

Proposed Budget for 2024/25 and Provisional Budgets for 2025/26 and 2026/27

Date: 13th December 2023

Agenda Item 11A

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 2024/25 and to note the provisional budgets for 2025/26 and 2026/27 for consultation. This includes consideration of the Council's ringfenced accounts – Dedicated Schools Grant and the Housing Revenue Account – and the Capital Programme.

These budget proposals are set within the context of the 2024/25 – 2028/29 Medium Term Financial Strategy (MTFS), which was approved by the Executive Board on 20th September 2023, 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 2024/25 to 2026/27*' reports. Savings approved for implementation, or consultation as required, will subsequently be built into the 2024/25 Budget and Provisional Budgets for 2025/26 and 2026/27.

These proposals have been informed by a review of all council budgets within a consistent prioritisation framework, which aims to reduce the effect on key services and mitigate negative impacts as far as possible. However it needs to be recognised that we are not funded to provide all the functions we currently do, and so future service provision must be provided within the limited resources available. Alongside a continued focus on securing value-for-money and investing in transformation, services will continue to be reviewed as part of an overall resetting and reshaping of the authority to ensure it remains fit-for-purpose and sustainable in future years.

The Proposed Budget for 2024/25 and the Provisional Budgets for 2025/26 and 2026/27 need to be seen in the context of inherent uncertainty for the Council in respect of future funding and spending assumptions. The Chancellor's Autumn Statement to Parliament on November 22nd did not provide any further details on a number of key budget areas such as Council Tax referendum limits, the future of Social Care funding and the New Homes Bonus scheme or the permitted percentage increase for Social Housing rents. As such, further details are awaited in the Provisional Local Government Finance Settlement in December.

The impact of pay and price inflation on the Council's Proposed Budget for 2024/25 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 inflationary pressures on household income.

The Council's Medium Term Financial Strategy, which was received at Executive Board in September, identified a funding gap of £59.2m for 2024/25. Subsequent review of the assumptions detailed in that Strategy identified a net reduction in these pressures of £0.8m, leading to an updated gap of £58.4m in 2024/25. Following the receipt of £13.4m of budget savings proposals at October's Executive Board and further proposals totalling £45.0m which can be found elsewhere on this agenda, a balanced position for 2024/25, can be presented in this report.

The provisional budget positions for 2025/26 and 2026/27 identify estimated budget gaps of £60.6m and £46.1m 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 2024/25 to 2026/27'. Further budget savings proposals to reduce the estimated gaps for 2025/26 and 2026/27 will be brought to this Board for consideration.

As set out in both the Medium Term Financial Strategy 2024/25-2028/29 and this Proposed Budget report for 2024/25, 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 2024/25 Proposed Budget when compared to the 2023/24 budget are as follows:

- A reduction of £2.1m in the Settlement Funding Assessment (SFA)
- The Proposed Budget assumes a core council tax increase of 2.99% and an option to increase the Adult Social Care precept by 2% and we await confirmation in the Provisional Local Government Settlement. In addition, new legislation allows the Council to apply a Long Term Empty Premium after one year rather than two, which will increase the council tax base slightly. However, growth in the tax base has slowed over the last year as higher interest rates have impacted the housing market and it is forecast that this will continue into 2024/25. A decrease in the projected deficit is reflected, largely due to the dropping out of the final one-third instalment of the Council Tax deficit from 2020/21, which Government mandated had to be spread over three years following exceptional impact the pandemic. The total contribution of council tax to the Net Revenue Budget is projected to increase by £28.5m in 2024/25.
- Business rates income increases as the economy continues to recover from COVID-19 although the effects of increasing interest rates on investment and appeals against current Rateable Values continue to negatively impact growth in the tax base. The Government has confirmed in the 2023 Autumn Statement that the enhanced retail, hospitality and leisure reliefs will continue in to 2024/25 at 75% of liability and are fully funded by Government. Despite this, our current forecasts are that retained business rates income will improve by £10.0m compared to 2023/24, comprising of a £6.0m improvement in the deficit and a £4m improvement in growth above the baseline.
- Reflecting the above, the Net Revenue Budget for the Council has increased in 2024/25 by £36.5m to £609.8m.
- Overall, pay, price and demand pressures mean that the Council will need to deliver £65.8m of savings by March 2025.
- £7.4m of savings already identified in the MTFs reduce this target to £58.4m. Savings have been identified through the financial challenge process to generate a balanced budget position for the Proposed Budget 2024/25.

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 £59.2m for 2024/25. Since that report, there has been a net reduction in assumed resources of £0.3m, offset by a net reduction in budget pressures of £1.1m.
- 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 £13.4m; further savings proposals for 2024/25 of £45.0m are presented to this Board through the report on today's agenda, 'Revenue savings proposals for 2024/25 to 2026/27'.

In respect of the Council's Ringfenced Accounts:

Dedicated Schools Grant

- Based on the October 2022 census, the estimated Schools Budget for 2024/25 totals £1,018m, an increase of £21m from 2023/24. Final grant will be based on the October 2023 census.

Housing Revenue Account

- The proposals assume the application of the Government's formula of annual rent increases being no greater than CPI+1%. CPI was 6.7% as at September 2023, which would give an allowable rent increase of up to 7.7%. As such the Proposed Budget assumes an increase in rental income of 7.7% in 2024/25.
- Service charges will increase by 7% 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. An increase of 7% is also proposed for sheltered complexes with heat consumption charges and the standing charge for district heating schemes will increase by 7% in line with increases in service charges.

Further, this report summarises the current position for the Council's Capital Programme and references the annual capital programme review process reported to September's meeting of the Board. This report notes the Board's approval for future injection from the CIL Strategic Fund, to be invested for Strategic Highways and Transportation schemes. The revised programme, provided to the Board in November 2023, totals £1,623m for the five years from 2023/24 to 2027/28.

Savings proposals to address the current Financial Challenge, brought to the Board in October and elsewhere on today's agenda, have been reviewed to ensure that any interdependencies between capital and revenue are given due consideration.

In 2023/24 the Council is a member of the Leeds City Region Business Rates Pool, with 50% business rates retention alongside the other West Yorkshire authorities and York, enabling retention of levy payments within the region that would otherwise have to be made to Government. The Pool has applied to continue these pooling arrangements into 2024/25 and this report seeks approval that, should the application be successful, Leeds City Council becomes a member of the proposed Pool and acts as lead authority for it.

Recommendations

Executive Board is recommended to:

- a) Note that the Proposed Budget for 2024/25 presented in this report is based on the approval and delivery of £65.8m of directorate savings for 2024/25, £58.4m of which have been brought to this Board through the accompanying reports, 'Revenue Savings Proposals for 2024/25 to 2026/27' at its October meeting and on today's agenda.
- b) Agree to consultation on the Proposed Budget for 2024/25. 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 2025/26 and 2026/27 and to note that further savings proposals to address the updated estimated budget gaps of £60.6m and £46.1m for 2025/26 and 2026/27 respectively will be reported to future meetings of this Board.
- d) Approve that, should the application to form a 2024/25 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 2024/25 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 2023 in the Medium Term Financial Strategy for 2024/25 to 2028/29.

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 Due regard to equalities will be given to any decisions taken via the delegated decision process on the savings proposals presented in the accompanying 'Revenue Savings Proposals for 2024/25 to 2026/27' report. Should 'Service Review' savings proposals come to the Executive Board in December, equality impact screenings will be included for each with equality impact assessments carried out where appropriate as part of the 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 2024/25 Revenue Budget and Council Tax report which will be considered by Executive Board and subsequently by Full Council in February 2024. 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 2024/25.

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 sets out our overall vision for the city, focused on improving outcomes across the three pillars of Health and Wellbeing, Inclusive Growth and Zero Carbon. These outcomes 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 2024/25 are contained in this report.
- 8 This report needs to be seen in the context of the Best City Ambition update, the requirement for the Council to be financially sustainable and the requirement to set a balanced budget for 2024/25.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

Yes

No

- 9 The Authority's financial strategy is driven by its ambitions and priorities as set out in the Best City Ambition. The determination of these ambitions was subject to consultation with Members and officers throughout its development, with additional extensive stakeholder consultation carried out on the range of supporting plans and strategies. This stakeholder consultation process will include public consultation in December and January in respect of the 2024/25 Proposed Budget.
- 10 The Council's Medium Term Financial Strategy 2024/25 – 2028/29, received at Executive Board in September 2023, was informed by the public consultation exercise carried out between December 2022 and January 2023 on the Council's 2023/24 budget proposals. Whilst the consultation covered the key 2023/24 proposals, it also incorporated broader questions around the principles that underlie the Authority's financial plans and sought views on the savings proposals, a number of which covered a three-year period, and so the results are relevant to this report. The full results of the consultation are publicly available in the [2023/24 Revenue Budget and Council Tax report](#) considered by Full Council on 22nd February 2023.
- 11 The public consultation on the Proposed Budget for 2024/25 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 other stakeholders, including representatives from the Third 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.
- 12 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 2024/25 to 2026/27' 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 2024/25 Budget Report for consideration at February's Executive Board and Full Council.

- 13 Scrutiny Boards will initially be 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 7th February 2024.

What are the resource implications?

- 14 The financial position, as set out in the Medium Term Financial Strategy received at September's Executive Board, identified an estimated budget gap of £162.8m for the period 2024/25 to 2026/27 of which a gap of £59.2m related to 2024/25. 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.
- 15 Proposals to address this position and ultimately to deliver a balanced budget position for 2024/25 are contained within Appendix 1 of this Proposed Budget report.
- 16 The provisional budgets for 2025/26 and 2026/27 have been updated and the estimated budget gaps are now £60.6m and £46.1m 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?

- 17 The Proposed Budget 2024/25 and the provisional budgets for 2025/26 and 2026/27 need to be seen in the context of significant inherent uncertainty for the Council in terms of future funding and spending assumptions.
- 18 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.
- 19 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.
- 20 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.
- 21 In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required.

- 22 Specific risks relating to some of the assumptions contained within this Proposed Budget are identified at Appendix 1 to this report.
- 23 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and the Chief Officer - Financial Services has responsibility for these arrangements. If in undertaking this statutory role it is clear that the Council cannot deliver a balanced budget position then it is incumbent on the Section 151 Officer under the Local Government Finance Act 1988, Section 114 (3) to “make a report under this section if it appears...that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure. Under S115 of the Local Government Finance Act 1988 Councillors have 21 days from the issue of a Section 114 report to discuss the implications at a Full Council meeting and before the consideration of an emergency budget.
- 24 Financial Management Corporate Risk Assurance is included in the Corporate Risk Register and is addressed in the Annual Corporate Risk and Resilience report most recently provided to this Board in September 2023.

What are the legal implications?

- 25 Under Section 151 Local Government Act, the Council must make arrangements for the proper administration of its financial affairs and the Council’s Chief Finance Officer and Director of Strategy and Resources have responsibility for the administration of those affairs.
- 26 The Council is under a statutory responsibility to set a balanced budget. Under Section 28 of the Local Government Act 2003 the Council is required to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.
- 27 Under Section 3 of the Local Government Act 1999, the Council, as a best value authority, must make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This Proposed Budget is one of the ways in which the Council can secure best value within its resources envelope. Under Section 15 of the Act, the Secretary of State has the powers to intervene if satisfied that the Council is failing to meet its best value duty. This includes the power to issue direction that the function of the Authority be exercised by the Secretary of State, or a person nominated by him for a specified period.
- 28 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 2024 meeting of this Board at which proposals for the 2024/25 budget will be considered prior to submission to Full Council on 21st February 2024.
- 29 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.

- 30 In accordance with the Council's Budget and Policy Framework, decisions as to the Council's budget are reserved to Full Council in line with Executive & Decision Making Procedure Rule 5.1.2. As such, recommendations a., b. and c. are not eligible for 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 2024/25 to 2026/27', which appears elsewhere on today's agenda, is separately subject to call-in.
- 31 However, Recommendation d., regarding the Council's participation in the 2024/25 Leeds City Region Business Rates Pool, is a decision of the Executive Board and as such is subject to call-in.
- 32 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 2024/25 to 2026/27' 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.
- 33 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?

34 Not applicable.

How will success be measured?

35 Not applicable.

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

36 Not applicable.

Appendices

- 37 Appendix 1: Proposed Budget for 2024/25 and Provisional Budgets for 2025/26 and 2026/27
Appendix 2: Net Managed Budget by Directorate 2024/25
Appendix 3: The 10 Year Capital Programme
Appendix 4: Equality, Diversity, Cohesion and Integration Screening

Background papers

38 None.



Proposed Budget for 2024/25 and Provisional Budgets for 2025/26 and 2026/27



Appendix 1:

Introduction

This report details the Proposed Budget for 2024/25. This Proposed Budget is set within the context of the [Medium-Term Financial Strategy 2024/25 to 2028/29 \(MTFS\)](#) approved by Executive Board in September 2023, the 2023 Autumn Statement and proposed savings reports received at Executive Board in October and December 2023 which contribute towards bridging the estimated budget gap for 2024/25.

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 2024/25 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 7th February 2024. 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 2025/26 and 2026/27 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 2024/25

Part 7: Provisional Revenue Budgets for 2025/26 and 2026/27

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 2024/25 and Provisional Budgets for 2025/26 and 2026/27

1.1 This report brings before Executive Board the Proposed Budget for 2024/25. The report presents proposals to date, and is based on assumptions set out in the Council's 5 year [Medium-Term Financial Strategy 2024/25 to 2028/29](#). This report also sets out the recommended council tax increase for 2024/25, 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 2024 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, with Section 1.4 of that report describing a range of influences and factors that impact on the development of the Proposed Budget. Paragraphs 1.5-1.8 discuss these influences where the situation has progressed since publication of the MTFS.

