the Authority to have a policy on the level of its general reserve and to ensure that it is monitored and maintained.
- 6.10. The purposes of the general reserve policy are to help longer-term financial stability and mitigate the potential impact of future events or developments which may cause financial difficulty. General and useable reserves are a key measure of the financial resilience of the Council, allowing the Authority to address unexpected and unplanned pressures.
- 6.11. The general reserve policy encompasses an assessment of financial risks both within the Medium Term Financial Strategy and also the annual budget. These risks should include corporate/organisation wide risks and also specific risks within individual directorate and service budgets. This analysis of risks should identify areas of the budget which may be uncertain and a quantification of each "at risk" element. This will represent the scale of any potential overspend or income shortfall and will not necessarily represent the whole of a particular budget heading. Each assessed risk will then be rated and scored in terms of impact and probability.
- 6.12. The Proposed Budget for 2023/24 assumes a general reserve balance of £33.2m will be brought forward from 2022/23. This Proposed Budget does not allocate any additional general fund resources to the General Reserve in 2023/24 but the provisional position for 2024/25 assumes a base budget increase of £3.0m. However, for 2023/24 £3m of resources will be contributed from the Strategic Contingency Reserve to the General Reserve as part of measures to ensure financial robustness and sustainability.
- 6.13. Whilst the Council maintains a robust approach towards its management of risk and especially in the determination of the level of reserves that it maintains, it is recognised that our reserves are lower than those of other comparable local authorities of a similar size. However, the Council has made provision over the



life of the Medium Term Financial Strategy to address this position while having minimum impact on front line services.

- 6.14. The Medium Term Financial Strategy recognises the requirement to keep the level of the Council's reserves under review to ensure that they are adequate to meet the identified risks. Grant Thornton's Annual Audit Report for the year ended 31<sup>st</sup> March 2021 recommended that "the Council should consider the adequacy of its current level of General Fund Reserves and Balances to ensure these remain adequate for its needs and potential unforeseen events." This Proposed Budget report provides for a £3m annual contribution to the General Reserve from 2023/24 onwards. As a result, the balance on the General Reserve is projected to be £48.2m by 31<sup>st</sup> March 2028 as shown in Table 17.

**Table 17 – General Reserve**

| General Reserve                   | 2022/23       | 2023/24       | 2024/25       | 2025/26       | 2026/27       | 2027/28       |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                   | £m            | £m            | £m            | £m            | £m            | £m            |
| <b>Brought Forward 1st April</b>  | (33.2)        | (33.2)        | (36.2)        | (39.2)        | (42.2)        | (45.2)        |
| Planned Contributions             | 0.0           | (3.0)         | (3.0)         | (3.0)         | (3.0)         | (3.0)         |
| Planned Use                       | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| <b>Carried Forward 31st March</b> | <b>(33.2)</b> | <b>(36.2)</b> | <b>(39.2)</b> | <b>(42.2)</b> | <b>(45.2)</b> | <b>(48.2)</b> |

- 6.15. As stated above and detailed in this report, whilst the pressures faced by the Authority continue to make the current financial climate challenging, we will continue to keep the level of the Council's reserves under review to ensure that they are adequate to meet identified risks.



## Part 7: Provisional Revenue Budgets 2024/25 and 2025/26

- 7.1. At its meeting in September 2022 Executive Board received the updated Medium Term Financial Strategy and agreed the revisions to the Council's forecast budget gap for 2023/24 to 2027/28. The reported forecast gap was £182.6m of which £37.8m and £22.3m related to 2024/25 and 2025/26 respectively. The report received in September recognised that savings would be required to be identified in order that a balanced budget position could be delivered in 2024/25 and 2025/26.
- 7.2. In the context of the Autumn Statement on 17<sup>th</sup> November and other variations identified during the determination of the Proposed Budget for 2023/24 (and later year impact of 2023/24 savings), the financial projections for 2024/25 and 2025/26 have been refreshed to reflect these latest assumptions. However, it should be stressed that under the Council's Constitution the decision to set the annual council tax base and rate of council tax can only be taken by Full Council each year and therefore the provisional budgets for 2024/25 and 2025/26 are for information and planning purposes only and decisions will continue to be made as part of the Council's annual budget setting process.
- 7.3. In the determination of the revised financial projections for both 2024/25 and 2025/26 significant areas of uncertainty remain as to the Council's financial position in respect of both funding and spending assumptions, compounded by the cost of living crisis and inflationary pressures. Whilst the Autumn Statement gave some information around the Government's spending plans, the detailed implications for local government remain unclear. It was stated that for 2023/24 and 2024/25 there would be no cuts to funding from that proposed in the Spending Review 2021, however after that period public expenditure will grow more slowly. The more detailed provisional Settlement (expected in late December) will give further information.
- 7.4. After taking account of the funding assumptions outlined in 7.2 and 7.3, and the variation in pressures and savings that have been identified in the determination of the 2023/24 proposed Budget proposals, the updated provisional positions for 2024/25 and 2025/26 are detailed in Table 18.
- 7.5. As can be seen in Table 18, the estimated budget gap has been revised to £48.0 in 2024/25 and to £26.7m in 2025/26. The main changes since the Medium Term Financial Strategy are as follows:
- **Changes to Funding:** In 2024/25 the strategy assumes the fall out of a one-off source of funding through New Homes Bonus in 2023/24. This is part-balanced by movements in the Net Revenue Charge. There are also changes in the level of contributions to/from earmarked reserves, including a £3m base budget contribution to the General Reserve from 2024/25.



- **Revised Pressures:** The main variation in both years is the ongoing impact of the assumption that pay inflation will be higher than previously expected in 2023/24 (at 4%) and the later year impact of the resulting higher base in 2024/25 and 2025/26. These later years of the Strategy also reflect a movement on income due to the impact of increased Universal Credit on the Council's budgeted overpayment income.
- **Revised Savings:** the changes are largely due to the later year impacts of 2023/24 savings proposals, noted at part 6 and set out in the 'Revenue Savings Proposals for 2023/24 to 2025/26' reports for Executive Board's consideration at its October 2022 meeting and elsewhere on this agenda. In particular, the movements shown on Table 18 reflect the fall out of one-off sources of funding utilised in 2023/24.

Table 18 – Provisional Revenue Budget 2024/25 and 2025/26

|   | 2024/25     | 2025/26      |
|---|-------------|--------------|
|   | £m          | £m           |
| <b>MTFS September 2022</b>              | <b>37.8</b> | <b>22.3</b>  |
| <b>Changes to Funding</b>               |             |              |
| Net Revenue Charge Assumptions          | (1.3)       | (0.1)        |
| Contribution from General Reserve       | 3.0         | 0.0          |
| Changes in Earmarked Reserves           | 1.1         | 0.2          |
| Grants                                  | (1.6)       | (0.4)        |
|   | <b>1.2</b>  | <b>(0.3)</b> |
| <b>Revised Pressures</b>                |             |              |
| Pay Inflation                           | 1.3         | 4.1          |
| Income pressures                        | 1.3         | 1.5          |
| Other incl. Debt                        | 0.2         | (1.0)        |
|   | <b>2.7</b>  | <b>4.5</b>   |
| <b>Revised Savings</b>                  |             |              |
| 2023/24 Directorate Savings             | 6.3         | 0.2          |
|   | <b>6.3</b>  | <b>0.2</b>   |
| <b>Revised Gap - Provisional Budget</b> | <b>48.0</b> | <b>26.7</b>  |

- 7.6. The position set out above contains a number of assumptions, as set out in paragraphs 7.2 to 7.5 for which updated information would alter the projected financial position and any such changes in these assumptions will be incorporated into an updated Medium Term Financial Strategy that will be presented to a future meeting of this Board.





**Part 8: Ring fenced Accounts****Dedicated Schools Grant**

- 8.1.1. The Dedicated Schools Grant (DSG) for 2023/24 is funded in four separate blocks for early years, high needs, schools and central schools services.
- 8.1.2. A National Funding Formula (NFF) was implemented from April 2018 for high needs, schools and central schools services. The schools formula was initially a “soft” formula to allow local authorities some limited flexibility and this remains the case for 2023/24.
- 8.1.3. The Early Years block funds 15 hours per week of free early education for 3 and 4 year-olds and the early education of eligible vulnerable 2 year-olds. There is an additional 15 hours per week provision for working families of 3 and 4 year-old children. The funding hourly rate has not yet been confirmed for 2023/24, but in 2022/23 the hourly rates were £5.57 for 2 year-olds and £5.12 for 3 and 4 year-olds. The grant received will continue to be based on participation. The actual grant received during 2023/24 depends on pupil numbers in the 2023 and 2024 January censuses. The early years pupil premium is also included in this block and is payable to providers for eligible 3 and 4 year-olds. The hourly rate for 2023/24 for this element has also not yet been announced but was £0.60 per hour for 2022/23. In addition, there is a Disability Access Fund which was £800 per eligible child per year in 2022/23. The grant value shown below is based on the actual pupil numbers in January 2022 as the final January 2023 pupil numbers have not yet been confirmed. In September 2022, the DfE consulted on proposed changes to early years funding. At this stage the result of the consultation is not yet known and therefore the table below is based on the current funding mechanism.
- 8.1.4. The High Needs Block supports places and top-up funding in special schools, resourced provision in mainstream schools and alternative provision; top-up funding for early years, primary, secondary, post-16 and out of authority provision; central SEN support and hospital & home education. An indicative allocation under the NFF calculation has been published though the final allocation will not be issued until December 2022. The value in Table 19 is before any deductions are made by the Education and Skills Funding agency (ESFA) in respect of funding for academies, free schools and post-16 places and includes a supplementary allocation of £4.147m announced in December 2021 for 2022/23 which has been included in the baseline indicative allocation for 2023/24. The High Needs Block is facing a number of financial pressures nationally and in recognition of this the national allocation has increased again for 2023/24. For Leeds the indicative allocation is an increase of £7.944m for 2023/24 although there is still a cap on gains within the national funding formula and this has been applied to the funding allocation to Leeds to the value of £1.860m. Despite the increase in funding for 2023/24 the anticipated increase in special school places and pupils eligible for additional top-up funding means that there is expected to



be on going funding pressures for the High Needs Block which will need managing within the overall available funding. As part of managing the funding pressures it is proposed to transfer funding from the Schools Block as outlined below.

- 8.1.5. The Schools Block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11. The grant for 2023/24 will be based on pupil numbers (including those in academies and free schools) as at October 2022. The pupil numbers from this census are not yet available. Schools have been consulted on options for the local formula in 2023/24 and on proposals to transfer funding to the High Needs Block. The results of the consultation have been presented to Schools Forum to enable further discussion with a final decision on the local formula being made by the Director of Children and Families in early 2023. As part of the consultation the majority of schools which responded supported a proposal to transfer 0.5% (approximately £3.2m) from the Schools Block to the High Needs Block. A Schools Forum meeting on 17<sup>th</sup> November approved this transfer. The majority of schools who responded to the consultation also supported a proposal for maintained schools to contribute funding of £140k towards severance costs. Schools Forum also approved this contribution. The figures in Table 19 include £18m supplementary grant for 2022/23 which was announced in December 2021 and is included in the baseline indicative allocations for 2023/24.
- 8.1.6. As part of the NFF, the Central School Services block (CSSB) was created from the DSG funding that is held by the local authority for central services. This includes the funding which was previously delivered through the retained duties element of the Education Services Grant (ESG) along with ongoing responsibilities and historic commitments. A draft allocation under the NFF calculation has been published, though the final allocation will not be issued until December 2022. The funding for the historic commitments element has been reduced by a further 20% in 2023/24.
- 8.1.7. At the end of 2022/23 it is projected that there will be a surplus balance of £1.730m on DSG compared to a surplus balance of £0.119m at the end of 2021/22. The balance will be carried forward into 2023/24 and used to offset pressures forecast in future years.
- 8.1.8. Funding for post-16 provision is allocated by the ESFA. Funding for high need post-16 pupils is no longer to be part of this grant and is now included in the DSG High Needs Block totals. Funding for 2023/24 will be based on 2022/23 lagged student numbers.
- 8.1.9. Pupil Premium grant is paid to schools and academies based on the number of eligible Reception to year 11 pupils on the school's roll in January each year. The rates for 2023/24 have not yet been confirmed but are expected to remain at: primary £1,385, secondary £985, for each pupil registered as eligible for free school meals (FSM) at any point in the last 6 years and £320 for children of service families. The pupil premium rate for children looked after and children



who have ceased to be looked after by a local authority because of adoption, a special guardianship order, a child arrangements order or a residence order is also expected to remain the same at £2,410.

- 8.1.10. The PE and Sport premium for primary schools grant will be paid in the 2022/23 academic year to all primary schools at a rate of £16,000 plus £10 per pupil. It is expected that these rates will remain the same for 2022/24.
- 8.1.11. A grant for the universal provision of free school meals for all pupils in reception, year 1 and year 2 was introduced in September 2014. Funding for the 2022/23 academic year is based on a rate of £2.41 per meal taken by eligible pupils, giving an annual value of £427.90. Data from the October and January censuses will be used to calculate the allocations for the academic year.
- 8.1.12. Since 2021/22 the funding for the additional teachers' pay costs from 1st September 2018 and September 2019 has been paid to schools and high needs settings through the National Funding Formula (NFF) instead of being paid as separate grants. This grant is now fully assumed within the NFF for all settings with the exception of school nurseries. The grant for sixth form provision was transferred to the post 16 grant from 1<sup>st</sup> September 2022. The consultation on proposed changes to early years funding detailed in paragraph 8.3 above include a proposal to transfer this grant for school nurseries into the early years hourly rate. However as this has not been confirmed yet, the figures in the table below assume that this grant continues as in 2022/23.
- 8.1.13. A further grant in relation to additional costs incurred in respect of increases in the teacher's pension scheme from September 2019 is also now being paid to schools and high needs settings through the National Funding Formula (NFF) instead of being paid as separate grants. However mainstream academies continued to receive the teachers' pension grant for April to August 2021, as they did not receive their 2021/22 NFF allocations until September 2021. This grant is now fully assumed within the NFF for all settings with the exception of school nursery and sixth form provision from 1st April 2021. The consultation on proposed changes to early years funding detailed in paragraph 8.3 above include a proposal to transfer this grant for school nurseries into the early years hourly rate. However as this has not been confirmed yet, the figures in the table below assume that this grant continues as in 2022/23.
- 8.1.14. In previous years the Government announced a range of funding streams to support children and young people to catch up following the disruption as a result of coronavirus (COVID-19). The majority of these grant streams have now ended, however the following grants remain:
- A School-led tutoring grant (part of the National Tutoring Programme) for the academic year 2021 to 2022 was introduced to allow schools to fund locally sourced tutoring provision for disadvantaged pupils and is continuing into the 2022/23 and 2023/24 academic year in a simplified form.