1.4 The predominant influences affecting the Proposed Budget and Medium Term Financial Strategy include: the Economy, both global and national; Annual Government Announcements; National Policy; Regional Working; a changing operating context including the impact of Cost of Living; and Health and Social Care funding.

1.5 The Economy

- **Office of Budget Responsibility forecasts** – At the time of the Autumn Statement in November 2023, the Office for Budget Responsibility (OBR) published its updated independent economic and fiscal forecasts. The OBR forecasts a significant slowing of the economy in the short to medium term compared to the forecasts in March 2023, as set out below:
 - the OBR's forecast for GDP growth for 2024/25 is down from 1.8% in March to 0.7% in November. Similarly, in 2025/26 growth forecasts are down from 2.5% to 1.4%.
 - The OBR estimates that inflation (CPI) will average 7.5% in 2023/24 before falling to 3.6% in 2024/25, 1.8% in 2025/26 and 1.4% in 2026/27.
 - Rates of unemployment are expected to increase to 4.6% in 2024, remaining at that level until falling back slightly in 2026 to 4.4% and 4.2% in 2027.
 - Average earnings are forecast to peak in 2023 with growth of 6.8% before falling back to 3.7% in 2024, 2.2% in 2025 and 2.0% in 2026. Earnings growth recovers slightly to 2.5% in 2027 and 2.8% in 2028.



1.6 Annual Government Announcements – 2023 Autumn Statement

- The Chancellor presented the 2023 Autumn Statement to the House of Commons on 22nd November 2023. Despite the difficult economic climate and deteriorating forecast outlined in paragraph 1.5, no information was provided regarding additional funding for departments, including the Department of Levelling Up, Housing and Communities (DLUHC). Whilst DLUHC Departmental Expenditure Limits (DEL) shows an increase in planned expenditure of £1.7 billion when compared with the Spring Budget Report in March 2023, it is understood that this is additional funding for the extension of the Retail, Hospitality and Leisure relief into 2024/25 and the compensation to councils for the freezing of the Small Business Rates Multiplier in 2024/25, both business rates measures which do not provide additional funding to the Council.
- The headline announcements in the Autumn Statement 2023 are as follows:
 - The lower Small Business Rates Multiplier will be frozen at 49.9% while the higher Standard Business Rates Multiplier will increase in line with the September CPI from 51.2 pence in the pound to 54.6 pence in the pound. This is in the wake of the Non-Domestic Rating Act 2023, enacted in October 2023, allowing ministers to treat the multiplier rates independently whereas they were previously linked. Local authorities will receive full compensation for the loss of income they will experience.
 - Government confirmed that the 75% discount for retail, hospitality, and leisure establishments, up to a maximum of £110,000 nationally would be extended for a further year.
 - The National Living Wage will increase by 9.8% from £10.42 an hour to £11.44 per hour effective from 1st April 2024 and the threshold has been lowered from 23 to 21 years of age. The Council's Proposed Budget allows for provision of £12.00 per hour in line with the recent Real Living Wage announcement, so that this NLW increase has no impact on the position.
 - Leeds City Council will be allocated £2m in additional capacity funding to maximise delivery of new homes.
 - The financial incentives for businesses to invest in Investment Zones will be extended from 5 years to 10 years, including in the Investment Zone recently announced for West Yorkshire.
- It is important to note that the Autumn Statement did not include any announcements in relation to a number of key budget areas:
 - the percentage by which Council Tax can be increased without the need for a local referendum.
 - the possibility of further funding for Children's or Adult Social Care.
 - the future of the New Homes Bonus scheme.
 - the permitted percentage increase for Social Housing rents.



As referenced above, we expect further detail, including detailed 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, the DLUHC Policy Statement published in December 2022, the Autumn Statement 2023, and previous Government announcements relating to social care funding.

1.7 **Previous Annual Government Announcements** relevant to this Proposed Budget are discussed in the [Medium-Term Financial Strategy 2024/25 to 2028/29](#).

1.8 National Policy

In October 2023 two Acts came into force that directly impact the Council's ability to raise funding locally. These two Acts are: -

- The Levelling Up and Regeneration Act 2023 which introduces two important reforms to Council Tax; a new premium on second homes and reducing the period after which a premium can be applied to empty homes from two years to one year. The Second Home Premium provision requires the Authority to give property owners twelve months' notice of the imposition of the additional charge. Therefore, although Full Council will be asked in February 2024 to determine that the charge be applied, additional income will not be generated until 2025/26. The changes to the Long Term Empty Premium will be proposed to Full Council in January 2024 when the Council determines its Council Tax Base. If approved, the charge will generate an additional estimated income of £1.6m in 2024/25.
- The Non-Domestic Rating Act 2023, which introduces a number of reforms to business rates, has implications for the Business Rates Retention Scheme (BRRS). These reforms include giving ministers the power to increase the lower Small Business Rates Multiplier and higher National Multiplier at different rates up to a maximum of September's annual rate of increase in the CPI. Ministers decided at the Autumn Statement 2023 to decouple the multipliers, therefore a significant increase in business rates income retained through the BRRS is expected, although this comes with a corresponding reduction in multiplier cap compensation. The increase in the multipliers drives many of the fundamental elements of the BRRS such as the baselines, the tariff and the levy calculations. The overall impact remains unclear as the Government has only recently consulted on the implementation of the Act. Current analysis suggests that the net outcome of these changes will not be financially material.



About Leeds: Socio-economic context

- 1.9 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.
- 1.10 During the two decades prior to the last global financial crisis, the city's economy 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, the pandemic increased pressures on low-income households and the most vulnerable in society, as well as pushing some households to experience financial uncertainty and hardship for the first time. This has been exacerbated by the cost-of-living crisis, this not only compounding the challenges being experienced by many individuals and households, but also applying further pressure to council services through increased demand and increased costs, as well as reduced income as Leeds' residents and visitors choose to spend less or differently.
- 1.11 Further information on Leeds' socio-economic context is available at Section 1.5 of the [Medium-Term Financial Strategy 2024/25 to 2028/29](#).

Developing the 2024/25 Budget and Medium Term Financial Strategy and our Strategic Ambitions

- 1.12 Our overall vision for the city is set out in the Best City Ambition which can be read in full here: [Best City Ambition \(leeds.gov.uk\)](#). At its heart is our mission to tackle poverty and inequality and improve quality of life for everyone who calls Leeds home. The Ambition is focused on improving outcomes across three 'pillars': Health and Wellbeing, Inclusive Growth, and Zero Carbon. These pillars, and the areas of focus that cut across them all, capture the things that will make the biggest difference to improving people's lives in Leeds. The Best City Ambition aims to help partner organisations and local communities in every part of Leeds to understand and support the valuable contribution everyone can offer – no matter how big or small – to making Leeds the best city in the UK. The Ambition 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 2024/25 are contained in this report.
- 1.13 The financial climate for local government continues to present significant risks to the Council's priorities and ambitions. Between 2010/11 and 2019/20, the Council faced severe reductions in Government funding and continues to face



significant demand-led cost pressures, especially within Adult Social Care and Children's Services. To date, the Council has responded successfully to this challenge through a combination of stimulating good economic growth, 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 approximately 2,500 FTEs up to 31st October 2023.

- 1.14 The Council is projecting a significant overspend in 2023/24, as reported in the monthly Financial Health report elsewhere on the Executive Board agenda. Whilst actions have been identified, and are being implemented to address this financial position, any overspend at year end will require to be funded from the Council's reserves, with implications for the level of resources available in future years. Unavoidably, managing this in year position means that the Council will have to make difficult decisions around the delivery of services, and it will remain difficult over the coming years to identify further financial saving without significant changes in what the Council does and how it does it. We have reflected the significant demand pressures for Children's Services in 2023/24 in the budget position going forward.
- 1.15 The financial challenge now facing the Council is to manage these pressures alongside the significant impact caused by the current cost of living crisis and increased inflation, within a backdrop of global economic and geo-political issues, whilst still striving to deliver the council's ambitions. The needs of the communities served by Leeds City Council have already increased and will continue to do so, and the various funding streams that support local government will undoubtedly be affected by the longer-term economic impact of the cost of living crisis. As disposable income becomes further reduced, the Council's traded and commercial income is expected to suffer. With stretching budgets, retention and recruitment pressures within the Council, the ability to identify sufficient resources to support service transformation remains challenging.
- 1.16 Looking ahead, the Council is facing an updated estimated budget gap of £186.5m for the period up to and including 2028/29, £106.8m of which is in 2025/26 and 2026/27.
- 1.17 In recognition of this financial challenge the Council has embarked on a programme of service reviews which, when combined with business as usual savings, contribute towards closing the estimated revenue budget gap and enable the Authority to present a balanced budget position in 2024/25. As detailed in the 'Revenue savings proposals for 2024/25 to 2026/27' report elsewhere on this agenda, the scale of the pressures on the council's financial position this year, combined with the gap over the next three years and continued uncertainty concerning future central government funding, is unprecedented. In common with local authorities throughout the country, in order to balance the council's budget and to avoid issuing a Section 114 notice (in effect declaring that the council cannot achieve a balanced budget and preventing all new spending), difficult decisions will have to be taken that will impact across



services, affecting service users, residents, businesses, partners and our workforce.

- 1.18 This can be seen in the scale and nature of the savings proposals put forward to Executive Board which include service and staffing reductions, fee increases and new charges, asset sales, building closures and reduced hours of operation. These proposals have been informed by a review of all council budgets within a consistent prioritisation framework, which aims to reduce the effect on key services and mitigate negative impacts as far as possible. However, it needs to be recognised that we are not funded to provide all the functions we currently do, and so future service provision must be provided within the limited resources available. Alongside a continued focus on securing value-for-money and investing in transformation, services will continue to be reviewed as part of an overall resetting and reshaping of the authority to ensure it remains fit-for-purpose and sustainable in future years. Further information on this strategic approach is provided below within the 'Bridging the Revised Gap – the Corporate & Directorate Savings Programme' section at Part 5.
- 1.19 The draft proposals for an updated Best City Ambition for 2024 on this agenda emphasise that the strategic intent shared between the council and its partners remains focused on tackling poverty and inequality and improving the quality of life for everyone in Leeds. Prioritisation and clarity of direction around which partners in the city can convene to maximise increasingly limited resources remain key to navigating the financial constraints impacting on the council, organisations, communities and individuals in the city.



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

Table 1 – Summary of Changes in Resources, Costs and Savings Proposals in the Proposed Budget 2024/25 and comparison with the position at the Medium Term Financial Strategy

	MTFS	Changes since MTFS	Proposed Budget 24/25
	£m	£m	£m
Increase in Net Revenue Charge	(36.5)	0.0	(36.5)
Change in contribution to/(from) General Reserve	0.0	0.0	0.0
Change in contribution to/(from) Earmarked Reserves	2.9	0.3	3.2
COVID-19 Grants (business rates reliefs)	0.0	0.0	0.0
Net Increases in Other Specific Grant	(17.7)	0.0	(17.7)
Other General Fund Business Rates Movements	(7.3)	0.0	(7.3)
Other Contributions	(1.0)	0.0	(1.0)
Funding and Resources	(59.6)	0.3	(59.3)
Pay Inflation	25.4	(0.4)	24.9
Commissioned Services	17.5	0.0	17.5
Energy Inflation	(1.4)	(0.6)	(2.0)
General Inflation	21.0	(0.0)	21.0
Demand and Demography	28.6	0.0	28.6
Other incl. Debt	35.3	(0.0)	35.2
Pressures	126.2	(1.1)	125.2
Total Funding, Resources and Cost Pressures	66.6	(0.8)	65.8
	£m	£m	
Total Existing Savings Prior to September MTFS	1.7	0.0	1.7
Total Routine Savings Identified at MTFS	(9.1)	0.0	(9.1)
Gap Remaining After Existing Savings	59.2	(0.8)	58.4
Directorate Savings			
October 2023	0.0	(13.4)	(13.4)
December 2023	0.0	(45.0)	(45.0)
Total Additional Directorate Savings 2023	0.0	(58.4)	(58.4)
Gap Remaining After Additional Savings	59.2	(59.2)	0.0

2.1 The Council's Medium Term Financial Strategy 2024/25 – 2028/29 was presented to Executive Board in September 2023 and included a budget gap of £59.2m in respect of 2024/25. Table 1 summarises the movement in the 2024/25 position since the MTFS, showing the main changes in resources available to the Council and the budget movements relating to changes in cost assumptions, which total (£0.8m).

2.2 The table also shows the value of savings proposals that have been identified and which contribute towards balancing the 2024/25 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 2024/25.



Part 3: Changes in Resources and Funding

3.1. Summary Changes in Resources and Funding

Table 2 - Changes in Resources and Funding 2024/25

	2024/25 £m
Change in Resources due to Settlement Funding Assessment and Local Funding Table 12, Paragraphs 3.2-3.9	(36.457)
Movement on use of Reserves Paragraphs 3.11.3-3.11.10	3.158
Specific Grant Funding Changes Paragraphs 3.11.11-3.11.28	(25.092)
Other Changes in Resources Paragraph 3.11.29-3.11.32	(0.950)
Total Funding and Resources Changes	(59.341)

3.1.1. Table 2 summarises the changes detailed in Paragraphs 3.2-3.9. 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 and movement on reserves showing use of or contribution to the Council’s reserves.