- A Covid Recovery Premium was introduced for the academic years 2021/22 to 2023/34 again based on pupil premium eligibility to further support pupils through evidence-based approaches.

8.1.15. There are a number of other smaller grants that were only applicable up to the 2021/22 academic year and do not continue into 2023/24. These grants are Covid 19 Workforce Fund, Covid 19 National Testing Programme Fund, Senior Mental Health Needs and Education Recovery 5% Time Off.

8.1.16. The amounts in Table 19 are the provisional allocations based on the October 2021 census. The final grant will be based on the October 2022 census.

### Schools funding summary

*Table 19 – The Estimated Schools Budget*

|  | 2022/23<br>Current<br>£m | 2023/24<br>Estimate<br>£m | Change<br>£m |
|--|--------------------------|---------------------------|--------------|
| DSG - Schools Block                      | 643.62                   | 656.58                    | 12.96        |
| DSG - Central Schools Services Block     | 5.14                     | 5.04                      | (0.10)       |
| DSG - High Needs Block                   | 113.88                   | 121.82                    | 7.94         |
| DSG - Early Years Block                  | 60.21                    | 60.21                     | 0.00         |
| ESFA Post 16 Funding                     | 25.41                    | 26.83                     | 1.42         |
| Pupil Premium Grant                      | 46.21                    | 46.21                     | 0.00         |
| PE & Sports Grant                        | 4.33                     | 4.34                      | 0.01         |
| Universal Infant Free School Meals Grant | 9.07                     | 9.18                      | 0.11         |
| Teachers Pay Grant                       | 0.48                     | 0.31                      | (0.17)       |
| Teachers Pension Grant                   | 2.07                     | 2.10                      | 0.03         |
| School Led Tutoring                      | 6.44                     | 5.95                      | (0.49)       |
| Covid Recovery Premium                   | 6.73                     | 7.99                      | 1.26         |
| Other Grants                             | 0.47                     | 0                         | (0.47)       |
|  | 924.06                   | 946.56                    | 22.50        |

## 8.2. Housing Revenue Account

8.2.1. The Housing Revenue Account (HRA) includes all expenditure and income incurred in managing the Council's housing stock and, in accordance with Government legislation, operates as a ringfenced account. The key movements in 2023/24 are detailed in Table 20.





**Table 20 – HRA Provisional Budget 2023/24**

|   | £m            |
|---|---------------|
| <b>Income</b>                                 |               |
| Rental Increase                               | (14.3)        |
| Service Charges                               | (0.2)         |
| External Income                               | (0.1)         |
| <b>Total</b>                                  | <b>(14.6)</b> |
| <br><b>Expenditure</b>                        |               |
| Pay pressures (£1925 2022-23 plus 4% 2023-24) | 2.0           |
| Price pressures (CPI/RPI) inc PFI contract    | 4.9           |
| Running costs including review of recharges   | (5.5)         |
| Repairs (10% Inflation plus Stock adjustment) | 4.2           |
| Change in provisions for disrepair            | 1.2           |
| Payments to BITMO                             | 0.3           |
| RCCO and Financing (includes PFI financing)   | 5.4           |
| Movement of Reserves (including PFI)          | 2.1           |
| <b>Total</b>                                  | <b>14.6</b>   |

**Income**

- 8.2.2. In 2019, the Government confirmed a return to allowing up to a CPI+1% rent increase for five years from 2020/21. An increase in accordance with the Government's rent formula of CPI (10.1% as at September 2022) +1% would have given an allowable rent increase of up to 11.1%. However, following a DLUHC consultation to cap social housing rent increases it was announced on 17th November as part of the Autumn Statement that rent increases would be capped at 7%.

This plan therefore assumes an increase in rental income of 7% in 2023/24. This overall 7% rise would equate to gross additional rental income of £15.2m.

- 8.2.3. A reduction in the qualifying period after which tenants are able to submit an application to purchase a council house through the Government's Right to Buy (RTB) legislation continues to sustain an increase in the number of sales with a subsequent reduction in the amount of rent receivable. Based on latest sales, a further 560 sales are forecast in 2023/24. The impact of these RTB sales will be to reduce the rental income by £2.2m in 2023/24. Other adjustments for new build properties and stock increases through the Right of First Refusal process mean that the total net expected increase in rental income year on year is estimated at £14.3m.
- 8.2.4. Tenants in multi-storey flats and in low/medium-rise flats receive additional services such as cleaning of communal areas, lift maintenance, staircase heating





and lighting and CCTV. Additional costs of around £1.7m for this service, mainly made up of energy increases at 78% are included in the budget therefore it is proposed to increase service charges by 38%. In 2023/24 this will generate an additional £1.7m compared to 2022/23.

- 8.2.5. Housing Leeds manages a number of district heating schemes including the Leeds PIPES scheme. The standing charge for these district heating schemes will increase by 12.6% in line with RPI and it is proposed that the District Heating Schemes unit rate will be 10p per Kwh in 2023/24. An increase of 30% is proposed for sheltered complexes with heat consumption charges to recover the increase in costs
- 8.2.6. Currently tenants in sheltered accommodation receiving a support service are charged £15.62 per week for this service. Recent guidance received from DWP relating to the treatment of service charges resulted in a review of the charging model. The outcome of the review has altered the split of core rent and service charges and therefore the weekly cost of the sheltered support service will provisionally be £8.51 per week in 2023/24. Tenants in receipt of this service currently pay in excess of £15 per week and so will see a saving of around £360 per annum.
- 8.2.7. The support charge for the Wharfedale View extra care scheme will increase by 9% to reflect the increase in staffing costs.
- 8.2.8. An analysis of the impact on tenants of increasing rents by 7% and implementing the proposed charges outlined above has been undertaken. These figures are based on average rents for different categories of tenants as individual levels will vary.
- 8.2.9. 96% of tenants will pay more in 2023/24 than in 2022/23 as outlined in Table 21 below, with the majority (80%) paying between £3.14 and £6.67 per week more. Around 4% will see no increase or a small reduction.

**Table 21 – Average rental increase per week 2023/24**

| <b>% of Tenants</b> | <b>Number of Tenants</b> | <b>Average Increase / (Decrease) £/week</b> |
|---------------------|--------------------------|---|
| 4.1                 | 2194                     | (1.82) - (0.20)                             |
| 2.97                | 1589                     | 1.04 - 3.13                                 |
| 79.94               | 42802                    | 3.14 - 6.67                                 |
| 12.99               | 6955                     | 6.68 - 8.06                                 |

Where relevant these increases will be funded through Housing Benefit for eligible tenants and tenants eligible for Universal Credit (UC) will receive payments for this increase. Approximately 37% of tenants are in receipt of Housing Benefit with a further 30% in receipt of UC, a total of 67%. For those in Sheltered Accommodation, this figure rises to 69%.