3.2. Estimating the Net Revenue Budget

Settlement Funding Assessment – decrease of £2.1m

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 four financial years, local government has received single-year settlements, making financial planning more difficult. The forthcoming financial year (2024/25) will be the final year of the period covered by the Spending Review 2021. Therefore, it is widely expected that the Local Government Finance Settlement 2024/25 will be a further single year settlement.

3.2.3. Table 3 sets out the Council’s estimated Settlement Funding Assessment for 2024/25, which is based on an assessment of what the Council expect to receive reflecting announcements to date. On 12th December 2022 the Government published a policy statement that set out, in broad terms, it’s plans for local government finance in 2024/25. The Government stated that Revenue Support Grant would, in 2024/25, increase in line with any increase in the Business Rates Baseline. The Business Rates Baseline, in turn, normally increases in line with



any increase in the Small Business Rates Multiplier. The Autumn Statement 2023 confirmed that this multiplier would be frozen for 2024/25 and so it is currently assumed that the Business Rates Baseline and Revenue Support Grant will not increase in 2024/25.

Table 3 – Settlement Funding Assessment

	2023/24	2024/25	Change	Change
	£m	£m	£m	%
Revenue Support Grant	33.4	33.4	0.0	
Business Rates Baseline	164.4	162.3	(2.1)	
Settlement Funding Assessment	197.8	195.7	(2.1)	-1.0%

- 3.2.4. As described in paragraph 1.8, the Non-Domestic Rating Act 2023 came into force in October 2023. This gives ministers the power to increase the Small Business Rates Multiplier and higher National Multiplier at different rates, allowing the two multipliers to diverge. In September 2023, the Government issued a consultation on the implications for the Business Rates Retention Scheme (BRRS) of any decoupling of the multipliers to ensure that, for example, authorities' Business Rates Baseline accurately reflected the business rates tax base in their areas. It proposed that in future Business Rates Baselines should increase in line with a weighted average of the two multipliers. At the Autumn Statement 2023 the Chancellor confirmed that, whilst the Small Business Rates Multiplier would remain frozen, the higher National Multiplier would increase by 6.7%. The impact on the Business Rates Baseline is not yet clear but should be clarified when the Provisional Local Government Finance Settlement is published in late December 2023.
- 3.2.5. The baseline 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, known as its baseline funding level. The tariff would ordinarily increase in line with any increase in the Small Business Rates Multiplier from its 2023/24 amount. However, as a revaluation of all business properties in England took effect from 1st April 2023 and Government assured local authorities that this would not lead to any changes in revenue for them, the Government provisionally adjusted tariffs to take out any impact of the 2023 Revaluation for 2023/24. The adjustment was made using the data that was available at the time of the Local Government Finance Settlement 2023/24, but subsequently this data has been updated and the Government will recalculate the adjustment in line with accurate information for 2024/25. It is expected that Leeds' tariff will therefore increase in line with the final calculation, thereby reducing the Baseline Funding Level and overall Settlement Funding Assessment. A reduction in funding of £2.1m is therefore assumed within these proposals.
- 3.2.6. 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



Proposed Budget for 2024/25 and Provisional Budgets for 2025/26 and 2026/27

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.

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

Table 4 – Grants Rolled into the Settlement Funding Assessment

	2023/24	2024/25	Change
	£m	£m	£m
Settlement Funding Assessment	197.75	195.70	(2.06)
Which includes:			
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			
Local Council Tax Support admin subsidy grant			
Family Annexe Council Tax Discount grant			
Food safety and standards enforcement grant			

3.3. Business Rate Retention

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

	£m
Rateable Value in Leeds projected to 1st April 2024	953.88
multiplied by business rates multiplier	0.499
Gross business rates based on projected rateable value	475.99
Estimated Growth	3.95
equals gross business rates to be collected in Leeds	479.93
less: -	
Mandatory Reliefs	-72.97
Discretionary Reliefs	-1.29
Government mandated reliefs	-27.80
equals net business rates paid by ratepayers	377.88
less adjustments for: -	
Bad debts and appeals	-17.27
Cost of collection	-1.23
Projected Enterprise Zone and renewable energy projects yield	-3.55
equals non-domestic rating income in Leeds	355.83
Split into shares: -	
Leeds City Council (49%)	174.35
<i>West Yorkshire Fire Authority (1%)</i>	<i>3.56</i>
<i>Central Government (50%)</i>	<i>177.91</i>
less deductions from operation of business rates retention scheme: -	
Leeds City Council's tariff from Local Government Finance Settlement	-11.44
Leeds City Council's share of deficit from 2023/24	-1.25
Leeds City Council 's 2024/25 income from business rates	161.67



- 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 2025/26.
- 3.3.2. The projected total rateable value of businesses in Leeds on the 2023 ratings list as at 1st April 2024 will be £953.88m, which would generate gross business rates income of £475.99m. It is projected that there will be some modest growth in gross business rates of £3.95m in 2024/25 which is approximately three quarters of 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 £355.83m.
- 3.3.3. Under the 50% BRR scheme, Leeds City Council's share of this income is £174.35m (49%). The Authority then pays a tariff of £11.44m 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 2023/24, which totals £1.25m. This is comprised of a deficit carried forward from 2022/23 of £1.9m, which occurred after the deficit was declared due to an influx of appeals at the close of the 2017 ratings list and is partially offset by an in year surplus of £0.7m, mainly due to a reduction in the demand for Empty Rate Relief as the commercial property market appears to be recovering post-pandemic.
- 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 October 2023 there were 10 outstanding appeals against the 2010 ratings list in Leeds, and the Council holds provisions of £0.9m 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. In the early years of the list this appeared to have reduced the number of business rate appeals and the resultant volatility going forward when compared with the 2010 list. However, as the list closed in 2023 the number of appeals greatly increased and sufficient provisions for these appeals had to be made. As at 31st October 2023 there were 545 Checks and Challenges plus specific provisions made for classes of properties currently being subject to reductions in Rateable Value such as hospitals, GP surgeries and ATMs within other buildings such as supermarkets. The Council currently holds total provisions for these appeals of £30.6m.
- 3.3.8. Since 2013/14 the total amount repaid by way of business rate appeals is £219.7m, at a cost to the Council's General Fund of £113.3m. 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 2024/25 Proposed Budget provides for an additional £6.1m 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 £32.6m in 2024/25 costing the Council an estimated £4.9m 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. 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. It was confirmed at the Autumn Statement 2023 that the Government will continue this scheme into 2024/25 and the forecast for this expanded relief in the light of the Council's experience in 2023/24 is detailed in section 3.5 below. Extensive relief schemes such as this, 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 also reduce 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 2024/25 will be £174.4m. As per Table 6, the Proposed Budget recognises business rate growth above the baseline of £0.6m, a return to growth after the years below the baseline during the pandemic. This is still a significant reduction in the City's locally generated revenue above the baseline (0.4%) compared to the budgeted 2020/21 level (£10.9m or 6.9%) largely caused by the expected increased cost of extended Retail Relief since 2022/23. The elements of the improvement since 2023/24 are set out in the paragraphs below.

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

	2023/24	2024/25	Change
	£m	£m	£m
Business rates local share	170.24	174.36	4.12
Less: business rates baseline	173.75	173.75	(0.00)
Growth above baseline	(3.51)	0.61	4.12

3.5.2. Table 7 sets out the main changes in business rates income that result in this £4.1m improvement in growth above the baseline since 2023/24. The two largest elements at £1.9m each are the reduction in demand for Empty Rate Relief as the commercial property market appears to be recovering after the pandemic and the forecast in-year growth forecast in the city in 2024/25. Collection rates for Business Rates have also substantially improved in 2023/24, only 0.1% below pre-pandemic levels, allowing the Council to greatly reduce its provisions for bad debts by £0.9m. Expanded Retail Relief has not been in as high demand as expected in 2023/24 and a reduced forecast of £0.8m is included in the growth figures. Provisions for appeals going forward are also slightly reduced (£0.2m) because ratings lists are going to be updated every 3 years rather than every 5 years as previously, which should hopefully mean they are more reflective of the current market.



- 3.5.3. These gains, however, are partially offset by an increase in demand for Mandatory Charity Relief (-£0.7m), Small Business Rates Relief (-£0.5) and some other discretionary reliefs (£0.1m). There has also recently been a reduction in the city's current taxbase due to the resolution of many historic appeals from the 2017 ratings list which have had a continuing effect into 2023/24.

Table 7 – Changes in Growth above the baseline between the 2023/24 and 2024/25 Budgets and later years

	2024/25 Indicative	2025/26 Indicative	2026/27 Indicative
Leeds share of growth above the baseline	49%	49%	49%
Growth above baseline assumed previous year (£m)	-3.5	0.6	2.9
Reduction in current taxbase in 2023/24 (£m)	-0.5	0.0	0.0
Change in cost of bad debt provisions (£m)	0.9	0.4	0.2
Change in cost of provisions for appeals (£m)	0.2	0.0	0.0
Change in cost of empty rate relief (£m)	1.9	0.0	0.0
Change in cost of Small Business Rates Relief (£m)	-0.5	0.0	0.0
Change in Mandatory Charity relief (£m)	-0.7	0.0	0.0
Expanded Retail Relief (£m)	0.8	0.0	0.0
In-year growth of business rates yield (£m)	1.9	1.9	2.0
Increase in unfunded discretionary reliefs (£m)	-0.1	0.0	0.0
Other smaller changes in the tax base (£m)	0.1	0.0	0.1
Growth above baseline assumed current year (£m)	0.6	2.9	5.2

- 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 replaces 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 counteracts the growth seen from many construction projects.
- 3.5.5. The £174.4m local share of business rates funding is then reduced by an £11.4m tariff payment and a £1.3m deficit on the collection fund to reduce the funding available to the Council to £161.7m.
- 3.5.6. When compared to the £162.3m 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 £161.7m represents a deficit of £0.6m, as shown in Table 8. Compared to the budgeted deficit in 2023/24 of £10.7m this is a net improvement to the Net Revenue Charge of £10.0m.



Table 8 – Business Rates Retention 2023/24 to 2024/25

	2023/24 £m	2024/25 £m
Business rates baseline (including tariff)	164.4	162.3
Projected growth above the baseline to March	(4.7)	(1.3)
Estimated growth in the year	1.2	1.9
Total estimated growth	(3.5)	0.6
Estimated provision for appeals	(6.1)	(3.4)
Additional income from transitional arrangements and provision for bad debts	8.3	0.9
Impact of change in reliefs on income	(9.4)	1.3
Estimated total year-end Collection Fund deficit (Leeds Share)	(7.2)	(1.2)
Estimated Business Rates Funding	153.7	161.7
Increase/(reduction) against the Business Rates baseline	(10.7)	(0.6)
Business Rates Retention - Impact on General Fund Income		10.0

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

- 3.6.1. In 2023/24 the Council is a member of the Leeds City Region Business Rates Pool, with 50% business rates retention alongside the other West Yorkshire authorities and York. 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.
- 3.6.2. In early October 2023, the Government invited authorities to apply to continue their pooling arrangements into 2024/25. The Leeds City Region Pool has applied, and it is expected that the outcome of that application will be made clear in the Provisional Local Government Settlement in December 2023. Authorities will then be given 28 days to decide whether to continue with the Pool. This report requests approval from Executive Board that should the application be successful the Pool should continue, and that Leeds City Council should continue to be the lead authority. 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.
- 3.6.3. We estimate gains to the region of around £3.7 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 £1.2m, 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 2024/25.
- ### 3.7. Council Tax
- 3.7.1. The 2023/24 budget was supported by a 4.99% increase in the level of council tax, 2% of which was attributable to the Adult Social Care precept. Leeds City Council's council tax remains the 2nd lowest of the English core cities and mid-point of the West Yorkshire districts, as detailed in Table 9.



Table 9 – 2023/24 Council Tax Levels (Figures include Police and Fire Precepts)

Core Cities	Band D £:p	West Yorkshire Districts	Band D £:p
Nottingham	2,411.65	Kirklees	2,095.57
Bristol	2,345.24	Calderdale	2,071.20
Liverpool	2,307.55	Leeds	1,958.39
Newcastle	2,180.51	Wakefield	1,947.99
Sheffield	2,161.31	Bradford	1,934.44
Manchester	1,969.50		
Leeds	1,958.39		
Birmingham	1,905.73		

- 3.7.2. The 2024/25 Proposed Budget recognises a projected gain of £3.1m (1,861 band D equivalent properties) due to an increase in the tax-base growth during the 2024/25 financial year. It also recognises a decrease in the projected deficit on the collection fund of £5.7m, 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 £1.8m projected deficit. The most significant reason for this reduction in the deficit is the dropping out of the final one-third instalment of the deficit from 2020/21, which Government mandated had to be spread over three years following exceptional impact the pandemic. The deficit generated in 2023/24 is also lower than in the previous year as collection in the city is forecast to return to 99% in the fullness of time in 2023/24, whereas it was forecast to only be 98.5% in 2022/23.
- 3.7.3. It should be noted that these proposals do not currently include any adjustment for the provisions in the Levelling Up and Regeneration Act 2023 laid out in paragraph 1.8; namely the introduction of a 100% premium for Second Homes from 2025/26 and the reduction in time from 2 to 1 years for the imposition of a 100% Long Term Empty Premium from 2024/25. Both would be subject to the decision of Full Council in January 2024.
- 3.7.4. In 2023/24 the Government allowed local authorities to increase their core council tax charge by up to, but not including, 3% before having to submit their proposed increase to a local referendum. The Council decided to increase its core council tax by 2.99%. In a policy statement in December 2022 the Government stated that it intended to allow local authorities to increase core council tax by the same percentage in 2024/25, and therefore the Proposed Budget includes an increase in core council tax of 2.99%, however the final decision remains with Full Council.