## Expenditure

- 8.2.10. The proposed staffing budget has increased by £2m, assuming a pay award of 4% for 2023/24. The impact of the current pay award offer of £1,925 per employee for 2022/23 has also been budgeted for.
- 8.2.11. The repairs to dwellings budget has been inflated by 10% for 2023/24, then adjusted to reflect an anticipated reduction of 1% in housing stock as a result of Right to Buy. The proposed budget for 2023/24 is therefore a £4.2m increase to £51m.

**Table 22 – Repairs Budget**

| OE 2022/23 | 2023/24 |
|------------|---------|
| £k         | £k      |
| 46,795     | 51,006  |

- 8.2.12. The inflationary uplifts for the PFI contractor will cost £1.6m in 2023/24 and contributions from the Private Finance Initiative sinking fund will decrease by £0.085m within the agreed model.
- 8.2.13. Gas and electricity costs are forecast on the latest energy unit assumptions, for 2023/24 the increase in energy budgets is 78% which is an increase of £1.75m.
- 8.2.14. A budget of £1m has been provided to fund the costs of the Future of the Alderton Heights and Gipton Gates high rise scheme which was approved at Executive Board in October 2022
- 8.2.15. The service continues to invest over £130m in its existing stock per annum, be this through responsive repairs (see 8.2.11 above) or the annual investment programme (see 8.2.19 below). However, despite this investment and reflecting an ongoing nationwide issue, it is necessary to provide for an additional sum to cover the cost of disrepair claims. The provision for disrepair budget is therefore proposed to be increased by £1.2m to reflect the increase in the number and costs of claims for disrepair that the service is receiving.
- 8.2.16. The proposed management fee payable to Belle Isle Tenant Management Organisation (BITMO) is an increase of £289k to £3.5m to reflect the approach to changes in the staffing and repairs budgets within Housing Leeds as outlined above. The BITMO management fee is adjusted each year by an agreed formula.
- 8.2.17. Following a review of all budget lines it is proposed that there will be a 10% reduction in the Housing Area Panel (HAPs) and Environmental budgets which will realise a saving of £60k in 2023/24.
- 8.2.18. A fundamental review of all charges in the HRA has been undertaken to ensure that all expenditure charged remains appropriate within the ringfence and



accurately reflects the level of services provided to tenants. With Council budgets being reduced, especially those in the traditional support services functions, it is appropriate that the HRA receives an appropriate reduction in the charges. These will be reflected in the 2023/24 budget.

- 8.2.19. The Council remains committed to prioritising resources to meet the capital investment strategy and to replace homes lost through Right to Buy by the planned investment in new homes. The costs associated with servicing the HRA's borrowing include the planned increase in borrowing to support the £324m Council's Housing Growth programme which will see 204 new build and 64 acquisitions planned to be delivered in 2023/24.

Forecast additional borrowing costs from the capital spend on the Council House Growth Programme are £1.7m.

There is a risk that rising interest rates will add further pressures within the HRA, and therefore, some reprofiling of this programme may be required. Alternative funding sources to minimise borrowing, for example using commuted sums may be sought.

Table 23 shows the planned spend on the Council House Growth programme in 2023/24.

**Table 23 – Council House Growth Programme**

|                                  | 2022/23 | 2023/24 |
|----------------------------------|---------|---------|
|                                  | £k      | £k      |
| Capital Programme                | 72,682  | 63,862  |
| Borrowing (additional each year) | -42,963 | -37,125 |
| RtB Receipts                     | -27,861 | -26,737 |
| Other Funding                    | -1,858  | -       |

- 8.2.20. Even though the net stock numbers are decreasing, the Council aims to maintain a consistent level of investment in the HRA annual investment capital programme. This will help ensure the overall condition of the stock is improved and help mitigate any further disrepair pressures than those being incurred at present. The total provisional capital programme spend for the HRA is £85m in 2023/24.

Most of this programme is funded by contributions from the revenue budget, and the revenue contribution to the capital programme accounts for 25% of the HRA total spend budget.

The revenue contribution required to support the capital programme in 2023/24 is £66.2m, an increase of £3.7m when compared to 2022/23.



**Table 24 – HRA Capital Programme**

|                                 | 2022/23<br>£k | 2023/24<br>£k |
|---------------------------------|---------------|---------------|
| Capital Programme               | 95,000        | 85,000        |
| HRA Revenue Contribution (RCCO) | -60,769       | -64,384       |
| RtB Receipts (Allowable Debt)   | -16,346       | -14,175       |
| Gov't grant / EU Grant          | -17,885       | -6,257        |
| Other Funding                   |               | -184          |

- 8.2.21. A budget of £1.7m has been provided in 2023/24 to bolster reserves and help manage any unforeseen pressures within the HRA.



## Part 9: The Capital Programme

Table 25 – Revised Capital Programme

|                          | 2022/23      | 2023/24      | 2024/25      | 2025/26      | 2026/27      | Total          |
|--------------------------|--------------|--------------|--------------|--------------|--------------|----------------|
|                          | £m           | £m           | £m           | £m           | £m           | £m             |
| <b>Major Programmes</b>  | 415.0        | 407.7        | 265.3        | 161.6        | 41.9         | <b>1,291.5</b> |
| <b>Annual Programmes</b> | 82.7         | 86.1         | 69.1         | 63.3         | 60.4         | <b>361.6</b>   |
|                          | <b>497.7</b> | <b>493.8</b> | <b>334.4</b> | <b>224.9</b> | <b>102.3</b> | <b>1,653.1</b> |

- 9.1. The Council's capital programme considers the need for capital investment against affordability within the MTFS. The programme identifies annual programmes across the Council that aim to provide investment in assets to ensure that the Council can continue to operate effectively. The Council also has a number of major programmes that provide investment in line with the Best City Ambition Plan objectives.
- 9.2. Capital investment needs are assessed on an annual basis under the direction of the cross-council senior officer group Best Council Team: Strategic Investment Board (SIB) with final approval sought from Executive Board and Full Council in February each year. Capital investment proposals that deliver savings or generate additional income can come forward throughout the year and are subject to a robust business case approval. Schemes funded by external resources can also come forward throughout the year.
- 9.3. A detailed review of the whole capital programme, covering the period up to 2023/24, was undertaken in the lead up to the Capital Programme being approved by Executive Board and Full Council in February 2021. A key principle of that review was to replace borrowing with external funding sources where possible and that principle continues, for example in the Council's recent bids to the Government's Levelling Up Fund.
- 9.4. In May 2022 SIB agreed an overarching Capital Strategy to support a further review of the capital programme, whereby new borrowing would not exceed budgeted MRP, except where this would prevent the delivery of savings or robust prudential borrowing proposals. Further, SIB refreshed the capital programme priorities to be used to assess the priority of new projects/pressures and inform which should be added to the Capital Programme. Consequently, a further review of the Capital Programme is currently being undertaken to consider whether all elements of the existing programme remain priorities in the current financial climate and to agree whether further proposed schemes are of sufficient priority to be added to the Programme and how these might be funded sustainably. This review is also intended to consider the resilience of current programme assumptions in light of significant inflationary pressures on the delivery of capital projects. At this stage in the review process no capital and revenue impacts of this review have been finalised. Any such impacts will be reflected in reports to Executive Board in February 2023.