- 3.7.5. The impact of the proposed core increase (2.99%) and ASC precept increase (1.99%), as explained in paragraph 3.8, 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 2024.

Table 10 – Proposed 2024/25 Leeds Council Tax

BAND	BAND	BAND	BAND	BAND	BAND	BAND	BAND
A	B	C	D	E	F	G	H
£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
1151.23	1343.10	1534.97	1726.84	2110.58	2494.32	2878.07	3453.68

- 3.7.6. As shown in Table 11, in total the level of Council Tax receivable by the Council in 2024/25 is projected to increase by £28.5m when compared to that receivable in 2023/24.

Table 11 – Estimated Council Tax Income in 2024/25

	2023/24	2024/25
	Baseline	Forecast
	£m	£m
Previous year council tax funding	369.4	393.7
Change in tax base - increase / (decrease)	5.6	3.1
Increase in council tax level	11.2	11.9
Adult Social Care precept	7.5	7.9
Council Tax Funding before surplus/(deficit)	393.7	416.5
Surplus/(Deficit) 2020/21	(4.5)	
Surplus/(Deficit) 2022/23	(2.9)	
Surplus/(Deficit) 2023/24		(1.8)
Contribution (to)/from Collection Fund	(7.4)	(1.8)
Total - Council Tax Funding	386.3	414.8
Increase from previous year		28.5

- 3.7.7. 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 1% in each year of the current Spending Review period, 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 and a subsequent policy statement issued by DLUHC in December 2022 stated the Government was intending to allow the same increase in 2024/25.
- 3.8.2. Based on this statement, the Proposed Budget for 2024/25 assumes a 1.99% increase in the Adult Social Care precept. After 2024/25 the current Financial Strategy does not assume any 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 2024/25

- 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 £36.5m or 6.4% from £573.4m to £609.8m, as detailed in Table 12 and at **Appendix 2**. This includes a significant reduction in the business rates deficit of £6.0m with the deficit that will not be spread increasing from a surplus of £5.1m in 2022/23 to a deficit of £1.2m in 2023/24, a £6.3m deterioration, but also the final one-third of the exceptional balance from 2020/21, a £12.2m deficit that had to be paid in 2023/24, dropping out.

Table 12 – Estimated Net Revenue Budget 2024/25 compared to the 2023/24 Net Revenue Budget

	2023/24 £m	2024/25 £m	Change £m
Revenue Support Grant	33.4	33.4	0.0
Business Rates Baseline	164.4	162.3	(2.1)
Settlement Funding Assessment	197.8	195.7	(2.1)
Business Rates Growth	(3.5)	0.6	4.1
Business Rates Deficit that will not be spread	5.1	(1.2)	(6.3)
Business Rates Deficit: One-third of 'exceptional balance'	(12.2)	0.0	12.2
Council Tax (incl. Adult Social Care Precept)	393.7	416.5	22.8
Council Tax Surplus that will not be spread	(2.9)	(1.8)	1.2
Council Tax Adjustment: One-third of 'exceptional balance'	(4.5)	0.0	4.5
Net Revenue Budget	573.4	609.8	36.5

- 3.9.2. Table 13 analyses this £36.5m 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	2024/25 £m
Government Funding	
Settlement Funding Assessment	<u>(2.06)</u>
Sub-total Government Funding	(2.06)
Locally Determined Funding	
Council Tax (incl tax base growth)	28.49
Business Rates	<u>10.02</u>
Sub-total Locally Determined Funding	38.51
Increase/(decrease) in the Net Revenue Budget	36.46

- 3.9.3. The estimated increase in the 2024/25 net revenue budget compared to 2023/24 cannot be properly understood without considering changes in general fund income streams associated with the Collection Fund. The reserves built up over the period of the pandemic from excess section 31 grant funding accumulated as a result of the Government introducing emergency reliefs for sectors such as the retail, leisure and childcare sectors have now all been applied in full to partially meet the resultant business rates deficits generated by those reliefs. However, these proposals include an assumption that Government would once again freeze the Business Rates Multipliers determining ratepayers' liabilities for the tax. This is instead of increasing those multipliers by CPI, as would normally be the case. Government provides local authorities with full compensation for capping the multipliers in this way and therefore it is assumed section 31 grants will also again increase in 2024/25 by a further £10.6m. At the Autumn Statement 2023, the Government announced that it would freeze the lower Small Business Rates Multiplier but would increase the higher Standard Multiplier by CPI from 51.2% to 54.6%. The Government has only recently consulted on how the compensation for the freeze will be calculated for 2024/25. In theory this should result in full compensation for both current and historic capping of the Multipliers, but the Government's current proposals remain too uncertain to make the necessary calculations. The Council continues to engage with the Department of Levelling Up, Housing and Communities, but the position may not become clear until the publication of the NNDR1 return in late December 2023.
- 3.9.4. Council tax is projected to increase by £28.5m as detailed in Table 11. Due to the cost of living crisis, it is assumed that demand for Council Tax Support will increase slightly compared to 2023/24, which has the effect of reducing the council tax base. Growth in the council tax base, with new homes being completed in the City, has been slower than forecast for 2023/24 and therefore further growth in the tax base in this way in 2024/25 has been reduced in response. Finally, Government stated in a policy statement in early December 2022 that core council tax could rise by up to 3% and the Adult Social Care precept by up to 2% in 2024/25, as in 2023/24. As discussed at paragraph 3.8



the Proposed Budget assumes this, subject to the approval of Full Council, but it was not confirmed in the 2023 Autumn Statement.

3.10. **Anticipated changes to Council Tax and Business Rates in response to recent Acts of Parliament**

- 3.10.1. As explained in **paragraph 1.8**, two pieces of legislation have been enacted in October 2023 that impact the council tax and business rates that may be generated in the city of Leeds.
- 3.10.2. The **Levelling Up and Regeneration Act 2023** contained two provisions that may impact the level of council tax in the city. The first provision, the changes made to the Long-Term Empty Premium, could raise £1.6m in 2024/25 if Full Council were to approve the change to the premium at the time of approving the Council Tax Base in January 2024. The second provision of the Act, the introduction of a 100% premium on Second Homes, could raise up to an additional £3.5 million from 2025/26 if Full Council were to approve its application before 31st March 2024.
- 3.10.3. The **Non-Domestic Rating Act 2023** implements the Government's proposals put forward in the Fundamental Review of Business Rates consultation process carried out from 2020 onwards. The most significant change from the perspective of a billing authority such as Leeds City Council is the provision that gives ministers the power to increase the Small Business Rates Multiplier and higher National Multiplier independently, and at the Autumn Statement 2023, the Government announced that this would happen from 2024/25. This has important implications for the Business Rates Retention Scheme, as explained at paragraph 3.9.3, and for the compensation local authorities receive for the capping of the Multipliers in 2024/25 and previous years, as explained in paragraph 3.11.28. In late September 2023 the Government issued a technical consultation but the impact of the proposals will not become clear until the Provisional Local Government Finance Settlement, expected in late December 2023.

3.11. **Decreases/(Increases) in General Fund Resources**

- 3.11.1. The changes in local funding, detailed in paragraphs 3.2 – 3.10, change the Council's Net Revenue Budget and form part of the funding envelope available to the Council.
- 3.11.2. Other movement in the Council's available resources are shown in paragraphs 3.11.3 – 3.11.32.

Movement on the use of Reserves £3.2m

- 3.11.3. **Changes in contributions to/(from) the General Reserve £0.0m** – The opening General Reserve position in 2023/24 stood at £33.2m with the opening position for 2024/25 estimated to be £36.2m, reflecting a budgeted contribution of



£3m to this reserve in 2023/24. This Proposed Budget reflects no change to the base in 2024/25, resulting in a further increase of £3m and an estimated closing balance of £39.2m on the General Reserve in 2024/25 and a £3m increase in every subsequent year of the Medium Term Financial Strategy.

Changes in contributions to/(from) Earmarked Reserves £3.2m

- 3.11.4. Opening General Fund earmarked reserves for 2023/24 stood at £148.8m. A net in year use of reserves in 2023/24 of £7.5m is currently forecast which would result in earmarked reserves of £141.3m being carried forward into 2024/25.
- 3.11.5. Overall, the measures in this Proposed Budget apply a net contribution from the revenue position of £3.1m to Earmarked Reserves.
- 3.11.6. General Fund earmarked reserves for 2023/24 include £19.9m of **Strategic Contingency reserve**, established in 2020/21 to fund future unforeseen budget pressures and to ensure the Council becoming more financially resilient. The 2023/24 budget assumed a net use of £14.3m from this reserve and there are currently in year commitments of £5.6m: £0.6m relating to funding COVID Backlog Recovery, £1.3m to cover delays in the delivery of fleet management savings in 2023/24, £3.5m to cover slippage in the Children's Residential and Fostering provision action plan and £0.2m for Internship funding in Strategy and Resources.
- 3.11.7. At its meeting of 12th October 2023, the West Yorkshire Combined Authority (WYCA) confirmed a one off refund of transport levy reserves to member authorities aimed at reducing the financial pressures faced in the region, with Leeds to receive £17.7m. As agreed at the October meeting of this Board, this will be added to the Strategic Contingency Reserve in 2023/24 but is likely to be required in full to meet the projected 2023/24 overspend position. This Proposed Budget provides a small contribution to this reserve, which would leave an estimated balance on the Strategic Contingency Reserve of £0.3m at 31st March 2024.
- 3.11.8. This Proposed Budget includes a £3.0m contribution into a new Strategic Resilience Reserve in order to increase the Authority's financial sustainability in this and future years. It also provides £2m and £1m respectively to increase provisions for insurance and any Municipal Mutual Insurance (MMI) needs, among other measures to improve financial sustainability.
- 3.11.9. These costs to the General Fund are netted of by a (£6m) net contribution from the Strategic Contingency reserve – fallout of £14m of contributions in 2023/24 offset by a (£20m) contribution in 2024/25, as discussed in paragraph 3.11.6.
- 3.11.10. Net fallout of use of Adults and Health reserves in 2023/24 totals £3.3m and net fallout of other reserves totals £0.6m. A net reduction in the contribution to the Investment and Innovation Reserve totals (£1.1m).



Changes in Grant Funding (£25.1m)

- 3.11.11. **Specific Grant Funding Changes – Adults and Health (£12.2m).** In September 2022 Government announced the ASC Discharge Fund, from which grants would be allocated to local authorities and integrated care boards (ICBs). Government set out that these organisations should work together to plan how to spend this money locally. The additional Leeds share of this in 2024/25 is estimated to be £3.0m, however it is assumed this falls out in 2025/26.
- 3.11.12. 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 (subsequently renamed the Market Sustainability and Improvement Fund-MSIF when the new duties it was to fund were delayed but the funding was honoured to help the social care system deal with inflationary pressures), with a national allocation of £162m in 2022/23 and further allocations in 2023/24 and 2024/25. Leeds received £7.7m in 2023/24 and it is assumed that the 2023/24 level of funding will continue in 2024/25 as the Government continues to support the reform of social care. Additional funding has subsequently been announced for 2024/25 with Leeds receiving £3.9m. MSIF funding is part of the Council’s Core Spending Power and relates to the Government’s planned reforms of the social care system. It is therefore expected that it will fund new burdens arising from the new duties the Council will have to undertake. As such it is expected to be largely neutral to the Council overall, and expenditure matching the £7.7m ongoing element is included in the base pressures in this Proposed Budget.
- 3.11.13. The Proposed Budget includes inflationary increases of £1.1m for the improved Better Care Fund.
- 3.11.14. The Autumn Statement 2022 included the announcement of additional Social Care Grant for adult and children’s social care. This Proposed Budget reflects £4.25m of this additional grant in Adult Social Care.
- 3.11.15. The Proposed Budget assumes Councils will continue to be able to raise an Adult Social Care Precept in 2024/25, and this is reflected in the Council Tax sections 3.7 and 3.8.
- 3.11.16. **Specific Grant Funding Changes – Children and Families (£8.8m).** 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. Annual grant of £1.6m continues to be assumed in 2024/25, with no change reflected in the Proposed Budget position.
- 3.11.17. The Autumn Statement 2022 included the announcement of additional Social Care Grant for adult and children’s social care. This Proposed Budget reflects £5.54m of this additional grant in Children’s Social Care in 2024/25.