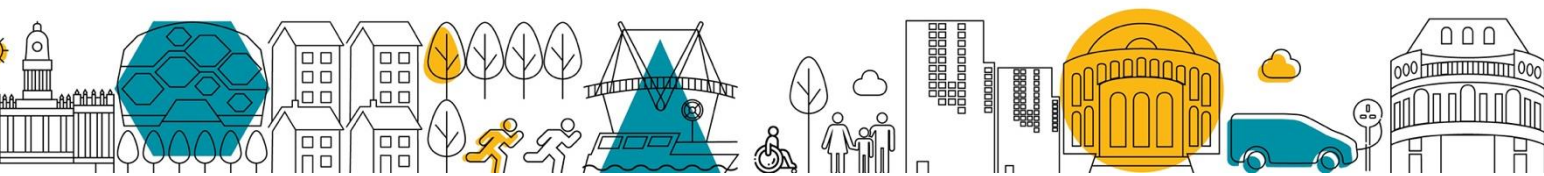
- 9.5. Savings proposals to address the current Financial Challenge, discussed at Part 5, have been reviewed to ensure that any interdependencies between capital and revenue are given due consideration.
- 9.6. **Appendix 3** details the restated 10-year capital programme (annual programmes). There have been no changes since this was reported to Executive Board in November 2022.
- 9.7. Executive Board in November 2022 also approved a future injection from the CIL Strategic Fund, to be invested for:
- any successful Levelling Up Fund bids;
  - the Leeds Flood Alleviation Scheme Phase 2;
  - the City Square Enhancements Scheme; and
  - the David Oluwale Bridge Scheme.
- 9.8. The 3 specific schemes named above - the Leeds Flood Alleviation Scheme Phase 2, the City Square Enhancements Scheme and the David Oluwale Bridge Scheme – all currently exist within the capital programme, partly funded from Leeds Borrowing. The strategy proposed by Strategic Investment Board and agreed by Executive Board in November 2022 is to utilise CIL funding for the elements which were previously funded by Leeds Borrowing and to increase the level of General Contingences to deal with any unforeseen circumstances and ensure sufficient resources are available to fund the capital programme.
- 9.9. Executive Board in October 2022 approved the Core Business Transformation Programme to proceed with phase 1 of delivery. The report noted that phase 1 is part of a wider programme of works estimated to cost £18.48m including phase 1. All of the estimated programme costs, whether revenue or capital are included under the banner of transformational change, and as such can be capitalised under the Government's Flexible Use of Capital Receipts Directive. To fund the required wider programme of works requires the injection of an additional £7.8m of capital receipts (also identified on **Appendix 3**).
- 9.10. The implementation of the proposals outlined above has no impact on the revenue debt position as no additional borrowing is required. The change in funding has been factored into the revised capital programme position summarised in Table 25.
- 9.11. The Proposed Budget provides for an £11.2m increase in the cost of debt and capital financing for 2023/24. This assumes that the remaining borrowing is taken at an average rate of 4.5% interest for the remainder of 2022/23 and at an average of 4.0% in 2023/24. Interest rate projections will be kept under review.

### **VAT Recovery**

- 9.12. The Council recovers VAT on expenditure (capital and revenue) relating to the Council's statutory functions and on activities which are charged for at the standard rate of VAT. VAT incurred on expenditure relating to activities which are



charged for and which are exempt from VAT is only recoverable if the amount of such VAT does not exceed 5% of the Council's total VAT on expenditure in any one year. Examples of exempt activities are sport, culture, land & property transactions, and crematoria. If the Council's VAT on expenditure relating to its exempt activities exceeds the 5% limit, all VAT on expenditure attributable to exempt activities is irrecoverable. This would create an additional cost to the Council of at least £7m per annum. In addition, the Council would have to bring into account a proportion of any VAT incurred in the prior 10 years which was attributable to exempt activities and recovered in full at the time. Future schemes will only be allowed to progress once the full impact of the VAT implication has been assessed.



**Part 10: Management of Key Risks****10.1. Risk management**

- 10.1.1. The Council's current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way, in that the Council cannot balance its Revenue Budget, is identified as one of the Council's corporate risks, as is the Council's financial position going into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the Council's risk-based reserves policy. Both these risks are subject to regular review and reporting.
- 10.1.2. Failure to address these issues will ultimately require the Council to consider even more difficult decisions that will have a far greater impact on front-line services including those that support the most vulnerable and thus on our Best City Ambition in respect of Health and Wellbeing, Inclusive Growth and meeting our zero carbon target.
- 10.1.3. Financial management and monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach will continue to be included in the in-year Financial Health reports brought to Executive Board.
- 10.1.4. In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required. Specific risks relating to some of the assumptions contained within this Proposed Budget are identified below.
- 10.1.5. The impact of COVID-19 on the Council's budget has been significant and the receipt of specific financial support from the Government was necessary to deliver balanced budget positions. The Proposed Budget for 2023/24 does not provide for any ongoing impact of COVID-19 and it is assumed that income from sales, fees and charges is comparable with pre-COVID levels. Any ongoing impact of COVID will require contingency actions to be identified and implemented. The more significant current risk to both costs and income in this Proposed Budget is in regard to the impact of cost of living as discussed at paragraphs 10.1.15 and 10.1.16.
- 10.1.6. As detailed in the MTFs and the 'Revenue savings proposals for 2023/24 to 2025/26' reports considered by this Board at its October meeting and today, the Proposed Budget for 2023/24 assumes the delivery of £69.8m of budget savings proposals, including some that are subject to consultation. There remains a risk that there is slippage in the implementation of these proposals or that the assumptions contained in these proposals change as a result of the consultation exercises. This could lead to a variation in the assumed level of savings. Should this be the case, in accordance with the Revenue Budget principles agreed at Executive Board in July 2019 through the 'Medium-Term Financial Strategy



2020/21 to 2024/25 report, directors would need to identify budget savings options to mitigate the directorate from going into an overspend position.