- 3.11.18. An additional contribution of £1.2m from the Dedicated Schools Grant is assumed in 2024/25 to reflect the increase in the number of and complexities of looked after children.
- 3.11.19. The numbers of Unaccompanied Asylum Seeking Children supported by the Council has increased and as such the Proposed Budget assumes an additional £2.0m of Home Office Funding to continue to support and care for UASC from 2024/25.
- 3.11.20. **Specific Grant Funding Changes – Communities, Housing and Environment £0.4m.** The Waste PFI grant is expected to reduce by £0.1m in 2024/25 due to the impact of DEFRA penalties on recycling performance. These penalties were suspended during COVID-19 but are now reinstated. The Proposed Budget also reflects a £0.3m fallout of ESIF grant.
- 3.11.21. **Specific Grant Funding Changes – Strategy and Resources £0.04m.** Public Health funding of £40k was previously provided as a contribution to the Resilience and Emergency Team (RET). This funding has now stopped; however, the work of the RET team continues to be required, leading to a financial pressure for the Strategy and Improvement division.
- 3.11.22. **Specific Grant Funding Changes – Strategic and Central Accounts £0.5m.** Local authorities pay a levy on Business Rates growth, either to the Government or to a local Pooling arrangement where one exists, as discussed in paragraph 3.6. It is estimated that levy payments will increase from £1.1m in 2023/24 to £1.7m in 2024/25, an additional £0.5m.
- 3.11.23. **Specific Grant Funding Changes – New Homes Bonus £2.2m** Since 2011/12, the Council has received New Homes Bonus, an incentive grant based on housing growth. In 2018/19, the Government announced their intention to review the operation of the Bonus to better align the scheme with local authorities' performance in meeting local housing demand beyond 2019/20. No further detail has yet been provided and the existing scheme was simply rolled forward between 2020/21 and 2023/24. In December 2022 the Government committed to announce its plans for the future of New Homes Bonus before the Local Government Finance Settlement for 2024/25. Consequently from 2024/25 it is assumed there will be no further payment of New Homes Bonus with the £2.2m budgeted income for 2023/24 dropping out. This position should be clarified at the Provisional Settlement in late December 2023.
- 3.11.24. **Specific Grant Funding Changes – Collection Fund COVID-19 Grants decrease of £3.2m.** During the pandemic the Government compensated local authorities for 75% of their unfunded losses of Council Tax and retained Business Rates. Leeds City Council received £11.8m of this compensation which it placed into a reserve to part fund the deficit from 2020/21 in the following three years. In 2021/22 £8.6m was applied to the deficit to be repaid in that year and none of the remaining funding was applied in 2022/23. Finally, in 2023/24 the last £3.2m of this reserve was applied to the final instalment of the remaining 2020/21



deficit. This funding is therefore no longer available to the General Fund, which represents a reduction in resources of £3.2m.

- 3.11.25. **Other Non-Collection Fund Business Rates and Council Tax Movements (increase of £10.6m).** 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.
- 3.11.26. 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 were to receive 75% relief against their business rates liabilities up to a maximum of £110,000 per business. It was confirmed at the Autumn Statement 2023 that this relief will continue at 75% for 2024/25. This Proposed Budget assumes that Leeds City Council will receive compensation of £15.0m. It is also assumed that funding will continue for the doubling of Small Business Rates Relief that occurred in 2012/13, and Support for Small Businesses after the 2023 Revaluation will also continue alongside a number of smaller reliefs, including the special relief for local newspapers, for which local authorities receive compensation. In total, compensation received for all these schemes, including extended Retail Relief, is assumed to be £29.7m.
- 3.11.27. Although the Government announced at the Autumn Statement 2023 that the multipliers for business rates would be increased at different rates, these proposals assume that the Small Business Rates Multiplier and higher National Multiplier will both be frozen at the 2023/24 level whilst we await clarification. Local authorities receive compensation from Government for the loss of income this entails. Current analysis suggests that the loss of this compensation will correspond to the gain from additional business rates income received from the higher multiplier with any difference being financially immaterial. It is estimated that the compensation for freezing both multipliers will amount to £38.2m because the rate of CPI inflation was so high in September 2023. In total Section 31 compensation for business rates reliefs and the freeze on the multiplier is expected to increase by £10.6m.
- 3.11.28. As explained in paragraph 1.8, the Non-Domestic Rating Act 2023 came into force in October 2023. The Government are being empowered to increase the Small Business Rates Multiplier and the National Multiplier by differing percentages allowing the multipliers to diverge beyond their current 1.3p in the pound difference. In September 2023 the Government consulted on how this would impact compensation for freezing the multipliers should they decouple. The proposal was to require authorities to disaggregate data between those properties subject to the higher multiplier and those subject to the Small Business Rates multiplier with compensation for each being calculated separately. However, the underlying methodology for these calculations has not been made clear and may not become clear until the publication of the NNDR1



return in early January 2024. Initial modelling by Leeds City Council indicates that the net impact of the implementation of the Act will not be financially material.

Other Changes in Resources (£0.95m)

- 3.11.29. The Council received an additional (£1.7m) of WYCA gainshare funding over a three year period commencing in 2023/24, only (£0.25m) of which was budgeted for on a recurring basis, therefore this funding represents an additional (£1.45m) in 2024/25.
- 3.11.30. £0.133m of Business Rates Pool balances were utilised to substitute for the Council's core budget contribution to Leeds 2023 in 2023/24 and falls out in 2024/25.
- 3.11.31. In previous years the Council has legitimately charged relevant staffing costs to Disabled Facilities Grant. However, due to increased demand and costs of works the available grant is insufficient to meet these staffing costs which need to revert to revenue creating a pressure of £0.2m in 2024/25.
- 3.11.32. In February 2021, the Secretary of State announced, alongside the Local Government Finance Settlement, the continuation of the capital receipts flexibility programme for a further three years, to give 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. In 2024/25 this Proposed Budget reflects the part-fallout of £0.16m of this resource.



Part 4: Cost Pressures, Budget Growth and Adjustments

4.1. Table 14 summarises the projected cost increases in the 2024/25 Proposed Budget.

Table 14 – Cost Increases 2024/25

	2024/25
	£m
Pay - Leeds City Council	25.2
Employer's LGPS contribution (Actuarial Review)	0.3
Capitalised Pension Costs	(0.5)
Wage costs - commissioned services	17.5
Inflation: Electricity and Gas Tariffs	(2.0)
Inflation: Fuel	(1.6)
Inflation: General	22.6
Demand and demography - Adult Social Care	9.6
Demand and demography - Children Looked After	18.2
Demand and demography - Other	0.7
Financial Sustainability: unwinding capitalisation	10.0
General Capitalisations	0.5
Financial Sustainability: unwinding internal charging	4.0
CBT Pressures	2.5
External Hire Refuse Vehicles	2.3
Fleet maintenance and hire	2.0
Waste Management	1.6
Microsoft Licences	0.6
Children and Families transport	0.5
Leeds 2023	(3.3)
Income pressures	5.1
Debt - external interest / Minimum Revenue Provision	3.0
Other Pressures/Savings	6.4
Cost Increases	125.2

4.2. **Pay Award and Leeds Living Wage** – The Proposed Budget allows for £25.2m of pay inflation in 2024/25. This increase includes £27.4m for the following elements: the agreed pay awards for 2023/24 and the provision for 3.5% annual pay awards for both NJC and JNC staff in 2024/25. This Provisional Budget provides for the recently announced Real Living Wage increase to £12.00, with an hourly rate of £12.00 at pay scale point 2 in 2024/25. £0.8m is provided for the additional cost of Enhancements, £0.6m regarding LBS pay standardisation and £0.08m for Member's Pay, offset by mitigation plans of (£3.7m). Further detail is discussed at paragraphs 2.5.2-2.5.4 of the [Medium-Term Financial Strategy 2024/25 to 2028/29](#).



- 4.3. **Employers Local Government Pensions Contributions** – The most recent actuarial valuation showed that the West Yorkshire Pension Fund is in a surplus position. The position assumes an employer’s contribution of 15.8%, resulting in an estimated additional pressure of £0.3m 2024/25, which will fall out in 2025/26. However, we will continue to review this position in discussion with the actuaries as current inflationary pressures do present a risk to equity markets.
- 4.4. The Proposed Budget reflects the fall out of **capitalised pension costs** associated with staff who have left the Council under the Early Leaver’s Initiative (ELI) which will save an estimated (£0.5m) in 2024/25.
- 4.5. **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 £17.5m in 2024/25 for increased demand and demographic growth, together with inflationary pressures 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 £12.00/hour and a further 40p/hour for Homecare in 2024/25. This is further discussed at paragraph 2.5.5 of the [MTFS 2024/25 to 2028/29](#).
- 4.6. **Energy Inflation** – since the declaration of the climate emergency in 2019, the Council has made substantial reductions in its energy consumption through a broad range of measures including 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 appearing to have settled (after the extremes seen in the last two years) at over twice the historical levels. The Council’s forward purchasing of energy continues to hedge the Council significantly against the impacts of further volatility in the global markets, but the budgetary impact is expected to increase nevertheless. The Government’s Energy Bills Discount Scheme was implemented from 1st April 2023 and runs for 12 months for businesses and other non-domestic energy users, although the Council is not expecting to qualify for any discounts due to its forward purchasing keeping unit prices below the thresholds for eligibility.
- 4.7. The Proposed Budget assumes a (£2.0m) (7.4%) reduction in energy costs in 2024/25 compared to the base budget in 2023/24, which provided for a significant increase in energy costs by 118.5% for gas and 64.0% for electricity at an additional cost of £10.7m. As energy costs are still higher than precedent times, the Council continues to address these costs through an ongoing 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 action at



high energy consuming sites; delivery of further energy efficiency and decarbonisation capital schemes; progressing the delivery of major local renewables generation schemes.

- 4.8. **Fuel** prices have fallen significantly during 2023/24 and based on recent forecasts this Strategy assumes a saving of (£1.6m) on fuel costs in 2024/25 when compared to the base position for 2023/24.
- 4.9. **Other general inflation** – 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 2023 (September 2023 CPI was 6.7% and RPI 8.9%). 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. As such the 2024/25 Proposed Budget makes allowance for net **general price inflation** of £22.6m as follows: Adults and Health £3.5m, Children and Families £13.7m, City Development £2.5m, Communities, Housing and Environment £1.0m, and Strategy and Resources £1.9m. The OBR expects inflation to return to more normal levels by 2025/26.
- 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 severe 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 from 2023 in the number of people aged 65+ between 2023 and 2029. These increases of 2.05%, 2.17%, 2.08%, 2.00% and 1.92% 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 2029. The Learning Disability demography is expected to grow by 1.6% (based on ONS and transitions 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 increasing costs for existing clients whose packages may last a lifetime. Consequently, this Proposed Budget provides £9.6m for demand and demography in Adults and Health in 2024/25. This is made up of £8.1m to deal with demand and demographic growth for 2024/25 (in addition to provision of £20.4m to cover inflationary pressures and National Living Wage/Real Living Wage increases and £1.5m to meet demand and demographic pressures for Transitions, costs relating to service users moving from Children's to Adult social care.



- 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.
- 4.15. The main drivers of demand pressures are well documented nationally and locally. The demand for Children and Families services are significantly influenced by the Covid-19 pandemic. The pandemic 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 financial incentive.
- 4.16. In addition, expectations of families and carers in terms of services offered by the Council and partners continue to evolve alongside the impact of Government legislation, including 'staying put' arrangements that enable young people to remain with their carers up to the age of 21.
- 4.17. 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 2024/25 includes £18.2m for the forecast demand in the CLA and financially supported non-CLA budgets, excluding inflation.
- 4.18. In the **Communities Housing and Environment** directorate, provision of £0.2m has been made for the increased disposal costs of waste to the Recycling and Energy Recovery Facility (RERF) based on continuing **demand pressures** due to assumed household growth.
- 4.19. There are currently circa 170 families in need of temporary accommodation. Whilst the Council maximises its use of various Homelessness grants to minimise the impact of the costs of temp accommodation on the general fund, there is a need to provide an additional budget of around £0.5m to fund these **demand pressures**.
- 4.20. The Proposed Budget includes further measures to improve **financial sustainability**, allowing for an additional £10.5m to reduce reliance on capitalisations and £4.0m to reduce internal charging.
- 4.21. **Core Business Transformation** – the Proposed budget allows for additional costs of £2.5m for the Council's Core Business Transformation project. The



project includes the procurement and implementation of new HR and Finance systems, which will ultimately result in efficiencies for the Council and significant elements of the project are funded through Flexible Use of Capital Receipts. However, in 2024/25 a proportion of these costs, such as annual licences, cannot be funded through this source and as such these are a pressure to the Council's General Fund Revenue account. A small saving in 2024/25 in relation to this project is included in Part 5 of this report.

- 4.22. **External Hire** – the Proposed Budget includes additional costs of £2.3m relating to external hire for refuse vehicles due to delays in procuring new vehicles and resulting increased hire costs.
- 4.23. **Fleet** – the Proposed budget allows for estimated additional costs of £2.0m, comprising of £1.3m in respect of the base savings target in the 2023/24 Fleet Services budget, where delivery has been overshadowed by a combination of increased demand for vehicles, the financial impact of inflation and maintaining an ageing fleet, impacting on the capacity for directorates to absorb this saving. The Proposed Budget removes the saving from the base position going forward, a pressure of £1.3m in 2024/25. In addition, £0.7m is provided for Occasional Hire due to the impact of the ageing fleet.
- 4.24. **Waste Management** – the Proposed Budget provides for £1.6m of additional costs. £1.1m relates to the disposal of Persistent Organic Pollutants (POPs) where new guidance has been received that the Environment Agency (EA) will regulate the disposal of upholstered furniture that contain POPs. These materials are now required to be separated and disposed of in accordance with the new EA regulations, resulting in significantly higher disposal costs. Higher disposal charges are now being incurred for all collections (typically collections of bulky waste and the general waste skips at Household Waste sites) that contain any POPs materials. £0.5m is provided for Waste SORT disposal costs reflecting forecast loss of income as a consequence of a fall in the price per tonne.
- 4.25. **Microsoft Licences** – this includes Microsoft licences £0.4m and New Device Licences £0.2m, both required to support the cloud-based system.
- 4.26. **Children and Families Transport** – pressures of £0.5m 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).
- 4.27. **Leeds 2023** – the Proposed Budget assumes a reduction in costs of (£3.3m) in 2024/25, reflecting the fallout of all costs associated with the Leeds 2023 year of culture.
- 4.28. **Income variations** of £5.1m reflect the following: a shortfall in Housing Benefit income including Subsidy and Overpayment income of £2.7m; Little Owls income pressure of £1.2m mainly due to the impact of cost of living on service users; and an income pressure on Car Parking of £1.0m reflecting reduced usage of the



Council's car parks. Other net variations of £0.2m reflect a reduction in other income streams.

4.29. This Proposed Budget provides for a £3.0m increase in the costs associated with the **Council's debt**. Of this, £1.2m relates to the net requirement to increase the level of budgetary provision for MRP. In 2024/25 PFI related provision required reduces by £2.2m, this covers the use of capital receipts to fund PFI liabilities including MRP on these arrangements, together with a provision for the impact of the capitalisation of PFI lifecycle costs. Core treasury provision increases by £4.0m in 2024/25, this covers several elements including external interest payable, offset by costs rechargeable to Departments for departmentally determined schemes. This provision also includes a number of other distinct headings such as interest payable to or receivable from the HRA for its debt costs and use of its revenue balances, brokerage and external interest receivable.

4.30. **Other Pressures and Savings** – other net budget pressures of £6.4m have been identified for 2024/25. These include:

- £1.0m for Strategy & Resources staffing costs due to revised capitalisation terms of reference and impact on Care Record Team.
- £0.7m for CEL charges comprising of Passenger Transport, Catering, Cleaning and Security.
- £0.7m for BAS staffing to support C&Fs.
- £0.6m for increase in LBS Charges
- £0.5m for costs of additional grounds maintenance including those associated with Elland Road Park/Ride and COVID-19 Memorial Woodlands.
- £0.5m net to further support Adults and Health directorate, including the Reablement service and Wellbeing Workers retention payments.
- £0.6m net to further support the Children and Families directorate, including Education Psychology and Kinship Care Extensions.
- £0.2m in City Development for Highways Street lighting financed by prudential borrowing
- £0.3m net to support activities in the Communities Housing and Environment directorate, including Car parking upgrades and maintenance costs, and Travellers Sites and Legal costs for illegal encampments.
- £1.3m to further support activities within the Strategy & Resources directorate, including £0.4m increase in Meals at Home and Day Centres, £0.4m for internship and graduate schemes, and £0.4m for withdrawn action plans following review of capacity.



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 £65.8m.
- 5.2. Previous savings programmes have included a number of savings which impact in 2024/25. As Table 15 shows, the effect of these prior year savings is to reduce the 2024/25 estimated budget gap down to £58.4m, a £0.8m improvement on the position shown in the Medium Term Financial Strategy reflecting changes to funding and pressures discussed in Sections 3 and 4 of this report and shown in Table 1.
- 5.3. Savings proposals for 2024/25 totalling £13.4m were approved by this Board in October. There are a further £45.0m of directorate savings proposals for 2024/25 included in the ‘Revenue Savings Proposals for 2024/25 to 2026/27’ report for Executive Board’s consideration on today’s agenda. Table 15 shows the savings target net of these reclassified savings. Should all of 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 at Proposed Budget 2024/25

	£m	£m
Total Resources and Cost Pressures		65.8
Existing Actions to Reduce the Budget Gap		
Business As Usual	1.7	
Additional Savings identified for MTFs		
Business As Usual	(7.6)	
Service Reviews	(1.5)	
Total Savings	(7.4)	
Gap Remaining After Existing Savings		58.4
Additional Savings at Proposed Budget		
Savings(October Executive Board)	(13.4)	
Savings(December Executive Board)	(45.0)	
Total Additional Directorate Savings	(58.4)	
Gap Remaining After Additional Savings		0.0



Bridging the Revised Gap – the Corporate & Directorate Savings Programme

- 5.4. The Medium Term Financial Strategy 2024/25 – 2028/29, approved at September’s Executive Board, reported an estimated budget gap of £59.2m in 2024/25. A subsequent review of assumptions has reduced this 2024/25 projected gap to £58.4m (around 10% of the council’s net revenue budget for 2023/24).
- 5.5. Building on the Financial Challenge savings programmes previously carried out (and which last year resulted in £58.6m of budgeted savings, contributing to the setting of a balanced budget for 2023/24), 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 2024/25 but for the following years: 2025/26 and 2026/27. 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 2024/25 to 2026/27*’ reports for Executive Board’s consideration at its October 2023 meeting and on this December agenda span the next three financial years.
- 5.6. 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 to this 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 2024/25 Budget and Provisional Budgets for 2025/26 and 2026/27.
- 5.7. With regard to 2024/25, in October the Board received savings proposals of £13.4m. A further £45.0m are presented for the Executive Board’s consideration through the savings report on this agenda which, when combined with the October savings, total £58.4m. Should these proposals be approved for consultation, when added to the £7.4m savings identified in previous years for 2024/25, total directorate savings approved by this Board for 2024/25 will be £68.5m.
- 5.8. This level of savings is similar to the level of savings required for each of the following two years to enable balanced budgets to be achieved. Without a fundamental change to the way the council operates and the services it provides it will not be possible to ensure we can continue to deliver our strategic priorities and safeguard critical services within the much-reduced resources available to us.



- 5.9. A review of all council services within a service prioritisation framework has therefore been carried out, considering whether a service is, for example, statutory, preventative (preventing additional costs and demand to the authority), traded (services provided and (re)charged to an internal and/or external market), or priority (services that we are important to the council but are not statutory or preventative). These services were then further assessed to realign resources within the strategic priorities set out in the Best City Ambition to maximise outcomes and efficiencies. In some cases, this will require reducing or stopping services on a planned basis over the coming years; others may be brought together to minimise duplication and management overheads; traded services will be required to recover their full costs where it makes sense to do so; all services must provide value for money.
- 5.10. This strategic approach is helping us reset the role of Leeds City Council to fit the financial envelope available. Complementing, and inextricably linked, a strategic approach to reshape the organisation to be fit for the future has also begun, recognising that the council will be smaller in size in the future but remains one of the city's largest employers, social landlords and landowners, with an important continuing role in place-shaping and in delivering and commissioning service.
- 5.11. As noted above, for further detail, please see the accompanying, 'Revenue Savings Proposals for 2024/25 to 2026/27' reports: the first set of proposals being considered at the Executive Board meeting in October 2023 and a second set on this agenda.



Part 6: Summary Proposed Budget by Directorate

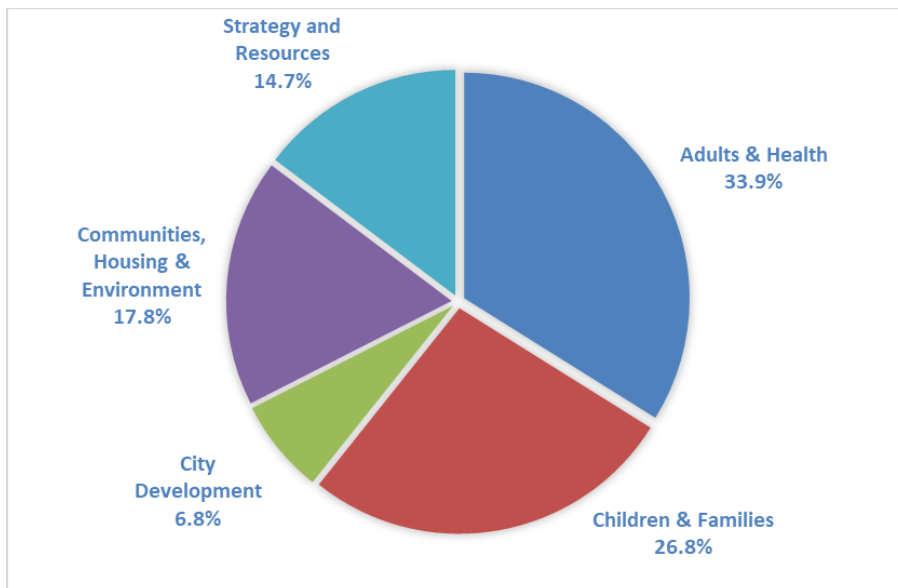
6.1. Table 16 summarises the changes identified above by Directorate.

Table 16 – Proposed Budget by Directorate

DIRECTORATE	2023/24 (£m)	2024/25 (£m)
Adults & Health	198.72	198.18
Children & Families	142.84	156.89
City Development	41.92	39.69
Communities Housing & Environment	92.03	103.92
Strategy and Resources	84.73	86.14
DIRECTORATE BUDGET REQUIREMENT	560.24	584.81
Strategic Accounts	13.12	25.01
TOTAL BUDGET REQUIREMENT	573.35	609.81
RESOURCES		
Locally Generated Funding		
Council Tax	(386.27)	(414.76)
Business Rates Retained	(187.09)	(195.05)
TOTAL LOCALLY GENERATED FUNDING	(573.35)	(609.81)
TOTAL RESOURCES	(573.35)	(609.81)
UNFUNDED ONGOING REQUIREMENT	0.00	0.00

6.2. Chart 1 shows the proposed share of net managed expenditure between directorates for 2024/25 based on this Proposed Budget.

Chart 1: Share of Net Managed Expenditure 2024/25 (Proposed Budget)



- 6.3. 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.
- 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 2,532 full time equivalents (FTEs) or 3,440 headcount up to 31st October 2023.
- 6.6. However, in the context of the financial challenge faced by the Council, and the estimated budget gaps that were reported in the Medium Term Financial Strategy that was received at Executive Board in September 2023, the Council issued a S188 notice on 10th October 2023 in which the Council stated that it would need to reduce its workforce by up to 750 full time equivalent posts.
- 6.7. In order to support the requirement to deliver budget savings so that a balanced proposed budget for 2024/25 can be presented to Executive Board in December 2023 and to limit compulsory redundancies the Council has promoted a number of workforce measures such as additional unpaid leave and flexible retirements. In addition, in November 2023 the Council launched its targeted Voluntary Leavers scheme which compliments the work being undertaken to reset and reshape the organisational design of the Council.
- 6.8. The 2024/25 Proposed Budget includes a net decrease of FTEs compared to the approved 2023/24 budget of 361.53 FTEs. 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.
- 6.9. However, given the context of the estimated budget gaps for 2025/26 and 2026/27, £60.6m and £46.1m respectively, future budget savings proposals to bridge these gaps will be required which, if approved, could result in a further reduction in the number of budgeted FTE posts.
- 6.10. The Council remains committed to doing everything it can to try to avoid compulsory redundancies through natural turnover, application of the targeted voluntary leavers scheme, promoting flexible retirements, staff flexibility,



reviewing and reducing both agency and overtime spend and continuing the positive consultation and joint working with the trade unions.

General Reserve

- 6.11. 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.
- 6.12. 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.
- 6.13. 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.
- 6.14. The Proposed Budget for 2024/25 assumes a general reserve balance of £36.2m will be brought forward from 2023/24. This Proposed Budget for 2024/25 continues the base budget contribution of £3m to the General Reserve.
- 6.15. 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.
- 6.16. 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 Auditor's Annual Report 2021/22, received at Corporate Governance and Audit Committee on 20th March 2023 noted that "the Council should continue to consider the adequacy of its current level of General Fund Reserves and Balances to ensure that these remain adequate for its needs and potential unforeseen events." This Proposed Budget report provides for a £3m annual contribution to the General Reserve and as a



result, the balance on the General Reserve is projected to be £51.2m by 31st March 2029 as shown in Table 17.

Table 17 – General Reserve

General Reserve	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m	£m
Brought Forward 1st April	(33.2)	(36.2)	(39.2)	(42.2)	(45.2)	(48.2)
Planned Contributions	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Planned Use	0.0	0.0	0.0	0.0	0.0	0.0
Carried Forward 31st March	(36.2)	(39.2)	(42.2)	(45.2)	(48.2)	(51.2)

- 6.17. 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 2025/26 and 2026/27

- 7.1. At its meeting in September 2023 Executive Board received the updated Medium Term Financial Strategy and agreed the revisions to the Council's forecast budget gap for 2024/25 to 2028/29. The reported forecast gap was £251.0m of which £56.6m and £47.0m related to 2025/26 and 2026/27 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 2025/26 and 2026/27.
- 7.2. In the context of the variations identified during the determination of the Proposed Budget for 2024/25 (and later year impact of 2023/24 savings), the financial projections for 2025/26 and 2026/27 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 2025/26 and 2026/27 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 2025/26 and 2026/27 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. The Autumn Statement 2023 provided limited information around the Government's spending plans and the detailed implications for local government remain unclear. Further detail is expected in the Provisional Local Government Settlement.
- 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 2024/25 proposed Budget proposals, the updated provisional positions for 2025/26 and 2026/27 are detailed in Table 18.
- 7.5. As can be seen in Table 18, the estimated budget gap has been revised to £60.6m in 2025/26 and to £46.1m in 2026/27. The main changes since the Medium Term Financial Strategy are as follows:
- **Changes to Funding and Resources:** review of assumptions regarding contribution to reserves, reflecting that there is already a £1m base contribution in 2025/26, such that a further increase in the base is not required in 2026/27;
 - **Revised Pressures:**
 - **Pay and Pensions:** reduction in estimated pay pressure as a result of reducing the pay award assumptions from 4% to 3.5%, offset by a reduction in pay mitigations also reflecting 3.5% - (£1.0m) in 2025/26 and (£1.4m) in 2026/27. In 2025/26 the one year increased pressure in contributions to the Local Government Pension Scheme falls out (£0.3m)



Proposed Budget for 2024/25 and Provisional Budgets for 2025/26 and 2026/27

- **Income Pressures** increase by £0.2m in 25/26
- **Other pressures** reduce by (£0.1m) in both 2025/26 and 2026/27;
- **Revised Savings:** the changes are due to the later year impacts of 2024/25 savings proposals, noted at Part 6 and set out in the 'Revenue Savings Proposals for 2024/25 to 2026/27' reports for Executive Board's consideration at its October 2023 meeting and elsewhere on this agenda.