### **Risks to Funding**

- 10.1.7. The Government's current Spending Review covers the three years until the end of this Parliament in March 2025. Whilst the Autumn Statement on 17<sup>th</sup> November 2022 provided assurance that the Spending Plans in the Spending Review would be honoured, these have not yet been ratified by Government through the annual budget process.
- 10.1.8. Further to this, we await the Provisional Local Government Finance Settlement which is anticipated to be published in late December. Whilst the Spending Review 2021 and Autumn Statement 2022 provided details of the Government's spending plans for 2023/24 to 2024/25, the provisional Local Government Finance Settlement in each year will confirm these details. There remains a risk that the more detailed funding assumptions contained in the provisional Settlement are different to the assumptions contained in the Spending Review and Autumn Statement and this could have implications for the level of resources available to the Council in 2023/24.
- 10.1.9. The 2023/24 budget submission contains a number of assumptions about the level of resources receivable through some specific grants. Where the Government has yet to announce or finalise how much grant will be receivable in 2023/24 then a number of assumptions will be made in the determination of the budgeted figures receivable. Where the grant received is less than assumed in the Budget then, as per the Revenue Budget Principles approved at Executive Board in June 2019, the directorate concerned will need to manage the reduction in both expenditure and income through the identification and implementation of an exit. With reference to the additional funding to be received for social care, whilst estimates indicate that Leeds City Council could receive up to £28.9m in additional funding compared to that previously assumed, there is an associated risk in that the extent to which this funding will need to be shared with local health service partners is yet to be determined and any additional costs to the Council identified.
- 10.1.10. Under the Business Rates Retention Scheme the Council's local share of business rates is exposed to risks both from collection and from reductions in rateable values. Since 2013 two trends have become clear: firstly, that there is a lag between gradual economic recovery and significant volumes of business new-builds in Leeds, with little growth in aggregate Rateable Value in Leeds until 2018/19, and secondly, that business rates growth that does occur has been offset by successful appeals and other reductions to the rating list - either through closure or Valuation Office reviews.
- 10.1.11. The level of business rates appeals continues to be a risk. Although the 2010 ratings list is now closed and only limited scope remains for ratepayers to





challenge that list, 2022/23 is the final year of the 2017 ratings list being in force which tends to result in a higher than normal number of appeals to be submitted by ratings agents on behalf of their clients. Provision will have to be made for these appeals and if they prove to be higher than anticipated this could add to the business rates deficit. However, the 2017 ratings list has proven to be unusually robust compared to the 2010 ratings list, although the impact of COVID-19 on the commercial property market may have implications for the business rates tax base in 2023/24 when the new ratings list will be introduced following the 2023 Revaluation.

- 10.1.12. Subject to its application to Government being approved, for 2023/24 Leeds will again be part of the Leeds City Region Business Rates Pool. As with previous years' Pools, there remains a risk that if a member authority becomes entitled to a safety net payment, because its retained income has fallen dramatically, then that safety net payment will no longer be received from the Government but will have to be met by other members of the Pool. This will represent a loss of income to the region.
- 10.1.13. The level of council tax collected could be affected by the increase in the council tax base being less than assumed, collection rates being below budgeted assumptions, Council Tax Support claimant requirements being greater than budgeted or a mixture of the above.
- 10.1.14. Business rates and Council Tax income continues to be a significant risk, however any losses greater than those assumed in setting the budget will materialise through a Collection Fund and will not impact in the current year, although this will be an issue in future financial years.

### **Key risks to cost and income assumptions**

- 10.1.15. This Proposed Budget for 2023/24 contains a number of inherent risks which include the requirement to implement budget plans, budgets which are subject to both fluctuating demand and demographic pressures, inflation being higher than forecast and key income budgets that rely upon the number of users of a service.
- 10.1.16. In particular the war in Ukraine has already had a significant impact upon the global price of fuel, energy and commodities and this has been realised as significant inflationary pressures in the economy. The uncertain nature and length of this conflict may yet have further implications for inflation and the pay and price assumptions contained in this Proposed Budget for the forthcoming financial year.
- 10.1.17. Cost of living pressures are likely to have a wider inflationary impact on the Council due to the impact of the increased cost of living on our residents and businesses. In addition to the risks associated with increases in costs to the Council for the goods and services that we procure, increased demand for support and welfare services, and reduced income across a range of services as Leeds residents and visitors choose to spend differently as a consequence of





rising inflation. This position will continue to be closely monitored throughout the financial year and any variation to budgeted assumptions will be required to be managed within the approved budget.

- 10.1.18. There are risks that demographic and demand pressures in Adult Social Care and Children's Services could be greater than anticipated in this Proposed Budget. There is also significant reform on the horizon across social care. For Adults, there will be the impact of the care reforms for which there will be additional costs, however the level of Government funding for this is uncertain. For Children, the Independent Review of Children's Social Care was published earlier this year and recommended a radical reset of the Children's Social Care system. The Government intends to publish an implementation strategy in response to the review before the end of the year.
- 10.1.19. The implementation of proposed savings and additional income realisation could be delayed. Equally, the level of savings generated and/or the level of additional income realised could be less than that assumed in this Proposed Budget for 2023/24.
- 10.1.20. Inflation including the pay award and inflationary pressures in respect of contracts and energy costs could be higher than that assumed in this report. In addition, this Proposed Budget makes a number of assumptions about the costs associated with managing the Council's debt. As set out in the Treasury Management Strategy Update 2022/23 report, received at Executive Board in November, all new Council borrowing activity will be funded through short-term variable rates which means that it is exposed to any upward movement in rates which would result in an increase in costs to the Council. It should be noted that due to the previously employed policy of locking in long term borrowing need at historically low rates the Council had no short term borrowing on its books at 31/03/2022 and this places the Council in a good position to manage the current volatile interest rates.
- 10.1.21. Key risks for the Dedicated Schools Grant (DSG) projections relate mainly to the high needs block of the DSG, which provides funding in relation to pupils with special educational needs. Future demand has been estimated based on trends and forecasts, both for population growth and increases in complexity of need, however actual demand may vary from these assumptions and the availability of places may also affect costs. In particular, the long-term impact of COVID-19 on these trends is not yet known. In addition, funding allocations are confirmed on an annual basis and there is a risk that actual funding increases will differ from the amounts assumed in the MTFs. Specifically, funding increases are currently capped, and it is not yet known how this cap will operate in future years. Lastly, a number of DSG funding decisions are made by the Leeds Schools Forum, a statutory body of education representatives from across the city, and there is a risk these decisions may impact on future DSG pressures.
- 10.1.22. There are a number of risks that are specific to the Housing Revenue Account. The Proposed Budget for next year makes assumptions around rent collection



rates and tenants' arrears. Any ongoing impact of COVID-19 combined with the impact of the cost of living crisis upon household budgets will have implications for these assumptions and ultimately the amount that must be set aside for bad debt provision

- 10.1.23. There is a risk within the HRA and within the General Fund Capital Programme that continued inflationary pressures may impact on the timing of the delivery of capital schemes given the overall funding available.
- 10.1.24. A full analysis of all budget risks will continue to be maintained and will be subject to monthly review as part of the in-year monitoring and management of the budget. Any significant and new risks and budget variations are contained in the in-year financial health reports submitted to the Executive Board.