Table 18 – Provisional Revenue Budget 2025/26 and 2026/27

	2025/26	2026/27
	£m	£m
MTFS September 2023	56.6	47.0
Changes to Funding and Resources		
Net Revenue Charge Assumptions	0.0	0.0
Contribution to General Reserve	0.0	0.0
Changes in Earmarked Reserves	0.0	(1.0)
Grants	0.0	0.0
Other Funding Changes	0.0	0.0
	0.0	(1.0)
Revised Pressures		
Pay and Pensions	(1.3)	(1.4)
Income pressures	0.2	0.0
Other	(0.1)	(0.1)
	(1.1)	(1.4)
Revised Savings		
October 2023	2.0	1.6
December 2023	3.2	0.0
	5.2	1.6
Revised Gap at Provisional Budget	60.6	46.1

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 2024/25 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 2024/25.
- 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 2024/25. Funding rates were initially announced for 2023/24, but were increased from September 2023, with the expectation that the full increase be passed on to providers. The details are provided in Table 19:

Table 19 – Early Year Block Funding Hourly Rates 2023/24

	Original Rate	Revised Rate	Increase
2 Year Olds	£5.87	£7.78	£1.91 per hour
3 and 4 Year Olds	£5.28	£5.40	£0.12 per hour
Early Years Pupil Premium	£0.62	£0.66	£0.04 per hour
Disability Access Fund	£828.00	£881.00	£53.00 per hour

The grant received will continue to be based on participation. The actual grant received during 2024/25 depends on pupil numbers in the 2024 and 2025 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. In addition, there is a Disability Access Fund for eligible Children. The grant value shown in Table 20 is based on the actual pupil numbers in January 2023 using the increased funding rates from September 2023 detailed in Table 19 as the final January 2024 pupil numbers have not yet been confirmed.

- 8.1.4. In September 2023, a consultation closed on proposed changes to early years funding. These changes include:
- From April 2024, all working parents of 2 year olds can access 15 hours of free childcare per week.
 - From Sept 2024, all working parents of children aged 9 months up to 3 year olds can access 15 hours of free childcare per week.



- From Sept 2025, all working parents of children aged 9 months up to 3 year olds can access 30 hours free childcare per week.

The results of this consultation have not yet been issues and so have not been included in Table 20.

- 8.1.5. 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 2023. The value in Table 20 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 £5.17m announced in December 2022 for 2023/24 which has been included in the baseline indicative allocation for 2024/25. The High Needs Block is facing a number of financial pressures nationally and in recognition of this the national allocation has increased again for 2024/25. For Leeds the indicative allocation is an increase of £6.41m for 2024/25 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 £2.92m. Despite the increase in funding for 2024/25 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.
- 8.1.6. The Schools Block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11. The grant for 2024/25 will be based on pupil numbers (including those in academies and free schools) as at October 2023. The pupil numbers from this census are not yet available. Schools have been consulted on options for the local formula in 2024/25 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 2024. As part of the consultation the majority of schools which responded supported a proposal to transfer 0.5% (approximately £3.49m) from the Schools Block to the High Needs Block. A Schools Forum meeting on 16th 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 20 include £22m supplementary grant for 2023/24 which was announced in December 2022 and is included in the baseline indicative allocations for 2024/25.
- 8.1.7. 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 2023. The funding for the historic commitments element has been reduced by a further 20% in 2024/25.

- 8.1.8. At the end of 2023/24 it is projected that there will be a surplus balance of £6.136m on general DSG compared to a surplus balance of £7.060m at the end of 2022/23. The balance will be carried forward into 2024/25 and used to offset pressures forecast in future years.
- 8.1.9. 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 2024/25 will be based on 2023/24 lagged student numbers.
- 8.1.10. 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 2024/25 have not yet been confirmed but are expected to remain at: primary £1,455, secondary £1,035, for each pupil registered as eligible for free school meals (FSM) at any point in the last 6 years and £335 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 £2,530.
- 8.1.11. The PE and Sport premium for primary schools grant will be paid in the 2023/24 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 2024/25.
- 8.1.12. A grant for the universal provision of free school meals for all pupils in reception, year 1 and year 2 was introduced in September 2014. Funding for the 2023/24 academic year is based on a rate of £2.53 per meal taken by eligible pupils, giving an annual value of £480.70. Data from the October and January censuses will be used to calculate the allocations for the academic year.
- 8.1.13. The funding for the additional teachers' pay costs from 1st September 2018 and September 2019 is now fully assumed within base funding for all settings. However, a new teachers pay grant was announced from September 2023 which is expected to continue until March 2025, at which point it is assumed the funding will become part of the settings' base funding. The figures in Table 20 assume that this grant continues for 2023/24 and 2024/25.
- 8.1.14. 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. This grant is now fully assumed within



the NFF for all settings with the exception of school nursery and sixth form provision. The figures in Table 20 assume that this grant continues as in 2023/24.

8.1.15. 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 National Tutoring Programme was introduced to allow schools to fund locally sourced tutoring provision for disadvantaged pupils and is continuing into the 2023/24 and 2024/25 academic years.
- 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. The figures in Table 20 assume this funding ends in August 2024.

8.1.16. The amounts in Table 20 are the provisional allocations based on the October 2022 census. The final grant will be based on the October 2023 census.

Schools funding summary

Table 20 – The Estimated Schools Budget

	2023/24 Current £m	2024/25 Estimate £m	Change £m
DSG - Schools Block	689.75	701.80	12.05
DSG - Central Schools Services Block	5.11	5.09	(0.02)
DSG - High Needs Block	127.52	133.93	6.41
DSG - Early Years Block	63.08	64.55	1.47
ESFA Post 16 Funding	29.44	30.07	0.63
Pupil Premium Grant	47.98	47.98	0.00
PE & Sports Grant	4.33	4.34	0.01
Universal Infant Free School Meals Grant	9.82	10.02	0.20
Teachers Pay Grant (from Sep 2023)	7.06	12.10	5.04
Teachers Pension Grant	1.25	1.28	0.03
National Tutoring Programme	2.49	2.50	0.01
Covid Recovery Premium	8.08	3.37	(4.71)
Other Grants	0.70	0.70	0.00
	996.61	1,017.73	21.12



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 2024/25 are detailed in Table 21.

Table 21 – HRA Provisional Budget 2024/25

	2024/25 £m
Income	
Rental Increase	(14.0)
Service Charges Increase	(0.8)
Internal Income	(0.4)
Total	(15.2)
Expenditure	
Employees (£1,925 2023-24 plus 3.5% 2024-25)	2.4
Repairs Inflation plus Stock adjustment	4.2
Price pressures (CPI/RPI) inc PFI contract	1.9
HAP's Budget	(0.4)
Review of Recharges	(2.9)
Change in provisions for disrepair	0.4
Payments to BITMO	0.2
RCCO and Financing (includes PFI financing)	9.0
Use of Reserves (including PFI)	0.4
Total	15.2

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, and whilst a 7% cap was applied in 2023/24 when the formula allowed an increase of 11.1%, in accordance with the Government's rent formula of CPI (6.7% as at September 2023) +1% a rent increase of 7.7% is proposed.

A 7.7% rise would equate to gross additional rental income of £17.8m.

- 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 550 sales are forecast in 2024/25. The impact of these RTB sales, and the Full Year Effect of 2023/24 sales will be to reduce rental income by £2.6m in 2024/25.



- 8.2.4. Other adjustments for the impact of decanting tenants from REEMAs properties and stock increases through the Council House growth programme result in a total net expected increase in rental income year on year estimated at £14.0m.
- 8.2.5. 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. It is proposed to increase service charges by 7%. An increase of 7% is also proposed for sheltered complexes with heat consumption charges.
- 8.2.6. 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 7% in line with increases in service charges.
- 8.2.7. Currently tenants in sheltered accommodation receiving a support service are charged £8.51 per week for this service. In 2024/25 this will rise to £9.22.
- 8.2.8. The weekly support charge for the Wharfedale View and Gascoigne House extra care scheme will increase from £24.54 in 2023/24 to £28.77 in 2024/25 to reflect the increase in staffing numbers and costs.
- 8.2.9. An analysis of the impact on tenants of increasing rents by 7.7% 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.
- 8.2.10. All tenants will pay more in 2024/25 than in 2023/24 as outlined in Table 22, with the majority (73%) paying between £6.00 and £6.99 per week more.

Table 22 – Average rental increase per week 2024/25

% of Tenants	Number of Tenants	Average Rent Increase £/week
18.3	9,685	5.88– 6.00
72.93	38,602	6.01 – 7.00
8.77	4,640	7.01 - 7.85

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 34% of tenants are in receipt of Housing Benefit with a further 36% in receipt of UC, a total of 70%. For those in Sheltered Accommodation, this figure is 65%.

Expenditure

- 8.2.11. The proposed staffing budget has increased by £2.4m, assuming a pay award of 3.5% for 2024/25 and the impact of the 2023/24 pay award of £1,925 per



employee which was in excess of the 4% assumed for 2023/24.

- 8.2.12. Following a rebase in the repairs budget to £63.8m in 2023/24, this budget will be increased by a further £4.2m to £68m for 2024/25 to reflect ongoing inflationary pressures. The Proposed Budget includes an adjustment to reflect the anticipated reduction of 1% in housing stock as a result of Right to Buy
- 8.2.13. The inflationary uplifts for the PFI contractor will cost £1.1m in 2024/25 and contributions from the Private Finance Initiative sinking fund will increase by £0.319m within the agreed model.
- 8.2.14. Newly proposed charges, which are being consulted upon by Government, require HRAs to pay a per property fee to the Housing Regulator. This is estimated to cost approximately £0.3m.
- 8.2.15. The service continues to invest over £140m in its existing stock per annum, be this through responsive repairs (see paragraph 8.2.12) or the annual investment programme (see paragraph 8.2.24). 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 £0.4m 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 £0.2m to £3.7m to reflect the approach to changes in the staffing and repairs budgets within Housing Leeds as outlined above.
- 8.2.17. Following a review of all budget lines it is proposed that the Housing Advisory Panel (HAPs) budgets will be removed in 2024/25, along with the associated staffing costs which will result in a budget saving of £0.7m. It is intended that a small sum is set aside within the Capital Programme to enable some smaller works to be progressed.
- 8.2.18. The budgeted contribution to the Discretionary Housing Payments (DHP) of £0.5m will be removed in the 2024/24 budget. All DHPs will now be funded by Government grant.
- 8.2.19. 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 2024/25 budget, and after assumptions for pay increases, generate an estimated saving of £2.9m.
- 8.2.20. 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 £337.6m Council's Housing Growth programme which will see 197 new build properties start on site and 40 new build properties and 85 acquisitions planned to be delivered in 2024/25.

- 8.2.21. To support this ongoing programme, additional borrowing costs of £1.5m need to be provided for.
- 8.2.22. Table 23 shows the planned spend on the Council House Growth programme in 2024/25.

Table 23 – Council House Growth Programme

	2023/24 £k	2024/25 £k
Total Capital Programme Spend	55,621	89,838
Funded by:		
Borrowing (additional each year)	(21,645)	(53,271)
RtB Receipts	(24,520)	(35,547)
Government Grant	(9,457)	(1,020)

- 8.2.23. 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.
- 8.2.24. The total provisional capital programme spend for 2024/25 is £78.5m, which includes an extra £0.75m capital funding specifically to help meet the demands on the adaptations programme. This includes £4.4m which has been earmarked to fund the decant costs of the recently approved Reema works and also to complete the demolition works at the Highways site.
- 8.2.25. Most of this programme is funded by contributions from the revenue budget, and this accounts for around 21% of the HRA total spend budget. This represents a 3% increase in the proportion of income being spent on investment.



Table 24 – Housing Leeds Capital Programme

	2023/24 £k	2024/25 £k
Total Capital Programme Spend	70,053	72,618
Funded by:		
HRA Revenue Contribution (RCCO)	(50,075)	(59,135)
RtB Receipts (Allowable Debt)	(14,582)	(12,778)
Gov't grant / EU Grant	(4,654)	(705)
Other Funding	(742)	-

Table 25 – Housing Leeds REEMA programmes

	2023/24 £k	2024/25 £k
Total Capital Programme Spend	4,700	4,366
Funded by:		
Borrowing	(4,700)	(4,366)

8.2.26. The BITMO capital programme provides for £1.5m.

8.2.27. A budget of £1.m has been provided in 2024/25 to increase the level of HRA general reserve to provide increased financial sustainability.



Part 9: The Capital Programme

Table 26 – Revised Capital Programme

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Major Programmes	356.0	413.5	221.3	131.2	97.2	1219.3
Annual Programmes	105.4	108.6	86.8	74.9	27.6	403.3
	461.4	522.1	308.1	206.1	124.8	1622.5

- 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. The annual Capital Programme Review process considers the affordability of the programme and the capital spending requirements over a 10 year time period, better reflecting a more coordinated approach to capital investment requirements whilst ensuring that affordability remains within the Medium Term Financial Strategy. Executive Board considered the ['Medium Term Financial Strategy 2024/25 – 2028/29'](#) report, which included specific details of the review process, at its September 2023 meeting (details at section 3.1 of the linked document).
- 9.4. The review has been undertaken under the direction of the Best Council Team - Strategic Investment Board with final approval to be sought from Executive Board and Full Council in February 2024.
- 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 2023.
- 9.7. Executive Board in November 2023 also approved a future injection from the CIL Strategic Fund, to be invested for Strategic Highways and Transportation



schemes.