**Annual Programmes**

|   | 2022/23<br>£000, | 2023/24<br>£000, | 2024/25<br>£000, | 2025/26<br>£000, | 2026/27<br>£000, | 2027/28<br>£000, | 2028/29<br>£000, | 2029/30<br>£000, | 2030/31<br>£000, | 2031/32<br>£000, | Total<br>£000,   |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Highways Maintenance  | 13,051.9         | 13,000.0         | 13,000.0         | 13,000.0         | 13,000.0         | 13,000.0         | 13,000.0         | 13,000.0         | 13,000.0         | 13,000.0         | 130,051.9        |
| Highways Maintenance Capitalisations  | 4,613.7          | 3,700.0          | 2,800.0          | 1,800.0          | 900.0            |                  |                  |                  |                  |                  | 13,813.7         |
| Highways Bridges & Structures Maintenance                                     | 2,000.0          | 2,000.0          | 2,000.0          | 2,000.0          | 2,000.0          | 2,000.0          | 2,000.0          | 2,000.0          | 2,000.0          | 2,000.0          | 20,000.0         |
| Highways Section 278  | 3,500.0          | 2,800.0          | 2,100.0          | 1,400.0          | 700.0            |                  |                  |                  |                  |                  | 10,500.0         |
| Highways Section 278 - external contributions / supported by external funding | 390.1            | 2,902.0          | 1,381.9          | 2,100.0          | 2,800.0          | 3,500.0          | 3,500.0          | 3,500.0          | 3,500.0          | 3,500.0          | 27,074.0         |
| General Capitalisation  | 3,900.0          | 3,300.0          | 2,700.0          | 1,800.0          | 900.0            |                  |                  |                  |                  |                  | 12,600.0         |
| Childrens Centres   | 75.0             | 131.4            | 70.0             | 50.0             | 50.0             | 50.0             | 50.0             | 50.0             | 50.0             | 50.0             | 626.4            |
| Adaptations - Disabled Facilities Grants                                      | 1,860.5          | 1,069.0          | 85.6             | 85.6             |                  |                  |                  |                  |                  |                  | 3,100.7          |
| Adaptations - supported by external funding                                   | 7,593.8          | 7,531.0          | 8,514.4          | 8,514.4          | 8,514.4          | 8,514.4          | 8,514.4          | 8,514.4          | 8,514.4          | 8,514.4          | 83,240.0         |
| Vehicle Programme   | 2,614.0          | 1,552.0          | 3,200.0          | 800.0            | 400.0            |                  |                  |                  |                  |                  | 8,566.0          |
| Vehicle Programme - supported by external funding                             | 586.2            |                  |                  |                  |                  |                  |                  |                  |                  |                  | 586.2            |
| Adaptation to Private Homes   | 470.5            | 680.3            | 470.0            | 470.0            | 470.0            | 470.0            | 470.0            | 470.0            | 470.0            | 470.0            | 4,910.8          |
| Telecare ASC  | 620.5            | 950.4            | 600.0            | 600.0            | 600.0            | 600.0            | 600.0            | 600.0            | 600.0            | 600.0            | 6,370.9          |
| Library Books   | 625.5            | 450.0            | 300.0            | 200.0            | 100.0            |                  |                  |                  |                  |                  | 1,675.5          |
| Sports Maintenance  | 35.0             | 100.0            | 100.0            | 100.0            | 100.0            | 100.0            | 100.0            | 100.0            | 100.0            | 100.0            | 935.0            |
| Project Support Fund (Groundwork)   | 65.9             | 0.0              | 0.0              | 70.0             | 70.0             | 70.0             | 70.0             | 70.0             | 70.0             | 70.0             | 555.9            |
| Project Support Fund (Groundwork) - supported by external funding             | 70.0             | 70.0             | 70.0             |                  |                  |                  |                  |                  |                  |                  | 210.0            |
| Essential Services Programme  | 1,610.2          | 6,440.2          | 2,500.0          | 1,700.0          | 800.0            |                  |                  |                  |                  |                  | 13,050.4         |
| Digital Development   | 5,822.6          | 2,500.0          | 2,500.0          | 2,500.0          | 2,500.0          | 2,500.0          | 2,500.0          | 2,500.0          | 2,500.0          | 2,500.0          | 28,322.6         |
| Corporate Property Management   | 6,754.7          | 2,750.0          | 1,500.0          | 1,500.0          | 1,500.0          | 1,500.0          | 1,500.0          | 1,500.0          | 1,500.0          | 1,500.0          | 21,504.7         |
| Capital Programme Management  | 541.4            | 541.4            | 541.4            | 541.4            | 541.4            | 541.4            | 541.4            | 541.4            | 541.4            | 541.4            | 5,414.0          |
| Demolition Programme  | 999.9            | 1,250.0          | 500.0            | 500.0            | 500.0            | 500.0            | 500.0            | 500.0            | 500.0            | 500.0            | 6,249.9          |
| Heritage Assets   | 2,304.0          | 9,734.4          | 1,000.0          |                  |                  |                  |                  |                  |                  |                  | 13,038.4         |
| Capitalisation of Interest  | 720.3            | 700.7            | 500.0            | 350.0            | 200.0            | 200.0            | 200.0            | 200.0            | 200.0            | 200.0            | 3,471.0          |
| Climate Emergency   | 222.8            | 250.0            | 600.0            | 600.0            | 600.0            | 600.0            | 600.0            | 600.0            | 600.0            | 600.0            | 5,272.8          |
| Climate Emergency - supported by external funding                             | 800.0            | 700.0            | 250.0            | 300.0            | 350.0            | 350.0            | 350.0            | 350.0            | 350.0            | 350.0            | 4,150.0          |
| Transformational Change to LCC (excl Core Systems Review)                     | 9,415.9          | 9,003.0          | 8,919.0          | 8,919.0          | 8,919.0          | 8,919.0          | 8,919.0          | 8,919.0          | 8,919.0          | 8,919.0          | 89,770.9         |
| PFI Lifecycle Capitalisations   | 11,462.0         | 11,980.0         | 12,895.0         | 13,395.0         | 13,895.0         | 14,395.0         | 14,895.0         | 15,395.0         | 15,895.0         | 16,395.0         | 140,602.0        |
| <b>Total Annual Programmes</b>  | <b>82,726.4</b>  | <b>86,085.8</b>  | <b>69,097.3</b>  | <b>63,295.4</b>  | <b>60,409.8</b>  | <b>57,809.8</b>  | <b>58,309.8</b>  | <b>58,809.8</b>  | <b>59,309.8</b>  | <b>59,809.8</b>  | <b>655,663.7</b> |

**22/23 - 25/26 Required Annual Programme Injections:**

|  |              |                |                |                |  |  |  |  |  |  |  |                 |
|--|--------------|----------------|----------------|----------------|--|--|--|--|--|--|--|-----------------|
| General Capitalisation                                     | 0.0          | 0.0            | 0.0            | 774.5          |  |  |  |  |  |  | 26/27 Annual Programme Injections          | 60,409.8        |
| PFI Lifecycle Capitalisations                              | 0.0          | 0.0            | 0.0            | 1,079.9        |  |  |  |  |  |  | 22/23 - 25/26 Annual Programme Injections  | 5,621.4         |
| Transformational Change - ongoing IDS work                 | 700.0        | 700.0          | 700.0          | 700.0          |  |  |  |  |  |  | 22/23 - 25/26 Other Injections             | 7,765.4         |
| Transformational Change - C&F Leadership Team (22/23 only) | 117.0        | 0.0            | 0.0            | 0.0            |  |  |  |  |  |  | <b>Total Injection</b>                     | <b>73,796.6</b> |
| Capitalisation of Interest                                 | 0.0          | 0.0            | 500.0          | 350.0          |  |  |  |  |  |  | Corporate Borrowing                        | 41,830.8        |
| <b>Total Annual Programmes Variance</b>                    | <b>817.0</b> | <b>700.0</b>   | <b>1,200.0</b> | <b>2,904.4</b> |  |  |  |  |  |  | Private Sector Contributions               | 578.3           |
| <b>22/23 - 25/26 Required Other Injections:</b>            |              |                |                |                |  |  |  |  |  |  | S278 Developer Contributions               | 3,500.0         |
| Core Business Transformation Programme                     | 0.0          | 6,124.8        | 1,640.6        | 0.0            |  |  |  |  |  |  | Government Grants                          | 8,286.1         |
| <b>Total Other Injections</b>                              | <b>0.0</b>   | <b>6,124.8</b> | <b>1,640.6</b> | <b>0.0</b>     |  |  |  |  |  |  | Capital Receipts - Transformational Change | 19,601.4        |
|  |              |                |                |                |  |  |  |  |  |  | <b>Total Injection</b>                     | <b>73,796.6</b> |

## Equality, Diversity, Cohesion and Integration Screening

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

A **screening** process can help judge relevance and provides a record of both the **process** and **decision**. Screening should be a short, sharp exercise that determines relevance for all new and revised strategies, policies, services and functions.

Completed at the earliest opportunity it will help to determine:

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

|                                       |   |
|---------------------------------------|---|
| <b>Directorate: Resources</b>         | <b>Service area: Corporate Financial Management</b> |
| <b>Lead person: Victoria Bradshaw</b> | <b>Contact number: 88540</b>                        |

### 1. Title: Proposed Budget for 2023/24 and Provisional Budgets for 2024/25 and 2025/26

Is this a:

**Strategy / Policy**

**Service / Function**

**Other**

**If other, please specify**

### 2. Please provide a brief description of what you are screening

The Council is required to publish its Proposed Budget two months prior to approval of the Budget by Full Council in February 2023. The Proposed Budget report for 2023/24 sets out the Executive's plans to deliver a balanced budget within the overall funding envelope. It should be noted that the Budget represents a financial plan for the forthcoming year and individual decisions to implement these plans will be subject to equality impact assessments where appropriate.



## Appendix 4

### 3. Relevance to equality, diversity, cohesion and integration

All of the Council's strategies/policies, services/functions affect service users, employees or the wider community – city-wide or more local. These will also have a greater/lesser relevance to equality, diversity, cohesion and integration.

The following questions will help you to identify how relevant your proposals are.

When considering these questions think about age, carers, disability, gender reassignment, race, religion or belief, sex, sexual orientation. Also those areas that impact on or relate to equality: tackling poverty and improving health and well-being.

| Questions   | Yes         | No |
|---|-------------|----|
| Is there an existing or likely differential impact for the different equality characteristics?  | X           |    |
| Have there been or likely to be any public concerns about the policy or proposal?   | X           |    |
| Could the proposal affect how our services, commissioning or procurement activities are organised, provided, located and by whom?   | X           |    |
| Could the proposal affect our workforce or employment practices?  | X           |    |
| Does the proposal involve or will it have an impact on <ul style="list-style-type: none"> <li>• Eliminating unlawful discrimination, victimisation and harassment</li> <li>• Advancing equality of opportunity</li> <li>• Fostering good relations</li> </ul> | X<br>X<br>X |    |

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

If you have answered **yes** to any of the above and;

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

### 4. Considering the impact on equality, diversity, cohesion and integration

If you can demonstrate you have considered how your proposals impact on equality, diversity, cohesion and integration you have carried out an impact assessment.

Please provide specific details for all three areas below (use the prompts for guidance).

- **How have you considered equality, diversity, cohesion and integration?**  
(think about the scope of the proposal, who is likely to be affected, equality related information, gaps in information and plans to address, consultation and engagement activities (taken place or planned) with those likely to be affected)

## Appendix 4

The Proposed Budget identifies a savings requirement of £69.8m due to unavoidable pressures such as inflation and demand/demography. Savings proposals to bridge this gap will affect all citizens of Leeds to some extent. The Council has consulted on its priorities in recent years and has sought to protect the most vulnerable groups. However, the cumulative effect of government funding reductions and these unavoidable pressures means that protecting vulnerable groups is becoming increasingly difficult. Where consultation is required and has not already commenced with regard to the specific proposals contained in this report this will be carried out before the final budget for 2023/24 is agreed.

### • Key findings

(think about any potential positive and negative impact on different equality characteristics, potential to promote strong and positive relationships between groups, potential to bring groups/communities into increased contact with each other, perception that the proposal could benefit one group at the expense of another)

The budget proposals will impact on all communities and protected characteristics but those who have been identified as being at the greatest potential risk include:

- Disabled people
- BAME communities
- Older and younger people and
- Women
- Low socio-economic groups

The Proposed Budget has identified the need for staffing savings in all areas of the Council which may impact on the workforce profile in terms of the at-risk groups. There may be some impact on our partners, for example through commissioning, which may have a knock on effect for our most vulnerable groups.

### • Actions

(think about how you will promote positive impact and remove/ reduce negative impact)

Equality screening has already been carried out for all of the relevant budget savings proposals included in the position set out in this report. An overall strategic equality impact assessment of the Budget will be undertaken prior to its approval in February 2023.

There will also be equality impact assessments on all key decisions as they go through the decision making process in 2023/24.

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

|  |  |
|--|--|
| Date to scope and plan your impact assessment: |  |
| Date to complete your impact assessment        |  |

## Appendix 4

|  |  |
|--|--|
| Lead person for your impact assessment<br>(Include name and job title) |  |
|--|--|

|  |                                  |             |
|--|----------------------------------|-------------|
| <b>6. Governance, ownership and approval</b>                                 |                                  |             |
| Please state here who has approved the actions and outcomes of the screening |                                  |             |
| <b>Name</b>  | <b>Job title</b>                 | <b>Date</b> |
| Victoria Bradshaw  | Chief Officer Financial Services | 5.12.22     |
| <b>Date screening completed</b>  |                                  | 5.12.22     |

|  |                    |
|--|--------------------|
| <b>7. Publishing</b>   |                    |
| <p>Though <b>all</b> key decisions are required to give due regard to equality the council <b>only</b> publishes those related to <b>Executive Board, Full Council, Key Delegated Decisions</b> or a <b>Significant Operational Decision</b>.</p> <p>A copy of this equality screening should be attached as an appendix to the decision making report:</p> <ul style="list-style-type: none"> <li>• Governance Services will publish those relating to Executive Board and Full Council.</li> <li>• The appropriate directorate will publish those relating to Delegated Decisions and Significant Operational Decisions.</li> <li>• A copy of all other equality screenings that are not to be published should be sent to <a href="mailto:equalityteam@leeds.gov.uk">equalityteam@leeds.gov.uk</a> for record.</li> </ul> <p>Complete the appropriate section below with the date the report and attached screening was sent:</p> |                    |
| For Executive Board or Full Council – sent to <b>Governance Services</b>   | Date sent: 5.12.22 |
| For Delegated Decisions or Significant Operational Decisions – sent to appropriate <b>Directorate</b>  | Date sent:         |
| All other decisions – sent to <a href="mailto:equalityteam@leeds.gov.uk">equalityteam@leeds.gov.uk</a>   | Date sent:         |