- 9.8. The strategy proposed by Strategic Investment Board and agreed by Executive Board in November 2023 is to utilise CIL funding as matched funding contributions for Strategic Highways and Transportation schemes, allowing resources to be redirected to release Leeds Borrowing to deal with any unforeseen circumstances, ensure sufficient resources are available to fund the capital programme or contribute savings to the overall Financial Challenge by reducing calls on the revenue debt budget.
- 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.
- 9.10. To fund the required wider programme of works requires the injection of an additional £7.8m of capital receipts (also identified on **Appendix 3**).
- 9.11. 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 26.
- 9.12. The Proposed Budget provides for a £3.0m increase in the cost of debt and capital financing for 2024/25. This assumes that the remaining borrowing is taken at an average rate of 5.25% interest for the remainder of 2023/24 and 4.75% in 2024/25. Interest rate projections will be kept under review.



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 2024/25 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 10.1.17 and 10.1.18.
- 10.1.6. As detailed in the MTFs and the 'Revenue savings proposals for 2024/25 to 2026/27' reports considered by this Board at its October meeting and today, the Proposed Budget for 2024/25 assumes the delivery of £65.8m 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 updated Revenue Budget principles agreed at Executive Board in February 2023 through the 2023/24 Annual



Revenue Budget 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 22nd November 2023 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 2023 provided details of the Government's spending plans for 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 2024/25.
- 10.1.9. The 2024/25 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 2024/25 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.
- 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. The 2010 ratings list is now closed and appeals against that list are no longer possible. There are only 10 appeals remaining outstanding against the 2010 list. The 2017 list remains open only to those ratepayers who already have lodged a Check (the first stage of the appeals process) against that list. They may subsequently present a Challenge (the second stage of the process) to their Rateable Value on that list. As the 2017 list has not been applicable since 31st March 2023, towards the end



of the list a higher than normal number of appeals were submitted by ratings agents on behalf of their clients. Provision has been made for these appeals but if they result in higher than anticipated reductions in Rateable Value this could add to the business rates deficit. The 2023 Ratings List came into effect on 1st April 2023 and is subject to the full appeals procedure. As future revaluations are due to take place every 3 years instead of every 5 years, the expectation is that this and future ratings lists will more accurately reflect the property market and be less vulnerable to appeals. This requires the usual robust monitoring in order to allocate sufficient provisions but remains a risk to business rates income.

- 10.1.12. Subject to its application to Government being approved, for 2024/25 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 2024/25 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 and the conflict in the Middle East 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 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, that inflation is higher than that assumed and that the costs associated with managing the Council's debt is higher than budgeted assumptions. 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 2024/25.
- 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 2023/24 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 current 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.



LEEDS CITY COUNCIL**Proposed Budget for 2024/25 and Provisional Budgets for 2025/26 and 2026/27**

- 10.1.22. There are a number of risks that are specific to the Housing Revenue Account. These include CPI being lower than the percentage figure assumed in the calculation of the rent increase in this Proposed Budget. Every 0.1% variation equates to a reduction of £0.24m in the level of resources available to support the services provided to Leeds tenants.
- 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.



Appendix 2

2024/25

	Adults & Health	Children & Families	City Development	Communities, Housing & Environment	Strategy & Resources	Strategic & Central	Total Net Revenue Budget
	£m	£m	£m	£m	£m	£m	£m
Net managed budget (2023/24) - RESTATED	198.85	141.41	43.84	94.29	81.85	13.12	573.36
Pay - Leeds City Council	3.00	4.32	3.17	5.96	8.71	0.00	25.16
Employer's LGPS contribution	0.00	0.00	0.00	0.00	0.00	0.30	0.30
Capitalised pension costs	0.00	(0.01)	(0.04)	(0.03)	(0.44)	0.00	(0.51)
Wage costs - commissioned services	16.86	0.59	0.00	0.00	0.00	0.00	17.45
Inflation: Electricity and Gas Tariffs	(0.06)	(0.28)	(1.17)	(0.22)	(0.25)	(0.00)	(1.98)
Inflation: Fuel	0.00	0.00	0.01	0.06	0.03	(1.70)	(1.60)
Inflation: General	3.48	13.69	2.47	1.00	1.92	0.00	22.56
Demand and demography - Adult Social Care	9.64	0.00	0.00	0.00	0.00	0.00	9.64
Demand and demography - Childrens Social Care	0.00	18.18	0.00	0.00	0.00	0.00	18.18
Demand and demography - Other	0.00	0.00	0.00	0.73	0.00	0.00	0.73
Financial Sustainability	0.00	0.00	0.00	0.00	0.00	14.50	14.50
CBT Pressures	0.00	0.00	0.00	0.00	0.00	2.46	2.46
External Hire Refuse Vehicles	0.00	0.00	0.00	2.30	0.00	0.00	2.30
Fleet maintenance and hire	0.00	0.00	0.00	0.00	2.00	0.00	2.00
Waste Management	0.00	0.00	0.00	1.62	0.00	0.00	1.62
Microsoft Licences	0.00	0.00	0.00	0.00	0.56	0.00	0.56
Children and Families transport	0.00	0.50	0.00	0.00	0.00	0.00	0.50
Leeds 2023	0.00	0.00	(3.29)	0.00	0.00	0.00	(3.29)
Income pressures	0.15	1.20	0.00	4.43	(0.64)	0.00	5.14
Debt - external interest / Minimum Revenue Provision	0.00	0.00	0.00	0.00	0.00	3.01	3.01
Other Pressures/Savings	2.12	0.60	0.21	0.85	2.59	0.07	6.43
Contribution to / (from) General Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change in Use of Earmarked Reserves	3.30	0.00	0.00	0.62	0.00	(0.76)	3.16
Changes in Section 31 Grants	0.00	0.00	0.00	0.00	0.00	(7.35)	(7.35)
Business Rates Levy	0.00	0.00	0.00	0.00	0.00	0.54	0.54
New Homes Bonus	0.00	0.00	0.00	0.00	0.00	2.22	2.22
Social Care Grant	(4.25)	(5.54)	0.00	0.00	0.00	0.00	(9.79)
DHSC: ASC Discharge/Market Sustainability & Improvement Fund	(6.86)	0.00	0.00	0.00	0.00	0.00	(6.86)
iBCF Inflationary Increase	(1.10)	0.00	0.00	0.00	0.00	0.00	(1.10)
Other Changes in Specific Grants	0.00	(3.23)	0.00	0.43	0.04	0.00	(2.76)
WYCA Income	0.00	0.00	(1.45)	0.00	0.00	0.00	(1.45)
Other Changes in Resources	0.00	0.00	0.13	0.21	0.16	0.00	0.50
Total - Cost and funding changes	26.28	30.01	0.05	17.96	14.67	13.30	102.27
Savings proposals							
Savings identified prior to 2023/24 savings strategy	(10.21)	1.98	3.86	(0.56)	(1.13)	(1.41)	(7.47)
Savings identified for the 2023/24 savings strategy	(16.74)	(16.51)	(8.06)	(7.78)	(9.25)	0.00	(58.35)
Total - Savings proposals	(26.96)	(14.53)	(4.20)	(8.34)	(10.38)	(1.41)	(65.82)
2024/25 Submission	198.18	156.89	39.69	103.92	86.14	25.01	609.81
Increase/(decrease) from 2023/24 £m	(0.67)	15.48	(4.15)	9.62	4.29	11.89	36.46
Increase/(decrease) from 2023/24 %	(0.34%)	10.95%	(9.47%)	10.21%	5.25%	90.58%	6.36%

TOTAL FUNDING AVAILABLE (Forecast Net Revenue Charge)

609.81

GAP

0.00

10 Year Capital Programme

Annual Programme

	2023/24 £000,	2024/25 £000,	2025/26 £000,	2026/27 £000,	2027/28 £000,	2028/29 £000,	2029/30 £000,	2030/31 £000,	2031/32 £000,	2032/33 £000,	Total £000,
Highways Maintenance	13,000.0	13,000.0	13,000.0	10,889.1	13,000.0	13,000.0	13,000.0	13,000.0	13,000.0	13,000.0	127,889.1
Highways Maintenance - supported by external funding	13,262.5	12,506.2	11,028.2	10,005.0	11,369.3	11,369.3	11,369.3	11,369.3	11,369.3	11,369.3	115,017.7
Highways Maintenance Capitalisations	3,700.0	2,800.0	1,800.0	900.0							9,200.0
Highways Bridges & Structures Maintenance	1,273.3	1,600.0	500.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	17,373.3
Highways Bridges & Structures Maintenance - supported by external funding	6,239.6	4,205.1	4,205.1	3,428.9	4,205.1	4,205.1	4,205.1	4,205.1	4,205.1	4,205.1	43,309.3
Highways Section 278	2,550.0	2,350.0	1,400.0	700.0							7,000.0
Highways Section 278 - external contributions / supported by external funding	0.0	5,038.4	1,814.2	3,350.0	3,500.0	3,500.0	3,500.0	3,500.0	3,500.0	3,500.0	31,202.6
General Capitalisation	3,300.0	2,700.0	1,800.0	900.0							8,700.0
Childrens Centres	146.4	90.0	50.0	90.0	50.0	50.0	50.0	50.0	50.0	50.0	676.4
Vehicle Programme	10,189.6	18,815.3	13,241.0	39,038.0							81,283.9
Vehicle Programme - supported by external funding	582.9										582.9
Adaptation to Private Homes	646.6	470.0	470.0	470.0	470.0	470.0	470.0	470.0	470.0	470.0	4,876.6
Telecare ASC	600.0	1,116.7	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	6,516.7
Library Books	450.0	300.0	200.0	100.0							1,050.0
Sports Maintenance	137.2	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	1,037.2
Project Support Fund (Groundwork)	0.0	0.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	560.0
Project Support Fund (Groundwork) - supported by external funding	70.0	70.0		70.0							210.0
Essential Services Programme	6,622.5	3,100.0	1,700.0	800.0							12,222.5
Digital Development	4,620.0	3,000.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	27,620.0
Corporate Property Management	8,849.3	11,500.0	6,500.0	11,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	47,349.3
Capital Programme Management	541.4	541.4	541.4	542.8	541.4	541.4	541.4	541.4	541.4	541.4	5,415.4
Demolition Programme	400.9	500.0	500.0	0.0	500.0	500.0	500.0	500.0	500.0	500.0	4,400.9
Capitalisation of Interest	600.3	500.0	400.0	300.0	200.0	200.0	200.0	200.0	200.0	200.0	3,000.3
Climate Emergency	258.6	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	5,658.6
Climate Emergency - supported by external funding	795.9	250.0	300.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	3,795.9
Transformational Change to LCC (excl Core Systems Review)	14,567.8	10,503.9	11,607.2	10,471.2	10,471.2	10,471.2	10,471.2	10,471.2	10,471.2	10,471.2	109,977.3
PFI Lifecycle Capitalisations	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	16,895.0	146,035.0
Total Annual Programmes	105,384.8	108,552.0	88,322.1	113,670.0	66,422.0	66,922.0	67,422.0	67,922.0	68,422.0	68,922.0	821,960.9
23/24 - 26/27 Required Annual Programme Injections:											
Transformational Change	0.0	0.0	1,226.8	10,471.2							27/28 Annual Programme Injections 66,422.0
PFI Lifecycle Capitalisations	0.0	0.0	0.0	390.7							23/24 - 26/27 Annual Programme Injections 12,646.4
Capitalisation of Interest	0.0	0.0	257.7	300.0							Total Injection 79,068.4
Total Annual Programmes Variance	0.0	0.0	1,484.5	11,161.9							

Equality, Diversity, Cohesion and Integration Screening

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

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

Completed at the earliest opportunity it will help to determine:

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

Directorate: Strategy & Resources	Service area: Corporate Financial Management
Lead person: Victoria Bradshaw	Contact number: 88540

1. Title: Proposed Budget for 2024/25 and Provisional Budgets for 2025/26 and 2026/27

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 2024. The Proposed Budget report for 2024/25 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"> • Eliminating unlawful discrimination, victimisation and harassment • Advancing equality of opportunity • Fostering good relations 	X X X	

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

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

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

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

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

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

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

Appendix 4

The Proposed Budget identifies a savings requirement of £65.8m 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 2024/25 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
- Ethnically diverse communities
- Older and younger people and
- Women
- Low socio-economic groups

The Proposed Budget has identified the need for staffing savings across 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)

Due regard to equalities will be given to any decisions taken via the delegated decision process on the savings proposals put forward. Equality impact screenings have been included for each of the 'Service Review' savings proposals presented in the 'Revenue Savings Proposals for 2024/25 to 2026/27' accompanying report on this agenda, and equality impact assessments will be carried out where appropriate as part of the decision-making process. An overall strategic equality impact assessment of the Budget will be undertaken prior to its approval in February 2024.

There will also be equality impact assessments on all key decisions as they go through the decision making process in 2024/25.

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:

Appendix 4

Date to complete your impact assessment	
Lead person for your impact assessment (Include name and job title)	

6. Governance, ownership and approval		
Please state here who has approved the actions and outcomes of the screening		
Name	Job title	Date
Victoria Bradshaw	Chief Officer - Financial Services	4.12.23
Date screening completed		4.12.23

7. Publishing	
<p>Though all key decisions are required to give due regard to equality the council only publishes those related to Executive Board, Full Council, Key Delegated Decisions or a Significant Operational Decision.</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"> • Governance Services will publish those relating to Executive Board and Full Council. • The appropriate directorate will publish those relating to Delegated Decisions and Significant Operational Decisions. • A copy of all other equality screenings that are not to be published should be sent to equalityteam@leeds.gov.uk for record. <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 Governance Services	Date sent: 4.12.23
For Delegated Decisions or Significant Operational Decisions – sent to appropriate Directorate	Date sent:
All other decisions – sent to equalityteam@leeds.gov.uk	Date sent: