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Leeds CITY COUNCIL

SCRUTINY BOARD (STRATEGY AND RESOURCES)

Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Monday, 14th October, 2024 at 10.30 am

(A pre-meeting will take place for ALL Members of the Board at 10.00 a.m.)

MEMBERSHIP

E Carlisle	-	Hunslet and Riverside;
A Carter	-	Calverley and Farsley;
D Chapman	-	Rothwell;
B Flynn	-	Adel and Wharfedale;
P Grahame	-	Cross Gates and Whinmoor;
S Hamilton	-	Moortown;
T Hinchcliffe	-	Bramley and Stanningley;
A Khan (Chair)	-	Burmantofts and Richmond Hill;
W Kidger	-	Morley South;
A Parnham	-	Armley;
E Thomson	-	Guiseley and Rawdon;
C Timmins	-	Calverley and Farsley;

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To remotely observe this meeting, please click on the ‘View the Meeting Recording’ link which will feature on the meeting’s webpage (linked below) ahead of the meeting.

Council and democracy (leeds.gov.uk)

Principal Scrutiny Adviser:
Rob Clayton
Tel: 37 88790

A G E N D A

Item No	Ward/Equal Opportunities	Item Not Open		Page No
1			**APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS** To consider any appeals in accordance with Procedure Rule 25* of the Access to Information Procedure Rules (in the event of an Appeal the press and public will be excluded). (* In accordance with Procedure Rule 25, notice of an appeal must be received in writing by the Head of Governance Services at least 24 hours before the meeting).	
2			**EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC** 1 To highlight reports or appendices which officers have identified as containing exempt information, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report. 2 To consider whether or not to accept the officers recommendation in respect of the above information. 3 If so, to formally pass the following resolution:- **RESOLVED –** That the press and public be excluded from the meeting during consideration of the following parts of the agenda designated as containing exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information, as follows: **No exempt items have been identified.**	

Item No	Ward/Equal Opportunities	Item Not Open		Page No
3			**LATE ITEMS** To identify items which have been admitted to the agenda by the Chair for consideration. (The special circumstances shall be specified in the minutes.)	
4			**DECLARATION OF INTERESTS** To disclose or draw attention to any interests in accordance with Leeds City Council's 'Councillor Code of Conduct'.	
5			**APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTES** To receive any apologies for absence and notification of substitutes.	
6			**MINUTES - 16 SEPTEMBER 2024** To confirm as a correct record, the minutes of the meeting held on 16 September 2024.	7 - 18
7			**MEDIUM TERM FINANCIAL STRATEGY** To consider a report from the Head of Democratic Services that sets out the Council's Medium Term Financial Strategy 2025/26 to 2029/30 and also provides the month 5 in year financial health monitoring report. **Appendix 2 – Financial Health Monitoring Month 5 – to follow as supplementary information**	19 - 134

Item No	Ward/Equal Opportunities	Item Not Open		Page No
8			**CORE BUSINESS TRANSFORMATION** To consider a report from the Head of Democratic Services which provides an update on the progress of the Core Business Transformation Programme - a programme which aims to transform and modernise ‘back office’ services and is underpinned by a technology refresh; replacing essential, business-critical corporate systems that have reached ‘end-of-life’ in terms of contractual arrangements, support and maintenance.	135 - 178
9			**PROCUREMENT STRATEGY 2025-2030** To consider a report from the Interim Assistant Chief Exec Finance, Traded and Resources on the Council’s new procurement strategy setting out progress to date and next key steps.	179 - 186
10			**WORK PROGRAMME** To consider the Scrutiny Board’s work programme for the 2024/25 municipal year.	187 - 210
11			**DATE AND TIME OF NEXT MEETING** The next public meeting of the Board will take place on 9 December 2024 at 10.30am. There will be a pre-meeting for all board members at 10.00am.	

Item No	Ward/Equal Opportunities	Item Not Open		Page No
			THIRD PARTY RECORDING Recording of this meeting is allowed to enable those not present to see or hear the proceedings either as they take place (or later) and to enable the reporting of those proceedings. A copy of the recording protocol is available from the contacts on the front of this agenda. Use of Recordings by Third Parties – code of practice a) Any published recording should be accompanied by a statement of when and where the recording was made, the context of the discussion that took place, and a clear identification of the main speakers and their role or title. b) Those making recordings must not edit the recording in a way that could lead to misinterpretation or misrepresentation of the proceedings or comments made by attendees. In particular there should be no internal editing of published extracts; recordings may start at any point and end at any point but the material between those points must be complete.	

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SCRUTINY BOARD (STRATEGY AND RESOURCES)

MONDAY, 16TH SEPTEMBER, 2024

PRESENT: Councillor A Khan in the Chair

Councillors E Carlisle, D Chapman, D Cohen, B Flynn, S Hamilton, T Hinchcliffe, W Kidger, A Parnham, E Thomson and C Timmins

CHAIR'S OPENING REMARKS

The Chair noted the recent changes at senior officer level at the Council and thanked the incoming interim Chief Executive, Mariana Pexton, for her contributions to the Board as Director of Strategy and Resources, noting that Mariana will become the first female Chief Executive in Leeds. In addition, the Chair thanked the outgoing Chief Executive, Tom Riordan, for his work and contributions to Leeds and wished him the best in his new role the Department of Health and Social Care.

24 Appeals Against Refusal of Inspection of Documents

There were no appeals.

25 Exempt Information - Possible Exclusion of the Press and Public

There was no exempt information.

26 Late Items

There were no late items.

However, member's attention was drawn to the supplementary information on Item 7 Financial Health Monitoring, this was circulated as supplementary information due to publication deadlines for this meeting in relation to similar papers being considered by Executive Board on 18 September 2024.

27 Declaration of Interests

In relation to item 9, the Gambling Act 2005 – Review of Statement of Licensing Policy, Cllr C Timmins noted that he is a Trustee and Chair of a local charity in Calverley and Farsley Ward that has a Small Society Registration.

28 Apologies for Absence and Notification of Substitutes

Apologies were received from:

Cllr Andrew Carter with Cllr Dan Cohen as substitute.
Cllr Pauleen Grahame

29 Minutes - 22 July 2024

RESOLVED – That the minutes of the previous meeting held on 22 July 2024 be approved as an accurate record

<u>MATTERS ARISING</u>

The Principal Scrutiny Adviser noted the following matters arising:

Minute 19 – Members have been provided with additional information linked to the finance items considered at the 22 July meeting.

Minute 22 – On the Employee Pay Date change work programme suggestion subject to agreeing timescales with the Chair, Director and Executive Member this will be added to the Board's work programme.

30 Financial Health Monitoring 2024/25 - Month 4 (July)

The Board considered a report from the Head of Democratic Services which provided the Board with the latest update on the in year financial position in respect of the Revenue Budget and the Housing Revenue Account (HRA).

In attendance for this item were:

- Cllr James Lewis, Leader of Council
- Cllr Debra Coupar, Executive Member for Resources
- Mariana Pexton, Director of Strategy and Resources
- Richard Ellis, Deputy Chief Finance Officer

The Board received a presentation to support this item with the following key points covered:

- The authority is projecting a £22.2m overspend which is up from £19.9m when the board considered financial health information in July 2024. This is largely as a result of demand led pressures in Children and Families and Adult Social Care budgets.
- £63.9m of directorate savings were approved in the 2024/25 Budget. Since that time, a further £19.3m savings actions have been identified.

- £15.9m of the projected overspend is based on demand budget pressures, which are reduced by savings of £3.5m on staffing, £0.7m running costs and £3.8m client income.
- Key budget pressures were also highlighted in children looked after budgets (£12m) and transport (£3.7m).
- Another key demand area was highlighted in relation to Adults and Health residential care and nursing placements which stand at 3,475 residents compared to the budgeted figure of 3,273 and past years such as 2021 when there were 3,173 such placements.
- The board were also informed of council tax and business rate collection rates, which in both cases are below pre-covid levels (2019).

Responding to comments and questions from board members the following issues were covered:

- The Executive Member for Resources noted the financial pressures being experienced by the Council both in year and in terms of the next financial year. Successive funding reductions from Government have been major contributing factor towards the current challenge and when this is added to growing demand pressures it has created a very difficult financial environment. Within Children Looked After budgets there are significant issues with external residential placements some of which is driven by market forces and the growing costs of placements linked to private providers. It was also noted that the figures before the board are projections and the measures being taken over the full 12 months of the financial year are expected to reduce the projected overspend levels.
- The Board acknowledged that many of the problems being faced in Leeds are national in nature with all local authorities struggling to manage budget pressures often in the same budget areas.
- Responding to a question on Government funding plans the Board heard that the detail of funding plans from the new Government will hopefully be clearer following the Chancellor's Budget Statement on 30 October. In addition, as members of the Local Government Association it was noted that the LGA have made a submission as part of the budget process which sets out the challenges being faced in the local government sector.
- Board members referenced the need to mobilise communities to get involved directly in voluntary activity such as involvement in tree management which might assist in easing some budget pressures. The Executive Member for Resources highlighted that the Team Leeds approach has delivered significant success and Leeds does have a good voluntary culture, good examples being the response to the flooding in Kirkstall, support during the pandemic and the many In Bloom groups that are active across the city.
- The Leader of Council highlighted the challenges faced in setting and managing often complex, demand led budgets at local government level with some of the procedural elements such as bringing forward a provisional budget in December and being legally required to have a balanced budget almost 15 months later being particularly challenging.

- The Board were assured that lobbying of Government does take place through the Core Cities group and SIGOMA, in addition to the work done through the LGA. The importance of the 30 October budget was highlighted in terms of providing more certainty to the resources assumptions contained within the Council's Medium Term Financial Strategy, with full details for 2025/26 expected in the Provisional Local Government Finance Settlement in December.
- Board members focussed on budget action plans and the details behind them particularly given the scale of the in year challenges faced in both Children and Families and Adult Social Care. It was noted that the scrutiny support team are working up proposals to align financial information with performance reporting and further communication is planned with scrutiny chairs on this. The Board were assured that the Children and Families Scrutiny Board does consider financial information as part of its work programme and that discussion today will be considered as part of that ongoing work.
- The Board focussed on external placements for Children Looked After and the high costs associated. The development of new in house children's homes was noted and it was felt that the new homes should be backed locally by ward members and that negative impacts within local neighbourhoods are rare when these homes are opened. The Board heard that due to a national move towards more in house provision by local authorities, Ofsted registration has led to some delays.
- In response to a query on budget action plans and vagueness in some of the explanations the Board heard that detailed work is ongoing to address budget pressures in those areas and that the feedback on the detail in the drafting on this report will be taken away and considered. The Board were assured of the line by line, cross-directorate focus on the budget issues being experienced in Children and Families budgets.
- In response to a question from the Chair on reserves the Board heard that the in year budget has a planned £1.5m contribution to general reserves in addition to the Medium Term Financial Strategy setting out a £3m contribution to General Reserves from 2026/27 for the rest of the years covered by each year to provide budget resiliency and sustainability in future years.

Resolved – The Board noted the financial information in the report and appendix.

31 Electoral Services Update

The Board considered a report from Electoral Services containing a review of the 2024 elections and also additional information on plans for postal voter re-application.

In attendance for this item were:

- Cllr Debra Coupar, Executive Member for Resources
- John Mulcahy, Chief Officer Elections and Regulatory

- Susie Benton, Head of Electoral Services

To introduce the report the Board received a presentation from the Head of Electoral Services covering the following key points on the update report:

- A comparison of the methods of voting between postal and in person particularly in light of the impact of the Covid-19 pandemic.
- Turnout and comparison between postal voter turnout and in person
- Postal vote rejection rates – covering signatures not matching, incorrect dates of birth and documentation getting mixed up within households.
- Electors unable to vote due to voter ID following the introduction of ID requirements in May 2023. Leeds has seen a decreasing number of people unable to vote due to ID requirements and work is ongoing to facilitate greater awareness of voter authority certificates.
- Postal voter re-application process and the measures to be undertaken to support residents through the process.

Following questions and comments from board members these key points were discussed:

- The Chair of the Board, Board members and the Executive Board Member for Resources thanked the Elections Team for the work that has been done in 2024 in dealing with a Mayoral Election, Local Election and then a General Election and asked that thanks are taken back to the team as feedback.
- In response to a question on Voter Authority Certificates (VAC) and how widely they have been taken up in Leeds the Board were informed that take up of the VAC has been relatively low with approximately 2000 applications received since 2023 and around 500 actually used on polling day.
- The Board wanted to know more about any impacts from the changes to how postal votes are managed when handed into polling stations on the day of the election. In response the Board were informed that tracking that information is not possible as the documentation goes into sealed packs at close of poll and are only opened in an Election Court. The statistics on handing in postal votes prior to the changes in the rules suggested that the impact of the change would be limited, and no issues were reported from polling stations on the day.
- The Board discussed data associated with voters who attended a polling station without accepted ID and did not return with correct ID. The Board were assured that the Elections Team work with the Communications Team to target areas where the data suggests this is more of a problem with the aim of reducing these rates. It was noted that levels on this metric are low in the city.
- Members asked about reductions in polling stations and were informed that there is a requirement to have a polling station for every 2,250 electors. In addition, voting methods are monitored and with a trend suggesting a reduction in postal voting, following the pandemic, it could be that more polling stations are introduced. Recent changes in polling

stations have focussed on ending the use of portacabins which has seen a reduction of approximately 15 stations citywide.
- Members were interested in the possibility of attestation or vouching being used for voter ID. It was noted that the Electoral Commission have recommended that as a possible change in the process, but the Government would be the final decision maker.
- The Board noted that Leeds has the largest number of postal voters nationwide. This resulted from a write out to all voters during the pandemic which received a large number of applications in Leeds. It is expected that this will reduce over time with voters gradually opting to return to voting in person, particularly in light of the planned postal voter re-application process.
- A query was made around postal votes and problems with mail delivery impacting the ability of electors to vote. This is being looked at by the Electoral Commission, Government and the Association of Electoral Administrators working with Royal Mail to improve the level of service received linked to the postal voting process. It was noted that in the July 2024 election service did improve with the lowest number of applications for re-issue of postal vote for a number of years.
- In terms of resourcing for the postal voter re-application the board were informed that with it being a fallow election year in 2025 the process can be managed through existing resources within the Elections Team.
- On proxy voting the Board were informed that this is captured in the data through the in person statistics. Leeds has a low level of proxy voting arrangements at around 300 citywide.

Resolved - The Board noted the content of the Election Update report and thanked the Elections Team for their hard work on the May and July 2024 elections.

32 The Gambling Act 2005 Statement of Licensing Policy

The Board considered The Gambling Act 2005 Statement of Licensing Policy which is being reviewed and approved/adopted in the current municipal year and is brought before scrutiny as part of the authority's Budget and Policy Framework.

In attendance for this item were:

- Cllr Debra Coupar, Executive Member for Resources
- John Mulcahy, Chief Officer Elections and Regulatory
- Sue Duckworth, Principal Licensing officer

The Principal Licensing Officer introduced the report setting out the statutory requirement to review the statement of licensing policy on a three yearly basis and the requirement to consult scrutiny under the budget and policy framework of the authority.

Following the Gambling Act Review being undertaken by Government all councils have been recommended to conduct a brief review of their licensing policy in relation the Act by the Gambling Commission.

In Leeds, a fuller review has taken place to future proof the statement in terms of language used and more broadly to prevent the need for further review next year which was part of the Gambling Commission recommendation.

Details on the changes being made to the Statement and the three consultation responses received were also highlighted to board members.

In response to questions and comments from members the following issues were discussed:

- The Board raised a query around past activity and breaches of the operating license related to Victoria Casino and communication links between the Council, Gambling Commission and the casino operator. The Board were informed that the Council has corresponded with the Gambling Commission on that issue setting out concerns about not being informed of the investigation taking place. The view of the Gambling Commission was that the issue was linked to the operating license and the license conditions and codes of practice and were therefore not a matter for the local authority.
- Members raised a query in relation to training of staff who are involved in smaller gambling venues where fruit machines and other such devices offer a secondary revenue stream to a business rather than major gambling firms with staff who are trained. In response the Board heard that in large part the gambling trade in Leeds is operated by large operators. In relation to pubs and clubs gambling products in them are dealt with through the Licensing Act (alcohol licensing) which sees regular visits to premises with a focus on supervision of gambling products in those venues and preventing access to children. New technology is in development around having machines that indicate when it is in operation to staff which should assist with enhanced supervision capability.
- The Chair asked about the work of the Environment, Housing and Communities Board on gambling harm and how that has impacted the statement of licensing policy. In response the Board heard about the rigorous measures taken in Leeds, and in partnership across the region, to prevent gambling harm with reports going back to the council's licensing committee on an annual basis on that subject.
- The Board inquired about online gambling and whether that means that in person or on street gambling is reducing. In response, the board heard it was approximately 50-50 in terms of how customers access gambling between online and on street gambling, though the latter is reducing. There are links between on street shops and online products as customers will be notified if they pass a gambling shop with offers and other such incentives.
- Test visits to book makers does focus on test purchasing and preventing young people accessing gambling through the high street. The board

heard that there is a thorough inspection regime focussed at on street book makers.

- In relation to the accessibility to children of gambling the board heard this is a concern and the My School survey covers the issue, the financial inclusion team also works on this along with colleagues in education to provide teaching and learning on the harms of gambling to young people.
- Members asked about the cumulative impact of book makers located on streets in certain areas of the city, Queen Street in Morley was cited as an example. In response the Board heard that under current legislation refusal of gambling applications is difficult, but the recent White Paper could include provision on cumulative impact to prevent the proliferation of book makers in one street and in the future cumulative impact policies could therefore be introduced assuming the White Paper passes into legislation. Under the current legislation demand cannot be taken into consideration when considering new premise applications.
- The Board asked about available resources in the Council to carry out community engagement on communities that are considered vulnerable to gambling products. Members were informed of the work of the Leeds Gambling Harm Group which includes colleagues from financial inclusion and public health, and this does involve engagement with communities. The Board also heard about the shame associated with gambling and the dangers that can pose in terms of people talking about their problems. It was noted that Leeds has been active in this area and over a period of years have worked with the NHS to get the Gambling Clinic sited in Leeds along with the GamCare Community Gambling clinic in Leeds.
- The Board briefly touched on youth vaping and were informed that this has been and continues to be a work item at the Children and Families Scrutiny Board along with the work undertaken by West Yorkshire Joint Services on visits and test purchasing done to prevent the sale of vapes to young people. In addition, it was noted that vaping is covered in planned Government legislation through the Tobacco and Vapes Bill.
- The Executive Member for Resources summed up by thanking the team for their work on reviewing and updating the statement of licencing policy which has become a significant piece of work. The Executive Member also referred to the work done in Leeds on gambling harm noting the establishment of the gambling clinic in the Merrion Centre which was the first of its kind. Leeds has been ahead of the game in provision of support for gambling harm.

Resolved - The Scrutiny Board noted the report and appendices and provided comments as required under the Budget and Policy Framework to Executive Board before it is referred to Council for adoption.

33 Leeds Joint Strategic Assessment 2024

The Board considered a report from the Director of Strategy and Resources which outlined the purpose of the Joint Strategic Assessment (JSA) to assess current and future health and social care needs in Leeds to inform the Health and Wellbeing Strategy, specifically to shape priorities, inform commissioners and guide the use of resources as part of commissioning strategies and plans for the city.

In attendance for this item were:

- Cllr James Lewis, Leader of Council
- Mariana Pexton, Director of Strategy and Resources
- Mike Eakins, Head of Policy
- Cllr Dan Cohen, Scrutiny Chair Children and Families
- Cllr Hannah Bithell, Scrutiny Chair Infrastructure, Investment and Inclusive Growth

The Board received a presentation to introduce the report which covered the following key areas:

- The approach to the 2024 Joint Strategic Assessment (JSA) which included a Sounding Board with representatives from across the health and care system and academia.
- The structure of the report, broken down into a life course approach and picking out key data and information at those stages.
- Population, noting that Leeds is a relatively young city in terms of demographics and overall population growth in the city which is ahead of national trends.
- The recent bulge cohort which saw a larger than average number of births which is feeding through school and education settings now impacting further education and level 3 skills.
- Growth in the number of Leeds residents from ethnically diverse backgrounds and the percentage of these residents living in the most deprived communities.
- Wider distribution of the student population in the city beyond the ‘traditional’ inner North-West student community.
- Children living in poverty Leeds which now stands at 22%.
- The Geography of Leeds which is broad and has a much larger boundary than other comparable cities which can skew data in relation to deprivation and poverty.
- Children Looked After rates and comparison with other cities.
- Increased prevalence of mental health issues being experienced by children and young people and amongst the population generally.
- Education outcomes at Early Years and Key Stage 2 and disparity in achievement between those on free school meals and those who are not. These disparities continue through each stage of education.
- Life expectancy differences between the most and least deprived communities which can be as high as 11.5 years.
- Cancer mortality rates and inequality between deprived and less deprived communities which suggests that cancer is detected earlier in the least deprived communities compared to the most deprived suggesting poorer access to health services in deprived communities.
- Analysis of the third sector in Leeds.

- Crime rates in the city and the increased overall crime rate in the city of 8% linked to increases in violent crime and acquisition based crime, which can be attributed to cost of living increases.
- Housing and the need for more affordable housing provision in the city. Overall housing delivery is above average, but affordability is a growing issue.
- Fuel poverty in the city defined by low income and low household energy efficiency this impacts particularly in the private rented sector.
- Public transport usage and recent trends following the impact of the pandemic, the data suggested that usage is still considerably lower than the pre-pandemic level.

In response to comments and question from board members the following issues were discussed:

- The Leader of Council highlighted the comprehensive nature of the report and the role it will play in shaping the direction of the city in the coming years. The report also highlights the positive impacts of work done in the city in recent years such as on selective licensing to improve housing standards.
- Board members asked more about the geography of the city and the impact it has on comparison with other core cities. In response the Board were informed that work is underway to highlight that Leeds is much larger in terms of geography and to make comparison with other core cities easier work is underway, focussing on the inner city which might create a helpful comparison with a more traditional city footprint.
- The Board asked about the Children Looked After (CLA) numbers and that Manchester had appeared to secure a significant reduction in recent years. In response the Leader of Council highlighted that Leeds has been ahead in terms of approaches to tackle CLA numbers through the Child Friendly Leeds approach and working closely with communities to develop solutions such as kinship care and family group conferencing. It is now the case that other authorities are adopting similar techniques which explains that metric.
- The Board also asked about productivity comparisons with Manchester and were informed that the figures for Manchester are for Greater Manchester so a wider area, but it was noted that this is an area for improvement in Leeds. The Board were also informed of the pitch to Government on productivity given high employment rates, Leeds is ready for investment and to deliver increases in economic growth.
- The Board noted that the JSA is wide in terms of its scope, and it impacts all scrutiny boards in terms of their remits and possible shaping of work programming in the future through deeper dive sessions on issues such as productivity and crime rates.
- Members discussed healthier lifestyles and the increased costs associated with eating healthier and also in leading more active lifestyles and the impact this has in more deprived areas. The Board acknowledged that tackling poverty and inequality remains a priority in the Best City Ambition and the work of the council is focussed on this and delivering

interventions that remove barriers to living healthier. Community Hubs and Children’s Centres do provide information on living healthier and is focussed on more deprived communities.

- The Leader of Council noted recent positive work on reducing childhood obesity in the city and successfully reducing those levels as a good example of interventions delivered by the Council and partners. On active lifestyles the city does have positive policies in terms of still accepting cash and not requiring the booking of multiple sessions along with prescribing Active Leeds sessions through collaboration with public health.
- Members focussed on what next steps might be taken with the data contained in the JSA to help to ensure work is done to tackle some issues that have become persistent such as disparity in life expectancy. Members heard that the JSA will have an impact directly on commissioning activity between the Council and partners such as the NHS and health services, but it was also noted that it is an informative document and should be used to facilitate future scrutiny work. The Health and Well-Being Board is also active in responding to the JSA and this report has been tabled at hat Board over the summer months with a number of actions arising.
- The impact of birth rates was highlighted including the reducing birth rate impacting primary schools and the bulge cohort now going through further education. School organisation was also discussed, and it was acknowledged that the Council does not control delivery of new schools albeit there is still a responsibility for sufficiency of school and further education places.
- Members asked about work being undertaken to address skills gaps. In response the Board heard that work is ongoing on this with the Future Talent Plan focussing on employment gaps and is a subject of dialogue with the Combined Authority and usage of the adult education budget.
- Members praised the report for not using dehumanising language and stressed the importance of this principle in reports of this nature.
- Food insecurity was also a focus, and it was acknowledged that in this area data sources are limited so the impact of fuel poverty on what food is produced in the home is limited but the issue is known and understood by relevant services both in the Council and in the Third Sector.
- In response to a query on vaping it was acknowledged that at the moment data sources are limited on that but in future iterations of the JSA metrics may be available as it is a relatively new issue.
- On Asset Based Community Development (ABCD) a training programme is being rolled out for officers and elected members, but it is not currently compulsory.
- The Board asked about Equality, Diversity and Inclusion (EDI) in the report and in particular in relation to maternity practice. In response the Board heard that it was intended that EDI would be a central theme in the report itself and inter-woven into it. On maternity there is a requirement for specific maternity needs assessments within the NHS. On EDI on the broader piece of work the feedback will be taken away to inform future work.

- In conclusion the Leader of Council thanked the Board for consideration of the item and that it will be considered at Executive Board later this week.

Resolved – The Board noted the content of the JSA report, and the policy implications drawn from the analysis and noted the opportunities to use the findings of the JSA to shape forward work programmes for all scrutiny boards.

34 Work Programme

Members considered the Scrutiny Board's work programme for the 2024/25 municipal year.

The Scrutiny Adviser highlighted the following forthcoming working groups:

- An All Scrutiny, remote Budget Working Group on 25 September at 4.30PM
- The opportunity to attend three Affordable Housing Working Groups over the coming months with further details to be provided to board members.

Resolved - Members noted the Scrutiny Board's work programme for the 2024/25 municipal year.

35 Date and Time of Next Meeting

The next public meeting of the Board will take place on 14 October 2024, There will be a pre-meeting for all board members at 10.00am and a start time of 10.30AM.

Report author: Rob Clayton

Tel: 0113 378 8790

Medium Term Financial Strategy 2025/26-2029/30 and Financial Health Monitoring 2023/24 - Month 5

Date: 14 October 2024

Report of: Head of Democratic Services

Report to: Scrutiny Board (Strategy & Resources)

Will the decision be open for call in? ☐ Yes ☒ No

Does the report contain confidential or exempt information? ☐ Yes ☒ No

Brief summary

In line with Scrutiny Board Strategy and Resources remit the Board reviews the Council's Medium-Term Financial Strategy (MTFS) on an annual basis following consideration by Executive Board at its September meeting. In addition, the Board also keeps a watching brief on the in year financial health of the authority as the financial year progresses.

This Scrutiny Board has a number of functions within its remit that make both financial health monitoring and the MTFS important elements in the Board's work. These focus on financial Strategy, i.e. ensuring effective financial management and controls; policies and procedures for budgets and effective financial management and controls.

The MTFS is one of the key strategies of the Council, setting out the Council's commitment to provide services that meet the needs of people locally, that the Council is financially resilient, stable and sustainable for the future and that the use of resources represents good value for money. The updated MTFS for 2025/26 to 2029/30 is provided at Appendix 1 and the latest financial health monitoring report due to be considered at the 16 October Executive Board meeting is provided at Appendix 2 for members' consideration and review. Due to publication deadlines Appendix 2 will be circulated as a supplementary item once it is published for the Executive Board agenda on 8 October.

The MTFS sets out both the context and the factors that influence the shape of the financial plan providing an update on the level of resources available to the Council over the five-year period of the Strategy. In addition, it outlines the impact of budgetary pressures on the Council's revenue budget and provides an update on the Financial Challenge savings programme which contributes to the Council being able to present a balanced revenue budget for 2025/26.

The scale of the financial challenge is significant with an estimated General Fund budget gap of £273.7m for the five year period of which £106.7m relates to 2025/26. For the Housing Revenue Account (HRA) there is a cumulative deficit of £14.3m to 2029/30 of which £2.0m relates to 2025/26.

In addition to the scale of the financial challenge, there are also a number of assumptions and uncertainties contained within the strategy with further work required to manage them. These include staff pay awards, risks to funding linked to Government spending plans, energy and fuel inflation, resource risk in term of staffing, interest rates and continuing demand and demography risks, amongst others.

Recommendations

a) Note and comment on the updated Medium Term Financial Strategy for 2025/26 to 2029/30
b) Note and comment on the latest in year Financial Health Monitoring report covering Month 5 of the current financial year.
c) Note that savings proposals to be considered at future meetings of Executive Board and the budget proposals for 2025/26 which will be the focus of a Scrutiny Working Group in December 2024, following practice established in previous years.

What is this report about?

1 Scrutiny Board Strategy and Resources considers the MTFS annually with a view to adding to and ensuring the Councils financial sustainability and robustness over the medium term. This approach is supported by annual consideration of budget proposals for the following financial year (this year for 2025/26) by each of the five scrutiny boards for services that fall within their remit. In doing this the scrutiny function provides a ‘check and challenge’ review of the Council’s budget proposals and also ensures that the savings proposals being put forward have been developed with appropriate consultation and are mindful of the potential impacts on Leeds residents.

2 Given the clear links to future financial planning of in year budgetary performance, and therefore the MTFS, the latest Financial Health Monitoring report is also provided for month 5 of the 2024/25 financial year. Members should note that this will be provided as supplementary information due to the publication deadline for Executive Board, which is after the publication deadline for this Board meeting.

3 Board members will recall the Leeds Joint Strategic Assessment 2024 item considered at the meeting on 16 September. The work contained in that report will have significant influence over financial planning moving forward particularly in terms of commissioning.

4 Appendix 1 to this report provides the latest iteration of the Medium Term Financial Strategy that was considered at Executive Board on 18 September 2024. Appendix 2 has Month 5 Financial Health monitoring report.

What impact will this proposal have?

5 Scrutiny Board Strategy and Resources has a clear interest in the financial health of the authority established through its remit. Ongoing scrutiny of budgetary matters will support the Council in terms of budgetary robustness and long-term sustainability and will support the delivery of the three pillars contained in the Best City Ambition.

6 The Vision for Scrutiny agreed by full Council sets out the nationally agreed four principles of good scrutiny. Within these is a commitment to ‘Promote Scrutiny as a means by which the voice and concerns of the public can be heard.’ Given the media coverage of financial difficulty being experienced in the public sector and by local authorities it is hoped that this report assists in responding to any concerns amongst Leeds residents on this subject.

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 the Council’s ambitions, outcomes and priorities on behalf of the City. This Plan can only be delivered through a sound understanding of the organisation’s longer term financial sustainability, which enables decisions to be made that balance the

resource implications of the Council's ambitions against the financial constraints. This is a primary purpose of the Medium-Term Financial Strategy, which also provides the financial framework for the annual budget.

What consultation and engagement has taken place?

Wards affected:		
Have ward members been consulted?	☐ Yes	☒ No

8 The Authority's Financial Strategy is driven by its ambitions and priorities as set out in the Best City Ambition. The determination of these ambitions was subject to consultation with Members and officers throughout its development, with additional extensive stakeholder consultation conducted on the range of supporting plans and strategies. This stakeholder consultation process will include public consultation in December and January in respect of the 2025/26 Proposed Budget and previous public consultations that have taken place as part of the annual budget setting process.

What are the resource implications?

9 All resource implications are considered within the attached Medium Term Financial Strategy document at Appendix 1 and latest financial health report at Appendix 2.

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

10 This report has no specific risk management implications.

What are the legal implications?

11 This report has no specific legal implications.

Appendices

- Appendix 1: Medium Term Financial Strategy 2025/26 to 2029/30 report considered by Executive Board on 18th September 2024.
- Appendix 2 Financial Health Monitoring 2023/24 - Month 5

Background papers

- None

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Report author: Victoria Bradshaw

Tel: 88540

Medium Term Financial Strategy 2025/26-2029/30

Date: 18th September 2024

Report of: Chief Officer – Financial Services

Report to: Executive Board

Will the decision be open for call in? ☒ Yes ☐ No

Does the report contain confidential or exempt information? ☐ Yes ☒ No

Brief summary

This report provides Executive Board with an update of the council's Medium Term Financial Strategy (MTFS) for the period 2025/26 to 2029/30. The report sets out the framework for compiling the five year Financial Strategy. It is one of the key strategies of the council, setting out the council's commitment to provide services that meet the needs of people locally, that the council is financially resilient, stable and sustainable for the future and that the use of resources represents good value for money.

The Best City Ambition sets out the council's ambitions, outcomes and priorities for the City of Leeds and for the Local Authority. This financial strategy 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 ambitions against the financial constraints. This is a primary purpose of the Medium Term Financial Strategy.

The council's Best City Ambition and MTFS are set within the context of challenging national circumstances for local government. As part of this next phase of development, the council recognises there is a level of uncertainty and the Medium Term Financial Strategy is a well-established approach to ensure the council can adapt to changing circumstances.

The ambition to be the best city for our citizens must fit within the financial envelope available for delivery. The council will continue to stretch that envelope through maximising the impact of collaboration through Team Leeds partnerships, and by working hard to secure external income for place-based delivery and crucially ensuring the organisation is as productive and efficient as possible. In establishing this strategic response to a dynamic financial environment, the Council remains vigilant to potential risks and challenges, focused on statutory duties and ready to implement further short-term measures to minimise the disruption of changing resources and service demands. This is part of the overall resetting of the council's role with regional and national government enabling effective service delivery within the financial envelope available. Organisational agility is a crucial feature of this MTFS enabling the council to drive productivity through transformation work, improve the integration of services within the council and communities and work collaboratively with partners to achieve the Best City Ambition.

The attached MTFS provides a robust, consistent and sustainable approach to establishing and maintaining a stable and prudent financial basis on which the council's services are delivered.

This report sets out both the context and the factors that influence the shape of this financial strategy. Not only does it provide an update on the level of resources available to the council over the five year period of the Strategy, but it also details the impact of budgetary pressures on the council's revenue budget position and provides an update on the Financial Challenge savings programme which will contribute towards the council being able to present a balanced revenue budget for 2025/26.

This Medium Term Financial Strategy for 2025/26 to 2029/30 identifies an estimated General Fund budget gap of £273.7m for the five year period of which £106.7m relates to 2025/26.

The financial position forecast in this Strategy needs to be understood in the context of a significant directorate overspend in 2023/24 and the reported £22.2m projected overspend for 2024/25 as reported to the Board elsewhere on today's agenda. This financial position reinforces the requirement for the council to manage service pressures, especially in social care, within the current projected resources envelope and ensure that budget savings proposals are realistic, deliverable and recurring. This will contribute towards the council's revenue budget being sustainable, resilient and robust for the period covered by this MTFS.

For the Housing Revenue Account (HRA) there is a cumulative deficit of £14.3m to 2029/30 of which £2.0m relates to 2025/26.

The MTFS also incorporates a restated ten year Capital Programme in respect of the council's annual programmes and a three year projection with regard to the level of resources available through the DSG (Dedicated Schools Grant). These, combined with uncertainty around Government funding and the political landscape, means that currently the council is looking at significant budget gaps in future years.

There are a number of risks to the assumptions in the MTFS and these include pay and price inflation which have resulted in both a cost of living crisis with its associated impact on the demand for the council's services and income budgets and higher costs to the services that the council provides.

Another key driver of the budgetary pressures the council is facing relates to both Adult and Children's Social Care. The Strategy reflects the increased cost of commissioned services for both the ongoing impact of inflation and demand and demography in adult social care and increased need for social care within Children's Services resulting from a range of factors including the cost of living crisis. In recent years the cost of external placements for Children Looked After (CLA) has increased significantly, rising by 68% on average between 2021/22 and 2024/25. This reflects the national picture of increasingly complex needs along with market challenges.

Provision of 3.5% for pay awards has been made in each of the years covered by this Medium Term Financial Strategy. If future pay awards exceed this assumption, including acceptance of the National Employer's offer for 2024/25, then this will add an additional pressure to this Strategy and the requirement to identify additional income or savings in order to balance the budget in each of these years.

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, a budget savings programme has again been established. Reviews are underway across the authority to identify opportunities to continue to modernise and improve services, reduce costs and generate additional income. This work will lead to a number of savings proposals for consideration by Executive Board during the Autumn of 2024. Those approved for implementation, or consultation as required, will subsequently be built into the 2025/26 Budget and Provisional Budgets for 2026/27 and 2027/28.

The MTFS aims to improve the council's financial sustainability in order that the council can withstand economic shocks in the future and deal with the current uncertainty. Whilst the Strategy proposes to use reserves to support the council to deal with the pressures outlined in this report, the use of one-off funding sources such as reserves to support ongoing budgetary pressures is not financially sustainable. As such, the Strategy provides for a base budget increase to the General Reserve from 2026/27 to improve future financial resilience.

The Strategy reflects the limitations on the ability of local authorities to raise local funding. The council is currently restricted to a 3% increase on core Council Tax, before the requirement for a city-wide referendum. Should referendum limits be increased by Government this could help to meet the reported budget gap.

This MTFS is set against a national context of uncertainty; a recognition of the available resource envelope over the next couple of years; a need to develop key partnerships; maximise available income streams; give consideration to organisational shape and the functions we deliver and preparing the local economic plan.

In addition, the council will continue to make representations to ensure that the local government accounting framework remains sufficiently robust and flexible so that it can contributes towards local authorities meeting their financial challenges.

Recommendations

Executive Board is recommended to:

a) Note the updated Medium Term Financial Strategy for 2025/26 to 2029/30;

b) Note that budget savings proposals will be received at future meetings of this Board in advance of the Proposed Budget for 2025/26 being received at this Board in December.

What is this report about?

1 Executive Board members are required to recommend a balanced Revenue Budget and a Capital Programme for 2025/26 to Full Council in February 2025. The Medium Term Financial Strategy provides a key part of the budget setting process.

2 This report presents an updated Medium Term Financial Strategy for 2025/26 to 2029/30 and the budget assumptions underlying that Strategy for Executive Board to note.

3 The report aligns the Medium Term Financial Strategy with the Best City Ambition, the council's values and the council's Being Our Best priorities.

4 Full detail on the Medium Term Financial Strategy 2025/26 to 2029/30 is provided in the attached appendices, with key points summarised below:

The Five Year Revenue Financial Plan

a) The estimated revenue budget gap over the period 2025/26 to 2029/30 is £273.7m.

b) The main movements are summarised here:

i. After taking account of changes in the level of resources, which includes forecast income from Council Tax, Business Rates, Grants and Reserves, it is projected that there will be additional funding of £94.8m for the period covered by this Medium Term Financial Strategy;

ii. Inflationary pressures relating to the cost of living crisis are expected to increase expenditure by £39.6m;

iii. Other cost pressures including pay awards, demand and demography and capital financing costs are forecast to increase by £361.5m for the five year period up to 2029/30.

iv. Projected savings of £32.6m include routine efficiencies identified as part of this update as well as the impact of prior year savings during the life of the Strategy.

c) Whilst the level of funding is expected to increase over the period covered by the Medium Term Financial Strategy this is outweighed by significant projected cost pressures. Further work is required to both review and contain the cost assumptions contained in this Strategy whilst at the same time identifying robust savings options that will allow a balanced budget for 2025/26 to be presented to Executive Board in December.

The Capital Programme

d) The re-stated annual capital programme for the period up to 2033/34 totals £748.2m.

Ring Fenced Funding

e) Within the Housing Revenue Account there is a cumulative deficit of £14.3m for the period up to 2029/30 of which £2.0m relates to 2025/26.

f) In respect of the Dedicated Schools Grant a cumulative deficit of £200.9m is projected for the period up to 2027/28.

What impact will this proposal have?

5 The Medium Term Financial Strategy informs the annual budget process. The 2025/26 budget proposals will be presented to Executive Board and to Full Council in February 2025 where a full strategic equality impact assessment and analysis of the proposed Revenue Budget for 2025/26 will be included.

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

☒ Health and Wellbeing ☒ Inclusive Growth ☒ Zero Carbon

6 The Best City Ambition sets out our overall vision for the city, focused on improving outcomes across 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 provides the framework for the determination of the council’s annual revenue budget.

7 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 2025/26.

What consultation and engagement has taken place?

Wards affected:		
Have ward members been consulted?	☐ Yes	☒ No

8 The Authority's Financial Strategy is driven by its ambitions and priorities as set out in the Best City Ambition. 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 2025/26 Proposed Budget.

9 The Medium Term Financial Strategy has also been informed by the public consultation on the council's Proposed Budget for 2024/25. Whilst the consultation covered the key 2024/25 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 at Appendix 2 of the 2024/25 Revenue Budget and Council Tax report considered by Full Council on 21st February 2024.

What are the resource implications?

10 All resource implications are considered within the attached Medium Term Financial Strategy document.

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

11 This Medium Term Financial Strategy needs to be seen in the context of significant inherent uncertainty for the council in terms of future funding and spending assumptions.

12 The council's current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way is identified as one of the council's corporate risks, as is the council's financial position going into significant deficit in any one year. Both of these risks are subject to regular review.

13 Risks relating to some of the assumptions contained within this Medium Term Financial Strategy are addressed specifically in the appended Financial Strategy.

14 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.

15 Financial Management Corporate Risk Assurance is included in the Corporate Risk Register and is addressed in the Annual Corporate Risk and Resilience report provided to this Board.

What are the legal implications?

Medium Term Financial Strategy

16 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.

17 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.

18 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 MTFS is one of the ways in which the council can secure best value within its budget 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.

Capital Strategy

19 Under Section 3(1) and (8) of the LGA ("Duty to determine affordable borrowing limit") the council must determine and keep under review how much money it can afford to borrow, and the function of determining and keeping these levels under review is a council, rather than an executive function.

20 Sections 15 and 21 (1A) of the LGA requires the council to have regard to any guidance issued by the Secretary of State and guidance about accounting practices to be followed, in particular with respect to the charging of expenditure to a revenue account. Consequently, the council is required to have regard to the "Statutory guidance on Local Government Investments 3rd Edition" and the "Statutory guidance on minimum revenue provision" issued under this provision.

21 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) make provisions for the capital finance and accounts under the LGA 2003. Regulation 2 requires the council to have regard to the "Prudential Code for Capital Finance in Local Authorities" issued by CIPFA when determining, under section 3 of the LGA, how much money they can afford to borrow. Regulations 23 and 24 provide respectively that capital receipts may only be used for specified purposes and that in carrying out its capital finance functions, the Council must have regard to the code of practice in "Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes" issued by CIPFA.

22 Regulations 25 and 26 provide for expenditure which is, and which is not, to be treated as capital expenditure for the purposes of LGA 2003. Regulation 27 provides that local authorities must charge to a revenue account a minimum amount ("minimum revenue provision") and may charge to a revenue account an additional amount, in respect of the financing of capital expenditure. The minimum revenue provision is calculated in accordance with regulations 28 to 29.

23 Under the council's Budget and Policy Framework Procedure Rules, the Executive is responsible for the preparation of proposed plans, strategies or budgets that form part of the Budget and Policy Framework, including plans or strategies for the control of the council's borrowing or capital requirement. The proposals in this report will therefore inform proposals for submission to Full Council in February 2025.

24 Under the council's Financial Regulations, the Chief Officer – Financial Services is responsible for ensuring that a balanced revenue budget and capital programme and budget are prepared on an annual basis.

Annual Investment Strategy

25 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) made pursuant to the Local Government Act 2003 require the council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities ("The Prudential Code"). Regulations 23 and 24 provide respectively that capital receipts may only be used for specified purposes and that in carrying out its capital finance functions, a local authority must have regard to the code of practice in "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" ("The Treasury Code") issued by CIPFA.

26 In relation to the Annual Investment Strategy, the council is required to have regard to the Guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 entitled "Statutory guidance on Local Government Investments 3rd Edition" which is applicable from and effective for financial years commencing on or after 1 April 2018.

27 In addition, the Prudential Code and the Treasury Code contain investment guidance which complements the Statutory Guidance mentioned above.

28 Local authorities are required to have regard to the current editions of the CIPFA codes by regulations 2 and 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended.

29 Under the provisions of Section 3(1) and (8) of the Local Government Act 2003, the council must determine and keep under review how much money it can afford to borrow, and the function of determining and keeping these levels under review is a Full Council, rather than an executive function.

30 The council must also have regard to the Guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003 entitled "Statutory guidance on minimum revenue provision."

31 The Prudential Code requires authorities to prepare a capital strategy.

Options, timescales and measuring success

What other options were considered?

32 Not applicable.

How will success be measured?

33 Not applicable

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

34 Not applicable.

Appendices

35 The following appendices are attached to this report:

- Appendix A: The Medium Term Financial Strategy 2025/26 to 2029/30
- Annexe A1: Background to Business Rates Forecasts in the MTFS
- Annexe A2: Background to Council Tax Forecasts in the MTFS
- Annexe B: Financial Strategy 2020-2025

Background papers

36 None.

Appendix A

MEETING OUR FINANCIAL CHALLENGE

Medium Term Financial Strategy 2025/26 to 2029/30

Contents

Introduction and Overview

The Medium Term Financial Strategy (MTFS) is a five-year rolling strategy which informs the annual budget process. The council has a legal requirement to set a balanced budget each year.

The MTFS brings together the key areas which affect our Revenue and Capital budgets and plans for these over the medium-term.

This Strategy considers:

- The influences affecting our council
- Local factors which affect the council’s aims and priorities
- The resources available to the council
- The requirement to deliver value for money services to the residents of Leeds
- How we safeguard public money
- Socio-economic context

The key objectives of the MTFS are as follows:

- 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.
- To ensure that the council is financially resilient, stable and sustainable for the future.
- To maximise the income from Council Tax and Business Rates revenue to support the priorities of the council.
- To forecast the resources available to the council and to plan for the changes in the level of these resources over the life of the Strategy.
- To estimate the expenditure requirements over the life of the Strategy to ensure value for money is achieved and resources are utilised where outcomes are measurable and have real impact.
- To continue to improve value for money – managing our people and money more efficiently and effectively to continue to improve value for money, standardise, streamline, and share best practice, getting better value from commissioning and procurement, whilst seeking to minimise the impact of budget savings on priority services.
- To bring together the key issues affecting the Revenue Budget, the Housing Revenue Account, Dedicated Schools Grant and the Capital Programme.

- To review emerging issues and other influences affecting the council's financial strategy, the forecast impact of these changes on both the demand for services and likely funding due to:
  - Global, national, and local economic factors
  - Demographic changes
  - Technological advances
  - Climate change
  - New legislation and the impact of the recent general election
  - Policy initiatives by Government, the West Yorkshire Combined Authority and the city council, and
  - The requirement to ensure that the council's resources closely align with the Best City Ambition.

Influences Affecting the MTFS

There are a number of international, national and regional factors that influence the MTFS, and the decisions and forecasts that form it. As well as the local socio-economic context (including Leeds' current and projected population, economy and labour market, and levels of deprivation), these include:

- The Economy
- Annual Government Announcements on Local Funding
- National Policy
- Regional Working with the West Yorkshire Combined Authority
- The changing operational context
- Health and Social Care funding changes

Section 1.4 further discusses these influencing factors.

The Strategy also considers direct influences such as pay award negotiations and other impacts of inflation such as the cost of energy, fuel and contract price increases. In addition it reflects the known implications of the cost of living crisis, future service demand, and delivery of savings targets and reviews from prior years. **Section 2.5** further explains these pressures, and the financial implications for the council.

1. The Context for Leeds City Council's Medium Term Financial Strategy

1.1 Background

1.1.1 The Medium Term Financial Strategy (MTFS) sets out the overall shape of the council's budget by determining the level of resources that will be available and how these are prioritised. This Strategy provides a financial planning framework through to 2029/30 and forecasts the budget for the next five years. The medium term framework enables members and officers to develop detailed annual budget allocations.

1.1.2 Nationally, over half the councils[1] are at risk of financial failure with a significant number of councils stating they were likely to face bankruptcy in the next parliament if no imminent local government funding reform is in place. In late 2023 the Local Government Association (LGA) funding gap analysis estimated that by 2024/25 cost and demand pressures would have added £15 billion (almost 29%) to the cost of delivering council services since 2021/22 and that councils had absorbed a 27% real terms cut in core spending power since 2010/11.[2] Concern continues to grow with regard to an increasing number of councils reporting both overspends in the current financial year and significant estimated budget gaps in future financial years which provide a challenge to their financial sustainability. Indeed, Local Government Information Unit (LGIU) research indicates that more than half of English local authorities could issue Section 114 notices in the next 5 years[3], which give notice that a council cannot balance its budget.

1.1.3 Prior to the recent general election, the Local Government Association identified an updated funding gap of more than £6bn facing local government services in the next two years – fuelled by rising cost and demand pressures, which in the view of the LGA is resulting in a growing gap between what people and their communities need and want from their councils, and what councils can deliver. Adult social care, children's services, homelessness support and home-to-school transport for children with special educational needs and disabilities were all identified as particular pressure points.[4] Councils are struggling to meet the increasing demand and cost of social care services, particularly within Children's Services which is experiencing significantly higher costs resulting from increasing numbers of children in care, combined with the impact of pay and price pressures which are in excess of the level of resources provided for by the previous Government in annual local government finance settlements.

[1] Over half of councils face bankruptcy within next parliament - LGiU
[2] Funding gap growing as councils "firmly in eye of inflationary storm" | Local Government Association
[3] LGIU warns all political parties not to underestimate the financial crisis facing councils as more bankruptcies loom | LGiU
[4] Relationship reset with whoever forms next government needed as councils face more than £6bn funding gap | Local Government Association

1.1.4 In July 2023, in response to the reported financial position for local government outlined above, the previous Government launched the Office for Local Government (Oflog), the aim of which is to provide "authoritative and accessible data and analysis about the performance of local government and support its improvement".[5] Oflog's initial strategic objectives were to:

- empower citizens with information about their local authority to hold local leaders to account.
- increase local leaders' and councils' understanding of their relative performance, supporting them to improve and better innovate; and
- increase Central Government's understanding of local government performance, highlighting excellence and identifying risk of failure to facilitate timely and targeted support.

1.1.5 The number of Oflog indicators increased after the board was launched in July 2023, and a new requirement to produce and publish an annual Productivity Plan was announced alongside the Final Local Government Settlement for 2024/25. The Productivity Plans were to be reviewed by a new panel of sector experts including the LGA and Oflog. These requirements were incorporated into the organisational plan 2024/25 update report and the Annual Corporate Performance Report 2023/24 provided to Executive Board in July 2024. Following the recent change of government, we await an update on the future role and remit of Oflog. Prior to the election, the then Shadow Chancellor proposed the establishment of an Office for Value for Money to ensure that "every penny spent by Government can be justified" and we await further detail.

1.1.6 As a result of a series of one year financial settlements presented by consecutive Conservative Governments it had become increasingly challenging for local authorities to plan in the medium to long term with any certainty. The previous Government recognised this issue and had stated its intention to reintroduce multi-year settlements. The manifesto for the new Labour Government also includes plans for multi-year settlements, however, the new Chancellor has announced that there will initially be one further single-year Spending Review. Therefore, this Strategy assumes that there will a further one-year Settlement for local government for 2025/26 before a three-year Spending Review in Spring 2025. It is to be hoped that this will be followed by multi-year Settlements for 2026/27 and beyond.

1.1.7 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,

[5] https://www.gov.uk/government/organisations/office-for-local-government

including reducing staffing levels since 2010/11 by 2,672 FTEs (full time equivalents) up to 31st July 2024.

1.1.8 In the context of the financial challenge faced by the council in 2023/24, and the estimated budget gaps that were reported in the MTFS received at Executive Board in September 2023, the council issued a S188 notice on 10th October 2023 which stated that it would need to reduce its workforce by up to 750 full time equivalent posts. In November 2023 the council launched its targeted Voluntary Leavers Scheme which complements the work being undertaken to reset and reshape the organisational design of the council.

1.1.9 At Month 4 2024/25 the council is projecting a £22.2m overspend, reported in the monthly Financial Health report elsewhere on this Executive Board agenda. A range of measures have been introduced or continued to address this in year financial position, including continuation of the freeze on recruitment, agency and overtime spend introduced in 2022/23 within a framework of agreed exceptions and the freeze on non-essential spend, with further controls brought in to strengthen oversight and monitoring.

1.1.10 Whilst actions have been identified, and are being implemented to address this financial position, any overspend at the 2024/25 year end will have to be funded from the council's reserves. This will have implications for the level of resources available to address the estimated budget gaps detailed in this Medium Term Financial Strategy.

1.1.11 Unavoidably, managing this in year overspend position will mean that the Council will have to make difficult decisions around the delivery of services. It will be increasingly difficult over the coming years to identify further financial savings without identifying and implementing significant changes in what the Council does and how it does it. This will have significant implications for directly provided services and those commissioned by the Local Authority, impacting upon staff, partners and service users.

1.1.12 To deliver the council's ambitions of tackling poverty and reducing inequalities, consideration has to be given to stopping, delivering differently or charging for those services that are no longer affordable and are a lesser priority than others. This will be achieved through a continuing process of policy and service reviews across the council's functions and ongoing consultation and engagement.

1.1.13 The financial challenge now facing the council is to manage these pressures alongside the significant impact caused by the cost of living crisis and recent high inflation, against a backdrop of global economic issues. 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 remains stretched, the council's traded and commercial income is expected to suffer. With stretched budgets, and the retention and recruitment pressures within the council, the ability to identify sufficient resources to support service transformation remains challenging.

1.1.14 This Financial Strategy provides a financial planning framework through to 2029/30 and forecasts the available budget for the next five years. It should be stressed that, under the council's constitution, decisions to set the annual budget, the Council Tax base and the rate of Council Tax can only be taken by Full Council on an annual basis as part of the council's annual budget-setting process.

1.2 Risks

1.2.1 The Medium Term Financial Strategy makes assumptions in respect of the level of resources that are receivable through Council Tax, Business Rates and Government Grant. Any variation from these assumptions has implications for the level of resources available to the council. These include:

- **Economic and Social Risks** – underlying risks caused by the aftermath of the global energy and fuel crisis that have resulted in a cost of living crisis, compounded by national economic issues due to Spending Review uncertainties.

- **Risks to Funding** – The Labour Government's future spending plans covering the period from 1st April 2025 won't be known until the Autumn of 2024, with the date of the next Budget set as 30th October 2024. The spending intentions for local government could differ from assumptions contained in this Strategy. Any differences will, in turn, impact on the level of resources available to the Council. Further, there remain uncertainties around Business Rates reform, the Government's Fair Funding review and also the Government's intentions for the future funding of social care. Financial modelling indicates that Leeds could benefit by more than £45m each year if the key Fair Funding reforms were implemented.
- **Energy and Fuel Inflation** – the current assumption in the MTFS is for a slight reduction in the cost of utilities and a slight increase in the cost of fuel when compared with initial budgets for 2024/25, reflecting the significant increases included in the 2023/24 budget and the subsequent fall in prices for these commodities. These remain significant risks to the council and in-year monitoring reports will continue to review the level of inflation assumed in these areas.

- **Employer Offer Pay Award** – the assumption in this MTFS is that the Pay Award will be 3.5% per annum for the life of the Strategy. However, the employer offer in respect of the 2024/25 pay award was 2.5% for JNC staff, which has been agreed, and a flat £1,290 increase for NJC staff which has not yet been agreed. We await the outcome of further discussions. Overall, the 2024/25 offer exceeds the current budget and, if agreed, will add to the cost pressures shown in this MTFS but there remains a possibility that the final agreed position will be higher. The Pay Award for 2025/26 is still to be discussed, and we also await further announcements about the Real Living Wage. The outcome of these discussions will indicate the extent of any additional pressures in the MTFS.

- **Resource Risk** – the long term impact of restructuring to reduce staff numbers and make savings, reduced availability of skilled workers, lack of funding and other shortages will impact on the council's ability to deliver services to the people of Leeds. This risk also includes social care demand led cost pressures and income shortfalls due to reduced uptake of services that are chargeable.

- **Interest Rate Risk** –the potential for interest rates to be higher than has been assumed, which would push up the costs associated with managing the council's debt beyond budgeted assumptions. More widely across the local economy, higher interest rates would impact on many businesses and families. However, this is considered a low risk in the short term, as the country is now entering a period when interest rates are expected to fall.

- **Demand and Demography Risk** – this Medium Term Financial Strategy contains risks surrounding the estimation of demand and demographic pressures within services such as Adult Social Care and Children's Services, including determination of key income budgets that rely on the number of users of a service and the risk that inflation on the cost of demand and demography will be higher than assumed in the Strategy.
- **Political Landscape** –Following the recent General Election, on 17th July 2024 the new administration's first King's Speech laid out 40 proposed bills under six themes that set out the Government's main priorities in this Parliament. These were Economic Stability and Growth (in which devolution to the Mayoral Combined Authorities was a prominent proposal), Britain becoming a clean energy superpower, creating secure borders and cracking down on anti-social behaviour (with local authorities taking a prominent role), breaking down the barriers to opportunity (introducing free breakfasts in every primary school), health, and national security. The focus on these priorities inevitably impacts on the Government's expectations of the role of local government and the areas for which funding is made available.

- **Risks to Capital Assumptions –** one of the main risks in developing and managing the capital programme is that insufficient resources are available to resource the impact of inflationary pressures. Inflation continues to impact on the cost of delivering capital projects in a number of ways, and these pressures need to be managed appropriately to limit the revenue impact associated with requiring increased borrowing to fund these costs.

- **2024/25 Financial Pressures and the risk to future years** – As noted at Section 1.1, the Council is projecting an overspend of £22.2m in 2024/25. This is in no small part due to demand pressures in the social care arena, predominantly Children and Families. There is a risk that demand pressures continue to grow in 2024/25, which would impact the ability of the authority to deliver a balanced position in 2024/25 and in later years. The council's Revenue and Capital Principles note that no overspend in budgets should be incurred unless there is a statutory or safeguarding need (details at Appendix 11 of the linked document. To mitigate in year overspends, budget action plans must be submitted by directorates with proposals detailing how variations will be managed.

1.2.2 **Part 5** of this report gives more detail of the financial risks relating to these assumptions.

1.3 Overarching Principles of the MTFS

1.3.1 Our overall vision for the city is set out in the Best City Ambition which can be read in full here: Best City Ambition. At its heart is our mission to tackle poverty and inequality and improve the 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 2025/26.

1.3.2 The purpose of the general reserve policy is to aid this 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.

1.3.3 One of Leeds City Council's values relates to "spending money wisely" and ensuring that maximum value is extracted for every £1 spent. External Audit provides the annual independent assurance that value for money is being achieved. In November 2023 Grant Thornton presented their 2022/23 Interim Auditor's Annual Report on Leeds City Council's Value for Money arrangements to the Corporate Governance and Audit Committee, detailing the outcome of their review of the value for money arrangements in the council. Across the key criteria of financial sustainability, governance and improving economy, efficiency and effectiveness Grant Thornton made two key recommendations. Within financial sustainability it was recommended that the council should set out in detail how its proposed transformation plans will enable it to deliver a sustainable balanced budget year on year. The second key recommendation sought to strengthen arrangements in engaging in the external audit process.

1.3.4 This Medium Term Financial Strategy recognises the requirement to keep the level of the council's reserves under review to ensure that they are adequate to meet the identified risks. Grant Thornton's Annual Audit report on Leeds City Council for the year ended 31st March 2022, received at Corporate Governance and Audit Committee in November 2023, referenced the previous year's improvement recommendation "that the council should consider it current level of General Reserves and Balances to ensure that these remain adequate for its needs and potential unforeseen events." In accordance with this recommendation, this Medium Term Financial Strategy provides for a £3m annual contribution to the General Reserve from 2026/27 onwards. As a result, the balance on the General Reserve is projected to be £49.7m by 2029/30.

1.3.5 As detailed in the 2023/24 revenue budget outturn report, there is a balance of £23.0m in the Strategic Contingency reserve, established to provide for any unforeseen events requiring additional resources. To date a net contribution of £2m is forecast, so that £25.0m remains unallocated in 2024/25. In addition, the 2024/25 budget established a Strategic Resilience Reserve to address future unforeseen budget pressures and to ensure the council becoming more financially resilient. This Strategy provides for a base contribution to that reserve of £3m per annum from 2026/27.

1.3.6 The 2024/25 budget established a Social Care Contingency reserve (£6.2m) in order to support the significant risks facing the Council in regard to demand and cost pressures in both Adult and Children's Social Care. As reported in the 2024/25 Financial Health report to July's Executive Board this reserve has been applied in full to offset anticipated delays in the delivery of savings in both Adults & Health and Children & Families where it is anticipated that these savings will be delivered by 2025/26. This Strategy provides for a base contribution of £0.5m in 2025/26, followed by base contributions of £10.0m in 2026/27, 2028/29 and 2029/30.

1.3.7 The Medium Term Financial Strategy reflects the need to make the council's financial position more resilient, reducing the extent to which internal charging and capitalisations are used to support the revenue budget. These measures, which include the Social Care Contingency Reserve, are discussed further in **Section 2.7.**

1.3.8 The Government's last detailed Spending Review was in the Autumn of 2021 and covered the financial period to the end of March 2025. With the recent election of the new Government in July 2024, the spending intentions of the Government are inevitably more uncertain. The last Conservative Budget, presented in the Spring of 2024, included overall plans for public expenditure for the following four years which allowed for an increase in real terms public spending of only 1% per year beyond March 2025. They also committed to protect spending on certain services, such as the NHS, defence and early years childcare, so that unprotected services including local government would receive less than 1% or even a contraction in budgets. The present Government, then in opposition, committed to those spending plans with only a few discreet changes in the subsequent General Election campaign. The new Government has yet to publish its plans for the next Spending Review period and these plans are not expected until the Autumn of 2024, with detailed allocations to local authorities not becoming clear until the provisional Local Government Finance Settlement in December 2024.

1.3.9 This Strategy therefore assumes that Revenue Support Grant, the main general grant funding for local authorities, will remain frozen for the whole period. The forecast increases in Government Funding in the Strategy are all funded by locally raised Business Rates, known as Baseline Funding.

1.3.10 Business Rates receivable over and above the Business Rates baseline have been projected forward, with account being taken of the ongoing impact of the economic uncertainty caused by the cost of living crisis. In respect of core Council Tax, a 2.99% per annum increase is forecast for the lifetime of this Strategy. The Council Tax base is forecast to grow by 0.8% in 2025/26 rising to 0.9% in 2026/27 and 1.0% for the remainder of the strategy. It should be noted that if either of these funding streams were higher than reflected in the Strategy this would be an additional resource towards meeting the forecast budget gap.

1.3.11 At the time of writing this Strategy, a 2.5% Pay Award for JNC staff has been agreed for 2024/25. National Employers have offered an increase of £1,290 for NJC staff for 2024/25 but agreement has not yet been reached. Any pay awards will be required to be funded by the Council. The financial position in this Strategy does not reflect the impact of the 2024/25 Pay Offer on the base position for 2025/26, as it has not yet been agreed in full and may differ from the offer. It is estimated that the current offer would create a budget pressure of around £2.2m. The Strategy makes provision for the cost of 3.5% annual pay awards for both NJC and JNC staff for each year of the period covered and assumes annual increases in the Real Living Wage of £0.88 per hour.

1.3.12 In recent years the Strategy only provided inflation where there was a contractual commitment. Fees and charges were anticipated to rise by 3% where this could be borne by the market. The cost of living crisis has impacted on this approach given the financial impact of recent high rates of inflation, and this Financial Strategy now includes additional inflation where it is deemed necessary, as further discussed at **Section 2.5.**

1.3.13 The Medium Term Financial Strategy considers the impact of international, national and regional factors. In summary, these include: the Economy, including the economic impact of the cost of living crisis and economic forecasts; Government announcements about funding for the Public Sector; National Policy; Regional working and the West Yorkshire metro mayor; the changing operating context and new trends relating to changing life/work practices; and Health and Social Care funding. These are further detailed in **Section 1.4**.

1.3.14 The Strategy reviews the key issues affecting the Housing Revenue Account (HRA) and includes the five year strategy for this ringfenced account. **Part 4** details this further.

1.3.15 Further, this Strategy includes the issues affecting the Dedicated Schools Grant (DSG). **Part 4** details this further.

1.3.16 The approach to the determination of the Capital Programme considers the affordability of the Programme and the capital spending requirements over a 10 year period. The greater integration of the Capital Programme within the Strategy better reflects a more co-ordinated approach to capital investment requirements, whilst ensuring that affordability remains a key priority within the Medium Term Financial Strategy. The Capital Programme is currently undergoing a review, with new capital scheme proposals being assessed to decide which are of sufficient priority to add to the council’s programme and how these might be funded, so as to appropriately manage the overall cost of the programme. The Capital Programme is discussed in **Part 3.**

1.4 The Influences, Strategies and Priorities affecting the Medium Term Financial Strategy

International, national and regional influences

1.4.1 The funding available to local authorities, and the way this is used, can be affected by factors at a regional, national and international level. Our Medium Term Financial Strategy has been 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.

1.4.2 A range of influences and factors impact on the development of the Medium Term Financial Strategy, including the current period of economic volatility.

Economy

1.4.3 **Cost of Living** – The council’s and city’s economic and fiscal position is inevitably impacted by the wider national and international economic context. The United Kingdom’s cost of living crisis saw prices for many essential goods increase faster than household incomes resulting in a fall in real income. Global and local factors contributed to this. Global factors have included (but are not limited to): cost of living crisis, the energy crisis, a supply chain crisis and Russia’s invasion of

Ukraine in 2022. Local factors, some unique to the UK, included high inflation, labour shortages (in part caused by the exit from the EU), and rises in Council Tax. The council's Executive Board receives regular cost of living updates.

1.4.4 **Office for Budget Responsibility forecasts** –analysis of data provided by the Office for Budget Responsibility (OBR) has shown that the economy has continued to be adversely affected by the cost of living crisis and the impacts of the war in Ukraine. This was confirmed in the Spring and Autumn of 2023 Economic and Fiscal Outlooks which downgraded growth from 2024/25 from previous forecasts. In March 2024 there was a slight recovery in growth forecast for 2025/26 onwards, with the OBR forecasting UK real GDP to grow by 0.8% in 2024/25, 1.9% in 2025/26, returning to more normal growth of 2.0% in 2026/27, 1.8% in 2027/28 and 1.7% in 2028/29. Also at this time, the OBR forecast that CPI inflation would average 2.2% in 2024/25 falling from an average of 7.3% in 2023/24 and then continue to fall to 1.5% in 2025/26 before beginning to climb to 1.6% in 2026/27,1.9% in 2027/28 and 2.0% in 2028/29. Actual CPI in 2024 stood at 2.0% in the 12 months to June 2024.

Annual Government Announcements

1.4.5 The last Spending Review of the previous Government in 2021 comes to an end with the close of the 2024/25 financial year and new financial parameters will have to be put in place by the new Labour administration. At this point, however, the position remains unclear.

1.4.6 As discussed, the last Conservative Budget included overall plans for public expenditure which allowed for an increase in real terms public spending of only 1% per year beyond March 2025 and the present Government, then in opposition, committed to those spending plans with only a few discreet changes in the subsequent General Election campaign.

1.4.7 Since the election, the new Labour Government has made two key wider ranging statements that impact on local government, if, in some cases, only to clarify the timetable for future announcements of their plans. These two public statements were:

- **The King's Speech 2024/25**, setting out the legislative programme in Parliament for the next Parliamentary year, delivered on 17th July 2024 and;
- **"Fixing the foundations: public spending audit 2024-25"** setting out the Government's assessment of the public finances and its plans to improve them in the short and medium-term, delivered on 29th July 2024.

The King's Speech 2024

1.4.8 The full background briefing documents to the 40 bills proposed by the new Government can be found at **The King's Speech 2024 background notes**. The main planned measures affecting local government were: -

The Children's Wellbeing Bill

- Will introduce a free breakfast club in every primary school
- Will create a duty on local authorities to provide support to home-schooling parents
- Will create a duty on local authorities to maintain Children Not in School registers
- Will give local authorities greater powers to help schools deliver on place planning, SEND and admissions

The Renters' Rights Bill

- Will introduce new investigatory powers to 'make it easier for councils to identify and fine unscrupulous landlords and drive bad actors out of the sector.'

The Skills England Bill

- Will unite Mayoral Combined Authorities and other stakeholders with national government to improve the skills system.
- Will transfer functions from the Institute for Apprenticeships and Technical Education (IfATE) to Skills England and reforms the apprenticeship levy to become the Growth and Skills Levy.

The Crime and Policing Bill

- Will create a duty for local partners to co-operate to tackle anti-social behaviour, with an anti-social behaviour lead in every local authority area.

The English Devolution Bill

- Will enhance powers over strategic planning, local transport networks, skills and employment support for Metro-Mayors and a duty for local leaders to produce Local Growth Plans.
- Local areas will be given the power to request additional powers and only be refused with a public explanation of the reasons as to why.
- Will create more effective mayoral governance arrangements.
- Will enact a new 'right to buy' for communities in relation to valued community assets such as empty shops, pubs and community spaces.

Planning and Infrastructure Bill

- Seeks to improve local planning by modernising planning committees and local authority capacity.
- Will streamline the system for critical infrastructure and enabling new and improved National Policy Statements.
- Will further reform compulsory purchase compensation rules to speed up housebuilding and deliver more affordable housing.
- Aims to use development to fund nature recovery where both are currently stalled.

The Employment Rights Bill

- Will establish a Fair Pay Agreement in the Adult Social Care sector and assess what other sectors would benefit from this arrangement.
- Will re-establish the School Support Staff Negotiating Body to set national terms and conditions, career progression routes, and fair pay rates.

Tobacco and Vapes Bill

- Will increase the age limit for buying cigarettes by one year every year to assist in making the UK smoke free and will regulate the marketing of nicotine products such as Vapes to stop them being attractive to children.

"Fixing the foundations: public spending audit 2024-25"

1.4.9 The full speech and reports can be found at **Fixing the Foundations: public spending audit 2024-25**. A public spending audit was ordered by the Chancellor on 8th July 2024 and the Treasury review identified that planned spending in 2024/25 was £21.9 billion more than the resource departmental expenditure limits (RDEL) totals set by the Treasury at Spring Budget 2024. The main actions the Government announced to address this were: -

- Identifying immediate savings to manage the pressure. The Government announced £5.5 billion of savings in 2024/25, bringing the in-year pressures down to £16.4 billion, rising to £8.1 billion of savings in 2025/26. The 2024/25 savings included ensuring departments absorbed £3.15 billion of pay pressures and £1.4 billion of savings to be achieved by targeting the currently universal Winter Fuel Payments only to those in receipt of Pension Credit and some other means-tested benefits from winter 2024/25. £800 million is to be saved from cancellation of the Rwanda migration partnership;
- Setting out a clear process for reducing the pressure further - announcing a one-year Spending Review and Budget on 30th October 2024, with adjusted

control RDEL totals for 2024/25 and 2025/26. The Government stated that the Chancellor would make further difficult decisions about taxation and spending at that time. The statement went on to say that a further multi-year Spending Review, confirmed to be for three years, will be concluded in Spring 2025; and

- Making reforms to the spending and fiscal frameworks to prevent any future overspend. The Government had already announced a Budget Responsibility Bill at the King's Speech 2024 which made it clear that all significant fiscal announcements must be accompanied by an assessment from the Office for Budget Responsibility (OBR) and further announced in this Speech that the OBR would be empowered to assess aggregate pressures against the medium-term departmental spending plans contained within the Spending Reviews.

National Policy

1.4.10 Notwithstanding the statements issued by the new Government and noted above, there is currently no further formal information on future policies that will be introduced. We will monitor future announcements and take these into account in the setting of the Council's budget in the coming months.

Regional Working – West Yorkshire Combined Authority

1.4.11 In May 2024 Tracy Brabin was elected for a second term as the West Yorkshire Metro Mayor. Following the devolution deal between the Government and West Yorkshire Leaders in Spring 2020, the Mayor was given devolved powers across adult education, skills, and transport. The presence of a regional body with significant funding naturally impacts on how services are delivered regionally, and the council continues to work with the Combined Authority to think about the way in which services are organised, funded, and delivered as regional collaboration continues to be strengthened. This will continue to influence the Medium Term Financial Strategy in future years.

1.4.12 Devolution has given the region access to a range of new funding streams from Government including the Transforming Cities Fund, the Brownfield Regeneration Fund and the West Yorkshire Heritage Fund. The devolution deal also provides £38m of gainshare funding each year for 30 years, to be spent flexibly in line with local priorities.

1.4.13 Most of this funding is directed to WYCA in the first instance, with Leaders playing a central role as voting members of the Combined Authority in deciding how it should be allocated. Prior to the recent General Election, Labour's manifesto pledged to deepen devolution settlements for existing Combined Authorities, and it appears that Government intend to increase the direction of delegated funding through Combined Authorities in future. The council and Combined Authority already work in partnership to deliver against shared regional priorities and this partnership working seems likely to increase.

1.4.14 The Combined Authority continues to progress projects that will benefit the city of Leeds and the wider West Yorkshire area. This includes bus franchising – bringing buses back under public control - and the Mass Transit system for West Yorkshire.

1.4.15 The West Yorkshire Metro Mayor has the legislative power to raise a precept to Council Tax payers in the region, including those residing in Leeds, through the Council Tax bills raised by the member billing authorities. This power has not been exercised to date.

Changing operating context

1.4.16 COVID-19 fundamentally affected the way in which the council works. Whilst the Medium Term Financial Strategy does not specifically provide for any future impact of COVID-19 it does allow for new trends relating to changing life/work practices because of the longer-term effects of the pandemic.

1.4.17 Recent higher levels of inflation and cost of living have significantly impacted the council's Financial Strategy. The Strategy makes allowance for considerable increased demand for services and anticipated losses of income from sales, fees and charges and from Council Tax and Business Rates in light of the cost of living crisis.

Health and Social Care

Adult Social Care and implementing Cost of Care reforms

1.4.18 The 2025/26 budget assumes no new social care grant funding and that the grant funding received in 2023/24 and 2024/25 continues at current funding levels. Leeds City Council receives approximately 1.38% of social care grant announced for English Councils. On 29th July 2024 the Chancellor announced that the previous government's planned reforms to the adult social care charging system would be cancelled as part of the Treasury's response to help reduce the £22 billion inherited projected overspend referenced at paragraph 1.4.9.

1.4.19 Specifically for adult social care, the Labour Party has outlined the pledges below, and we await further detail:
"Labour will undertake a programme of reform to create a national care service, underpinned by national standards, delivering consistency of care across the country. Services will be locally delivered, with a principle of 'home first' that supports people to live independently for as long as possible. Our new standards will ensure high-quality care and ongoing sustainability, and ensure providers behave responsibly. Labour will develop local partnership working between the NHS and social care on hospital discharge.

“We will enhance partnership working across employers, workers, trade unions and government and establish a fair pay agreement in adult social care. This sector collective agreement will set fair pay, terms and conditions, along with training standards. Labour will consult widely on the design of this agreement, before beginning the process and learn from countries where they operate successfully.

“Labour is committed to ensuring families have the support they need. We will guarantee the rights of those in residential care to be able to see their families. As part of the efforts to move healthcare into local communities and professionalise the workforce, we will task regulators with assessing the role social care workers can play in basic health treatment and monitoring.

“Alongside these changes, we will build consensus for the longer-term reform needed to create a sustainable national care service. We will explore how we best manage and support an ageing population; how integration with the NHS can be secured; how to best support working age disabled adults; and how to move to a more preventative system.”

Children’s Social Care

1.4.20 Children’s social care provision continues to be the subject of sustained financial pressure both in terms of demand and the operating environment of the market. The previous Government commissioned an independent review into Children’s Social Care (The MacAlister Review) which set out the need for a wide-ranging ‘reset’ of Children’s Social Care centred around a number of themes including:

- A revolution in Family Help
- A just and decisive child protection system
- Unlocking the potential of family networks
- Fixing the broken care market and giving children a voice
- Ensuring a focus on five ‘missions’ for care experienced people
- Realising the potential of the (Childrens’ Social care) workforce

The previous Government responded to the MacAlister Review (and two additional reviews focused on Children’s Social Care) by publishing a strategy and consultation on children’s social care, ‘Stable Homes, Built on Love’. Following the General Election, we await policy proposals from the new Government. Should the policy position remain as set out by the previous Government, the issues outlined here have significant potential to impact on the focus of Children’s Social Care across the country, including the financial implications of provision, and this may bring forward direct implications for Leeds City Council and its residents.

1.5 About Leeds: Socio-economic context

1.5.1 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 unique geography with a large, urban centre, surrounded by towns, villages and rural areas.

1.5.2 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 neighbouring cities. Despite this positive growth, a combination of post-pandemic pressures and the cost of living crisis have exacerbated inequalities across some of our lowest-income households across the city, impacting individuals, council and partner services and the economy.

1.5.3 Poverty and inequality continue to remain significant challenges across the city, particularly impacting inner-city areas, where there is a higher proportion of lower income households and where our population is growing most quickly. While earnings in Leeds compare favourably to neighbouring authorities and Core City local authority areas overall, for too many in the city, being in work does not represent a route out of poverty with an estimated 73,000 adults experiencing in-work poverty. Despite strong performance in job creation, there is a risk of people being caught in a loop of low pay, low skills and limited career progression, or that structural change in the labour market results in people being locked out of prosperity as their job roles and prospects change. These challenges not only limit the opportunities for individuals - resulting in poorer health, wellbeing and educational outcomes - but hold back the economy, affect productivity, cause skills' shortages, and create additional costs for businesses and the public sector.

1.5.4 Please visit the Leeds Observatory online here for more data about the Leeds economy, population and inequalities, including the updated Leeds Joint Strategic Assessment (JSA) 2024 which is elsewhere on today's agenda.[6]

Population

1.5.5 Leeds has a population estimated at 812,000 (Census 2021), an increase of over 60,000 or 8.1% since the 2011 Census. This population increase is growing at a faster rate than regional (3.7% across Yorkshire and The Humber) and national (6.6% in England) averages and is projected to continue to grow. Leeds' population growth is fastest in inner-city areas, where we have also seen increased density, these being the areas of the city most likely to be impacted by poverty and inequalities.

1.5.6 The city's population has continued to become more diverse since the 2011 Census in terms of age and ethnicity. The proportion of people aged 0-17 years has grown by 10.9% in the last decade and is most concentrated in areas that fall

[6] The JSA is a statutory analysis and responsibility of the Leeds Health and Wellbeing Board that looks at the current and future health and care needs of local populations. The exercise is undertaken every three years, and used to inform the Leeds Health and Wellbeing Strategy, commissioning priorities, and wider city strategic planning.

within the most recent Index of Multiple Deprivation (IMD) 2019 decile 1 and 2[7]. This growth will decline, reflecting lower birth rates since 2017, whilst the 'bulge cohort' of the 2010s passes through school and into post-16 education. The population profile of children and young people in Leeds continues to become more diverse, with the proportion of pupils from an ethnically diverse background at 39% for primary-age and 36% for secondary-age, speaking nearly 200 languages.

1.5.7 At the other end of the age spectrum and in line with national patterns, ageing population trends continue with the 80+ age group growing fastest with an expected increase of 50% by 2041. Our ageing population is changing and becoming more diverse. Population trends highlight that the older population (50+) is growing in areas of the city that are most deprived according to the IMD 2019, particularly concentrated within inner city areas. This will have an impact on the experiences of inequality people experience in later life, with a range of implications for service provision.

1.5.8 In terms of increased diversity across the city, 26.6% of residents come from a culturally diverse background according to the Census 2021, up from 19% in the Census 2011. There has also been a four percentage points decrease in the proportion of the population born in England, which now stands at 82.2%, down from 86.2% in the Census 2011. The biggest growth has been in the Black African population which has more than doubled and now makes up over 70% of the city's Black population, but the largest minority broad ethnic group remains Asian and Asian British.

1.5.9 The city continues to see wide disparities in terms of healthy life expectancy outcomes: the Census 2021 reported a 1.8 percentage point reduction in the proportion of people identifying as being disabled and limited a lot in their daily life compared to the Census 2011 (from 9.4% down to 7.6%). The proportion of people reporting they are limited a little remained stable. However, we know that experiences across Leeds do not equally impact different population groups and areas of the city. The recently updated JSA 2024 investigates this in more detail, analysing the health and wellbeing needs (including social determinants of health) across the city, with a particular focus on poverty and inequality.

Economy

1.5.10 Leeds is recognised as an economic powerhouse, with an economy worth £26.3 billion (GVA) in 2021[8], supported by innovative small and medium enterprises making up 98% of all businesses in Leeds[9],and is one of two cities outside London to be net contributors to the Treasury. The Leeds economy has grown by 32% over the past decade, making up 40% of the West Yorkshire £70 billion economy

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[7] The Indices of Deprivation are a measure of relative deprivation at a small local area level in England, with the 2019 indices being the most recent release. The Indices provide a set of relative measure of deprivation based on seven different domains of deprivation, including income, employment, health and disability and crime. Combined information from these seven domains produces an overall relative measure of deprivation, the Index of Multiple Deprivation (IMD).
[8] Leeds Economy | Inclusive Growth Leeds
[9] Leeds Inclusive Growth Strategy 2023-2030

[10]. Our key drivers include health, financial and legal services, digital and creative industries and advanced manufacturing. We are the second city in the UK for start-up businesses, and benefit from strong links with the city's universities and teaching hospital which are hubs of innovation[11].

1.5.11 Leeds has historically maintained a high employment rate for the working age adult population: of people aged 16 to 64 years living in Leeds, 74.7% were employed in the year ending December 2023 (81.9% of these in the private sector), though this is a decrease compared with the year ending December 2022 when the local rate was 77.3%[12]. The ONS estimates[13] that around 16,800 people aged 16 and over in Leeds were unemployed in the year ending December 2023 (4.1%), up from the unemployment rate the previous year (3.2%). Across Yorkshire and Humber, from the year ending December 2022 to the year ending December 2023, there was a decrease in the unemployment rate from 3.6% to 3.4%, with unemployment across Great Britain rising slightly over this period, from 3.6% to 3.7%. Economic activity persists in Leeds: for the year ending December 2023, the ONS estimates around 23.1% of 16-64 year olds in the city were classed as "economically inactive" (not working nor actively seeking employment), rising from 20.7% in the year ending December 2022[14]. The city acknowledges the importance of driving inclusive growth so more people can share in Leeds' success.

1.5.12 Median weekly earnings as at April 2023 in Leeds are £651, sitting above the majority of Core Cities and the regional averages[15]. However, earnings do not always reflect a route out of poverty. Nationally it is estimated that 3.8 million adults living in poverty are from households where at least one person is in work (before housing costs). This represents 9% of all working age adults in the UK in 2022/23. At a Leeds level this could mean about 49,587 adults experience in work poverty, rising to 73,000 (13%) after housing costs[16].

Poverty and Inequalities

1.5.13 The lasting impact of the pandemic and the cost of living crisis have worsened the already entrenched poverty and inequality we see in Leeds, especially concentrated in our inner-city areas. According to the 2019 IMD definitions, there are around 1 in 4 adults and 1 in 3 children living in the 10% "most deprived" communities in the country.

1.5.14 Fuel poverty analysis has a two-year time lag meaning the latest data available is for 2022, when 16% of Leeds households were in fuel poverty, up slightly from

[10] DLUHC (March 20204): A vision for Leeds: a decade of city centre growth and wider prosperity - GOV.UK (www.gov.uk)
[11] *Ibid*
[12] ONS – based on the Annual Population Survey: Leeds' employment, unemployment and economic inactivity - ONS (released May 2024)
[13] *Ibid*, with unemployment estimates modelled to improve precision compared to estimates based only on the Annual Population Survey
[14] Leeds Economy | Inclusive Growth Leeds
[15] ONS - Annual Survey of Hours and Earnings (ASHE) (released November 2023): Employee earnings in the UK - Office for National Statistics (ons.gov.uk)
[16] Households below average income (HBAI) statistics - GOV.UK (www.gov.uk)

15.8% the year before, and higher than the national average of 13.1%[17]. This is likely to significantly underestimate the current level of fuel poverty driven by the unprecedented upward pressure on energy bills seen throughout the second half of 2023 and into 2024.

1.5.15 Data from Leeds Food Aid Network suggests that almost 60,000 referrals were made in 2022/23 to support people to access a foodbank or food parcel, over a 40% increase on the previous year.[18] We have also seen a sharp rise in the number of people accessing debt advice via the Government's Money and Pensions Service (MaPS) in Leeds – up from around 3,600 people in 2021/22 to 4,800 in 2022/23.[19]

1.5.16 There continues to be a significant gap in life expectancy across the city: a female living in Harewood can expect to live 11.5 years longer than a female in Hunslet and Riverside, with similar gaps for men. The proportion of people living with multiple long-term conditions is increasing, with this likely to start earlier for people living in the poorest neighbourhoods of the city.

1.5.17 All these factors and more continue to have an impact on the demand for public services and support across a broad range of areas.

1.6 About Leeds City Council

Leeds City Council and the West Yorkshire Mayor

1.6.1 Leeds City Council was established in 1974, with the first elections being held in advance in 1973. Under the Local Government Act 1972, the area of the County Borough of Leeds was combined with those of the Municipal Borough of Morley, the Municipal Borough of Pudsey, Aireborough Urban District, Horsforth Urban District, Otley Urban District, Garforth Urban District, Rothwell Urban District and parts of Tadcaster Rural District, Wetherby Rural District and Wharfedale Rural District from the West Riding. The new Leeds district was one of five metropolitan districts in West Yorkshire and was granted a borough and city status to become the City of Leeds.

1.6.2 The City of Leeds has 33 wards, with each having three elected councillors, meaning that Full Council comprises of 99 councillors. Arriving as the result of an election, each councillor has a democratic mandate to represent the constituents living in their electoral ward. As a member of Council, they may be a member of the administration (the ruling group who have most seats) or a member of the opposition. The political party currently in administration in Leeds is the Labour Party, which holds 61 seats in Full Council.

1.6.3 The Local Government Act 2000 made provision for the adoption of executive arrangements by councils. In Leeds we have adopted the strong leader and cabinet model of executive arrangements. Under the strong leader model of

[17] Sub Regional Fuel Poverty Data 2022 (www.gov.uk)
[18] Leeds Food Aid Network, June 2023
[19] Leeds MaPS funded Debt Advice Services, August 2023

governance, the public elect their councillors and the councillors elect their leader. As such the leader of Council is usually the leader of the controlling group in Council and Councillor James Lewis (Labour) has been Leader of Leeds City Council since February 2021. In Leeds what legislation calls “cabinet” is known as Executive Board. The Leader selects members of this Board. The tradition in Leeds has been to include opposition members in Executive Board to function as a “Critical Friend” and challenge or test decisions. The Executive Board of the Council currently consists of nine executive members with portfolio responsibilities from the ruling Labour group and the leader of the Conservative Group, the largest opposition group.

1.6.4 All functions (powers and duties) of local authorities are divided between the Council and the Executive. Whilst the principal responsibilities will be an executive function under executive arrangements, some, as stated by legislation, will be specifically for Full Council. Council functions include approving the budget and the relevant policy framework, taking decisions that involve the weighing of evidence, and providing oversight and scrutiny.

1.6.5 Leeds City Council is responsible for providing all statutory local authority services in Leeds, except for those it provides in conjunction with other West Yorkshire authorities and with the West Yorkshire Combined Authority. These statutory local authority services include education, housing, planning, transport and highways, social services, libraries, leisure and recreation, waste collection, waste disposal, environmental health and revenue collection.

1.7 Our strategic ambitions

1.7.1 Our strategic ambitions to be the Best Council in the Best City in the UK provide the basis for the decisions we make on the services we provide and how best and where to allocate our resources, and thus for this Medium Term Financial Strategy. The socio-economic context and the influences explained above inform these ambitions and our priorities.

1.7.2 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.

1.7.3 Underpinning everything we do and how we work to achieve our ambitions are our Values:

- Being open, honest and trusted

- Treating people fairly
- Spending money wisely
- Working as a team for Leeds
- Working with all communities

1.7.4 In June 2023, the council launched 'Being Our Best', an organisational plan for 2023 onwards, which was recently updated in July 2024. Being Our Best sets out our plan to be an efficient, enterprising, healthy, and inclusive organisation and provides our organisational response to the Best City Ambition. The updated plan maintains the focus on our values, manager expectations and main areas for organisational change. As part of the Local Government Settlement 2024/25, the Government introduced a requirement for all local authorities to produce productivity plans. Further guidance received in April 2024 asked that the productivity plans were published on local authority websites by 19th July 2024. Given the planned update of Being Our Best, rather than producing a separate Productivity Plan, our organisational plan 2024/25 has been enhanced to respond to the Productivity Plan requirements.

1.7.5 The updated Being Our Best is focused on three interlinked themes to enable everyone to understand the role and priorities of the Council which, along with helping achieve improved outcomes, are fundamental to achieving the MTFS. These themes are:

1. **A growing, inclusive city** – describing Local Government's unique and engaging public service leadership role so that the council can make the greatest contribution to our Best City Ambition.
2. **High-quality public services** – describing the continuous improvement we strive to make in the services we deliver or commission, to improve outcomes, customer satisfaction and value-for-money.
3. **Well-run organisation** – describing the importance of good governance in line with our values and behaviours to help us make the most of all the resources and assets we have at our disposal, especially our staff.

1.7.6 Being Our Best is underpinned by other key council strategies, including our Financial Strategy, People Strategy, Estate Management Strategy and Digital Strategy which can all be found on the council's website here. It is also strengthened by the council's Be Your Best on Equality, Diversity and Inclusion objective, which recognises that we want Leeds to be a city that is fair and just, that recognises and embraces people's different needs, situations, and ambitions.

2. The Five Year Revenue Financial Plan

2.1 Introduction to Five Year Revenue Financial Plan

2.1.1 This document presents the updated MTFS position. The Five Year Plan needs to be seen in the context of the factors that have influenced and been taken account of in the development of this Medium Term Financial Strategy and which are detailed in **Part 1** of this document.

2.1.2 The Financial Plan takes account of a range of socio-economic conditions and the policy drivers that shape our Medium Term Financial Strategy and inform long term decision making. It incorporates international, national and regional influences which include: the ongoing impact of the cost of living crisis, Government announcements on funding and policy, such as the Spending Review and Chancellor's statements, the new MHCLG (Ministry of Housing, Communities and Local Government) devolution framework, Health and Social Care reform, devolution across West Yorkshire; and the socio-economic context of the city, including demography, the national and local economy, the local labour market and impact of deprivation across the city.

2.1.3 In addition, the Five Year Plan incorporates the ambitions and priorities of the Council. Socio-economic conditions and related national policy drivers have been affected by the cost of living crisis. These have shaped our Medium Term Financial Strategy and the council's operating environment, both in terms of the demand for services and the level of resources available to the Council that support the delivery of services provided to the people of Leeds.

2.1.4 The Plan has also been shaped by the financial challenges the council has had to overcome in the past, with a reduction in Government funding since 2010, and the financial challenge that is detailed in this document.

2.1.5 The Strategy for 2025/26 and 2026/27 was previously presented to Executive Board in February 2024, as part of the 2024/25 Revenue Budget and Council Tax Report. Subsequently, the gap for 2025/26 has widened from £64.6m to £106.7m, largely due to demand pressures in Adults and Children Services and a range of other pressures, i.e. unfunded pay award and the impact of the National Living Wage on the cost of Commissioned Services, netted down in part by improved collection fund and grant assumptions, and the 2026/27 gap has lessened from £47.1m to £45.7m, again due to improved Collection Fund assumptions offsetting increased pressures. Table 2.1 shows the updated position for the Medium Term Financial Strategy. In summary, the three year gap is now £194.5m and the five year gap is £273.7m. This is a five year rolling strategy and the position in later years will continue to be developed, particularly in respect of future years' demand pressures. The updated position will be reflected in future updates to the MTFS.

Table 2.1: Summary Updated Medium Term Financial Strategy 2025/26-2029/30

	2025/26 £m	2026/27 £m	2027/28 £m	3 Year Total £m	2028/29 £m	2029/30 £m	5 Year Total £m
Movement in Funding (Increase)/Decrease Sections 2.2 to 2.4	(6.884)	(13.323)	(30.752)	**(50.959)**	(21.078)	(22.719)	**(94.756)**
Inflation due to Cost of Living Crisis (Increase)/Decrease Section 2.5.5 to 2.5.9	9.055	4.890	7.945	**21.890**	8.923	8.752	**39.565**
Demand and Demography (Increase)/Decrease Section 2.5.14 to 2.5.22	49.088	4.179	7.203	**60.470**	7.620	7.648	**75.738**
Other Cost Pressures (Increase)/Decrease Sections 2.5.24 to 2.5.27	81.703	53.002	59.006	**193.711**	42.991	49.059	**285.761**
Savings Proposals (Increase)/Decrease Section 2.8	(26.273)	(3.029)	(1.291)	**(30.593)**	(1.141)	(0.885)	**(32.619)**
Updated Funding Gap	106.690	45.719	42.110	**194.519**	37.314	41.855	**273.689**

2.1.6 **Part 2** of this Medium Term Financial Strategy provides information regarding the resources available to the Council, including the forecasts and assumptions underpinning these resources and it also details the pressures that the council faces during the period covered by this Strategy.

2.2 Financial Resources

Settlement Funding Assessment (SFA) and Changes in Local Funding

2.2.1 Settlement Funding Assessment (SFA) is the aggregate of core general government grant (Revenue Support Grant), the funding a local authority is expected to retain from locally collected business rates, known as the business rates baseline, and a tariff paid from locally retained business rates to Government. It is provisionally announced as part of the annual provisional Local Government Finance Settlement (LGFS) usually in December and confirmed in the Final LGFS in February.

2.2.2 **Table 2.2** shows SFA and the other sources of funding included in the council's Net Revenue Budget. These are Council Tax income and Business Rates growth income and are discussed in further detail in **Section 2.3.**

2.2.3 Additionally, the council receives specific grants from Government. Although these can be announced alongside the LGFS they do not form part of the SFA. Changes in the levels of specific grants receivable are discussed in more detail at **Section 2.4.**

Table 2.2 Estimated Level of Financial Resources

	2024/25 Final £m	2025/26 Indicative £m	2026/27 Indicative £m	2027/28 Indicative £m	2028/29 Indicative £m	2029/30 Indicative £m
Revenue Support Grant	35.6	35.6	35.6	35.6	35.6	35.6
Business Rates Baseline	172.0	174.5	176.9	179.4	181.9	184.4
Settlement Funding Assessment	**207.6**	**210.1**	**212.5**	**215.0**	**217.5**	**220.0**
Net Cumulative Business Rates Growth	0.5	1.3	(0.6)	3.4	5.4	7.5
Business Rates Surplus/(Deficit)	(3.2)	0.8	0.0	0.0	0.0	0.0
Council Tax: Core	361.5	376.2	394.0	413.4	434.1	456.0
Council Tax: Adult Social Care Precept	57.4	65.8	74.7	84.2	94.2	104.9
Council Tax Surplus/(Deficit)	(1.9)	(6.8)	0.0	0.0	0.0	0.0
Net Revenue Budget	**622.0**	**647.3**	**680.6**	**715.9**	**751.2**	**788.4**
Change in Resources	**48.6**	**25.3**	**33.3**	**35.4**	**35.2**	**37.2**

2.2.4 The council's Net Revenue Budget, as shown in **Table 2.2**, is the net funding requirement to be met by general government grant and from local funding - Business Rates and Council Tax income. It is calculated as the amount by which the council's gross expenditure exceeds its income from sales, fees and charges, specific grants and contributions and from all other income sources for that particular year. This gap between gross income and gross expenditure is then partly met by SFA and Business Rates Growth. After taking account of any Collection Fund surplus or deficit brought forward from the previous year, any remaining gap is funded from Council Tax income – the Authority's 'Council Tax Requirement.' Each of these elements is discussed further in **Section 2.3**.

2.2.5 **Table 2.2** shows that the Net Revenue Budget for the council is forecast to increase over the life of the Strategy, from £622.0m in 2024/25 to an estimated £788.4m in 2029/30. Local funding returned to pre-covid levels in 2024/25, however growth in both the Business Rates and Council Tax taxbases continues to be impacted by the cost of living crisis and, in the case of Business Rates, by the financial assistance government offers businesses by granting additional reliefs against their rates bills. This reduces the Business Rates paid by those businesses and therefore impacts the Net Revenue Budget, although the Government compensates the authority for this through a specific grant. Growth above the baseline for Business Rates is expected in 2025/26 but is expected to fall below the baseline in 2026/27 as pressure occurs from Business Rates reductions due to ratepayers' appeals against their liability to the Valuation Office Agency following the start of the new ratings list in 2026, returning to growth in 2027/28 for the remainder of the Strategy.

2.3 Budget Assumptions

2.3.1 The Spending Review published by the previous Government in October 2021 covered the years 2022/23 to 2024/25. The new Chancellor made a statement

(Fixing the Foundations: Public Spending Audit 2024/25) to the House of Commons on 29th July 2024, setting the date of the next Budget for 30th October 2024, which will contain spending plans for the financial year 2025/26 only. A three year Spending Review will follow in the Spring of 2025. This will cover multiple years so it is hoped that the Local Government Finance Settlement due in December 2025 will also cover multiple years, but it is expected that the Settlement due in December 2024 will include allocations to individual authorities for only one year. Existing indicative funding envelopes for 2025/26 onwards imply that unprotected spending, including Local Government Grant funding, could see cuts averaging 2% to 3.5% in real terms per year. In the absence of other information these indicative forecasts have provided the basis for assumptions used in this Strategy.

2.3.2 Revaluations now take place every three years rather than every five years, and the adjustments required to top ups and tariffs to ensure local authorities do not gain or lose from a Revaluation mean that top ups and tariffs will become less stable and certain than before. Careful calculations will be required from year-to-year to accurately reflect this cost in the council’s financial strategy.

2.3.3 Changes in local funding, i.e., Business Rates Retention and Council Tax, are discussed in **Paragraphs 2.3.4 to 2.3.23.**

Business Rates Retention

2.3.4 The Leeds City Region Business Rates Pool commenced on 1st April 2024 and is made up of the 5 West Yorkshire Authorities plus York. Within the current 50% retention arrangements, the Leeds City Region Pool retains levy payments on growth which two of the member authorities would otherwise have paid to Government. These pooling arrangements will continue until 31st March 2025.

2.3.5 Pooled levy payments are spent locally by a Joint Committee made up of representatives of the member local authorities. The council is currently projected to contribute levy payments to the Pool of £1.5m in 2025/26 and 2026/27, £1.7m in 2027/28, £1.9m in 2028/29, and £2.0m in 2029/30 based on current projections of income from the Business Rates Retention Scheme.

2.3.6 The continuing impact of the cost of living crisis and its economic consequences have undoubtedly slowed the recovery in locally generated income since the COVID-19 pandemic. Areas of particularly high risk for the council reflected in this Strategy include higher than pre-pandemic levels of Empty Rates Reliefs and a slowing of growth in the tax base in the city in 2025/26 and future years. However there has been a reduction in the requirement for bad debt provisions in the last year which it is assumed will continue throughout the rest of the Strategy.

2.3.7 The assumptions used to forecast business rates income in the Strategy are shown in **Table 2.3**.

Table 2.3 Assumptions used to forecast business rates income

	2024/25 Final	2025/26 Indicative	2026/27 Indicative	2027/28 Indicative	2028/29 Indicative	2029/30 Indicative
In-year growth in taxbase	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Level of bad debts	-1.4%	-1.4%	-1.4%	-1.2%	-1.0%	-1.0%
Level of Empty Rates relief	-4.2%	3.9%	4.3%	4.3%	4.3%	4.3%
Small Business Multiplier compensation factor	24.8%	27.3%	27.3%	27.3%	27.3%	27.3%
Standard Multiplier compensation factor	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%
Level of retention	50%	50%	50%	50%	50%	50%

2.3.8 The Budget for retained Business Rates income is set annually in January of the preceding financial year and this determines the precept transferred from the Collection Fund to the General Fund each year. Any shortfall in business rates income received in comparison with the budget set is carried through into the following year as a surplus or deficit. An estimate of any such surplus or deficit is also made in January in the year preceding that in which it is to impact the budget, and this is known as the 'declared deficit'. At the end of 2023/24, a number of changes occurred to Business Rates income after the declaration of the deficit. These were largely due to the Valuation Office Agency (VOA) making a large number of decisions about appeals and an improvement in the collection rate in Leeds. The decisions about appeals, which are outside of the control of the council, saw a net improvement in the position for Leeds of £1.5m because Leeds had previously set aside more than enough provisions for these costs and reductions to rates saw a downward adjustment to reliefs awarded in previous years. The improved collection rate in Leeds in 2023/24 allowed provisions for bad debts to be reduced by £4.8m. The improvement to the deficit on the collection fund was therefore £6.2m and the Leeds share of this gain is £3.0m. This is carried forward into 2025/26. However, in 2024/25 it is projected that the Leeds share of the in-year deficit will be £2.3m, meaning that overall the General Fund will be able to recover a small surplus of £0.75m from the Collection Fund in 2025/26. The in-year deficit in 2024/25 is projected to be caused by increased demand for Empty Rate Relief of £1.2m (not funded by Government), Small Business Rates Relief of £1.1m (69.1% funded by Government), Extended Retail Relief of £0.25m (fully funded by Government), and other small changes that have improved the taxbase by £0.3m, offset by a reduced cost of Mandatory Charity Relief of £0.4m.

2.3.9 It is assumed that the in year business rates income retained in 2025/26 to 2029/30 will be as budgeted and that therefore the Collection Fund will return to balance with no further deficits. At the time of writing the council is not aware that the Government will cease to support retail and leisure establishments, a measure introduced in response to the cost of living crisis, thus support at the current level of 75% relief up to £110,000 per business nationally is assumed in the Strategy from 2025/26 onwards. It is also assumed that this support will continue to be funded via a Section 31 grant which will compensate the council for any loss of retained business rates income.

2.3.10 Based on the assumptions in **Table 2.3**, the Strategy assumes that budgeted in year Business Rates income retained by the council in 2024/25 (£172.5m) will increase to £175.7m in 2025/26, as it is assumed that the slowdown in in-year growth and pressure on Empty Rate Relief will continue for another year. In 2026/27 a new ratings list will come into effect and the council has made an additional one-off allowance of £4.0m for the added cost of provisions for appeals which occur around the end of each ratings list. Therefore, it is assumed that in-year retained Business Rates income will increase by only £0.6m to £176.3m in 2026/27. This rises to £182.7m in 2027/28, £187.3m in 2028/29 and £191.9m in 2029/30.

2.3.11 Taking account of the impact of the deficit carried forward, the total budgeted income retained from the Business Rates Retention Scheme will increase from £169.4m in 2024/25 to £176.5m in 2025/26. In 2026/27 this is expected to rise to £176.3m. Finally, the contribution of Business Rates to the Net Revenue Charge will increase to £182.7m in 2027/28, £187.3m in 2028/29 and £191.9m in 2029/30.

2.3.12 Business Rates growth above the baseline represents the growth in retained Business Rates income achieved by the Authority since the start of the Retention Scheme in 2013/14. Originally Government stated that the growth achieved nationally would be pooled in 2020/21 and redistributed following the Fair Funding Review along with further reforms to the Retention Scheme, a process known as a 'reset'. The reset has been repeatedly postponed due to Brexit and the COVID-19 crisis and now it is highly uncertain when it will take place. However, any estimation of the amount of growth to be distributed by any reset is almost impossible to estimate due to the volatility of Business Rates income since the pandemic. Therefore, this Strategy assumes that any effects of these processes will be revenue neutral.

2.3.13 In the years 2020/21 to 2023/24 increased risks around bad debts, Empty Rates Relief, continued reductions to the tax base (the aggregate Rateable Value of all business premises in Leeds) and reduced in-year growth in future years due to the pandemic in 2020/21 more than reversed all the accumulated growth achieved since 2013/14. In 2024/25 it is forecast there would a small amount of growth above the baseline of £0.5m and that this growth will continue into 2025/26, reaching £1.3m. In 2026/27 with the ending of the 2023 Ratings List it is forecast that pressure due to appeals will again negate any growth above the baseline, shrinking by £0.6m. It is therefore projected that growth above the baseline will not return until 2027/28.

2.3.14 Details of the underlying assumptions for each element of growth above the baseline are given in **Table 2.3**. The net effect of these assumptions on growth above the baseline is detailed in **Table 2.4**.

Table 2.4: The net effect of losses on Business Rates growth above the baseline

	2025/26 Indicative	2026/27 Indicative	2027/28 Indicative	2028/29 Indicative	2029/30 Indicative
Leeds share of growth above the baseline	49%	49%	49%	49%	49%
Growth above baseline assumed in previous year (£m)	**0.5**	**1.3**	**-0.6**	**3.4**	**5.4**
Increase in current taxbase in 2023/24 (£m)	0.7	0.0	0.0	0.0	0.0
Change in cost of bad debt provisions (£m)	-0.1	0.0	0.0	0.0	0.0
Change in cost of empty rate relief (£m)	-0.1	-2.0	0.0	0.0	0.0
Change in cost of Small Business Rates Relief (£m)	-1.1	0.0	0.0	0.0	0.0
In-year growth of business rates yield (£m)	1.9	2.0	2.0	2.0	2.0
Increased demand for extended Retail Relief (£m)	-0.4	0.0	0.0	0.0	0.0
Forecast increase in appeals provision in 2026/27	0.0	-2.0	2.0	0.0	0.0
Other changes in the tax base (£m)	-0.1	0.0	0.0	0.0	0.1
Growth above baseline assumed in current year (£m)	**1.3**	**-0.6**	**3.4**	**5.4**	**7.5**

2.3.15 There are no outstanding appeals left against the 2010 ratings list for Leeds and this is now closed. The 2017 ratings list came to an end on 31st March 2023. In most cases this sees the end of the ratepayers' right to appeal against their Rateable Value on that list. The risks posed by appeals against the 2017 ratings list continue to come down as outstanding appeals are resolved. Provisions against the new 2023 Ratings List remain low, and expectations are that, because Ratings Lists will be revalued every three years rather than the previous minimum of five, Rateable Values will be more representative of the current commercial property market and fewer appeals will be submitted.

2.3.16 There remain many uncertainties around the future of Business Rates Retention within the local government finance system. With the election of a new Government with a manifesto pledge to replace Business Rates with a 'fairer' business tax raising the same amount of revenue, these uncertainties are further increased. A reset of the Business Rates Retention Scheme was originally expected in 2020/21 but has been repeatedly postponed. The timing of such a reset, seeing business rates growth above the baseline redistributed through Settlement Funding Assessment, remains unclear. There has also been little mention of moving to 75% retention rather than the current 50%, or when that might happen if at all. Therefore, this Strategy assumes that any effects of these processes will be revenue neutral.

2.3.17 **Annexe A1** to this report provides further background information regarding Business Rates and the forecasts in the MTFS.

Council Tax

2.3.18 This Medium Term Financial Strategy is written in the context of the cost of living crisis and recent relatively high interest rates. As such, the Strategy assumes a lower than average underlying growth in the taxbase (excluding the impact of Local Council Tax Support) in 2025/26 of 0.8% which will not recover to pre-pandemic levels for the rest of the period of this Strategy reaching 0.9% in 2026/27 and 1% thereafter, as shown in **Table 2.5**. The taxbase is the number of Council Tax band D equivalent residential properties in the City of Leeds less any discounts and exemptions that have to be applied according to statute and is explained in further detail at **Annexe A2.**

2.3.19 The Strategy further assumes that the number of Local Council Tax Support claimants will remain above average between 2025/26 and 2027/28 in line with the forecast unemployment rate from the Office for Budget Responsibility. **Table 2.5** projects that unemployment, the main driver of working age claims for Council Tax Support, is expected to rise gradually from its equilibrium rate of 4.1% to 4.4% in 2024/25 and 2025/26 reducing to 4.3% in 2026/27 and 4.2% in 2027/28, settling back to 4.1% in 2028/29. The effect of the cost of living crisis on Local Council Tax Support claims will remain under review, however, impacts can be seen nationally on collection rates of Council Tax, and this is mirrored in Leeds. In 2024/25 the Council has had to reduce its projected collection rate from 99% to 98%, in the fullness of time, at a cost £4.2m. Thereafter, the Council's forecast collection rates will improve slightly to 98.5% but this is 0.5% below previously assumed levels and reduces the revenue from Council Tax by approximately £2.1m per year.

2.3.20 The Strategy projects that councils will be able to raise core Council Tax by 2.99% in 2025/26 in line with previous years and this assumption continues for the life of the Strategy. It is assumed there will be an additional precept for Adult Social Care of 1.99% in 2025/26, again also assumed for the rest of the period of this Strategy. However, the position currently remains highly uncertain and any increase above these assumptions would generate additional resources that could be used to contribute towards closing the estimated budget gap.

2.3.21 As with Business Rates, any shortfall or surplus between budgeted and actual Council Tax income is a cost or gain that must be carried forward to the following year. In 2024/25 it is estimated that there will be a deficit generated for Council Tax of £6.8m. This significant deficit is largely the result of pressures on collection rates in 2023/24 and 2024/25. After declaration of the 2023/24 deficit the collection rate for that year had to be reduced from 99% to 98.5% generating an additional deficit of £2.1m, which is carried forward to the 2025/26 budget. In 2024/25 collection rates continue to have reduced across England largely due to pressures on households following the cost of living crisis. The position recognises that Leeds will have to change its collection rate from 99% to 98% in the fullness of time at a cost of £4.2m to the deficit. The remaining £1.5m deficit is due to pressures on the housing market lowering the number of new additions to the council's taxbase.

2.3.22 After 2025/26 it is assumed that actual income will be as budgeted and therefore no surplus or deficit is included.

2.3.23 Parliamentary approval for two reforms to the Council Tax system in the Levelling Up and Regeneration Act, was received on 26th October 2023. The two reforms included:

- The introduction of a 100% premium on council tax charged to those in a second home. This was subsequently approved by Full Council in February 2024 as approval had to be given at least one year in advance of the premium coming into force in Leeds. As such additional income from this reform will be realised from 1st April 2025 and is estimated to be £3.6m, which is included in projections of revenue from that date.

- The qualifying period for the 100% premium on long-term empty dwellings, was reduced from two years to one year. Full Council approved this change in January 2024 and the additional premium came into effect on 1st April 2024, generating an estimated additional revenue of £1.6m.

Table 2.5 Assumptions used to forecast council tax income

	2024/25 %	**2025/26 %**	**2026/27 %**	**2027/28 %**	**2028/29 %**	**2029/30 %**
Core increase to LCC precept	2.99%	2.99%	2.99%	2.99%	2.99%	2.99%
Increase to Adult Social Care precept	1.99%	1.99%	1.99%	1.99%	1.99%	1.99%
Underlying taxbase growth from previous year	0.81%	0.80%	0.90%	1.00%	1.00%	1.00%
Levels of Bad Debt	2.00%	1.50%	1.50%	1.50%	1.50%	1.50%
Unemployment assumptions impacting on levels of LCTS	3.70%	4.10%	4.40%	4.30%	4.20%	4.10%

2.3.24 **Annexe A2** to this report provides further background information regarding Council Tax and the forecasts in the MTFS.

2.4 Other Funding Changes

2.4.1 The paragraphs below outline the key changes to other funding that the Council receives, summarised in **Table 2.6**, in addition to changes to the Settlement Funding Assessment and to local funding outlined above. In summary, funding is expected to increase by £51.0m over the three years to March 2028 and increase by a total of £94.8m over the five years of the Strategy.

Table 2.6: Summary of Funding Changes

	2025/26 £m	2026/27 £m	2027/28 £m	**3 Year Total £m**	2028/29 £m	2029/30 £m	**5 Year Total £m**
Change in Resources due to Settlement Funding Assessment and Local Funding Table 2.2 Paragraphs 2.2.1 to 2.3.24	(25.336)	(33.295)	(35.353)	**(93.984)**	(35.249)	(37.199)	**(166.432)**
Specific Grant Funding Changes Paragraphs 2.4.2 to 2.4.18	(2.631)	(0.584)	(0.440)	**(3.655)**	(0.440)	(0.440)	**(4.535)**
Other Changes in Resources Paragraph 2.4.19 to 2.4.21	8.553	(0.929)	(1.057)	**6.567**	(1.171)	(1.208)	**4.188**
Movement on use of Reserves Paragraphs 2.4.22 to 2.4.28	12.530	21.485	6.098	**40.113**	15.782	16.128	**72.023**
Total Funding Changes	(6.884)	(13.323)	(30.752)	**(50.959)**	(21.078)	(22.719)	**(94.756)**

Specific Grant Funding Changes - New Homes Bonus

2.4.2 Since 2011/12, the council has received New Homes Bonus, an incentive grant based on housing growth. In 2018/19, the former 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. The council's Budget for 2024/25 assumed no future New Homes Bonus payments (a payment received in 2025/26 would relate to and be accounted for housing growth in 2024/25). Clarity is not expected until the Provisional Local Government Finance Settlement in December 2024.

Specific Grant Funding Changes – Adult Social Care

2.4.3 The Autumn Statement 2023 confirmed £19.3m of additional Social Care Grant for adult and children's social care. The MTFS reflects £1.2m of this additional grant in Adult Social Care in 2025/26, and the Strategy assumes this falls out in 2026/27.

2.4.4 The Market Sustainability and Improvement Fund (MSIF) was introduced as part of the 2022/23 final Local Government Finance Settlement. When the original requirement of the funding was delayed (including Fair Cost of Care) the funding was honoured to help the social care system deal with inflationary pressures. At the time, Leeds expected to receive £2.2m in 2022/23, £7.7m in 2023/24 and £3.9m in 2024/25. Additional funding has subsequently been allocated for 2025/26 with Leeds receiving £2.8m. 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 £2.8m of additional funding is included in the base pressures in this Strategy.

2.4.5 The MTFS includes inflationary increases for the improved Better Care Fund: £0.7m in 2025/26 and £0.4m per annum for the years 2026/27 to 2029/30.

2.4.6 As such, the Medium Term Financial Strategy assumes a £4.7m increase in Adult Social Care grant resources in 2025/26, increasing by £0.4m in 2026/27 and continuing to increase at this level until 2029/30.

2.4.7 The Strategy assumes Councils will be able to raise a 1.99% Adult Social Care Precept in 2025/26 and in the later years of the Strategy. This is reflected in the Council Tax assumptions.

Specific Grant Funding Changes – Children and Families

2.4.8 The Strengthening Families Protecting Children Team in Children and Families have responsibilities for bidding for sector-led improvement funding grants from the Department for Education. In 2024/25 grant of £1.6m was received. This is expected to reduce by £0.6m in 2025/26, with this new level continuing for the life of the Strategy.

2.4.9 The numbers of Unaccompanied Asylum Seeking Children supported by the Council has increased and as such the Strategy assumes an additional £2.0m of Home Office Funding to continue to support and care for UASC in 2025/26 and a further increase of £1.2m of funding in 2026/27 and for the life of the Strategy.

2.4.10 Fall out of £0.3m of Dedicated Schools Grant (DSG) funding is reflected in 2025/26, netted off by the assumed use of £0.1m of DSG to meet the costs of new Schools Health and Safety Worker posts.

2.4.11 As such, the Medium Term Financial Strategy assumes a £1.2m increase in Children's Social Care grant resources in 2025/26, and a further increase of £1.2m in 2026/27, continuing at this level for the life of the Strategy.

Specific Grant Funding Changes – Communities, Housing and Environment

2.4.12 The MTFS reflects several grants falling out or reducing in 2025/26 in the Communities, Housing and Environment directorate. These include Household Support Fund £1.6m, Supported Housing Improvement Programme funding £0.5m and Accommodation for Ex Offenders £0.2m, with further reductions in 2026/27 relating to Ukraine grant £0.7m and the Local Welfare Support Scheme £0.3m.

2.4.13 As such, the Medium Term Financial Strategy assumes a £2.2m reduction in Communities, Housing and Environment grant resources in 2025/26, further reducing by £1.0m in 2026/27, and continuing at this level for the remaining life of the Strategy.

Specific Grant Funding Changes – Strategic Accounts including Section 31 grants

2.4.14 The Strategy reflects fallout of £1m Services Grant in 2025/26 with no allocation of this grant assumed going forward.

Section 31 grants

2.4.15 Section 31 grants are received from Government to compensate local authorities for the costs of business rates reliefs introduced by the Government since the start of the Business Rates Retention Scheme and increases to the Small Business Rates multiplier being capped at CPI rather than RPI. Between 2020/21 and 2023/24 both the Small Business Rates Multiplier and the higher National Multiplier were frozen in the wake of the COVID-19 pandemic and cost of living crisis. In 2024/25 the Government implemented powers to raise the two multipliers independently of each other to a maximum of CPI. In 2024/25 Government froze the Small Business Rates Multiplier but increased the higher National Multiplier by CPI. Local Government is compensated for historic capping of both the Small Business Rates and National Multipliers but only compensated for continued capping of the Small Business Rates Multiplier as it is expected that this multiplier will continue to be frozen whilst the higher multiplier will be increased by CPI annually.

2.4.16 The Strategy assumes that the Small Business Rates Multiplier will be frozen again in 2025/26 and that approximately 30% of the taxbase in Leeds will be subject to this frozen multiplier. The higher National Multiplier is expected to increase by CPI again and therefore no further compensation for the remaining 70% of the taxbase is expected. The total multiplier cap compensation is expected to be net £38.7m after an adjustment is made for the council's tariff, with CPI currently assumed to be 2.0% for the purposes of the Business Rates Multipliers. The Strategy then assumes that the value of this grant will be maintained in real terms, but there will be no further compensation, until the end of the Strategy period.

2.4.17 Government has awarded local authorities funding to meet the cost of mandated Business Rates reliefs introduced since 2013/14, when the Business Rates Retention Scheme began. This includes assistance given to the Retail, Leisure and Hospitality sectors which was initially introduced during the pandemic to support businesses when they were forced to close and then continued during the cost of living crisis at a reduced rate. It can award up to 75% relief against a ratepayer's liability to a maximum of £110,000 per business nationally throughout the cost of living crisis. It is assumed that this extended Retail Relief will continue throughout the lifetime of this Strategy.

2.4.18 It is assumed that extended Retail Relief offered to businesses in 2024/25 will be continued in 2025/26, therefore Section 31 grant for Retail Relief also continues to be received in 2025/26. The total increase in Section 31 grant funding for 2025/26 is forecast to be £2.6m. After 2025/26 it is projected that Section 31 grant relief funding will increase by £1.3m in 2026/27, 2027/28, and 2028/29 and by £1.4m in 2029/30.

Other Funding Changes – Strategic Accounts

2.4.19 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 2.3.4. It is estimated that levy payments will remain at £1.5m in 2025/26 and 2026/27, before rising to £1.7m in 2027/28, £1.9m in 2028/29 and £2.0m in 2029/30.

Other Changes in Resources

2.4.20 The Medium Term Financial Strategy reflects the fallout of WYCA gainshare funding of £0.6m in 2025/26 and a further £1.7m in 2026/27.

2.4.21 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 in full so they need to revert to revenue. This created a base budget pressure of £0.2m in 2024/25 and this pressure has increased by a further £0.2m in 2025/26.

Movement on the use of reserves

2.4.22 The opening General Reserve position in 2024/25 stood at £36.2m with the opening position for 2025/26 estimated to be £37.7m, reflecting a planned contribution of £1.5m to this reserve in 2024/25. This Medium Term Financial Strategy reflects no further contribution to this reserve in 2025/26 given the significant financial challenge being faced by the authority but proposes a base budget contribution of £3.0m per annum from 2026/27, giving a projected General Reserves position of £49.7m at 31st March 2030. The impact of these assumptions on the level of General Reserve over the life of the Strategy is discussed in **Part 6** of this Strategy document.

2.4.23 The opening General Fund earmarked reserves for 2024/25 stood at £117.1m. This total includes £23.0m of Strategic Contingency Reserve, established in 2020/21 to fund future unforeseen budget pressures and to ensure the Council becoming more financially resilient. There is currently a net in year contribution of £2.0m: a budgeted contribution of £5.9m and planned use of £3.8m, which would leave an estimated balance on the Strategic Contingency Reserve of £25.0m at 31st March 2025. This reserve may be required to meet any in year overspend in 2024/25 that cannot be resolved by other means. The Strategy provides for a contribution of £2.7m to this reserve in 2025/26.

2.4.24 The Strategy provides for a base contribution of £2m per annum to the Insurance reserve and £0.5m per annum to the MMI reserve from 2025/26.

2.4.25 A new Strategic Resilience Reserve was established in 2024/25 in order to increase the Authority's financial sustainability in future years. Whilst this Strategy assumes no contribution to this reserve in 2025/26, a base contribution of £3m per annum is reflected from 2026/27.

2.4.26 The 2024/25 budget established the Social Care Contingency reserve in order to support the significant risks facing the Council in regard to demand and cost pressures in both Adult and Children's Social Care. As reported in the 2024/25 Financial Health report to July's Executive Board this reserve has been applied in full to offset anticipated delays in the delivery of savings in both Adults & Health and Children & Families where it is anticipated that these savings will be delivered by 2025/26. A base contribution of £0.5m per annum is provided for in 2025/26 with an additional £10.0m base contribution in each of the years 2026/27, 2028/29 and 2029/30, when the wider financial position of the Council becomes more manageable, to ensure the Strategy is sufficient to meet future pressures in social care.

2.4.27 The Strategy proposes the creation of a new Accounting Adjustment Reserve, a technical contingency reserve that will be set up to deal with any accounting adjustments that are required outside of the determination of annual revenue budgets, and provides £1.6m in 2026/27, with further contributions in later years.

2.4.28 Movements across these and a range of other earmarked reserves provide for a net increased contribution of £72.0m from the General Fund over the life of the Strategy, including to support measures to improve financial sustainability, discussed at **Section 2.7.** Of this total, £15.5m occurs in 2025/26.

2.5 Budget Pressures

2.5.1 **Table 2.7** summarises the cost pressures identified as part of the Strategy for 2025/26 to 2029/30. Given the impact of pay and cost of living pressures upon the council's financial position these have been shown as either "Inflationary Pressures" or "Non-Inflationary Pressures" to separately identify the impact of inflation in addition to the other pressures noted.

Table 2.7: Summary of Cost Pressures

	2025/26 £m	2026/27 £m	2027/28 £m	**3 Year Total £m**	2028/29 £m	2029/30 £m	**5 Year Total £m**
Inflationary Pressures:							
Pay Award and the Leeds Living Wage	20.074	19.882	21.899	**61.855**	19.020	23.557	**104.432**
National Living Wage for Commissioned Services	23.549	19.067	20.672	**63.288**	22.276	23.390	**108.954**
Energy	(0.096)	(1.570)	0.994	**(0.672)**	1.043	1.043	**1.414**
Fuel	0.116	0.121	0.123	**0.360**	0.124	0.124	**0.608**
Other General Price Inflation	9.036	6.339	6.827	**22.202**	7.756	7.585	**37.543**
Paragraphs 2.5.2 to 2.5.9							
Non-Inflationary Pressures:							
Employers Local Government Pensions Contributions	(0.300)	0.000	0.000	**(0.300)**	0.000	0.000	**(0.300)**
Severance & Capitalised Pension costs	2.104	(3.838)	(0.216)	**(1.950)**	(0.110)	(1.652)	**(3.712)**
Demand and Demography	49.088	4.179	7.203	**60.470**	7.620	7.648	**75.738**
Income Pressures	2.266	1.825	0.600	**4.691**	0.200	0.000	**4.891**
Other Cost Pressures	27.484	7.254	12.205	**46.943**	1.820	0.000	**48.764**
Debt	6.526	8.813	3.845	**19.184**	(0.216)	3.764	**22.732**
Paragraphs 2.5.10 to 2.5.27							
Total Funding Changes	139.847	62.071	74.153	**276.071**	59.534	65.459	**401.064**

Inflationary pressures

2.5.2 **Pay Award and the Leeds Living Wage**: At the time of writing this Strategy, a 2.5% Pay Award for JNC staff has been agreed for 2024/25. However, agreement has not been reached between the National Employers and Trade Unions regarding the 2024/25 NJC Pay Award. The offer from the National Employers is a pay increase of £1,290 for all NJC staff. Some Trade Unions have rejected this offer and are balloting their members on whether to instigate industrial action. Any pay awards will be required to be funded by the Council. The financial position shown in this Strategy does not include the 2024/25 pay offer as it is not yet agreed in full. If agreed, the pay offer will exceed the 2024/25 budget by approximately £2.2m, increasing the base budget requirement for 2025/26.

2.5.3 This Strategy makes provision for the costs of 3.5% annual pay awards for both NJC and JNC staff for each year of the period covered by the Medium Term Financial Strategy. The Strategy also assumes increases in the Real Living Wage of £0.88 per hour each year. As such this Strategy makes provision for £20.1m of pay award and pay-related costs in 2025/26, with this figure increasing to £23.6m in the final year of the Strategy.

2.5.4 **National Living Wage for Commissioned Services**: In respect of services commissioned from external providers, provision has been made for £23.5m in 2025/26, £19.1m in 2026/27 and £20.7m in 2027/28. As such over the first three years of the Strategy, provision is made of £63.3m in this area. The remainder of the Strategy is estimated to require £22.3m in 2028/29 and £23.4m in 2029/30, meaning that the five year Strategy makes a total provision of £109.0m for Commissioned Services. This pressure sits in the Adults and Health Directorate. The increased costs in the Adults and Health Directorate reflect an assumption regarding the Real Living Wage rate for 2025/26 reflecting advice from the Low Pay Commission of £12.47/hour and a further 40p/hour for Homecare in 2025/26

2.5.5 **Energy:** The 2023/24 budget previously provided for significant increases in energy costs reflecting the price rises that were seen at the start of the cost of living crisis and with the onset of the Russian invasion of Ukraine. Following the peak in 2023/24 energy prices have since stabilised and reductions were made in the 2024/25 budget and these have been further reduced in the Strategy for 2025/26 and 2026/27. The Strategy assumes a £0.1m reduction in energy costs in 2025/26 compared to the base budget in 2024/25 with a further £1.6m reduction in 2026/27, before providing for increases of £1.0m in each of the remaining years of this Strategy.

2.5.6 **Fuel:** This Strategy assumes slight annual increases in fuel costs in each year. when compared to the base position for 2024/25, making provision for increases of around £0.1m per annum. Over the life of the Strategy a pressure of £0.6m is assumed.

2.5.7 **Other general inflation:** Historically, the Medium Term Financial Strategy has not provided for general price inflation due to prevailing low rates of inflation, with inflationary allowances only being made where there was a contractual commitment. Whilst this can vary from contract to contract, it is often index linked to CPI or RPI, the forecasts for both have fallen since their recent high (September forecast from the OBR for CPI is 1.6% and RPI is 2.5%). Where PFI schemes are linked to CPI or RPI the Council needs to provide for the increase accordingly. Price rises in recent years have driven higher inflation and have impacted on the cost of goods and services procured by this authority. Although inflation is now reduced from its recent high, it still stands above the Bank of England target of 2%.

2.5.8 As such, this Strategy makes allowance for general price inflation. In 2025/26 contract and general inflation of £9.0m is provided for as follows: Adults and Health £2.8m, Children and Families £3.0m, City Development £2.3m, Communities, Housing and Environment £0.4m and Strategy & Resources £0.5m. As inflation is expected to return towards the Bank of England's targeted level of inflation of 2% over the period, this Strategy reflects this, with the amount to be provided for general price inflation reducing to £6.3m council-wide in 2026/27, with £37.5m being provided for the life the Strategy.

2.5.9 Following a detailed review of all Fees and Charges, the Strategy has assumed an inflationary uplift on fees and charges where it is considered they can be borne by the market.

Non-inflationary budget pressures

2.5.10 The Financial Strategy makes allowance for non-inflationary pressures, and these are summarised below.

Employers Local Government Pensions Contributions

2.5.11 The most recent actuarial valuation showed that the West Yorkshire Pension Fund is in a surplus position, reflected in a reduced cost for Leeds of (£0.3m) from 2025/26. The position assumes an employer's contribution of 15.7% each year, resulting in no additional pressure in the current Strategy. However, we will continue to review this position in discussion with the actuaries as current inflationary pressures do present a risk to equity markets.

Early Leavers Initiative – Fall-out of capitalised pension costs

2.5.12 The fall-out of capitalised pension costs associated with staff who have left the council under the Early Leavers Initiative (ELI) will save an estimated £1.7m in 2025/26. 2026/27 also has a significant reduction of £4.4m. These reduced costs relate to the fall-out of the pensions costs associated with the high numbers of staff leaving in 2020/21 and 2021/22. Savings in the Strategy then reduce to £0.039m by 2029/30.

Voluntary Leavers' Scheme – Capitalised pension costs

2.5.13 In October 2023, the authority launched a targeted Voluntary Leavers' Scheme (VLS). This Strategy provides for the continuation of this scheme into 2025/26 as an important measure to address the ongoing financial challenge. Provisions of £3.8m in 2025/26 and £0.6m in 2026/27 have been made to meet any associated pension strain costs. These costs will start to fall-out in 2029/30 with an estimated reduction in costs of £1.6m in that year.

Demand and Demography

2.5.14 The Medium Term Financial Strategy recognises the increasing demography and consequential demand pressures for services in Adult Social Care, Children and Families services and Temporary Accommodation and Waste services, with £75.7m being provided over the five years up to 2029/30 as shown in **Table 2.9**.

Table 2.9 Demand & Demography

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Adults & Health	10.63	7.87	6.88	7.28	7.65	40.30
Children & Families	38.13	(4.31)	0.00	0.00	0.00	33.82
Communities, Housing & Environment	0.33	0.62	0.33	0.34	0.00	1.61
	49.09	**4.18**	**7.20**	**7.62**	**7.65**	**75.74**

Adults and Health

2.5.15 Within Adults and Health, the population growth forecast assumes a steady increase from 2025 in the number of people aged 65+ between 2025 and 2029. These increases of 1.08%, 1.37%, 1.43%, 1.41% and 1.41% 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. The Strategy provides £10.6m to deal with demand and demographic growth for 2025/26, and £40.3m over the five years of this Strategy.

2.5.16 It should be noted that in total in 2025/26 the Strategy makes specific provision for this population growth pressure totalling £37.4m which covers demand and demography, inflation and National Living Wage/Real Living Wage increases.

Children and Families

2.5.17 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.

2.5.18 The main drivers of demand pressures are well documented nationally and locally. The demand for Children and Families services has been significantly influenced by the COVID-19 pandemic. 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.

2.5.19 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.

2.5.20 As a result of these trends, CLA numbers nationally and in Leeds continue to increase. This trend is expected to continue and has been built into the Strategy.

Consequently, the Medium Term Financial Strategy provides £33.82m in total over the next five years for the projected demand in the CLA and financially supported non-CLA budget, excluding inflation. This represents a gross increase of £31.90m in 2025/26 which will be netted down by expected savings of £15.21m due to the CLA sufficiency strategy included in Section 2.8**.** This gives a net pressure of £16.69m in 2025/26. In 2026/27, the net pressure reduces by £4.31m due to the ongoing impact of the sufficiency strategy. The Directorate continues to examine ways, focussed on Social Care practice, of reducing demand and seeking to mitigate increased costs.

2.5.21 In addition, the Directorate continues, as part of a national trend, to see a continuing increase in demand and complexity of need in SEND. Whilst the costs of provision in relation to this are met by the Dedicated Schools Grant (and is the subject of a separate MTFS narrative), costs for assessment and transport costs relating to provision are met by the General Fund. Consequently, the Medium Term Financial Strategy provides £0.70m for 2025/26 for the projected increase in assessment costs (shown under 'Other Pressures') and £6.24m for additional transport demand (including some costs not related directly to SEND).

Communities, Housing and Environment

2.5.22 As a result of continuing demand pressures due to assumed household growth, provision of £0.3m has been made in each year of the Strategy for the increased disposal costs of waste to the Recycling and Energy Recovery Facility (RERF). In addition, periodically household growth can require that a new route is provided, the Strategy makes provision for £0.3m for this in 2026/27.

Income Pressures

2.5.23 Over the life the Strategy there is provision for additional income pressures of £4.9m, of which £2.3m impacts in 2025/26. The 2025/6 increased pressure includes Housing Subsidy & Overpayment income £1.1m; Planning Fee income shortfall £0.5m; removal of Prompt Payments Income target in Strategic £0.3m; Bereavement income £0.2m; and reduced income as schools convert to academies £0.2m.

Other pressures

2.5.24 Over the life of the Medium Term Financial Strategy 2025/26 to 2029/30 other cost pressures amount to £48.8m, £12.3m of which relates to financial resilience including reduced reliance on capitalisation and internal charging arrangements. This is further discussed at **Section 2.7**. The remaining significant cost pressure variances amount to £36.5m over the life of the five year Strategy, including:

- **Welfare and benefits** – where the council has been required to place people in Temporary or Supported Accommodation and providers are not registered Housing Benefit subsidy cannot be claimed, resulting in a pressure of £4.0m in 2025/26 and a further £3.6m over the remainder of the Strategy, £7.6m in total.

- **PFI schemes** in Children and Families directorate add a pressure of £2.0m in 2025/26 and a further £4.6m over the remainder of the strategy, £6.6m in total. Further the Strategy provides £1.6m for the cost of **PFI exit surveys** for the directorate.
- **LBS base budget pressures arising in 2023/24** add a pressure of £1.8m to the Strategy in 2025/26.
- The Strategy provides for £1.1m of additional **Prudential Borrowing charges** in respect of Leeds Arena and Kirkgate Market.
- Provision of £1.0m has been made to address a pressure relating to **Direct Payments** in the Children and Families directorate in 2025/26.
- Provision of £1.0m in 2025/26 for **repairs to the ageing Council estate, statutory Health & Safety compliance work and the impact of inflation** on related costs in the Strategy and Resources directorate. Other pressures in this directorate include costs relating to **subcontractors, vehicle parts** and **tyres** and **occasional hire** which total £1.5m in 2025/26.
- £2.7m is required in 2027/28 to meet the costs of the end of the 7 year **Waste PFI** agreement.
- The Strategy makes provision of £1.2m in 2025/26 for the council's **Core Business Transformation** project and related system developments with provision of a further £1.1m required in later years.
- As noted above, cost pressures of £12.3m over the life of the strategy, relating to financial resilience and reducing the Council's reliance on capitalisation and internal charging arrangements are further discussed at **Section 2.7**. and £5.0m of this pressure occurs in 2025/26.

In addition to the pressures detailed above:

- Other pressures in the **Adults & Health** directorate total £0.9m in 2025/26 and an additional £0.04m over the remaining years of the Strategy and include CEL charges for Passenger Transport, catering, cleaning and security and a reduction in staffing costs charged to DFG capital grant.
- Other pressures in the **Children & Families** directorate total £1.2m in 2025/26, with a net £0.5m reduction in other pressures in the later years of the strategy. Pressures include increased Education Psychology costs and Legal Charges.
- Other pressures in the **City Development** directorate total £2.8m in 2025/26 and a further £0.4m in later years and include pressures on the Strategic Investment Fund budget, Highways Fleet Charges and loss of income as a consequence of the Estate Rationalisation programme.
- Other pressures in the **Communities, Housing and Environment** directorate total £0.6m and a further £1.1m in later years and includes the costs of District Heating Phase 1 borrowing and charges for closed landfill sites.

- Other pressures in the **Strategy and Resources** directorate total £2.1m in 2025/26 and an additional £0.2m in future years including rent increase for the Joint Service Centre and Corporate Property Management inflationary pressures.
- Other pressures of £0.3m in **Strategic Accounts**, relating to income losses associated with the sale of St George's House.

2.5.25 Total 'other pressures' are analysed by Directorate in **Table 2.10**:

Table 2.10 Other Pressures

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Adults & Health	0.93	0.01	0.01	0.01	0.00	0.97
Children & Families	4.18	1.11	4.55	0.02	0.00	9.86
City Development	4.84	1.13	1.15	0.02	0.00	7.13
Communities, Housing & Environment	4.66	1.55	4.34	1.73	0.00	12.28
Strategy & Resources	8.84	2.35	1.35	0.04	0.00	12.58
Strategic Accounts	4.03	1.10	0.80	0.00	0.00	5.93
	27.48	**7.25**	**12.21**	**1.82**	**0.00**	**48.76**

Debt

2.5.26 Over the life of the Strategy, additional provision of £22.7m is required to service debt over the life of the Strategy as detailed in **Table 2.11**. Of this, £15.6m relates to the net requirement to increase the level of budgetary provision for MRP as detailed in **Table 2.12**. PFI related provision in **Table 2.11** shows an increase of £1.0m and 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.

2.5.27 The increase in core treasury provision includes several elements such as 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. The provision for core treasury amounts to an additional provision of £6.26m within the total increase of £22.7m.

Table 2.11 Provision for Debt

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	TOTAL £m
Core Treasury	1.90	2.15	3.27	(3.32)	2.15	6.16
MRP	2.03	2.53	1.43	3.95	5.67	15.61
PFI related	2.59	4.14	(0.85)	(0.85)	(4.06)	0.96
	6.53	**8.81**	**3.85**	**(0.22)**	**3.76**	**22.73**

Table 2.12 shows the gross MRP and external interest payable by the General Fund included within the MTFS but does not include any interest or voluntary set aside payable by the HRA.

Table 2.12 Minimum Revenue Provision and External Interest

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Gross Minimum Revenue Provision	64.90	65.48	69.35	71.16	77.21	82.86
External Interest- General Reserve	60.86	76.67	80.88	85.94	73.48	74.29
	125.76	**142.15**	**150.23**	**157.10**	**150.69**	**157.15**

2.6 Summary of resources and estimated pressures

2.6.1 After taking account of changes to the Settlement Funding Assessment, changes in local funding plus other cost and funding changes as outlined above, but before savings agreed to date, there is a requirement to deliver £276.1m of savings in the three years 2025/26-2027/28 and £401.1m of savings over the full five year period covered by the Medium Term Financial Strategy, before taking account of the savings identified to date and discussed in Section 2.8. The scale of the overall savings requirement needs to be considered in the context of the council's current budget: a gross General Fund budget of £1,692.7m and net budget of £622.0m 2024/25.

2.6.2 **Table 2.13** summarises the estimated change in local funding such as Council Tax, Business Rates, grant funding use to support expenditure, and estimates of pressures, that have been made to the 2025/26 to 2029/30 Medium Term Financial Strategy as detailed in **Sections 2.2 – 2.5**.

Table 2.13 Estimated Budget Gap (including Financial Sustainability Measures)

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Settlement Funding Assessment	(2.409)	(2.442)	(2.477)	(2.511)	(2.546)	(12.385)
Changes in Local Funding	(22.927)	(30.852)	(32.877)	(32.738)	(34.652)	(154.046)
Change in contribution to/(from) General Reserve	(3.000)	3.000	0.000	0.000	0.000	0.000
Change in contribution to/(from) Earmarked Reserves	15.530	18.485	6.098	15.782	16.128	72.023
Other Changes in Specific Grant	(2.631)	(0.584)	(0.440)	(0.440)	(0.440)	(4.535)
Changes in S31 grants	7.704	(2.629)	(1.057)	(1.171)	(1.208)	1.639
Change in other resources	0.849	1.700	0.000	0.000	0.000	2.549
Decrease/(Increase) in Funding	**(6.884)**	**(13.323)**	**(30.752)**	**(21.078)**	**(22.719)**	**(94.756)**
Pay Award including Living Wage	20.074	19.882	21.899	19.020	23.557	104.432
Employer's LGPS contribution	(0.300)	0.000	0.000	0.000	0.000	(0.300)
Severance & Capitalised Pension costs	2.104	(3.838)	(0.216)	(0.110)	(1.652)	(3.712)
NLW Commissioned Services & Ethical Care Charter	23.549	19.067	20.672	22.276	23.390	108.954
Inflation: Energy	(0.096)	(1.570)	0.994	1.043	1.043	1.414
Inflation: Fuel	0.116	0.121	0.123	0.124	0.124	0.608
Inflation: Other	9.036	6.339	6.827	7.756	7.585	37.543
Demand and Demography	49.088	4.179	7.203	7.620	7.648	75.738
Income pressures	2.266	1.825	0.600	0.200	0.000	4.891
Other pressures/savings	27.484	7.254	12.205	1.820	0.000	48.764
Debt - external interest/Minimum Revenue Provision	6.526	8.813	3.845	(0.216)	3.764	22.732
Projected Cost Increases	**139.847**	**62.071**	**74.153**	**59.534**	**65.459**	**401.064**
Total Cost and Funding Changes	**132.963**	**48.748**	**43.401**	**38.456**	**42.740**	**306.308**

2.7 Medium Term Financial Sustainability Measures

2.7.1 This MTFS continues the journey that commenced in 2019, and which was detailed in the Revenue Budget Update report to October's Executive Board in 2019, whereby the council's revenue budget becomes more financially robust, resilient, sustainable and affordable by moving away from the use of one-off sources of funding such as capital receipts and reserves to fund recurring expenditure. Subsequently the MTFS 2024/25 – 2028/29 and the Annual Revenue Budget report 2024/25, received by the September 2023 and February 2024 Executive Boards respectively, further embedded the requirement to make the council's revenue budget affordable and sustainable.

2.7.2 This 2025/26 to 2029/30 Strategy reflects the continued requirement to make the council's financial position more resilient with the inclusion of ongoing planned budgeted contributions to the General Reserve from 2026/27. Further to this, the Strategy provides for further reduction in both the reliance on the capitalisation of revenue expenditure and reduction in the extent to which internal charging mechanisms are used in the council's revenue budget, where the application of internal charging is driving the wrong financial behaviours and sustaining inefficiencies.

2.7.3 The financial position of the council has been reviewed over the longer-term with the intention of realigning the incidence of these measures over the life of the Strategy. **Table 2.14** shows the latest position assumed for a range of financial sustainability measures and use of those measures to reduce reliance on one-off funding sources. **Paragraphs 2.7.4-2.7.9** discuss this in more detail.

Table 2.14 Financial Sustainability Measures

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Included in Funding Changes (Table 2.6):					
General Fund Balances	(3.00)	3.00	0.00	0.00	0.00
Strategic Resilience Reserve	(3.00)	3.00	0.00	0.00	0.00
Provision for Insurance	2.00	0.00	0.00	0.00	0.00
Provision for MMI	0.50	0.00	0.00	0.00	0.00
Socil Care Contingency Reserve	0.50	10.00	0.00	10.00	10.00
Included in Cost Increases (Table 2.7):					
Capitalisation	4.10	3.30	3.10	0.00	0.00
Internal Charging	1.80	0.00	0.00	0.00	0.00
Total Financial Sustainability Measures	**2.9**	**19.3**	**3.1**	**10.0**	**10.0**

2.7.4 Under the 2003 Local Government Act, the council's Statutory Financial Officer is required to make a statement to council on the adequacy of reserves as a part of the annual budget setting process. 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 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." Whilst removing the £3m base budget contribution in 2025/26 in response to the significant financial challenge in this year, the MTFS reinstates a £3m base budget contribution to the General Reserve each year from 2026/27 to 2029/30. The impact is to provide General Reserves of £37.7m in 2025/26, £40.7m in 2026/27, £43.7m in 2027/28, £46.7m in 2028/29 and £49.7m in 2029/30.

2.7.5 Whilst the ongoing impact of the cost of living crisis presents a significant risk to the level of resources available to the council there may be further impacts in addition to those provided for in this Medium Term Financial Strategy. It is therefore prudent to contribute to the Strategic Resilience reserve to mitigate against any potential further impacts, and, whilst the base budget contribution is removed in 2025/26 in response to the significant financial challenge in this year, this Strategy provides for the £3m base budget contribution to be re-established from 2026/27.

2.7.6 In recognition of the requirement to adequately provide for insurance claims against the council and specific insurance liabilities arising from having been a member of Municipal Mutual Insurance (MMI) the MTFS provides for a base budget increase in the level of the insurance provision in 2025/26 of £2.5m.

2.7.7 The Strategy also provides for a base budget contribution of £0.5m to the Social Care Contingency Reserve in 2025/26, with further base budget contributions of £10m in 2026/27, 2028/29 and 2029/30, recognising the significant demand pressures in Adult and Children's social care services.

2.7.8 Previous years' budgets have utilised the capitalisation of revenue expenditure to mitigate the impact of the Government's austerity agenda and the resultant reduction in funding to local authorities since 2010. In order for the Council's Revenue Budget to become more financially resilient, whilst at the same time reducing the risks associated with funding recurring revenue expenditure from capitalisation, this Strategy contains provision to further unwind the extent to which the Revenue Budget is supported by these mechanisms. Base budget provision will increase by £5.9m in 2025/26 and £12.3m in total over the period of this Strategy, as detailed in **Table 2.14**.

2.7.9 Of this, £1.8m reflects the requirement to reduce the extent to which internal charging mechanisms are used in the council's revenue budget, where the application of internal charging is driving the wrong financial behaviours and sustaining inefficiencies.

2.7.10 The impact of these variations on the estimated budget gaps each year which are incorporated into **Table 2.13** and detailed in **Table 2.14**, shows that the measures agreed increase the base budget by £45.3m in total over the life of this Financial Strategy.

2.8 <u>Savings in the MTFS</u>

2.8.1 With the pressures and risks identified in this Strategy and the wider financial difficulties faced by local authorities, also noted in this Strategy, it has become even more important to identify a strong financial challenge process to ensure financial sustainability for the Authority. As such, the Council continues to undertake savings reviews to meet the financial challenges explained in this report.

2.8.2 The Medium Term Financial Strategy recognises the longer-term full year impact of savings agreed in previous years' budgets. These have been reviewed and updated where necessary to ensure deliverability.

2.8.3 During the planning process for the 2025/26 – 2029/30 Financial Strategy, directorates have identified further routine efficiencies that could be made. In total the identified savings to date reduce the budget gap for 2025/26 by £26.3m, and by £32.6m in total over the life of the Strategy. The 2025/26 position includes £15.2m of Sufficiency Strategy savings in relation to Children & Families demand pressures discussed at paragraph 2.5.20.

2.8.4 After recognition of these routine efficiencies, there remains a requirement to deliver £273.7m of savings over the life of the Medium Term Financial Strategy. This includes £194.5m of savings over the first three years covered, £106.7m of which is required in 2025/26.

Table 2.15 Estimated Budget Gap less Prior Year Savings and Routine Efficiencies

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30	Total £m
Estimated Budget Gap	**132.963**	**48.748**	**43.401**	**38.456**	**42.740**	**306.308**
Prior Year Directorate Savings						
Business As Usual	0.382	(1.469)	(1.291)	(1.141)	(0.885)	**(4.404)**
Service Review	(4.957)	(0.210)	0.000	0.000	0.000	**(5.167)**
Routine Efficiencies						
Business As Usual	(20.048)	0.000	0.000	0.000	0.000	**(20.048)**
Service Review	(1.650)	(1.350)	0.000	0.000	0.000	**(3.000)**
Total Savings/Efficiencies	**(26.273)**	**(3.029)**	**(1.291)**	**(1.141)**	**(0.885)**	**(32.619)**
Gap after Savings/Efficiencies	**106.690**	**45.719**	**42.110**	**37.314**	**41.855**	**273.689**

2.8.5 Recognising the challenge of bridging the estimated future years' budget gaps, whilst at the same time seeking to ensure that the council's revenue budget is robust, resilient and sustainable, another savings programme has been established, focusing primarily on the three-year period 2025/26 to 2027/28. This builds on the 'Financial Challenge' savings programmes carried out over the last four years, with the cross-council senior officer group established in 2020 to provide support and ensure a co-ordinated, consistent approach across the programme continuing its role. Further support and challenge to identify new proposals and consider options put forward will again be provided by Scrutiny Board working groups.

2.8.6 Reviews are underway across the authority to identify opportunities to continue to modernise and improve services, reduce costs and generate additional income. This includes a range of cross-cutting change programmes aimed at helping the council achieve financial sustainability, including: procurement and commissioning; workforce planning; assets; customer strategy and locality working.

2.8.7 In the autumn of 2023/24, an additional strategic approach was introduced to help identify where further efficiencies could be achieved across directorates and within specific services through a council-wide categorisation to support the prioritisation framework. The framework, which has been further refined for 2024, is a tool informing wider strategic discussions to reset and reshape the council over the coming years with the aim of delivering our ambitions and priorities within the reduced financial envelope available. This recognises that in the future, some services will need to be delivered differently, some may reduce, and some may stop. For our traded services, we need to ensure they cover their full costs unless there is a clear case (for example, for welfare reasons) to provide a level of subsidy. The framework supports the council's move to three-year budgeting and a longer-term planning horizon in line with the government's Comprehensive Spending Review and aim to move to multi-year financial settlements for local government.

2.8.8 The outcome of this work will lead to a number of savings proposals for consideration by the Executive Board during the Autumn of 2024. Those approved for implementation, or consultation as required, will subsequently be built into the proposed Budget for 2025/26 and provisional Budgets for 2026/27 and 2027/28. Savings proposals will continue to be identified, contributing to a balanced budget position in each of the financial years covered by the MTFS.

3. The Capital Programme

3.1 Capital Programme Review

3.1.1 Capital investment needs are assessed on an annual basis under the direction of the council's Financial Challenge: 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.

3.1.2 As in recent years, the council is undertaking a Capital Programme Review process to identify the priority capital schemes to be recommended to Executive Board for consideration and ultimately to Full Council for injection into the Capital Programme as part of the February Budget 2025/26.

3.1.3 Alongside the Capital Programme Review, work continues in other areas of the Capital Programme, including the further rationalisation of the council's asset base and a review of the council's fleet requirements. In addition, in response to the in year 2024/25 position, a review of all schemes utilising Leeds Borrowing has been undertaken and scope for slippage has been identified which will deliver debt savings in 2024/25 and will also impact on the years covered by this Strategy.

3.1.4 The 10 year capital programme position shown below will be updated to reflect the impact of the Capital Programme Review and the review of Leeds Borrowing in due course.

3.2 The 10-year Capital Programme

3.2.1 The council's 10 year 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 council's strategic priorities.

3.2.2 The restated 10 year programme is detailed in **Table 3.1**.

Table 3.1 10 Year Capital Programme

Annual Programme Capital Review	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,	2033/34 £000,	Total £000,
Highways Maintenance	12,000.0	12,896.0	13,000.0	10,889.1	13,000.0	13,000.0	13,000.0	13,000.0	13,000.0	13,000.0	126,785.1
Highways Maintenance - supported by extnl funding	15,679.1	9,382.1	8,005.1	11,253.5	11,253.5	11,253.5	11,253.4	11,253.4	11,253.5	11,253.5	111,840.6
Highways Maintenance Capitalisations	3,700.0	300.9	0.0	0.0							4,000.9
Highways Bridges & Structures Maintenance	1,226.7	1,342.8	823.0	2,332.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	17,724.5
Highways Bridges & Structures Maintenance-supported by extnl funding	5,988.9	3,455.1	3,205.1	4,158.2	4,158.2	4,158.2	4,158.2	4,158.3	4,158.2	4,158.2	41,756.6
Highways Section 278	1,250.0										1,250.0
Highways Section 278 - external contributions/supported by extnl funding	2,999.7	6,784.7	3,555.3	3,500.0	3,500.0	3,500.0	3,500.0	3,500.0	3,500.0	3,500.0	37,839.7
General Capitalisation	2,150.0	1,900.0	789.5	0.0							4,839.5
Childrens Centres	60.4	50.0	50.0	258.0	50.0	50.0	50.0	50.0	50.0	50.0	718.4
Vehicle Programme	12,123.7	29,630.0	16,508.0	22,530.0							80,791.7
Vehicle Programme - supported by extnl funding	521.4										521.4
Adaptation to Private Homes	608.9	470.0	470.0	470.0	470.0	470.0	470.0	470.0	470.0	470.0	4,838.9
Telecare ASC	728.5	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	6,128.5
Library Books	300.0	200.0	100.1	0.0							600.1
Sports Maintenance	1,411.3	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	2,311.3
Sports Maintenance - supported by extnl funding	50.0										50.0
Project Support Fund (Groundwork)	0.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	630.0
Project Support Fund (Groundwork) - supported by extnl funding	70.0			70.0							140.0
Essential Services Programme	4,865.8	4,600.0	800.0	0.0							10,265.8
Digital Development	6,818.4	4,000.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	30,818.4
Corporate Property Management	10,835.3	8,500.0	7,500.0	8,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	44,335.3
Capital Programme Management	541.4	541.4	541.4	660.9	541.4	541.4	541.4	541.4	541.4	541.4	5,533.5
Demolition Programme	441.7	500.0	0.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	4,441.7
Capitalisation of Interest	500.0	400.0	300.0	278.9	200.0	200.0	200.0	200.0	200.0	200.0	2,678.9
Climate Emergency	560.0	798.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	6,158.0
Climate Emergency - supported by extnl funding	486.9	300.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	3,586.9
Transformational Change to LCC (excl Core Systems Review)	12,788.7	11,595.0	8,085.0	9,588.8	8,085.0	8,085.0	8,085.0	8,085.0	8,085.0	8,085.0	90,567.5
PFI Lifecycle Capitalisations	12,895.0	13,395.0	8,238.0	16,174.9	9,385.0	9,385.0	9,385.0	9,385.0	9,385.0	9,385.0	107,012.9
Total Annual Programmes	111,601.8	111,811.0	76,190.5	95,384.3	58,863.1	58,863.1	58,863.0	58,863.1	58,863.1	58,863.1	748,166.1

3.3 Capital Receipts

3.3.1 Capital receipts are used to fund a number of revenue budgets - transformational change and PFI liabilities - with remaining receipts funding capital expenditure including Future Ways of Working. Use of capital receipts to fund revenue transformational costs is permitted under a specific Government Direction allowing 'Flexible Use of Capital Receipts' – this provision currently extends to March 2030.

3.3.2 The MTFS recognises the intention to use future generation of capital receipts mainly to invest in capital infrastructure and therefore reduce the Council's future borrowing requirement and to support the delivery of organisational transformation. The revenue resource requirements reflect this strategy.

3.3.3 The current forecast capital receipts and associated capital receipts requirement are shown in **Table 3.2**. Over the life of the Strategy, the forecast receipts are currently not sufficient to meet all associated revenue and capital commitments and Asset Management have been tasked with identifying sufficient additional receipts in the later years of the Strategy to address this identified shortfall. However, in December 2023 the Department for Levelling Up, Housing and Communities (DLUHC) announced that Government would engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage invest-to-save activity, and more flexibilities to use capitalisation without the requirement to approach Government. The council responded to this Call for Evidence, which closed in January 2024, and awaits the outcome. These proposed additional flexibilities could provide local authorities with a range of additional tools to invest in transformation to reduce revenue costs and manage financial resources locally.

Table 3.2: Capital Receipts Requirement

	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Useable capital receipts	46,258,389	24,200,000	16,640,000	10,279,815
Ringfenced capital receipts (Capital Programme)	86	0	0	0
Flexible use of capital receipts (ELI & Digital)	20,755,300	12,284,100	11,269,400	0
Revenue budget requirement (PFI & Lifecycle)	4,876,000	5,990,000	7,161,000	0
Target to support Revenue Budget	25,000,000	22,365,000	0	0
Total Revenue budget requirement	50,631,386	40,639,100	18,430,400	0
In Year Surplus/(deficit)	(4,372,997)	(16,439,100)	(1,790,400)	10,279,815
Useable capital receipts surplus b/fwd	0	0	0	0
Useable capital receipts surplus c/fwd	0	0	0	0
Overall Surplus / (Deficit) in Receipts	**(4,372,997)**	**(16,439,100)**	**(1,790,400)**	**10,279,815**

4. Ring-Fenced Funding

4.1 Ring-fenced Accounts

4.1.1 Every council has a general fund from which most services are funded. However, there are restrictions where the council must ensure that certain income is only spent in specific service areas. This is known as 'ring-fenced' funding. There are three main activities that are ring-fenced through legislation and/or government funding rules. These are:

- Housing Revenue Account
- Dedicated Schools Grant
- Public Health (included within Adults and Health specific grants).

4.2 Housing Revenue Account

Background

4.2.1 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 ring-fenced account. The total resources available to the HRA are forecast at around £1.5bn over the next 5 years, with 88% of this being derived from rent and service charges receivable from tenants.

4.2.2 Since all housing priorities are funded through the HRA, any variations in the rental income stream will directly impact upon the level of resources that are available for the delivery of housing priorities. Throughout the life of this plan, resources will be directed towards key priority areas which include fulfilling the plan to improve the homes people live in, expanding and improving older person's housing and improving estates to ensure that they are safe and clean places to live.

2025-2030 Deficit

4.2.3 Over the 5 years of the plan, there is an initial gap, prior to savings proposals, of £2m in 2025/26 and a cumulative deficit of £14.3m by 2029/30. This is summarised in **Table 4.1.**

Table 4.1:5-year summary 2025/26 - 2029/30

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Income	(296.5)	(302.1)	(308.3)	(313.7)	(320.0)
Expenditure	297.7	304.9	311.4	316.5	322.2
Appropriations	0.8	0.6	0.5	0.3	0.2
In Year Pressure (Saving)	**2.0**	**3.5**	**3.6**	**3.0**	**2.3**
Cumulative Balance	**2.0**	**5.4**	**9.0**	**12.0**	**14.3**

4.2.4 **Key Income Assumptions 2025-2030**

- **Rental Income**. In February 2019 the Government confirmed a return to a rent formula of CPI+1% for 5 years from 2020/21. This formula will continue to be applied to 2025/26 rents as the government announced an extension to this settlement for another year. Therefore, the forecast rental figures are based on this principle. With CPI inflation for September 2024 forecast at around 1.6%, this would give an allowable rent increase of up to 2.6% in 2025/26.

- The following years increases are based on the Office of Budget Responsibility (OBR)'s long term forecast of CPI plus 1% as we await an update from government on the post 2025/26 rent policy.

- Total forecast rental income is also adjusted for the net difference between forecast Right to Buy (RtB) sales, the impact of decanting tenants from REEMAs properties and additional housing stock from new build properties in the Housing growth programme.

- **Right to Buy Sales**. The current strategy assumes 400 sales per year for the rest of the plan. RtB discounts remain a considerable incentive for many people, however the current financial situation and the impact on mortgage rates may result in diminishing RtB sales in the future. The Government are currently reviewing Right to Buy policy, which could have implications on the level of resources available to fund housing growth priorities.

- **Other Income.** The financial plan assumes service charges will rise in line with rental income at 2.6% for 2025/26 and in line with OBR forecasts after this date.

- **PFI Grant**. This grant remains fixed at £21.4m over the life of the PFI contract.

4.2.5 **Key Expenditure Assumptions:**

- **Pay Award and Price Inflation**. The plan provides for a pay award of 3.5% in 2025/26. The following years also assume a 3.5% pay award. Price inflation is generally assumed at CPI levels in the plan.

- **Energy Costs** Gas and electricity are forecast based on the latest energy unit assumptions.

- **Repairs.** The repairs budget is assumed to be inflated by 3% to reflect contract inflation.

- **Disrepair Provision.** Resolving disrepair remains a priority for the service. The financial plan provides for an annual budget of £4m. This level of provision will be reviewed in conjunction with the Investment programme.

- **Provision for Bad Debt**. The budget has been kept at £1.1m, the same level as in 2024/25, and it is assumed that this level of provision will remain static in the financial plan. This will be kept under continual review.

- **Capital Programme (Annual Investment).** The annual capital investment requirement in the HRA is over £120m per annum. However, due to limited resources within the HRA there is a significant affordability gap. The medium-term plan provides for £92.4m for Housing Leeds in 2025/26 plus £1.5m for BITMO.

- The **revenue contribution to the capital programme (RCCO)** is approximately 24% of the total HRA budget. This contribution, along with Right to Buy receipts and some limited borrowing for the REEMA decant programme combine to provide the funding for the HRA Capital Programme.

Table 4.2 HRA Capital Programme 2024/25 to 2027/28

	24/25 £000	25/26 £000	26/27 £000	27/28 £000
HRA Revenue Contribution (RCCO/MRR)	63,818.4	73,408.0	71,381.0	72,792.0
RtB Receipts (Allowable Debt)	10,120.0	12,830.0	11,475.0	11,475.0
Gov't grant / EU Grant	1,469.8	0.0	0.0	0.0
Borrowing	4,976.9	6,206.9	6,979.5	416.5
Total Capital Programme	**80,385.1**	**92,444.9**	**89,835.5**	**84,683.5**

- **Additional interest on borrowing charges.** The plan reflects increased costs associated with servicing the HRA's debt to fund the council's Housing Growth Programme (CHGP).

  Table 4.3 shows the planned spend and the need to borrow circa £50m over the next 3 years to complete housing growth phase 1. Housing growth phase 2 at an estimated cost of £190m is still to be injected into the capital programme (not included in the table below) and the timeline for delivery will be dependent on Right to Buy (RtB) numbers, potential changes in RtB legislation and affordability within the HRA financial plan.

- The financing costs associated with the borrowing reflect guidance from Leeds City Council's Treasury team regarding interest rates. Whilst there is a risk that interest rates will be higher than assumed and will add further pressures to the current gap within the HRA, the Council is committed to maintain this level of investment to maximise the use of RtB receipts and minimise the level of receipts that may need to be returned to Government if they are not spent within the prescribed timescales.

Table 4.3 Council House Growth Programme 2024/25 to 2027/28

	24/25 £000	25/26 £000	26/27 £000	27/28 £000
Government Grant	6,078.5	0.0	0.0	0.0
RtB Receipts	25,546.9	33,425.4	17,530.3	9,500.0
Borrowing (additional each year)	29,551.9	32,945.2	17,049.9	9,600.0
Total Capital Programme	**61,177.3**	**66,370.6**	**34,580.2**	**19,100.0**

- **Recharges to the HRA.** Recharges to the HRA relate to services provided from other parts of the council on behalf of the HRA. These include, for example, back-office services such as HR, Finance, and IDS as well as front facing services such as the contact centre, hubs, community safety and environmental services. All these costs are subject to an annual review.

- **Contribution to General Reserve**. The level of HRA general reserve is forecast to be £8.9m on 31st March 2025, which is approximately 3% of total spend and averages circa £170 per property. CIPFA guidance suggests that a figure of £400 per property is the target level of reserves, which equates to a figure of £20m based on the number of properties in Leeds. Therefore, to provide a sustainable base going forward the plan assumes that there will now be an annual contribution to the general reserve of £1m. Should there be additional in year savings above this level then these will be added to the general reserve.

- **Major Repairs Reserve** The balance on the major repairs reserve is £6.7m as at 31st March 2024. As recently as March 2019, this balance was £24m. However, the impact of significant annual investment in the stock (annual spend of over £80m) and more recently the impact of inflation has reduced the reserve to this level. With little reserve available to provide funding to support annual spend of £80m, the impact is a reduced level of total capital budget available.

4.2.6 The strategy to mitigate this cumulative deficit (£14.3m over the next 5 years) on the Housing Revenue Account is in line with the approach being taken within the council's General Fund services. Options for balancing will include savings that can be generated from business-as-usual proposals and those that require more specific service reviews to deliver savings.

4.2.7 All areas of HRA spend and income will be considered when finalising the detail of the 2025/26 budget with appropriate consultation:

- Rental income increases will be adjusted to reflect any changes in CPI, government caps and consultation with Elected Members and tenants.

- Service charges will be reviewed with an option to increase these above the current assumptions to get closer to full cost recovery of these costs from the tenants that benefit from the additional services.

- The annual investment programme will be reviewed, with options presented to reduce or realign the programme. Should additional funding become available, then this could be used to reduce the HRA revenue contributions.

- Other capital programmes could be delayed or reduced.

- A review of staffing levels and removal of budgeted vacant posts will be considered.

- All expenditure lines, including repairs, will be reviewed to ensure resources are directed into priority areas of the budget.

- A review of HRA earmarked reserves will be completed as a mechanism to help smooth out specific one-off pressures to be paid back later.

4.3 Dedicated Schools Grant

Background

4.3.1 The Dedicated Schools Grant (DSG) is allocated by the Education and Skills Funding Agency (ESFA) and is the main source of income for local authorities' schools' budgets. It consists of four funding blocks: schools, high needs (special educational needs), early years and central school services (provided by the council). The council is forecast to receive DSG Funding of £1,784m over the next 3 years and further details are provided in **Table 4.4.**

4.3.2 Along with many other local authorities, Leeds is currently not receiving the full allocation of DSG due under the national funding formula, as there is a gains limit factor on some of the funding increases and this has contributed to pressures on the DSG account. If the gains limit factor had not been in place, Leeds would have been allocated an additional £36.98m of funding between 2018/19 and 2024/25 across the schools block (£9.5m) and high needs block (£27.48m). Leeds is one of 32 local authorities out of 151 that continued to have their funding capped in 2024/25. Provisional funding allocations for 2025/26 have not yet been released by the ESFA and so it is not yet known if a further funding gains limit factor will apply to the high needs block in 2025/26. Further detail is provided in the sections that follow.

4.3.3 In accordance with the Education Act, some of the DSG can be retained by the council to provide services for schools, though the majority is passed directly on to schools and other educational settings. Funding arrangements are reviewed annually, taking into account available funding and priorities set out with the Best City Ambition and supporting strategies. A number of funding allocations are agreed following consultation with schools and the Leeds Schools Forum, a statutory board with some decision making powers. The high needs budget is however a Council decision and is approved by Full Council each year.

4.3.4 There is some flexibility within the regulations in how funding is allocated to schools, and it is also currently possible to move a small proportion of funding between the different blocks of the DSG to offset overspends, although this is subject to strict regulations and requires annual consultation with schools and Schools Forum approval.

Projections

Table 4.4 – Dedicated Schools Grant projected income and expenditure

	2025/26 £m	2026/27 £m	2027/28 £m
Schools Block			
DSG Income	(349.0)	(358.6)	(367.1)
Individual Schools Budgets	341.5	350.9	359.2
De-delegated budgets	6.0	6.2	6.4
Growth Fund	1.5	1.5	1.5
	0.0	**0.0**	**0.0**
Central School Services Block			
DSG Income	(5.2)	(5.3)	(5.4)
CSSB Expenditure	5.3	5.4	5.5
	0.1	**0.1**	**0.1**
Early Years Block			
DSG Income	(100.2)	(104.9)	(104.1)
3 and 4 year old entitlement	50.5	49.0	47.6
2 year old entitlement	27.7	31.2	31.7
Under 2 years	16.2	19.0	19.2
Other early years provision	5.8	5.7	5.6
	0.0	**0.0**	**0.0**
High Needs Block			
DSG Income	(124.4)	(128.2)	(131.3)
Funding passported to institutions	153.9	183.5	227.0
Commissioned services	2.6	2.7	2.8
Directly Managed by Children & Families	6.1	6.3	6.5
	38.2	**66.3**	**105.0**
Total DSG Income	(578.8)	(597.0)	(607.9)
Total Expenditure	617.1	661.4	713.0
Total Dedicated Schools Grant overspend	**38.3**	**64.4**	**105.1**

4.3.5 As shown in **Table 4.4**, the schools block and early years block budgets are expected to balance over the next three years, based on previous trends and forecast data.

4.3.6 In line with national trends, the key pressure anticipated in the MTFS for DSG relates to the high needs block, which provides funding in relation to the provision of education (but not assessment and transport costs) to pupils with special educational needs. The assumptions and risks associated with the projections for this funding block and plans to address the overspend are set out in further detail in the sections that follow. There is also a small pressure on the central school services block largely due to the phased reduction in DSG for any historical council expenditure no longer deemed eligible for funding.

4.3.7 **Table 4.4** provides details for each funding block and **Table 4.5** shows the projected cumulative DSG deficit at the end of each year. Due to a high level of uncertainty with regards to future national changes in how support for pupils with SEND is delivered and funded the DSG projections are currently just presented for the next three years. These projections will be subject to further review when certainty over the planning horizon improves.

Table 4.5 – Dedicated Schools Grant projected deficit

	2025/26 £m	2026/27 £m	2027/28 £m
DSG deficit balance brought forward	4.2	42.5	106.9
In year deficit (from table above)	38.3	64.4	105.1
Total deficit on General DSG before further actions	**42.5**	**106.9**	**212.0**
Potential additional funding, if Schools Forum continued to agree a transfer 0.5% of schools block funding to the high needs block	(3.6)	(3.7)	(3.8)
Potential revised cumulative deficit	**38.9**	**99.6**	**200.9**

Assumptions and risks

SEND Green Paper

4.3.8 The Government released a SEND Green Paper for consultation in 2022, which could have significant implications for how support for pupils with SEND is delivered and funded. Drawing on the feedback of this consultation the

Government has now published the Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) Improvement Plan. The Improvement Plan sets out how the Department for Education intends to proceed with the proposed changes in the Green Paper which could have an impact on the projections for the high needs block, but this is too early to quantify. There is, at the time of writing, no definitive policy position from the incoming Government on any reform to the existing arrangements.

Funding Increases

4.3.9 Local authority allocations are currently released on an annual basis. Indicative local authority allocations for 2025/26 have not yet been published and thus it is not yet known what increases may be available in future years.

4.3.10 If increases were not as high as expected for the schools and early years blocks this would be matched by a reduction in funding allocated out to settings.

4.3.11 In relation to the central school services block funding, these projections are based on the current funding mechanism, however the Department for Education (DfE) has advised there will be a future consultation on the services this block funds, and some services may become traded arrangements with schools and therefore DSG funding may reduce.

4.3.12 In relation to high needs, in the past Leeds was significantly underfunded and in 2017/18 the high needs block funding for Leeds was 25% lower per pupil than the national average. Since 2018/19 the Government has implemented a national funding formula to address historical funding differences. In 2024/25 the increase (after the gains limit factor was applied) was 5%. Beyond this the DfE has advised local authorities should assume a 3% increase. As indicative allocations have not yet been received for 2025/26, the percentage increase for that year cannot be confirmed.

4.3.13 To provide some context for the potential impact of funding changes, every 1% change in the high needs allocation is equivalent to approximately £1.3m of funding.

Cap on gains

4.3.14 Although funding has increased since the move towards the national funding formula was introduced, some DSG funding increases have been subject to a funding floor and gains limit factor to ensure a minimum level of increase for every local authority and to reduce the impact of year-on-year changes to funding levels. Although this cap has been removed from the schools block from 2020/21 onwards, it is still in place for the high needs block.

4.3.15 Although Leeds has been receiving the maximum increases allowed under the gains limit factor, it is less than the national funding formula entitlement. If this had not been in place, Leeds would have been allocated an additional £36.98m of funding between 2018/19 and 2024/25 across the schools block (£9.5m) and high needs block (£27.48m). Leeds was one of 32 local authorities out of 151 that continued to have their funding capped in 2024/25. It is not yet known if a further funding cap will apply in 2025/26.

High needs demand and complexity

4.3.16 In line with the national picture, Leeds has experienced an increase in high needs demand and complexity in recent years, with this trend expected to continue. However as noted above there is currently still a cap on funding increases and to date any additional funding received by Leeds has been exceeded by increased costs.

4.3.17 The projections in **Tables 4.4 and 4.5** are based on the current data for forecast population changes in special educational needs in Leeds, combined with trend analysis over the past three years. The projected increases in demand exceed the 3% increase in funding forecast beyond 2025/26. However, there are risks that increases in demand and complexity could be higher than projected. The council has undertaken a review of its EHCP processes which reflects the increased challenges in demand and complexity and is bringing forward improvements into processes and arrangements to support parents, carers and children.

Funding paid to high needs settings

4.3.18 For 2024/25 the ESFA allowed local authorities to set a minimum funding guarantee increase to high needs settings of between 0% and 0.5%. For 2025/26, as we have not yet received the high needs operational guide, we have assumed each local authority is required to set a minimum funding guarantee of 0%.

4.3.19 Places will need to be created to meet future high needs demand, and the rates payable will vary according to the type of need and setting. As some future provision is still to be developed, the projections assume that funding rates for the increased demand will be in the middle cost band for existing settings. The modelling will be updated as work continues to develop capacity for future demand.

Inflationary pressures

4.3.20 Current inflationary pressures will have an impact on schools and other settings, as well as on the cost of council services funded by DSG, which may in turn place more pressure on DSG.

Funding transfers between DSG blocks

4.3.21 Since 2017/18 a total of £22.69m has been transferred to the high needs block from other funding blocks of the DSG, in order to redirect funding to settings to support special educational needs pressures (£21.04m from the schools block and £1.65m from the central school services block).

4.3.22 For 2025/26 and beyond it is not known whether funding can continue to be moved between DSG blocks in this way, as the DfE has indicated the ability for local authorities to do this in future will become more limited.

4.3.23 If funding transfers are still allowed in future, any transfers from the schools block to the high needs block would require annual consultation with schools and approval by the Leeds Schools Forum.

4.3.24 **Table 4.5** shows the estimated funding available if a transfer of 0.5% of schools block funding to the high needs block continued. The 0.5% transfer is in line with the current limit that Schools Forums can agree without further approval from the Secretary of State.

DSG savings plan

4.3.25 With effect from the end of 2019/20, new provisions were added to the School and Early Years Finance Regulations which required local authorities to carry forward any DSG overspends or deficit balances to the following year. Such deficits were ringfenced to be dealt with from future DSG income, rather than being funded by the council, unless otherwise authorised by the Secretary of State. This provision for ringfencing DSG deficits was originally due to be withdrawn at the end of 2022/23, however it has now been extended to the end of the 2025/26 financial year. If the provision is not extended further the council would require sufficient funding in other reserves to offset any DSG deficit. This would present a serious financial risk to the council given the limited resources available.

4.3.26 Under the regulations any local authority with a current overall deficit on its DSG account, or whose DSG surplus has substantially reduced during the year, must co-operate with the Department for Education (DfE) in managing that situation. This includes providing information on plans for managing the DSG account and meeting with officials from the DfE as and when requested. The Secretary of State may also impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where they believe that they are not taking sufficient action to address the situation. A DSG Management plan is currently being prepared to demonstrate robust plans to mitigate the projected pressures and ensure the long term financial sustainability of the DSG.

5. The Financial Risks

5.1 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 Medium Term Financial Strategy, is identified as one of the council's corporate risks as is the council's financial position going into significant deficit in any one year resulting in reserves (actual or projected) being less than the minimum specified by the council's risk-based reserves strategy. Both of these risks are subject to regular review and reporting. The most recent Annual Corporate Risk and Resilience report was received by this Board in July 2024, available here at Item 24: Annual corporate risk report.

5.2 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.

The Economy

5.3 The council's and city's economic and fiscal position is clearly impacted upon by the wider national and international economic context. The performance of the UK economy in a global context will have implications for the level of resources available to the Government. Any change in forecast assumptions will have implications for the Government's spending plans and this in turn will impact upon the level of resources available to the public sector. With a change in government following the general election in July 2024, there will be policy announcements with regard to Government's national spending priorities. The Chancellor has already announced that the Budget will be on 30th October 2024, accompanied by high level budget allocations for 2025/26. A 3 year spending review will be published in Spring 2025 (covering 2026/27, 2027/28 and 2028/29). These forthcoming announcements will detail any changes in resources to local government and will take account of particular economic pressures such as inflation or how the economy is expected to grow during this period.

Risks to funding

5.4 The Medium Term Financial Strategy makes assumptions in respect of the level of resources that are receivable through Council Tax, Business Rates and Government Grant. Any variation from these assumptions has implications for the level of resources available to the council.

5.5 The last Spending Review published by the previous Government covered the period from 2022/23 to 2024/25. The new Government elected on 4th July 2024 has not yet announced its spending plans for the 2025/26 financial year although a Budget and single year Spending Review were announced for 30th October 2024 which should detail the Departmental Expenditure Limits for MHCLG. A three year Spending Review is expected to follow in the Spring of 2025, covering the years 2026/27 to 2028/29. Any variations to the assumptions used in this Strategy will affect the level of resources available to the council.

5.6 The Provisional Local Government Finance Settlement for 2025/26 is then expected in December 2024 setting out the individual allocations of funding for local authorities. It remains unclear what changes the new Government may wish to make to the current Local Government Finance System for 2025/26 or beyond. Therefore, the assumptions made in this Strategy are subject to change and any variations will impact upon the level of resources available to the council.

5.7 Over the period up to 2029/30 there remain uncertainties with regard to Business Rates reform, the Fair Funding Review, reforms to the New Homes Bonus Scheme and also the Government's intentions for the future funding of both adult and children's social care, all of which could impact on the assumptions contained in this document.

Key Risks to cost and income assumptions

5.8 The Medium Term Financial Strategy 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.

5.9 In particular the war in Ukraine has had a significant impact upon the global price of fuel, energy and commodities and this has contributed, over the last couple of years towards the 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 financial strategy.

5.10 Cost of living pressures on our residents and businesses have a wider inflationary impact on the council. In addition to the risks associated with increases in costs to the council for the goods and services that we procure, there is 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 the impact of inflation upon household budgets.

5.11 There are risks that demographic and demand pressures in Adult Social Care and Children's Services could be greater than anticipated, that inflation is higher than that assumed in the Medium Term Financial Strategy and that the costs associated with managing the council's debt is higher than budgeted assumptions. Alongside the demographic and demand pressures there is a recurring risk around having a skilled workforce to meet the challenges and demands in the social care system, impacting both Adult Social Care and Children's Services. There is also significant reform on the horizon across social care. For Adults, the new Labour

Government have cancelled the care reforms introduced by the previous Government. Labour has pledged to deliver “consistency of care across the country” through national standards that ensured “high-quality care and ongoing sustainability”. However, it did not set out further detail on what this would look like nor how it would be funded. For Children, the previous Government published a strategy and consultation on Children’s Social Care, ‘Stable Homes, Built on Love’. This was in response to previous reviews, including an independent review (The MacAlister Review) which set out the need for a wide-ranging ‘reset’ of Children’s Social Care. There have not yet been any substantive policy proposals from the new Government in this area. Should the policy position remain as set out by the previous Government, the issues have significant potential to impact on the focus of Children’s Social Care across the country, including the financial implications of provision, and this may bring forward direct implications for Leeds City Council and its residents.

5.12 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 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. Actions to address the forecast DSG deficit may also be challenging in the context of national SEND demand. Currently DSG deficits are ringfenced to be dealt with from future DSG income, rather than being funded by the Council. However, this provision is due to be withdrawn at the end of the 2025/26 financial year. If the provision is not extended further the council would be required to identify sufficient funding to offset any DSG deficit. This would present a serious financial risk to the Council given the limited resources available.

5.13 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 each of the years covered by this Medium Term Financial Strategy.

5.14 In addition, the position contained in this Strategy makes assumptions around rent collection rates and tenant arrears. The ongoing impact of the cost of living crisis on household budgets may have implications for these assumptions and ultimately the amount that must be set aside for bad debt provision.

Capital risk

5.15 One of the main risks in developing and managing the capital programme is that insufficient resources are available to fund the programme. A number of measures are in place to ensure that this risk can be managed effectively:

- Monthly updates of capital receipt forecasts prepared, using a risk based approach, by the Director of City Development;
- Monthly monitoring of overall capital expenditure and resources forecasts alongside actual contractual commitments;
- Quarterly monitoring of the council's VAT partial exemption position to ensure that full eligibility to VAT reclaimed can be maintained;
- Ensuring written confirmation of external funding is received prior to contractual commitments being entered into;
- The capital programme includes a central contingency to respond to any unforeseen circumstances. In addition, individual programmes and schemes contain a risk provision for unexpected circumstances; and
- Compliance with Financial Procedure rules, Financial Regulations and Contract Procedure Rules to ensure the Council's position is protected.

5.16 The Chief Officer – Financial Services will continue to work with service directors to ensure that capital schemes are properly developed and that a rigorous business case process is operated to demonstrate investment is aligned to council Best City Ambition objectives and will deliver best value.

5.17 In managing the overall funding for the programme particular emphasis is placed on ensuring that contractual commitments are only made when there is reasonable certainty that the appropriate resources are available.

5.18 The council recognises a number of pressures and development schemes that bring economic and wider benefits that have implications for the level of debt. The council will look to manage these pressures and limit the impact on debt costs by ensuring where possible that new schemes are fully funded (either by external resources or departmental prudential borrowing) or meet agreed capital programme priorities. A revised approach to ensuring that new capital schemes are prioritised and injected at two points in the year is now followed. This strategy does however allow for spend to save schemes that are supported by robust business cases or those of an immediate health and safety nature to be injected throughout the year. These principles continue to be key to the annual review process undertaken to update the Capital Programme.

5.19 The council's capital programme faces significant inflationary pressures as the result of a range of factors – not least the impact of the cost of living crisis on supply chains, increased labour costs and energy price pressures affecting the availability and cost of key construction materials such as steel, cement and bricks which require high energy use for their production. The annual reviews include consideration of the impact of inflation on schemes currently being delivered and those planned. In year pressures arising will continue to be reported to SIB who will prioritise these, consider how scheme costs might be reduced and identify appropriate additional funding measures where required.

5.20 Use of capital receipts to fund revenue transformational costs is permitted under a specific Government Direction allowing 'Flexible Use of Capital Receipts'. This provision was introduced in 2016/17 and has now been extended until March 2030 so that it covers the life of this Strategy. Over the life of the Strategy the forecast receipts are currently not sufficient to meet all associated revenue and capital commitments and work continues to identify additional receipts in the later years of the Strategy. However, in December 2023 the Department for Levelling Up, Housing and Communities (DLUHC), now MHCLG, announced that Government would engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage invest-to-save activity, and more flexibilities to use capitalisation without the requirement to approach Government. The council responded to this Call for Evidence, which closed in January 2024, and awaits the outcome. These proposed additional flexibilities could provide local authorities with a range of additional tools to invest in transformation to reduce revenue costs and manage financial resources locally.

5.21 In funding the requirements of the capital programme through borrowing, the Treasury Management Strategy will aim to manage the debt requirement at the lowest possible cost that is consistent with a strategy to have a stable long-term debt portfolio.

5.22 The execution of the Treasury Management Strategy and associated risks are kept under regular review through:

- Monthly reports to the council's Finance Performance Group;
- Three reports a year to Executive Board updating on the Strategy and Outturn position;
- Quarterly strategy meetings with the Chief Officer – Financial Services and the Council's treasury advisors; and
- Regular market, economic and financial instrument updates and access to real time market information.

6. Financial Assurance

6.1 Assurance

6.1.1 This section of the Strategy details the arrangements that the Chief Officer – Financial Services has established to provide assurance that, in respect of the management of public financial resources, the council has in place effective and robust arrangements for financial planning, financial control and other financial management activities. These provide the assurance that the current arrangements set out below comply with the requirements of the Chief Finance Officer protocol as set out in Section 5k of the council's constitution.

6.2 Governance Structure

6.2.1 In the context of the terms of reference for the council's Corporate Governance and Audit Committee, which is to review the adequacy of policies and practices to ensure compliance with statutory and other guidance, the Chief Officer – Financial Services produces an annual report which provides assurance that the council has in place effective and robust arrangements for financial planning, financial control and other financial management activities including Treasury Management.

6.2.2 The role of the Chief Officer – Financial Services, the Section 151 officer, is critical in ensuring that the financial resources of the Council are safeguarded. In accordance with CIPFA (Chartered Institute of Public Finance and Accountancy)'s statement on the role of the Chief Financial Officer in local government, the Chief Officer – Financial Services reports directly to the Director of Strategy and Resources; is a member of the council's Leadership Team, attends Executive Board; has advance notice (including receiving agendas, minutes, reports and related papers) of all relevant meetings of the Authority; has the right to attend any meeting of the Authority; and has sufficient resources to enable them to address any matters concerning their Section 151 functions.

6.2.3 The Budget Accountability Framework, approved in October 2014 and amended in March 2015, sets out how the council manages its budget. The framework sets out these key roles, the way in which they inter-relate and how budget management accountability is exercised and evidenced. This framework has been strengthened from 2023/24 with the formal budget sign off arrangements.

6.2.4 The updated revenue budget principles, approved by Executive Board in February 2024, support the budget process and need to be complied with in conjunction with compliance with the council's Budget and Policy Framework, the Budget Management Accountability Framework and detailed guidelines provided for setting budgets. The capital programme principles have been developed to enable focus on the purposes of the Capital Programme and to seek agreement for the use of limited resources.

6.2.5 The Chief Officer – Financial Services, as Section 151 officer, is responsible for systems of financial control and, as a part of this system of control, Financial Regulations provide a framework for managing the council's financial affairs. This system of control ensures that the financial transactions of the council are recorded as soon as, and as accurately as, reasonably practicable, they enable the prevention and detection of inaccuracies and fraud and ensure that risk is appropriately managed.

6.2.6 The council's Contract Procedure Rules (CPRs) set out the key responsibilities and actions that council staff must follow when undertaking procurements. They support staff to meet legislative requirements and to meet the council's ambitions for procurement, the council's procurement strategy, and related policies and procedures. They also support staff to deliver effective procurement.

6.2.7 A report received at July 2020's Corporate Governance and Executive Board detailed the process the council must follow for the submission of an emergency budget and provides assurance that the proposed measures would be both agreed by council's Executive Board and consulted upon prior to Full Council consideration of the proposals.

6.2.8 The council has tried and trusted arrangements for treasury management which comply with CIPFA's Code of Practice on Treasury Management and with the Prudential Code. The robustness of the governance arrangements for Treasury management is reviewed within an annual report on overall Financial Management arrangements which is presented to the council's Corporate Governance and Audit Committee.

6.3 **Internal Audit and Systems of Control**

6.3.1 The Public Sector Internal Audit Standards outline that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. On behalf of the Corporate Governance and Audit Committee and the Section 151 Officer, Internal Audit acts as an independent, objective assurance and consulting activity designed to add value and improve the council's operations. The work of Internal Audit contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on accomplishing Best City Ambition objectives in an efficient and effective way. The independent check and challenge provided by Internal Audit provides an important source of assurance for the Section 151 Officer in exercising statutory responsibility for the financial administration of the council.

6.3.2 Each financial year, Internal Audit develop a plan incorporating a review of information from a range of sources including strategic plans and risk registers. The work of Internal Audit is planned in such a way that promotes the effective and efficient use of resources across the organisation and is subject to constant review throughout the financial year to ensure that coverage is prioritised and directed towards the areas of highest risk. This ensures that audit and consultancy work is aligned with new projects, emerging risks and shifting priorities as the year progresses.

6.3.3 The challenging financial climate that provides the backdrop for the Medium Term Financial Strategy underlines the importance of effective financial control and resilience. Internal Audit conduct regular cyclical reviews of the council's key financial systems, providing assurance that the financial systems that are fundamental to the council's operations remain effective and work well in practice.

6.3.4 Internal audit coverage is spread across directorates and risk areas, ensuring that there is a balance between breadth (taking a broad look at governance and risk management) and depth (drilling down into specific areas where internal audit can provide a valuable insight). The reviews undertaken throughout the year cover a range of functions including finance and procurement. The achievement of value for money is a primary consideration throughout each piece of Internal Audit work, providing valuable assurance on the effective use of the council's resources.

6.3.5 The work of Internal Audit sets out to highlight areas for improvement and, where applicable, agree actions to address the identified risks. High and medium priority recommendations are subject to a tracking process and follow up audits are undertaken to provide assurance on the actions implemented for all reviews that have resulted in limited or no assurance opinions. This helps to contribute to a culture that is geared towards continual improvement.

6.3.6 Leeds City Council is committed to the highest standards of openness, probity and accountability. To underpin this commitment, the council takes a zero-tolerance approach to fraud and corruption and is dedicated to ensuring that the organisation operates within a control environment that seeks to prevent, detect and take action against fraud and corruption. As custodians of the council's anti-fraud and corruption policy framework and owners of the fraud and corruption risk, Internal Audit adopts an overarching responsibility for reviewing the council's approach to preventing and detecting fraud. This is fundamental to safeguarding financial resources at a time when it is vitally important to make every pound go further.

6.4 <u>Financial Assurance and Resilience</u>

6.4.1 The council has a proven and comprehensive approach to the development of its Medium Term Financial Strategy, its annual budget setting and the identification of savings plans. The Medium Term Financial Strategy covers a five year period and incorporates the council's capital strategy. This Medium Term Financial Strategy recognises the requirement for the council's revenue budget to become more financially resilient and sustainable whilst at the same time reducing the risks associated with funding recurring revenue through mechanisms such as capital receipts and capitalisation.

6.4.2 Budget management and monitoring is a continuous process which operates at a number of levels throughout the council. The council's budget accountability framework clearly articulates roles and responsibilities and aligns financial accountability within service decision making. Financial monitoring is undertaken on a risk based approach with monthly budget monitoring reports being received at Directorate leadership teams, Executive Board and, from the autumn of 2024, respective Scrutiny Committees.

6.4.3 Arrangements for managing the capital programme include the requirement to submit rigorous business cases for new capital schemes funded from borrowing and that appropriate measures are in place to ensure that sufficient resources are available to fund the capital programme.

6.4.4 The Medium Term Financial Strategy places constraints on the level of debt that the council can afford. The council's capital strategy requires that any new borrowing undertaken each year is consistent with the level of MRP payable in the same financial year. Therefore, the overall level of debt will not increase. However outside of this constraint the strategy allows for an additional increase in debt where the additional cost is met from schemes that generate greater savings, avoid revenue costs, or provide income streams. The council also continues to explore and take advantage of investment opportunities as they arise, with these also being subject to robust business case review in line with financial and governance procedure rules. All decisions that require borrowing are taken within the context of the Capital and Investment Strategy which provides the framework for how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

6.4.5 A combination of CIPFA's Code and Government guidance require a local authority to produce a Capital and Investment Strategy. The capital element of the Strategy sets out the principles that underpin the council's Capital Programme and as such how it supports the corporate priorities and objectives. The Strategy sets the framework for all aspects of the council's capital expenditure and investment decisions. It supports strategic planning, asset management and robust option appraisal. The Investment Strategy covers the council's approach to non-treasury investment decisions. Treasury investment decisions are already covered by the annual Treasury Management Strategy and the Treasury Management Policy Statement, which was approved by council in February 2024.

6.4.6 External Audit provides independent assurance on the council's accounts and accounting practice and that there are appropriate controls around the key financial systems. In November 2023 Grant Thornton presented their 2022/23 Interim Auditor's Annual Report on Leeds City Council's Value for Money arrangements to

Corporate Governance and Audit Committee. This detailed the outcome of their review of the value for money arrangements in the council. Across the key criteria of financial sustainability, governance and improving economy, efficiency and effectiveness Grant Thornton made two key recommendations. Within financial sustainability it was recommended that the council should set out in detail how its proposed transformation plans will enable it to deliver a sustainable balanced budget year on year. The second key recommendation sought to strengthen arrangements in engaging in the external audit process. In addition, they provide independent assurance to ensure value for money is being achieved.

6.4.7 Internal Audit continues to provide assurance to Members that all of the key core financial systems and processes are robust and operating effectively.

6.4.8 The Corporate Financial Integrity Forum, which is an officer forum, meets each month and has a key role within the financial control environment since its function is to help ensure that there are appropriate procedures and operations in place to help ensure the continued integrity of the council's financial accounts.

6.4.9 In response to a number of local authorities reporting financial difficulties, CIPFA in 2018 issued their financial resilience index for local government. This analytical tool is designed to provide councils with a clear understanding on their position in terms of risk. The selection of nine indicators, three of which relate to reserves, measure an individual authority's resilience to continue to deliver annual savings and manage significant shocks whilst still pursuing ambitious goals for Local Communities. The indicators reflect the fact that the council has a lower level of usable reserves when compared to nearest neighbours identified in CIPFA's model and other Core Cities. As detailed in the MTFS the Council is planning to increase the level of reserves that it retains.

6.4.10 The Office for Local Government (Oflog) was launched in July 2023 with the aim of providing authoritative and accessible data and analysis about the performance of local government. OFLOG brings together a selection of existing metrics across an initial four service areas: Finance; Adults Social Care; Adult Skills; and Waste. Further service areas are being added, and existing areas expanded, as the metrics are developed. With regard to Finance there are eight indicators and these have been reported to the council's Strategy and Resources Scrutiny Committee in both January 2024 and June 2024 and included within the Annual Corporate Performance Report 2023/24 considered by this Board in July 2024. The Oflog indicators are a benchmarking tool, similar to the CIPFA Resilience Index indicators and other benchmarking indicators that we update and monitor as a council. As such, the outcome of the Oflog exercise has not provided new information, merely highlighting existing available information.

6.4.11 In May 2020 CIPFA published the Financial Management Code Guidance Notes that supports the Financial Management Code published in October 2019. The Code, which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability, was introduced following concerns about fundamental weaknesses in financial management particularly in relation to organisations that may be unable to maintain services in the future. The Code itself contains a series of financial management standards for which compliance is required if a local authority is to meet the minimum standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders. Local authorities have been required to apply the requirements of the Financial Management Code with effect from 1st April 2021. Adoption of the Code reinforces the council's budget principles which provide a framework for managing the revenue and capital budgets. As noted above, these revenue and capital principles were first adopted by the Council in July 2019 and have since been refreshed.

6.4.12 Implementation of the Code complements the council's Statutory Financial Officer's statement, which is required under the 2003 Local Government Act, on the adequacy of reserves as a part of the annual budget setting process.

6.5 Robustness of the Budget

6.5.1 Section 25 of the Local Government Act (Part II) 2003 places a requirement upon the council's statutory officer (the Chief Officer – Financial Services in Leeds) to report to Members on the robustness of the budget estimates and the adequacy of the proposed financial reserves.

6.5.2 CIPFA's Financial Management Code of Practice also requires that the annual budget report also includes a statement by the Chief Officer – Financial Services on the robustness of the estimates.

6.5.3 In considering the robustness of any estimates, the following criteria need to be considered:

- The reasonableness of provisions for inflationary pressures in the budgeted assumptions;
- The extent to which known trends and pressures have been provided for in the budgeted assumptions;
- The achievability of changes built into the budget;
- The realism of income targets in budgeted assumptions;
- The alignment of resources with the council's service and organisational priorities;
- A review of the major risks associated with the budget;
- The availability of un-earmarked reserves to meet unforeseen cost pressures;
- The strength of the financial management function and reporting arrangements.

6.5.4 In coming to a view as to the robustness of the budgets being approved in any of the years covered by this Medium Term Financial Strategy the Chief Officer – Financial Services will need to take into account the following issues:

- Detailed estimates were prepared by directorates in accordance with principles laid down by the Chief Officer – Financial Services based upon the current agreed level of service. Service changes are separately identified, and plans are in place for them to be managed.
- The estimate submission has been subject to rigorous review throughout the budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the council.
- Financial pressures experienced in the previous financial year are recognised in the following years covered by this Medium Term Financial Strategy.
- As part of the budget process, directorates undertook a risk assessment of their key budgets, and provided a summary of major risks within the directorate budget documents. All directorate budgets contain efficiencies, income generation and service reviews which will require actions to deliver and any delay in taking decisions may have significant financial implications. Whilst the level of risk within the budget was considered manageable on the understanding that key decisions are taken and that where identified savings are not delivered alternative savings options will be needed.
- As detailed elsewhere in this report the council has in place a “Financial Challenge” savings programme. The cross-council approach used provides a high support, co-ordinated and consistent approach to the identification of robust, realistic and deliverable budget savings proposals, helping ensure that variations to budgeted assumptions can be readily identified and addressed. Where appropriate, and in accordance with the council’s adopted budget principles, alternative proposals will be identified to ensure that a balanced budget position can be delivered over the period covered by this Medium Term Financial Strategy. Progress against the delivery of agreed savings will be included in the monthly Financial Health reporting to this Board.
- In recognition of the financial challenge the council faced in 2021/22 from an unprecedented event the council established a Strategic Contingency Reserve in 2020/21 to be used to fund future unforeseen budget pressures and to ensure the council becoming more financially resilient. This reserve is available to fund future unforeseen budget pressures and to ensure the council continues to become more financially resilient.

- In addition to specific directorate/service risks, the collection of Council Tax and the generation of Business Rate yields are two key risks which need to be closely monitored.
- Where the budget assumes the generation of additional capital receipts from property and land sales which are utilised to offset PFI liabilities and fund transformational programmes using the Government's capital receipts flexibilities, the timing of the delivery of these receipts needs to be closely monitored and contingency actions identified should there be any slippage to budgeted assumptions.
- 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.
- Business Rates income continues to be a significant risk, however, as is also the case for Council Tax, any losses greater than those assumed in setting the budget will materialise through a collection fund and will not impact in the current financial year, although this will be an issue in future financial years.
- The council's financial controls are set out in the council's financial regulations as described in the previous section. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the council. The council has a well-established framework for financial reporting at directorate and corporate levels. Each month Executive Board receives a risk-based financial health report from each directorate and action plans are utilised to manage and minimise any significant variations to approved budgets.
- In July 2019 Executive Board agreed the adoption of principles which were developed to support both the determination and management of the revenue budget. Adoption of these principles results in a more robust and accountable approach to budget management which closely aligns itself with the principles set out in CIPFA's Financial Management Code which was fully implemented by the start of the 2021/22 financial year. These principles have been updated since July 2019 and the latest update was agreed at Executive Board in February 2024.
- Adherence to these principles and the requirement to comply with CIPFA's Financial Management Code has been reinforced in 2023/24 with the introduction of formal budget sign off arrangements for Chief Officers. These arrangements combined with the standardisation of budget roll out packs complements the current budget management framework.

6.5.5 In any of the financial years covered by the Medium Term Financial Strategy, the Chief Officer – Financial Services will consider that a proposed budget is robust and that the level of reserves is adequate when:

- Directors and other budget holders accept their budget responsibilities and subsequent accountability.
- The level of reserves is in line with the risk based reserves strategy, but their enhancement will be a prime consideration for the use of any fortuitous in-year savings. As such, this Medium Term Financial Strategy continues to provide for further contributions to the council's reserves.
- Risk based budget monitoring and scrutiny arrangements are in place which include arrangements for the identification of remedial action.
- The budgets which contain a number of challenging targets and other actions should be clearly identified and are at this time considered reasonable and achievable.
- Budget risks are identified and recorded and will be subject to focused control and management.
- For each of the financial years covered by the Medium Term Financial Strategy that Directorates have in place budget action plans which set out how they will deal with variations during the year.
- There is a clear understanding of the duties of the council's statutory financial officer and that the service implications of these being exercised are fully understood by Members and senior management alike.

6.5.6 The impact of the inflation (pay and price) key assumptions in each financial year covered by the Medium Term Financial Strategy is detailed within this report. However, this is only an estimate of the likely impact of inflation and the impact of events and changes in policy at both national and international levels will have implications for these assumptions.

6.5.7 Each year Corporate Governance and Audit Committee receive the annual assurance report from the Chief Officer – Financial Services which provides assurance that Council has established an effective financial control environment including robust arrangements for strategic financial planning combined with effective financial management and control. It also provides assurance that the Council has a sound framework for reviewing and challenging financial performance, has realistic plans in place to make the necessary savings in each financial year, that it will take the appropriate steps to deliver them and that the Authority has contingency plans in place to help to manage unforeseen variations against the budget.

6.6 Level of Reserves and Balances

6.6.1 Section 25 of the Local Government Act (Part II) 2003 requires the Council's Statutory Financial Officer 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.

6.6.2 The purposes of the general reserve policy are to help longer-term financial stability and mitigate the potential impact of future events or developments which may cause financial difficulty. General and useable reserves are a key measure of the financial resilience of the Council, allowing the Authority to address unexpected and unplanned pressures.

6.6.3 The general reserve policy encompasses an assessment of financial risks both within the Medium Term Financial Strategy and also in the annual budget. These risks should include corporate/organisation wide risks and also specific risks within individual directorate and service budgets. This analysis of risks should identify areas of the budget which may be uncertain and a quantification of each "at risk" element. This will represent the scale of any potential overspend or income shortfall and will not necessarily represent the whole of a particular budget heading. Each assessed risk will then be rated and scored in terms of impact and probability.

6.6.4 Whilst the Council maintains a robust approach towards its management of risk, and especially in the determination of the level of reserves that it maintains, it is recognised that our reserves are lower than those of other local authorities of a similar size. However, as detailed in this Medium Term Financial Strategy the Council has made provision to address this position while having minimum impact on front line services.

6.6.5 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 2022/23, received at Corporate Governance and Audit Committee on 27th November 2023 referenced the previous year's improvement recommendation 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."

Table 6.1 Level of General Reserve

General Reserve	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**
Brought Forward 1st April	(36.2)	(37.7)	(37.7)	(40.7)	(43.7)	(46.7)
Planned Contributions	(1.5)	0.0	(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	**(37.7)**	**(37.7)**	**(40.7)**	**(43.7)**	**(46.7)**	**(49.7)**

6.6.6 In accordance with this recommendation this Medium Term Financial Strategy assumes that reserves will be at £37.7m in 2024/25 and will rise to £49.7m by

2029/30. The indicative general reserve levels from 2024/25 to 2029/30 are set out in **Table 6.1.** This position assumes that a balanced budget position is delivered in 2024/25 without the use of a contribution from the council's General Reserve.

6.6.7 Whilst the council continues to maintain 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 levels of reserves are lower than those of other comparable local authorities. In addition, whilst the funding position continues to remain challenging and the impact of factors such as pay and price increases continues to impact upon the council's financial position, we will continue to keep the council's reserves under review to ensure that they are adequate to deal with the identified level of risks.

6.7 Revenue and Capital Principles

6.7.1 The revenue budget principles, originally agreed by Executive Board in July 2019 and with an amended version subsequently being agreed at Executive Board in February 2024, have been developed to support the budget process and need to be complied with in conjunction with compliance with the council's Budget and Policy Framework, the Budget Management Accountability Framework and detailed guidelines provided for setting the budget. The budget position is based on a number of significant subjective assumptions. To enable the council to react to changes in these assumptions in a timely fashion, these principles should be adhered to, which should support a balanced budget being set. The current financial year will also have a significant impact on future years budgets being set and therefore a number of the principles relate to the current financial year.

6.7.2 The capital principles have been developed to enable the Capital Programme resource to achieve the priorities within the Best City Ambition and will support the development and monitoring of the Capital Programme.

6.7.3 The revenue budget principles support the determination of future years budgets and detailed guidance is provided in respect of key assumptions such as incorporating the full year effect of previous years' savings proposals; consequences of the capital programme; taking account of council decisions; how to prepare salary budgets; and how to deal with external funding. In addition, the principles detail the processes involved in the determination and agreement of budget savings proposals and proposals in respect of discretionary fees and charges.

6.7.4 In respect of the current financial year a number of key principles deal with contributions to non-ring fenced reserves; substituting grants for general funding; the carry forward of budget into the following financial year; the requirement for Directors to deliver a balanced budget; the requirement to manage budget pressures with no overspend in budgets unless there is a safeguarding/statutory need and; the requirement to manage a required reduction in expenditure where a revenue grant ceases in year.

6.7.5 The capital principles have been developed to enable focus on the purpose of the capital programme and to seek agreement for the use of limited resources. These principles cover the requirement for the Programme to be compiled at project level for a 10 year period; the profiling of capital expenditure into the correct financial years; and when a capital scheme has been completed the business case and outcomes reviewed to ensure that the targeted outcomes have been achieved.

6.7.6 The capital principles cover the utilisation of capital resources and the approval process for capital projects. These principles also contain the requirement for the revenue implications of the proposed scheme to be clearly identified and include ongoing operating costs and lifecycle costs as well as the cost of any prudential borrowing including MRP and interest.

6.7.7 Adoption of these revenue and capital principles results in a more robust and accountable approach to budget management which closely aligns itself with the principles that are set out in CIPFA's Financial Management Code, which all local authorities were required to fully implement by 1st April 2021.

6.8 Assurance Statement

6.8.1 The Public Sector Internal Audit Standards require the Chief Audit Executive (at Leeds City Council this role is performed by the Senior Head of Audit, Corporate Governance and Insurance) to deliver an annual internal audit opinion and report that can be used by the council to inform its Annual Governance Statement. This is reported to Councillors and must accompany the statement of accounts.

6.8.2 The annual internal audit opinion is a culmination of the work performed by Internal Audit during the year and is based on an objective assessment of the framework of governance, risk management and control.

6.8.3 Effective governance, risk management and control arrangements are key to enabling the council to achieve its strategic outcomes and provide services in a cost effective way. The continual review of these arrangements and the assurances provided by the Internal Audit function help to provide confidence in the conditions that exist to support the successful delivery of the Medium Term Financial Strategy.

7. Part 7: Financial and other Council Strategies

7.1 Financial Strategies

7.1.1 The council's financial strategies provide the framework within which the council will plan, procure, prioritise and manage its capital investment and financing decisions in support of the delivery of the council's priorities which are set out in the Best City ambition and delivered though this Medium Term Financial Strategy.

7.2 Capital Strategies

7.2.1 Local authorities are required to have both a Capital Strategy and an Investment Strategy, with the option to produce one strategy document covering both of these areas. The council has opted to produce an overall Capital and Investment Strategy, given that there is a significant overlap between the two areas.

7.2.2 The requirement for a Capital Strategy is included in the revised Prudential Code for Capital Finance in Local Authorities 2021. The Prudential Code was developed by CIPFA as a professional code to support councils in taking their decisions. Councils are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local government Act 2003. In financing capital expenditure Councils also have to have regard to CIPFA's Treasury Management in the Public Services 2021: Code of Practice and Cross-Sectoral Guidance Notes.

7.2.3 The Capital Strategy sets out the principles that support the council's 4 year capital programme and as such how it supports corporate priorities and objectives. It continues to develop a longer 10 year programme.

7.2.4 The requirement for councils to publish an annual Investment Strategy is included in the current edition of the Government's Statutory Guidance on Local Government Investments.

7.2.5 The Capital Strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

7.2.6 The keys aims of the Strategy are to:

- Ensure that decisions are made within the framework, CIPFA codes and statutory legislation;
- Prioritise and deploy capital resources in line with corporate priorities;
- Support service plans;
- Address major infrastructure investment;

- Support the review of the council's estate and provide investment to ensure that it is fit for purpose;
- Enable investment on a spend to save basis;
- Pump prime resources to deliver savings downstream
- Enable investment in transformation of services e.g., automation, artificial intelligence and streamlining services to focus on service delivery;
- Create sustainable income streams through capital investment
- Support the revenue budget and assist in the delivery of budget decisions;
- Support economic growth and outcomes; and
- Attract investment in the city through third party, grants or private matched funding.

7.2.7 Capital investment decisions should be undertaken with regard to:

- Wider council and service objectives;
- Proper stewardship of assets;
- Value for money – through option appraisal;
- Prudence and sustainability;
- Affordability;
- Impact on the council's partial VAT exemption limit of 5% and;
- Practicality – achievability of the forward plan.

7.2.8 The Investment Strategy brings together information on all of the council's investment activities, covering its Treasury Management investments, other service related loans and investments and non-financial investment activity such as the acquisition of investment properties.

7.2.9 The aim of the Strategy is to enhance transparency and accountability by presenting a clear picture of all of the council's investment activity, including the contribution made by investments to the council's objectives, the decision-making process for entering into investments, the exposure to risk, and the risk management arrangements in place.

7.3 Procurement Strategy

7.3.1 The Procurement Strategy 2019 to 2024 was updated in June 2019 and detailed on the council web site. The council currently spends approximately £1 billion externally each year, across revenue, capital, HRA and grant monies. The purpose of the Procurement Strategy is to ensure that the council continually seeks to improve outcomes and deliver value for money from the goods, works and services that it buys. The Procurement Strategy is a "living" document which is kept under constant review with a full refresh to commence shortly and new procurement strategy launched in 2024. Annual procurement assurance reports are provided to Corporate Governance and Audit Committee

7.3.2 The Strategy identifies the following 5 key areas for procurement:

- **Value for money and efficiency**. The strategy ensures that the council gets maximum value from its contracts through best value and innovative procurement practice by adopting a consistent corporate approach to commissioning; adopting a clearly identified savings strategy and continuing to use a category management approach to procurement.
- **Governance**. We will ensure compliance with the Contract Procedure Rules, the council's Constitution and public procurement law (including the Public Contracts Regulations 2015) in order to manage procurement risk and to comply with legal requirements. Having good governance means our contracts are procured properly thereby ensuring we are testing the market with clear terms and conditions and avoiding the cost of legal challenge from failing to abide by the procurement rules.
- **Social value and Living Wage**. We will seek to improve economic, social and environmental wellbeing from our contracts, over and above the delivery of the services directly required. By including social value outcomes in our contracts and encouraging our contractors to pay the Foundation Living Wage we ensure that we are making every £ spent go further.
- **Commercial opportunities.** In many cases market development is led by the commissioning teams within directorates and, in collaboration with Procurement and Commercial Services, those teams will continue to seek new ways to develop and create commercial opportunities, not just by promoting revenue generation, but by looking at how we engage with, and influence, the marketplace and potential suppliers in order to drive innovation and develop new ideas around service delivery.
- **Supplier engagement and contract management:** Within the council, responsibility for contract management lies firmly within directorates and this will continue. All directorates manage their strategic supplier relationships through continuous engagement with their suppliers and ensure effective management of all contracts from beginning to end in order to control costs, obtain the quality outcomes and performance levels set out in the contract (including in respect of social value), and minimise the level of risk. By engaging with suppliers and undertaking robust contract management we ensure that the council gets what it is are paying for.

7.4 Treasury Management Strategy

7.4.1 The Treasury Management Strategy seeks to manage the long-term borrowing needs of the council and its short-term cash flow requirements in a way which maximises value within an acceptable risk profile, in line with the approved Treasury Management Policy Statement (TMPS). The strategy also sets out how it will fund the requirements of the capital programme.

7.4.2 Specific objectives are to:

- Reduce the cost of debt management.
- Ensure that the management of the HRA and general fund’s borrowing requirements are treated equally, and new accounting principles are examined to provide benefits where possible.
- Obtain long term fixed rate borrowing at the most opportune times, to minimise costs whilst managing interest rate exposure.
- Maintain a flexible approach regarding any financial matters that may affect the council.
- Keep under constant review advice on the council’s investment/repayment of debt policy.
- Maintain a prudent level of volatility dependent upon interest rates.
- Set upper and lower limits for the maturity structure of the Authority’s borrowings and to maintain a reasonable debt maturity profile.
- Specifically ensure that Leeds City Council does not breach the approved Prudential Limits.
- Ensure that the Treasury Management Policy Statement is fully adhered to in every aspect.

7.4.3 In accordance with CIPFA Code of Practice on Treasury Management fully revised fifth Edition 2021 the Council has adopted, as part of its standing orders and financial procedures, the following clauses:

- This Authority will create and maintain, as the cornerstones of effective treasury management:
    - A Treasury Management Policy Statement (TMPS), stating the policies and approach to risk management of its treasury management activities;
    - Suitable Treasury Management Practices (TMP’s), setting out the way the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities. A full set of TMP’s are maintained on the Treasury Section.
- The Executive Board will receive reports on its treasury management policies,

practices, and activities, including, as a minimum, an annual strategy and plan in advance of the year, a half year update and an annual report after its close, in the form prescribed in its TMP's.

- This organisation delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive Board, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the organisation's TMPS and Treasury Management Practices and, if he/she is a CIPFA member, CIPFA's *Standard of Professional Practice on Treasury Management.*

- This organisation nominates the Corporate Governance and Audit committee to be responsible for ensuring the effective scrutiny of the Treasury Management Strategy and Policies.

7.4.4 Whilst this Treasury Management Policy Statement outlines the procedures and considerations for the treasury function as a whole, requiring revision occasionally, the Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. The Strategy is submitted to the Executive Board for approval before the commencement of each financial year.

7.4.5 The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates (for instance, the council may postpone borrowing if fixed interest rates are falling).

7.4.6 The Treasury Management Strategy is also concerned with the following elements:

- the prospects for interest rates;
- the limits placed by council on treasury activities (per TMPS);
- the expected borrowing strategy (including forward start borrowing);
- the temporary investment strategy;

7.4.7 The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using published forecasts where applicable) and highlight sensitivities to different scenarios.

7.5 Other Council Strategies

7.5.1 The council's **Estate Management Strategy 2021 to 2025** provides the basis for decisions about how the council plans, uses, manages and invests in its land and buildings. Five guiding principles have been established: A modern fit-for-purpose estate; A well-managed and maintained estate; Working with partners; Maximising income from our portfolio; and Supporting the city's future.

7.5.2 The **Digital Strategy 2022 to 2025** underpins Leeds' **Best City Ambition** and its three pillars of Health and Wellbeing, Inclusive Growth and Zero Carbon. It sets out how, by making better use of data and technology, and by taking a person-centred approach to service design and delivery, we will improve the way we can support people in their daily lives, helping them achieve their ambitions and overcome any challenges they may face.

7.5.3 The **People Strategy 2020-2025** sets out how the council will use its human resources to deliver its priorities and the Best City Ambition.

7.5.4 For further information on both council and city Strategies and Plans, please click here.

1. BUSINESS RATES RETENTION SCHEME

2. Business rates as a tax

2.1. Business Rates are a tax on all non-domestic property except for those specifically exempted by statute, such as agricultural land. The ratepayer is the occupier of the property unless it is vacant, at which time ‘empty rates’ become payable by the owner after a short period of exemption.

2.2. Each ratepayer‘s basic liability to Business Rates is determined by multiplying the Rateable Value of the property by the relevant business rates multiplier and there are then a series of reliefs that can reduce this basic liability depending on the circumstances of the property or the ratepayer.

3. Rateable Value (RV)

3.1. The Rateable Value (RV) of a property broadly represents the annual rent that can be expected from that property on a given date on the open market as assessed by the Valuation Office Agency (VOA) in accordance with legislation and case-law. Billing authorities like Leeds City Council don’t have any input into this valuation.

3.2. In general, the VOA collects rental information from ratepayers in an area and inspects individual properties, using this data to arrive at valuations for each property. However, for some types of property a different method must be used because there is insufficient comparable rental information in an area. These include the ‘contractor’s method’ (a method representing the interest that would be charged on the capital required to replace the premises) or the ‘receipts and expenditure method’ (where the VOA deem RV to be related to a measure of profits likely to be generated from the property).

4. Rating Lists

4.1. Rateable properties fall either into a local rating list or the central rating list. There is a single local rating list for each billing authority in England and Wales, and two central rating lists, one for England and one for Wales. Over 95 per cent of the total aggregate Rateable Value is contained in local rating lists across England and Wales. The total Rateable Value in Leeds as at 25th August 2024 is £951.2 million.

4.2. Some properties are deemed by the Secretary of State to form part of a network across the country, such as the utility, the telecommunication, and the railway networks. These are listed on a Central List and the business rates yield from these properties is collected by the Secretary of State and paid into the Treasury's Consolidated Fund.

4.3. According to the Local Government Finance Act 2012 all business rates income received from properties on the Central List, along with all income from Central Government's share of business rates from local lists, must be redistributed to "benefit local government".

5. The Multipliers

5.1. The multipliers are set by Government each year and there are two basic rates, the small business rates multiplier, which, since 1st April 2017, applies to properties with a Rateable Value below £51,000, and the higher national business rates multiplier for properties above £51,000.

5.2. Every April the small business rates multiplier can be increased by RPI although the Government has the power to limit these increases, which it has done from 2020/21 to 2023/24, freezing the multiplier. Authorities received compensation for the loss of income experienced as a result of this capping of the multiplier. In 2017-18 the Government announced that from 1st April 2018 the multiplier would only increase by CPI and the Non-Domestic Rating Act 2023 limited increases in the multiplier to CPI instead of RPI and allowed the Government to increase the two multipliers independently of each. In 2024/25 the lower Small Business Rates Multiplier was again frozen, but the higher national business rates multiplier was increased by CPI. In 2023/24 the previous Government limited the compensation made to local authorities for the resulting loss of income from capping the multiplier to CPI rather than RPI and in 2024/25 authorities received compensation only for the Small Business Rate multiplier being frozen. Billing authorities have no control over the level of the small business rates multiplier. Since 2020-21 the small business rates multiplier has been 49.9p.

5.3. The higher national business rates multiplier was originally set so that it theoretically generated sufficient extra revenue nationally to fund, nationally, the Small Business Rates Relief scheme, although this has not been the case since 2013/14 when Government doubled the rate of Small Business Rates Relief. Since 2020-21 the national business rates multiplier has been 51.2p but in 2024/25 this was increased to 54.6p.

6. Reliefs

6.1. There are various relief schemes that can reduce a ratepayer's basic liability depending on the circumstances of the property or ratepayer. Some of these schemes are mandatory and a billing authority has no choice but to award them if they apply to a ratepayer's circumstances; others are discretionary, with the billing authority having the ability to set its own policy regarding when to award them.

6.2. Under the 50% Business Rates Retention Scheme (BRRS) Leeds City Council has to meet 49% of the cost of most of these reliefs. The exceptions are small business rates relief, where, for Leeds, 69.1% of the cost to the authority is funded by central government to compensate for the doubling of the relief in 2013/14 and the increase in the threshold when the higher national multiplier takes effect, and those reliefs that have been introduced by the Government since the beginning of the BRRS in 2013-14, which are fully funded by the Government through a section 31 grant.

6.3. In recent years there has been concern about the use of mandatory reliefs by ratepayers to evade or avoid taxation, especially relating to Small Business Rates Relief, Mandatory Charity Relief and Empty Rate Relief. In July 2023 the previous Government published a consultation on reforms to these reliefs which, it is proposed, will reduce levels of evasion and avoidance of business rates liability. The Government has since announced that the qualifying period for Empty Rate Relief, the period a building has to be occupied before it becomes eligible for another period of Empty Rate Relief, would be increased from six weeks to six months in order to reduce abuse of this relief.

7. Revaluations

7.1. Revaluations of RVs are now undertaken by the VOA every three years. The last revaluation produced the 2023 Ratings List and came into effect on 1st April 2023. Prior to this, Revaluations were supposed to take place every five years, although the Government retains the power to extend the life of a Ratings List, which it did in in the cases of the 2010 Ratings List (to seven years) and the 2017 Ratings List (to six years). The aim of reducing the period between Revaluations is to make Ratings Lists more representative of the current commercial property market, and thereby reduce the burden of appeals (see **paragraph 8** below) on local authority budgets.

7.2. When a revaluation takes place, the total tax raised across England should remain constant and the multiplier is adjusted to compensate for increased or reduced total RV. A revaluation does, however, redistribute national yield between areas, meaning that regions that have experienced growth in property values above the national average will pay a higher share of business rates than other areas. Local Government is compensated for changes brought about purely by Revaluations through adjustments to their top ups or tariffs (see **paragraph 10** below).

7.3. Historically, following a Revaluation, ratepayers who experienced a large increase in their RV received transitional relief to cushion the increase, with the relief gradually decreasing over three years. To pay for this, those who saw large reductions in their RV had their gains limited and phased in over several years, paying higher rates than their RVs would initially have represented. However, when the new 2023 Ratings List was introduced on 1st April 2023, the Government announced that the 'Limit on Gains' would be abolished, and the Government would fund the cost of transitional relief outside the rating system.

8. Checks, Challenges and Appeals

8.1. All ratepayers have the right to appeal to the VOA if they consider that their RV has been set too high at the time of the revaluation or if there has been "a material change of circumstance" that they consider should result in the RV of their property being reduced. With the introduction of the 2017 Ratings List in April 2017, the Government introduced the new Check, Challenge, Appeal process, bringing into force a new three stage appeals process. Appeals can result in reductions being backdated to the point at which the valuation became effective (restricted to the start of the current RV list). They can be made by a ratepayer, or their agent, at any time up to the end of the current ratings list. Billing authorities have no right to present evidence at an appeal but must make provision for the losses that may be incurred as they bear 49% of this cost through the BRRS. Compared to the old system in force under the 2010 Ratings List, the Check, Challenge, Appeal system has significantly reduced the number of speculative appeals in Leeds against the 2017 Ratings List and reduced the requirement for Leeds City Council to make provisions for any future resultant losses.

8.2. The previous Government announced a Fundamental Review of Business Rates in September 2020. That Government decided that the appeals system required further reform in the light of its decision to introduce three-yearly Revaluations alongside a duty on ratepayers to provide the Valuation Office Agency with relevant information on an annual basis. It was proposed that the first Check stage of the current appeals process now be abolished and that a time limit be set for ratepayers to make appeals of eighteen months into the lifetime of a new Ratings List. The previous Government also proposed that the Valuation Office Agency be placed under a duty to determine all appeals by the end of the lifetime of a Ratings List. The aim was to give certainty to ratepayers and reduce the volatility caused to local authority funding caused by the current appeals system. It was that Government's intention to introduce these further reforms by the end of 2026 but the necessary legislation was not enacted by the end of the Parliamentary term.

8.3. With the election of a new Labour Government in July 2024, with a stated intention to replace Business Rates with another form of business taxation, the future of reforms to the current system is uncertain. Leeds City Council will take an active part in any future consultation process.

9. The role of the billing authority

9.1. Leeds City Council, as a billing authority, has no role in setting the RV of properties in the city or setting the multipliers and therefore has no role in setting ratepayers' basic liability for business rates. It also has no role in the appeals process when an RV is challenged by the ratepayer.

9.2. A billing authority's role is limited to calculating and collecting the business rates owed by a ratepayer and deciding what rules to set about discretionary reliefs within the statutory framework. Where a ratepayer does not pay their business rates liability to the authority, the authority has a range of powers to recover the sums owed.

9.3. Before the business rates retention scheme councils collected business rates purely as an agent of the Government, passing all the net revenue to Central Government. Since 2013-14, however, councils act as both principal and agent. As a result, councils have needed to set aside funds to make provision to meet the cost of future repayments to ratepayers following successful appeals.

10. The 50% Business Rates Retention Scheme

10.1. The current 50% Business Rates Retention Scheme (BRR) was introduced on 1st April 2013.

10.2. When the scheme was set up, a 'Start-Up Funding Assessment' (now known as the 'Settlement Funding Assessment' or SFA) calculated how much funding each authority required based on an assessment of needs carried out in 2012/13. A proportion of this is the Funding Baseline for the authority, with the remainder being paid as Revenue Support Grant (RSG) by the Government. The Funding Baseline usually increases each year in line with the increase in the small business rates multiplier (RPI until 2017-18, and CPI from 2018-19 until 2020/21, when it was subsequently frozen) until the system is reset. It has not been confirmed when the next reset is due to take place.

10.3. This funding then comes from two sources: Revenue Support Grant and Business Rates Baseline Funding, also known as an authority's 'local share' of business rates. The Business Rates Baseline is the amount of business rates income the system calculated the authority would achieve in 2013/14. Income collected in excess of this is growth above the baseline.

10.4. Between 2013/14 and 2017/18, and from 2020/21 onwards, the BRR scheme permitted Leeds City Council to retain 49% of locally collected business rates, so 49% of income collected to achieve the Business Rates Baseline and 49% of any business rates growth (in total the Local Share), with the remaining 50% remitted to government as the Central Share, and 1% paid to the Fire Authority. In 2018/19, the Council's share was increased to 99% and in 2019/20 to 74% as part of a pilot scheme (see **paragraph 13.4** below).

10.5. However, because authorities' spending needs vary widely and do not match how much an authority will collect in business rates, there are mechanisms within the system to redistribute funding according to authorities' assessed spending needs.

10.6. This redistribution is achieved through a system of top-ups and tariffs. Tariff authorities like Leeds were expected to collect more business rates income than they needed in 2013/14 and pay a tariff to government. These tariffs are intended to meet the costs of providing top-up funding to authorities who needed more funding than they can generate.

10.7. Tariffs and top-ups are calculated by comparing an authority's Funding Baseline with their Business Rates Baseline, so they do not take account of business rates growth.

10.8. Some authorities have achieved very high levels of business rates growth, whereas others have experienced significant decline in business rates income, for example as a result of the closure of a major business in their area. A separate system of levies and safety net payments was established to adjust for such disproportionate gains and losses.

10.9. Authorities experiencing business rates growth will pay a levy on the 50 per cent of growth income they retain. Government use this levy income towards funding a safety net which guarantees that, each year, all local authorities will receive at least 92.5 per cent of their original baseline funding. Currently the Council's levy rate is 6.1% of growth above the baseline.

11. Fair Funding Review

11.1. As described above, the last time an assessment was made of how much funding each individual local authority required from business rates income and Revenue Support Grant was 2013/14 when the Business Rates Retention Scheme was introduced. Since then, baselines have been increased only in proportion to the small business rates multiplier and Revenue Support Grant has been reduced drastically. The Fair Funding Review (FFR) was meant to review the formulae used to calculate the needs of authorities and set new Settlement Funding Assessments for every authority.

11.2. The FFR was initially intended to be implemented in 2019-20 but was delayed first by the political turmoil surrounding Brexit, and then by the COVID-19 pandemic. Following the election of a new Government in July 2024, the future of the Fair Funding Review and the approach the new Government will take towards distributing available funding to individual local authorities remains uncertain. Once again Leeds City Council will play a full part in any future consultation process on local government funding, 11.3. Leeds City Council has been in receipt of research from Pixel Consulting, which, using the proposals consulted on by the Government about the FFR from 2020, estimated that Leeds would have received additional funding of £45.3m in 2023/24 if the FFR had been introduced as scheduled, mainly from changes in the formulae and updated data from the 2021 Census.

12. Business Rates Retention Reset

12.1. As described above, under the 50% BRRS, local government retains 50% of the Business Rates Baseline in its area and receives 50% of any growth above the baseline. However, local government also bears 50% of the cost if business rates income does not meet its Business Rates Baseline. Business Rates Baselines were set in 2013/14 with the introduction of the Business Rates Retention Scheme and have not been re-assessed since.

12.2. At the time of the introduction of the BRRS, the previous Government stated that its intention was to 'reset' the baseline in 2020/21 and every five years thereafter. However, in a statement of policy in November 2022 the Government has now made it clear that it does not intend to go ahead with this reset until after the end of this Parliament.

12.3. At a reset, authorities' Business Rates Baselines would be set at their current business rates income levels and any growth accumulated since 2013/14 would be incorporated into the funding that is distributed through the Settlement Funding Assessment according to an assessment of relative needs and resources. Therefore, it has always been assumed that a reset would accompany the introduction of the reforms proposed under the Fair Funding Review, which has also been delayed at least until the next Parliament. The delay of both processes has meant that for many local authorities both their levels of need, and the funding available to them to meet those needs, have become subject to significant imbalance.

13. Business Rates Pools

13.1. The BRRS permits local authorities to voluntarily seek designation as a 'pool', allowing them to pool their resources under the scheme (which they could do anyway), but also ensuring that they are treated as if they were a single entity for the purposes of calculating tariffs, top-ups, levies and safety net payments.

13.2. The advantage of forming a business rates pool under the 50% BRRS is the retention regionally of levy payments that would otherwise have to be paid to central government. Levy payments restrict the relative gains made by tariff authorities from business rates growth which are higher than those of top-up authorities. If tariff and top-up authorities combine in a pool, this can be done in such a way as to retain these levy payments regionally rather then pay them to central government.

13.3. The major risk of entering into a pooling arrangement is that if the retained business rates income and associated section 31 grant income of a member authority falls below 92.5% of their assessed spending requirement, the payment of a safety net payment from central government will not be forthcoming. This payment will have to be met by the pool and, if income to the pool in the form of levy payments is not sufficient, by member authorities.

13.4. Leeds City Council has been in pools of varying sizes and membership since the introduction of the Business Rates Retention Scheme on 1st April 2013. Until 2018/19 this was the Leeds City Region (LCR) Business Rates Pool under the 50% BRRS; in 2018/19 the LCR Pool piloted 100% retention for the Government and Leeds made a total revenue gain that year of £13.1m compared to the 50% scheme. In 2019/20 West and North Yorkshire authorities came together to pilot 75% retention for the Government, from which Leeds benefitted by £8.4m compared to the 50% scheme. These two Pools achieved their gains not based on retaining levy payments but instead from an increased share of the member authorities' accumulated growth since 2013/14. The governing joint committees of these two pilot pools were also able to commit funding from the additional growth of £30.4m to regional projects aimed at increasing economic growth within the region.

13.5. A new Leeds City Region Business Rates Pool was established on 1st April 2023 for 2023/24 and 2024/25 with the aim of furthering economic development activities across the region. It has six members:

City of Bradford Metropolitan District Council;
Calderdale Council;
Kirklees Council;
Leeds City Council;
Wakefield Council; and,
City of York Council.

13.6. The pool is led by a Joint Committee made up of the leaders of the six authorities and is administered by Leeds City Council. The pool is a 50% retention pool and is therefore funded by the levy payments that would otherwise have been paid to central government.

14. The operation of the Business Rates Collection Fund and its impact on Business Rates income included in the Net Revenue Budget

14.1. The Council's Collection Fund is a separate fund maintained by the Council into which, by law, the Council places all Business Rates income (and Council Tax income) it collects in the city. From these funds the Council pays the portion of Business Rates income it has collected on behalf of central Government and the Fire Authority and transfers its share into its General Fund, where the funding can be used to maintain the Council's services in the city.

14.2. In the January preceding each financial year, every billing authority must provide the Government with a forecast of the income it expects to collect in the following financial year. This sets the shares of business rates income for the forthcoming year that can be used in an authority's budget. In Leeds 49% of business rates income goes to Leeds City Council, 1% goes to the Fire Authority and 50% goes to central government. The shares, or precepts, are fixed for the forthcoming financial year.

14.3. As that financial year progresses, the actual amount of business rates income collected in the city becomes determined and in the following January any gap between forecast and actual levels of income are estimated. If the actual level of income is higher than forecast this becomes a surplus on the Collection Fund, but if it is lower, the difference becomes a deficit on the Collection Fund. A surplus is paid into the General Fund in the following financial year; a deficit must be reimbursed by the General Fund to the Collection Fund in the following financial year. Any estimated surplus or deficit has, therefore, to be included in the Net Revenue Charge of the following year's Budget.

14.4. The operation of the Collection Fund is specifically designed to give Councils time to adjust to sudden changes in business rates income in their area. Business rates income has been characterised by volatility and the mechanism is therefore vital in managing this volatility. On occasion the Government has had to act at a national level to further manage this volatility and has done so through the Collection Fund mechanism. The most obvious occasion was in 2020/21 in the wake of the pandemic, when the Government legislated for all councils to spread their Collection Fund deficits over three years.

1. COUNCIL TAX

2. Council Tax as a tax

2.1. Council Tax is a tax on all domestic properties in a billing authority's area. The Council Taxpayer is the resident(s) of the property unless there is no resident in which case the owner of the property is responsible for paying the Council Tax.

2.2. Each Council Taxpayer's basic liability is determined by the band D council tax set by the council(s) in the taxpayer's area, and the band in which the taxpayer's property has been placed by the Valuation Office Agency (see **paragraph 4**). There are then a series of discounts and exemptions that may apply to the property depending upon the characteristics of the property or the resident. There are also a small number of premiums that may increase a taxpayer's basic liability.

3. The Band D Council Tax

3.1. Every year a local authority must calculate the amount of expenditure it intends to incur in providing its services, or to put aside for future losses or expenditure and it must calculate its income from grants from Government, Business Rates Retention, fees and charges and commercial activities. The difference between an authority's expenditure and income is how much funding the authority needs in order to set a balanced Budget as required by law and is known as the Council Tax Requirement.

3.2. In order to arrive at the band D Council Tax for the Council's area, the Council must divide its Council Tax Requirement by its taxbase, which is a measure of the number of properties in the area liable to pay Council Tax expressed as band D equivalent properties (see **paragraph 6**). The result of this calculation is the band D Council Tax for the area covered by the local authority.

4. Council Tax Bands

4.1. There are 8 broad bands into which every domestic property in England is placed by the Valuation Office Agency depending upon the assessed value of the property as at 1st April 1991. Property values have not been re-assessed since 1991. The Valuation Bands are set out below in **Table 1**.

Table 1: Property Values for each Council Tax Band

Value at 1st April 1991	
Band A	Not exceeding £40,000
Band B	Over £ 40,000 but not exceeding £ 52,000
Band C	Over £ 52,000 but not exceeding £ 68,000
Band D	Over £ 68,000 but not exceeding £ 88,000
Band E	Over £ 88,000 but not exceeding £120,000
Band F	Over £120,000 but not exceeding £160,000
Band G	Over £160,000 but not exceeding £320,000
Band H	Exceeding £320,000

4.2. The average band for properties in England is deemed by the Government to be a band D but properties range from band A, with the lowest valuations, to band H, with the highest valuations. When a local authority calculates and sets its Council Tax for the area it calculates the Council Tax for band D properties. All other bands are set as a proportion of a band D property – for a band A property the Council Taxpayer would be charged 6/9 of a band D Council Tax charge and for a band H property they would be charged 18/9 of a band D property. The bands and the proportions of a band D charge are set out in **Table 2**.

Table 2: The proportion of a band D charge levied in each Council Tax band

BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H
6/9	**7/9**	**8/9**	**9/9**	**11/9**	**13/9**	**15/9**	**18/9**

4.3. Although nationally the Government deems band D properties to be the average value property, the proportion and number of properties in each band varies greatly between local authorities. Those local authorities with a large number of properties in bands A to C will have a lower ability to raise Council Tax revenue from a given band D Council Tax charge. In Leeds 78.9% of households live in a house that is in a Council Tax below band D.

5. Discounts, Exemptions and Premiums

5.1. There are a number of discounts that can reduce a council tax charge for a property or exempt the property entirely from a council tax charge. There is also a premium that can increase the basic liability faced by a Council Taxpayer.

5.2. A widely claimed discount against Council Tax is the Single Person Discount. If a resident lives alone or without any other person in the residence that can be liable for Council Tax, that resident will attract a 25% discount from their Council Tax liability.

The stated aim for this discount when it was introduced alongside Council Tax in 1992 was recognition that single person households use fewer local services than larger households.

5.3. Another widely claimed exemption against Council Tax liability claimed is the Student Exemption. Any residence wholly occupied by students is exempt from Council Tax liability. If there are two residents in a dwelling, but one of them is a student, then the dwelling will be treated as if it is a single person dwelling and will receive the 25% discount. The aim of this exemption is that students are generally on low fixed incomes and if landlords, for example, were to be made liable for the applicable council tax then rents would rise. Thus, the only fair way to treat students is to exempt them from Council Tax altogether. Prior to 2013/14 Councils received compensation for the loss of income through formula grant, which was reassessed every year. However, the formula ceased to be used on an annual basis in 2013/14 and the amount of compensation received within Settlement Funding Assessment (SFA) has reduced significantly since then in line with the wider cuts to SFA. Conversely, the number of student properties has increased significantly since 2013/14 from 10,955 on 1st October 2012 to 16,853 on 2nd October 2023.

5.4. Severely Mentally Impaired persons are exempt from Council Tax, with dementia being the most common reason for this status being granted. Those whose homes have been altered in order to accommodate their disability are entitled to see their band being reduced by one, so, for example, a band C property will be reduced to a band B or a band A will be reduced from 6/9 to 5/9 of a band D charge. There are also reductions of 50% for family annexes that are self-contained but used by a member of the main property's family.

5.5. Local Council Tax Support is the reduction given to those who struggle to meet their Council Tax liability due to low income. The scheme differs in each local authority area as it is determined by the relevant council. This is described in more detail at **paragraph 7**.

6. Council Tax lists and the Taxbase

6.1. The Valuation Office Agency maintains a Council Tax list for every billing authority in England and Wales. In Leeds, this Council Tax list details all the dwellings in the district alongside the valuation band given to those dwellings by the Valuation Office Agency. The Council's Revenues section ensures that our systems are updated with any changes to the list on a regular basis. When planning permission is granted for a new development the Revenues department monitor progress on that development and when the Council decides a property is complete it serves a completion notice and informs the Valuation Office Agency of the requirement for a new valuation. The Valuation Office will inform the Council when it has placed the dwelling on the list and the Council's systems will be updated.

6.2. Similarly, when the Council awards one of the discounts or exemptions outlined in **paragraph 5** the Council's systems will be updated. As such, the Council maintains an up to date list of the dwellings in the city and the details of what discount, exemption or premium applies to which property.

6.3. On 30th November of each year the Council runs a complete set of reports of all the aggregate information about properties in Leeds and any discounts, exemptions or premium as set out in the Local Government Finance Act 1992. Using this data the Council then converts the details about each property in Leeds into band D equivalents in the city. All these band D equivalents are added together, and, alongside assumptions around the level of new builds in the city in the coming year and what the Council Tax collection rate will be, the total estimated taxbase for the city is calculated - a measure of how many dwellings are taxable in the city and by how much. The Council Tax Requirement is divided by this taxbase to give the band D council tax charge.

7. Local Council Tax Support

7.1. Before 2013/14, those with low incomes were given help through a national benefit system called Council Tax Benefit. A means assessment was made by the Department for Work and Pensions (DWP) and an award of cash would be made to a claimant on a low income which would be paid, in most cases, directly to the claimant's local authority and set against the claimant's council tax account. The benefit could pay up to 100% of the claimant's liability for council tax and if the claimant was in receipt of a passported benefit, such as Jobseekers Allowance or Income Support, it would automatically meet 100% of the claimant's liability.

7.2. In 2013/14 the Government 'localised' this system. Instead of local councils receiving cash from Government to pay claimant's council tax liabilities, councils had to award discounts to claimants to reduce their liability. This award of discounts, however, lowers the council's taxbase and in recognition of this the Government made funding available to councils. Subsequently, this funding was reduced by 10% compared to the cost of the Council Tax Benefit.

7.3. In exchange, local councils were given the power to set their own criteria as to who would receive support and how much they would receive. However, those over 65 had to receive the same level of support as they would have done under the old national scheme. The cut in funding, therefore, fell entirely on working age claimants.

7.4. Government rolled the funding for Local Council Tax Support into general Settlement Funding Assessment (SFA) in 2014/15, so that it is no longer a separately identifiable amount. Since 2014/15, SFA has reduced from £313.4m to £207.6m in 2024/25 for Leeds City Council. The Council has therefore had to introduce reduced support for working age claimants of Local Council Tax Support. The maximum reduction a working age claimant can now receive in Leeds is 75%, meaning a claimant with a maximum reduction has to pay 25% of their Council Tax, unless they fall into certain protected groups such as lone parents with a child under 5, the severely disabled and carers who can still receive 100% reductions to their liability. As at 5th August 2024 there are 13,428 protected recipients of working age Local Council Tax Support.

8. The Council Tax Collection Fund and its impact on the General Fund

8.1. The Council's Collection Fund is a separate fund maintained by the Council into which, by law, the Council Tax places all Council Tax (and Business Rates) it collects in the city. From these funds the Council pays the portion of Council Tax that has been collected on behalf of the Police and the Fire Authority to those organisations and transfers the Council's share to its General Fund, where the funding can be used to maintain the Council's services in the city.

8.2. As described in **paragraph 6**, in November each year the Council calculates what its taxbase will be in terms of the number of band D equivalent properties in the city. At the time of the Council Budget in February of each year, the Council will set the level of band D Council Tax. Multiplying the taxbase by the band D Council Tax calculates how much the Council can take out of the Council Tax Collection Fund and apply to the revenue budget and is called the Council's precept. Once this is set in February it is fixed for that year.

8.3. However, as the year progresses the actual amount collected from the residents of Leeds may differ from the amounts assumed when the taxbase was calculated. This may be because housebuilding is lower or higher than anticipated, collection rates are higher or lower than anticipated or because there have been more or less claimants for Local Council Tax Support than assumed. Because the expenditure from the Council Tax Collection Fund is fixed at the time of the Council's Budget, differences in the actual generation of Council Tax in the city will result in either a surplus or a deficit balance on the Collection Fund. Any deficit generated has to be met by the General Fund in the following year and any surplus generated can be utilised by the General Fund in the following year. These elements are included in the following year's Net Revenue Charge. The process allows local authorities time to plan for unexpected changes in their tax revenues from year to year.

8.4. On occasion the Government has acted at a national level to assist local authorities with economic shocks that have impacted their Collection Funds, the most obvious of which being during 2020/21 in the wake of the pandemic when Government, by Regulation, made it mandatory that local authorities should spread the impact on the General Fund of the deficits generated in 2020/21 over three years.

Annexe B

FINANCIAL STRATEGY 2020 – 2025

HELPING DELIVER THE BEST COUNCIL PLAN

Our Financial Strategy is helping us become more financially sustainable and resilient, safeguarding public funds whilst achieving value for money. This will ensure we are well placed to respond to the significant funding uncertainties and pressures we face and to target our money to where it can make the most difference.

Leeds Best Council Ambition

An Efficient, Enterprising and Healthy Organisation

Leeds Best City Ambition

A Strong Economy and a Compassionate City

OUR AIMS

- Financially resilient and sustainable
- Providing value for money
- Target resources to meet our priorities
- Safeguarding public money

How we are delivering our Financial Strategy to achieve our aims

MEDIUM TERM FINANCIAL STRATEGY

5 YEAR ROLLING STRATEGY

3 YEAR BUDGET INCLUDING REVENUE AND CAPITAL PROGRAMME SCHEMES

BUSINESS CASE DEVELOPMENT

BUDGET MONITORING AND CAPITAL

BUSINESS CASE MONITORING

CLOSURE OF ACCOUNTS

Financial Strategies

- Capital Strategy
- Procurement Strategy
- Treasury Strategy
- Risk Management Strategy

Leadership

- Strategic direction and vision
- Corporate management – resource planning
- Political and financial awareness
- Public sector partnership
- Continuous improvement / innovation

Assurances

- Section 151 responsibilities
- Internal Audit Plan
- Assurance statement
- External Audit
- External inspections
- Financial Resilience Index
- Robustness of the Budget
- CIPFA Financial Resilience Index
- Level of reserves and balances

Statute and Governance

- Section 151 of the Local Government Act 1972 – England and Wales
- Section 114 of the Local Government Act 1988 – England and Wales
- Section 25 of the 2003 Local Government Act
- Council's Constitution
- Financial Regulations
- Contract Procedure Rules
- Budget and Policy Framework
- Scheme of Delegation
- Governance structure
  - Full Council
  - Executive Board
  - Scrutiny Committees
  - Corporate Governance and Audit Committee

Digital and Data

- Accounting and financial information systems
  - Accessible
  - Complete
  - Comprehensive
  - Consistent
  - Accurate record of the council's financial transactions
- Reporting and monitoring
- Benchmarking
- Data analytics
- Integrity of data
- Self-sufficiency

Highly Skilled Workforce

- Leadership Team
- Operational Leadership
- Chief Finance Officer – professionally qualified
- Financial Services – highly skilled workforce
  - Business Partners
- Accountable Chief Officers
- Accountable budget holders
- Adhering to:
  - Professional Standards
  - Financial Management Code
  - Budget Management Accountability Framework
  - Capital and Revenue Principles

OUR VALUES

Underpinning everything we do and how we work

BEING OPEN, HONEST AND TRUSTED • TREATING PEOPLE FAIRLY • SPENDING MONEY WISELY • WORKING AS A TEAM FOR LEEDS • WORKING WITH ALL COMMUNITIES

Leeds CITY COUNCIL

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Agenda Item 8

Report author: Rob Clayton

Tel: 0113 3788790

Core Business Transformation Programme – Progress Update

Date: 14 October 2024

Report of: Head of Democratic Services

Report to: Strategy & Resources Scrutiny Board

Will the decision be open for call in? ☐ Yes ☒ No

Does the report contain confidential or exempt information? ☐ Yes ☒ No

Brief summary

As part of work programming discussion at the start of the 2024/25 municipal year the Strategy and Resources Scrutiny Board identified the Core Business Transformation (CBT) programme as an area of interest, to receive an update on progress and overview of ongoing delivery plans.

CBT is aimed at transforming and modernising ‘back office’ services with a commitment to making it easier to do business in key service areas such as Finance, HR, Payroll and Procurement.

Appendix 1 to this report contains the latest update on the CBT programme considered at Executive Board on 18 September 2024.

Recommendations

a) The Strategy and Resources Scrutiny Board is asked to note and comment on the progress update on the Core Business Transformation programme contained at Appendix 1.

What is this report about?

1 The report provides an update on the effectiveness of the arrangements for successful procurement, design and implementation of the new core business (Finance, HR, Payroll, Procurement) technologies and achievement of the aims and objectives outlined in the business case for the Core Business Transformation Programme.

2 Strategy and Resources Scrutiny Board has a remit that covers support and back office functions including setting, supporting and monitoring the council's policies and procedures for:-

- human resources (including health and safety and equalities);
- access to information
- procurement, purchasing, contract management and commercial activity
- projects and programmes
- performance, organisational planning and service improvement h) customer relations

3 As a result, the Board has a clear interest in the progress being made on Core Business Transformation.

4 CBT has also featured at the Corporate Governance and Audit Committee on 29 July 2024 when a report was provided setting out assurances that the governance arrangements established for the Core Business Transformation (CBT) programme are up to date, fit for purpose, operating effectively, and are complied with

What impact will this proposal have?

5 Brining the latest position on the CBT Programme to scrutiny offers and opportunity for check and challenge on progress and for further scrutiny of the programme depending on discussion at the board meeting.

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

☒ Health and Wellbeing ☒ Inclusive Growth ☐ Zero Carbon

6 Core Business Transformation is an enabling programme that underpins successful delivery of the ambitions outlined in the corporate Organisational Plan, Financial Strategy, People Strategy and Procurement Strategy and the LGA Procure to Pay Action Plan. Although primarily a business change programme, successful design and implementation of new, modern and fit for purpose technology is key to achieving the ambitions for optimum compliant, efficient and costeffective ways of working in relation to 'core business functions,' all of which supports the Council in achieving its Best City ambition.

What consultation and engagement has taken place?

Wards affected:		
Have ward members been consulted?	☐ Yes	☒ No

7 This item was identified as an item for the Board's work programme in the 2024/25 municipal year following consultation with Board members, the Chair of the Board and senior officers in the strategy and resources directorate.

What are the resource implications?

8 Resources implications are set out in Appendix 1 to this report.

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

9 Any identified risks are set out in Appendix 1 to this report.

What are the legal implications?

10 Legal implications are set out in Appendix 1 to this report.

Appendices

- Appendix 1 - Core Business Transformation Programme – Progress Update report considered by Executive Board on 18 September 2024.

Background papers

- None

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Report author: Suzanne Hopes
CBT Programme Manager

Tel: 07922 664837

Core Business Transformation Programme – Progress Update

Date: 18th September 2024

Report of: Chief Officer, Financial Services

Report to: Executive Board

Will the decision be open for call in?	Yes
Does the report contain confidential or exempt information?	No

Brief Summary

This report (and attached appendices) provide Executive Board with an update on progress of the Core Business Transformation Programme. The update aims to provide assurance that programme delivery framework, programme and workstream management and governance arrangements are up to date, fit for purpose, operating effectively and complied with to ensure successful delivery of the programme.

Recommendations

a) Executive Board are requested to note the details provided in the progress report at **Appendix I** and note that a further update will be provided in 6 months.

1. What is this report about?

1.1 This report provides Executive Board with an update on the progress of the Core Business Transformation Programme; a programme aimed at transforming and modernising ‘back office’ services. The programme, although predominantly a ‘business transformation’ programme, is underpinned by a technology refresh; replacing essential, business-critical corporate systems (i.e. Finance, HR, Payroll, Procurement) that have reached ‘end-of-life’ in terms of contractual arrangements, support and maintenance.

1.2 Current systems sit on out-of-date technology platforms that give rise to time consuming and ‘clunky’ processes that are not fit for modern or cost-effective ways of working e.g. Cloud-hosted, interoperable, mobile or self-service enabled. The technology refresh introduces new platforms that will enable the delivery of ongoing continuous improvement and transformation well beyond the initial implementation period. The programme aims to make it easier to ‘do business’ and help alleviate growing pressures on workloads and front-line service delivery through use of modern, integrated technology e.g. digital workflows across integrated modules, process automation, self-service, information dashboards and self-service intelligence tools across core business functions.

1.3 The progress update (**Appendix I**) demonstrates that:

(a) the technology implementations pertaining to each workstream are being effectively managed to achieve the outcomes articulated in the CBT business case(s). That risks and issues are being effectively managed with a view to achieving successful implementation within agreed timescales and budget.

(b) design decisions are in accordance with the constitution, standard best practice guidance and advice provided by experienced external Consultants engaged at various stages throughout the programme to support corporate transformation.

(c) delivery of the Core Business Transformation Programme aligns with statutory and corporate requirements in relation to programme/project methodology and decision making.

(d) design decisions are aligned with the aims and ambitions outlined in the CBT Business Cases in particular “adopt not adapt” principles.

(e) that all options and recommendations are informed using robust sources of intelligence including internal subject matter and technical experts such as - experienced external Consultants, external Professional Advisory Services, internal services such as Procurement, Legal, IDS Services as well as other Councils sharing lessons learnt.

2. What impact will this proposal have?

2.1 The report provides assurance by way of an update of the effectiveness of the arrangements for successful procurement, design and implementation of the new core business (Finance, HR, Payroll, Procurement) technologies and achievement of the aims and objectives outlined in the business case for the Core Business Transformation Programme (see decision D55730).

2.2 An Equality Impact Assessment (EIA) was undertaken at the outset of the programme (December 2022) to understand the impact of the programme on Equality, Diversity, Cohesion and Integration and an action plan subsequently developed. The EIA is regularly reviewed and updated, most recently on 29th August 2024, this version is attached at **Appendix II**. Updates on progress of the actions outlined in the plan are provided to the CBT Programme Board on a monthly basis.

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

☒ Health and Wellbeing ☒ Inclusive Growth ☒ Zero Carbon

3.1 Core Business Transformation is an enabling programme that underpins successful delivery of the ambitions outlined in the corporate Organisational Plan, Financial Strategy, People Strategy and Procurement Strategy and the LGA Procure to Pay Action Plan. Although primarily a business change programme, successful design and implementation of new, modern and fit for purpose technology is key to achieving the ambitions for optimum compliant, efficient and cost-effective ways of working in relation to ‘core business functions’, all of which supports the Council in achieving its Best City ambition.

3.2 The health and wellbeing of the Council workforce and that of our partners will be improved by having access to the right tools to undertake core business processes easily and efficiently and in-part ease pressures of increasing workloads.

3.3 The new finance and procurement systems will be used by those employees who have responsibility for financial management activities, budget monitoring/reporting, purchasing, payment processing, income collection, procurement, contract and supplier management. The new HR/payroll system will be used by all employees either in a managerial capacity or an employee self-serve capacity, making it quicker and easier to undertake people management processes and access and maintain personal/work related information (including more informative, interactive, on-line payslips).

3.4 The new HR/payroll solution will also provide non-office based, front-line staff with direct access to on-line information (such as corporate messages, policy information) that has previously been difficult to access, reducing long standing barriers to effective and timely communication.

3.5 Providing the whole workforce with modern, digital tools, including the current 'off-line' staff, will provide the opportunity for all staff to become more digitally aware and digitally able. Upskilling the Council's workforce to include the ability to work with digital processes (a requirement which is now wide-spread in most modern organisations both at work and at home), will contribute to the inclusive growth ambition by enabling staff to develop the skills required for modern ways of working and modern ways of living, opening up career opportunities that may not have been previously available.

3.6 The Council's zero carbon ambitions are supported through the introduction of more modern ways of working, eliminating old-fashioned paper-based processes and harnessing digital, on-line, flexible ways of working that contribute, in part, to the reduction in home-to-office travel.

4. What consultation and engagement has taken place?

Wards affected: N/A		
Have ward members been consulted?	☐ Yes	☒ No

4.1 Stakeholder engagement has been a key part of the programme and is regularly undertaken with the Core Business Transformation Board (which includes senior representation from Directorates); IDS, Financial Services, HR, PACS Leadership Teams; Information Governance, Internal Audit.

4.2 Engagement activities also include Member updates and oversight including the Deputy Leader/Executive Member for Resources, Executive Board and Corporate Governance & Audit Committee.

4.3 Each workstream within the programme has its own Communications & Engagement plan, which incorporates activities such as newsletters, surveys, briefings, change workshops and demonstrations to service management teams, trade unions, staff network groups – providing the opportunity to collate feedback and views, which have helped inform design decisions, training development and roll-out plans. This will continue to be the case as we progress to implementation. Training plans are being developed to include on-line and face to face training solutions.

5. What are the resource implications?

5.1 All resource requirements were outlined in the CBT business cases for Finance, HR/Payroll and Procurement approved on 19th October 2022, 8th February 2023, 27th July 2024 respectively.

6. What are the key risks and how are they being managed?

6.1 The key risks relating to the programme are:

Risk	Details	Mitigations
Resourcing	There is a risk that the programme team will not have access to the required level of skilled and knowledgeable resources to successfully deliver the programme due to pressures of business-as-usual work in services. The current financial challenges are causing workforce pressures resulting in a lack of capacity for staff to contribute time to projects and improvement work over and above day to day demands. There is a risk that the costs will exceed the budget provision.	Establish dedicated 'core' programme team. Release subject matter experts to work on the programme full-time, and temporarily back fill roles. Include contingency in budget, ensure rigorous budget monitoring and supplier contract management. Utilise IDS Augmentation Partner to supplement technical resources.
Timeline	There is a risk that the programme may not achieve the desired timelines due to unknown/unexpected requirements and the level of complexity involved in implementing new finance and payroll systems	Utilise experienced implementation Consultants to manage the project using standard project management methodologies and tools. Regular review of timelines, stages and plans
Scope	There is a risk of scope creep due to complexity and interdependencies	Document and agree scope at the outset. Utilisation of design governance and change control process
Quality	There is a risk that the new solutions do not meet business needs	Utilise experienced implementation Consultants – use LCC subject matter experts in design process. Mutually agree deliverables and business sign-off on blueprint. Appoint

		dedicated Test Manager, rigorous test management plans, user acceptance testing plans, defect and options and risk analysis to be discussed at Board prior go-live
Business Change	There is a risk that the required business change is not achieved, and benefits are not realised and that staff are not adequately trained to use new systems	Utilise dedicated 'change' resources to identify change impacts and work with services to achieve required change – develop champions network, design and deliver change and communication activities and plans
Information Governance	There is a risk of inaccurate or out of date data being migrated to new systems,	IG Officer assigned to work with the project team to provide advice and oversight. Recruit a dedicated data migration/integration manager onto the team to work alongside experienced consultants. Undertake multiple rounds of data migration rehearsals, undertake data cleansing exercises
Delays with dependencies	There is a risk of delays in dependent projects that adversely impact the programme timelines	Identify dependant projects and track progress reporting issues to Board.

6.2 A programme level risk register is actively managed by the Programme Manager. Each implementation project has its own risk register that is managed by the implementation partner and workstream lead. All risk registers are discussed and monitored at Programme Board. Internal Audit are also providing real time assurance of the programme. The Head of Finance – Internal Audit attends CBT Board and undertakes quarterly assurance reviews. Reports are presented and discussed at Board on a quarterly basis. Reporting to date demonstrates that arrangements are fit for purpose and that no areas have been identified as less than acceptable. Details of the assurances provided are included in the Internal Audit update reports to the committee. Key risks feed through to broader directorate and corporate risks, including those informed by learning lessons from other councils major IT projects.

7. What are the legal implications?

7.1 Guidance and advice has been obtained from the Councils' Corporate Governance Team, Programme Management Office and Procurement & Commercial Legal Team (PACS) and at all stages of the decision-making process to ensure that the programme meets the statutory and organisational requirements in relation to programme delivery.

8. Options, timescales and measuring success

8.1 What other options were considered?

8.2 All options were considered at the business case stage and outlined in the business cases approved on 19th October 2022 (Finance), 8th February 2023 (HR/Payroll) and 4th July 2024 (Procure to Pay).

8.3 How will success be measured?

8.4 Success will be measured through the successful implementation of the new solutions along with achievement of the aims and ambitions outlined in the CBT business cases and the realisation of the benefits outlined in the benefits trackers.

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

9.1 The programme delivery framework is already in place and will remain so until the successful delivery of the aims and ambitions outlined in the CBT business cases. The officer responsible for implementation is the Core Business Transformation Programme Manager.

10. Appendices

- **Appendix I -** Overview of the CBT Design & Delivery Framework
- **Appendix II** – Equality Impact Assessment (reviewed August 2024)

11. Background Papers

None

Core Business Transformation Programme - Progress Update

1. Background

1.1 The CBT Programme was established in 2019/20, with a view to transforming and modernising 'back office' services. The programme, although predominantly a 'business transformation' programme, is underpinned by a technology refresh, replacing essential corporate systems (i.e. Finance, HR, Payroll, Procurement) that have reached 'end-of-life' in terms of contract, support and maintenance. Current systems are hosted 'on-premise' and sit on technology platforms considered out of date and not fit for modern or efficient ways of working e.g. Cloud, interoperable, mobile or self-service enabled. The technology refresh introduces new platforms that will enable the delivery of ongoing continuous improvement and transformation beyond the initial implementation period, essentially making it easier to 'do business'

1.2 Functions in scope include:

- Finance
- Core HR (Employee Record) & Payroll
- Recruitment and Onboarding
- Learning, Development and Performance
- Health & Safety inc Occupational Health
- Procurement (including Contract Management)

1.3 Programme governance arrangements were established at the outset with the creation of a dedicated Programme Team reporting to the Core Business Transformation Board which meets monthly and is chaired by Victoria Bradshaw, Chief Finance Officer, with Andy Dodman Chief HR Officer as Deputy Chair, alongside other senior key stakeholders from Strategy & Resources and Council Directorates:

Board Members:

- Chief HR Officer (Deputy Chair) Senior Stakeholder
- Interim Chief IDS Officer, Senior Stakeholder and Senior Supplier
- Head of PACS, Senior Stakeholder
- Deputy Chief Officer HR & Shared Services, Senior Stakeholder
- Chief Officer Resources, Transformation & Strategy, Children & Families, Senior User
- Chief Officer Resources & Strategy, Adult Social Care, Senior User
- Chief Officer Welfare, Community Hubs & Business Support, Communities, Housing & Environment) Senior User
- Chief Officer Operations & Active Leeds, City Development, Senior User
- Head of Commercial, City Development, Senior User
- Head of Information Management, Senior Stakeholder
- Head of Finance – Internal Audi (for programme assurance, advisory and guidance purposes only)

1.4 The Board meets monthly and operate with following Terms of Reference (summarised):

- Ensure the Programme meets its Vision, Strategic Objectives / Outcomes and Benefits Realisation within the agreed timescale and budget
- Provide Leadership, ensure programme aligned with Council's vision and strategic outcomes
- Business Case assessment and authorisation, ensuring all work streams are progressed against a robust business case
- Advocate and champion the programme, actively supporting business change within directorates and service areas
- Ensure decisions are made swiftly to maintain progress within the decision-making framework
- Support the programme team, ensuring appropriate resources are available and any blockages are overcome, enabling the team to deliver

- Governance and performance monitoring, ensuring plans are in place to deliver to agreed deadlines, risks are appropriately mitigated, dependencies are managed, and delivery is within budget
- Engagement, ensuring all stakeholders are identified and engaged appropriately at every stage of the programme, actively encouraging engagement, and actively seeking feedback from all stakeholders

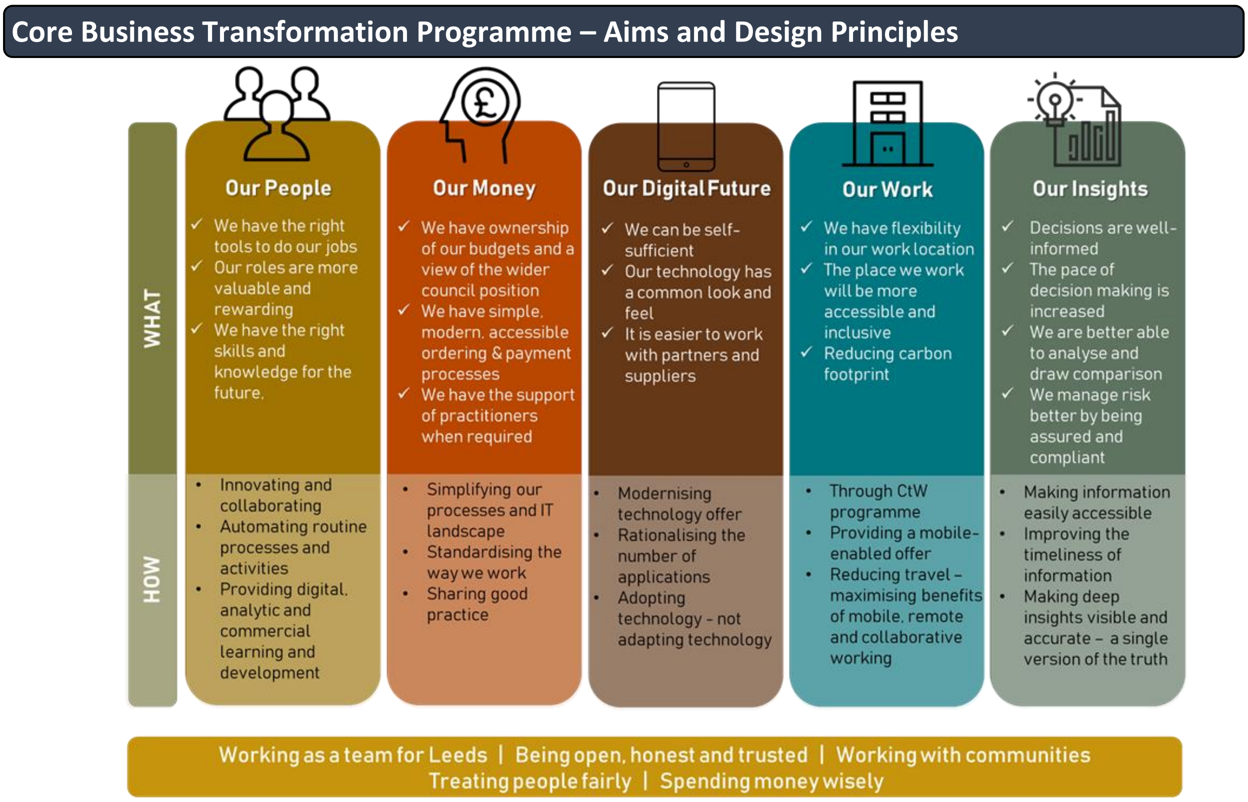
2. Informed Technology Choice and Design Principles

2.1 The initial stages of the programme focussed on completing a 'discovery' phase to develop fully informed requirements and business case. This phase involved identifying pain points, operational problems, inefficient ways of working as well as understanding the current user-base profiles, technology costs, limitations of existing systems.

2.2 The programme team also engaged with other Councils / Public Sector bodies who had initiated or completed similar transformation programmes (e.g. Harrow, Birmingham, Lambeth, Croydon, Scottish Water). Valuable insights into lessons learnt were captured (key points below) – which have continued to be a running theme in ongoing discussions:

- Avoid bespoke customisation – change ways of working to exploit standard functionality wherever possible
- Ensure adequate resourcing of the project team – free up 'Subject Matter Experts' to ensure dedicated time can be allocated
- Work with experienced implementation partners
- Don't compromise on testing and training
- Ensure effective engagement and involvement of business users

2.3 A technology options appraisal was undertaken, and a business case developed with support from SOCITM (Public Sector Technology Advisory Service). Overarching programme aims and design principles were agreed by the Board (diagram below), and continue to be used as reference points that continue to inform design decisions and approach:



3. Benefits Outlined in the Business Case

3.1 Feedback from staff and managers across the Council (including staff survey results) highlighted a pressing need for easier, quicker and more efficient ways of 'doing business'. The ongoing financial challenges and associated staffing reductions across the Council are significantly increasing workload and front-line service delivery pressures. These are exacerbated by time-consuming and 'clunky' operational processes relating to 'core business' (i.e. finance, people, payroll, procurement, contract management).

3.2 In order to meet the needs of staff and mangers the programme aims to deliver the following benefits that were articulated in the business case:

- **Support Service Improvements** – Support services have delivered significant savings to date with ambitious plans to deliver more, however progress is severely hampered due to out of date, old-fashioned technology. Further savings can only be achieved through exploitation of modern integrated technology i.e. digital workflows across integrated modules, automation, self-service, dashboards and better business intelligence tools.

- **Procure to Pay (P2P) –** The use of supplier catalogues and supplier self-service alongside modern P2P functionality that will enable the Council to exploit opportunities around rebates and discounts and leverage greater buying power to reduce prices.

- **Finance** – system generated financial projections with easy-to-use functionality enabling budget managers to be less dependent on finance practitioners.

- **Integrated dashboards and work-flow** – fundamentally change how Council employees interact with IT systems and the data held within them. The system will push relevant information to users so they can pick-up and complete workflow tasks within their own role-based personalised dashboards that provide real-time, readily available information rather than having to react to automated or manually produced e-mails, maintain their own independent databases and spreadsheets or take time interrogating systems to find the required data.

- **Mobile working** - support new ways of working, enabling staff to work remotely through access from mobile devices. This will allow all staff to complete workflow tasks 'on the go' regardless of location.

- **Reporting** – intuitive user-defined reports via dashboards that visually depict information using bar charts and graphs, improving the flow of information into the decision-making process.

- **Compliance and information governance** - remove the need to hold and process large amounts of data on spreadsheets and databases which are outside of the core IT systems.

- **Continuous Improvement** – Modern systems are regularly updated and enhanced (usually quarterly) to take advantage of new innovations helping to drive continuous improvement in ways of working.

3.3 The discovery phase informed an initial strategy of a simplified landscape and a rationalisation of applications through procurement of a single integrated ERP solution; a strategy that was found to be commonplace (and largely successful) in most of the organisations engaged with at that time. Following approval of the business case by Executive Board in Oct 2020, a procurement process was initiated.

3.4 However, ongoing market research coupled with assessment of bids received, indicated we'd reached 'cross-roads' in the market and new strategies for business technologies were emerging. Gartner (Global Technology Research Consultants) were advising caution in implementing "monolithic" ERP systems, and instead indicated a more "modular, cloud-based, interoperable" approach – an ecosystem of integrated or loosely coupled 'best-of-breed' systems – that would provide the optimum cost effectiveness and flexibility in the long term.

3.5 As a result, the CBT Board agreed to stop the procurement process (February 2022) and engage external Consultants Ernst & Young (EY) to support a short, focussed piece of work during spring 2022 to inform a further options appraisal, provide a recommended shortlist of suitable interoperable technology solutions, implementation roadmap, resource requirements, business change approach and revised business case.

4. Delivery Framework

4.1 As a result of the engagement, EY provided the programme team with a delivery framework to support successful achievement of the programme aims, this included:

- Revised Business Case
- A recommended technology option for Finance that aligns with corporate IDS strategy
- Shortlist of suitable technology options for HR/Payroll and Procurement
- Recommended phases and timescales to manage risks and resource availability
- Recommended resource profile
- Function taxonomy maps Level 1 – Level 4
- Recommended business change and communication strategies
- Recommended Target Operating Model(s)
- Current State Assessments and Future State Blueprints

5. Audit, Data and Equality Assurance

5.1 Due to the scale, complexity and risks associated with the programme, 'real time' project assurance is being provided by the Head of Finance – Internal Audit, who as well as being a member of the CBT Board, works closely with the Programme Manager to ensure adherence with corporate governance arrangements, undertakes assurance reviews and presents assurance reports with recommended actions to Board on a quarterly basis. Other members of the Internal Audit team are involved in workstream meetings where required. The External Auditors (Grant Thornton) are meeting with key members of the Finance workstream during September to agree an audit plan that will take in a review of progress, project governance and technical aspects of design, testing and data migration.

5.2 The new solutions involve the cleansing, migration, and integration of a significant volume of business critical and personal data (i.e. financial data, supplier data, employee data). This presented some key risks in the Data Protection Impact Assessment, therefore 'real time' support is also being provided by the Information Governance Team; with an IG Officer being part of the programme team providing oversight and advice at all relevant stages of the programme and undertaking regular reviews of the Impact Assessment. The Head of Information Governance is a member of the CBT Board.

5.3 The business and technology change impacts all staff, therefore the team are working closely with the Staff Network Groups to ensure equality and inclusivity are inherent in design and delivery. Equality Impact Assessments have been completed with a checklist of actions identified that are regularly reviewed and updates on progress periodically provided to Board, ensuring accessibility requirements are incorporated into all test and deployment plans. Regular updates are provided at Trade Union forums.

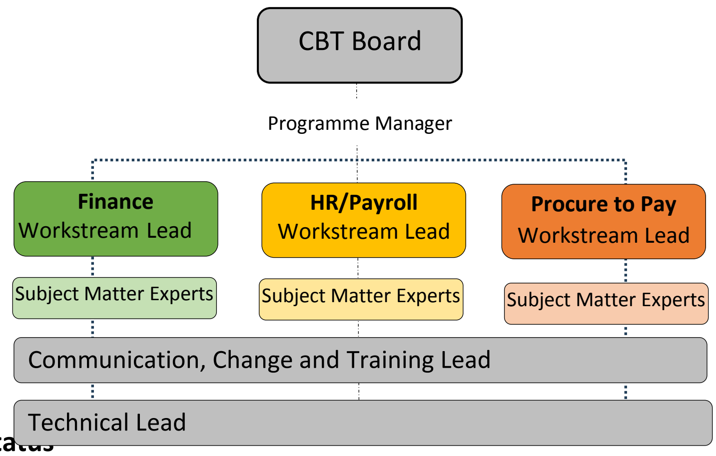
6. Phased Workstream Approach

6.1 Taking into account the recommendations provided by EY, a 3-year roadmap for the procurement and implementation of the multiple solutions that will build, in effect, a "modular ERP" has been agreed by CBT Board as follows:

	Tasks	Estimated Timescale
Finance	**Phase 1** • Replace FMS and Civica Financials with MS Dynamics F&O	May 23 – Dec 24
	Phase 2 • Hyper care and post-go-live bug fix • Agree back log for post-go-live development	Dec 24 – Jan 25 Jan 25 – March 25

	Tasks	Estimated Timescale
	Phase 3 • Develop continuous improvement plan / roadmap to exploit MS tools i.e., process automation, AI, chatbots/co-pilot. • Review Kefron (automated invoice payments) assess capability within Dynamics F&O (contract expires Nov 25)	Apr 25 – Mar 26 (ongoing) Apr 25 – Nov 25
HR/Payroll	**Phase 1** • Replace Cornerstone with MHR Recruitment • Replace SAP with MHR HR/Payroll • Extend Cornerstone L&D contract to Oct 27	June 23 – Sept 24 June 23 – June 25 May 24 – June 24
	Phase 2 • Identify business requirements for Occupational Health (as part of MS Access replacement programme) • Identify business requirements for Learning & Development and Health & Safety	May 24 – July 24 July 25 – Dec 25
	Phase 3 • Hyper care and post-go-live bug fix for Recruitment and HR/Payroll • Procure and implement new Learning & Development and Health & Safety modules. • Develop continuous improvement plan / roadmap to exploit MS tools i.e., process automation, AI, chatbots/co-pilot	Apr 25 – Aug 25 Apr 25 – Mar 26 (ongoing) Apr 26 – Mar 27
Procurement	**Phase 1** • Implement new solution for Purchase to Pay (as part of MS Dynamics F&O implementation) • PACS to work with Go4Growth to review & simplify low value procurement processes and procedures. • Undertake discovery phase and market engagement to determine business requirements for new solution. • PACS to work with EY on contract review exercise – outcome to inform business case for new solution and new contract management framework	May 23 – Dec 24 Sept 23 – Apr 24 Jul 23 – July 24 Dec 23 – June 24
	Phase 2 • Procure and implement new Procurement and Contract Management solution (to replace Yortender) • Design and implement new contract management framework	Sept 24 – Aug 25 Apr 24 – Aug 25
	Phase 3 • Develop continuous improvement plan/roadmap (explore integration opportunities and utilise price lists/catalogues, supplier portals)	Aug 25 – Mar 26 (ongoing)

6.2 To successfully implement the solutions outlined in the roadmap, and enable ongoing continuous improvement, the following delivery model was agreed by CBT Board, with 3 workstreams (each with a dedicated lead and subject-matter-experts) focussing on transformation for each professional function, with cross-cutting Technical, Communication, Change and Training workstreams:



7. Programme Status

7.1 The programme status is currently rated AMBER. This is mainly attributable to the risk of not meeting the current planned go live dates for Finance and HR/Payroll. Although the new Finance and

HR/Payroll projects are currently on track to transition to the new solutions by the planned go live dates, both systems are complex and have a high degree of configuration, integrations and data migration requirements; finding defects during the testing cycles in the latter stages of the projects could result in the need to undertake some re-development work which would impact on planned go-live dates. This risk will remain until testing has been fully completed and signed-off.

8. Roadmap Status

8.1 The table below shows the status (as at 31st July) of the technology replacement projects contained within the roadmap:

Workstream	RAG	Strategic Lead	Update
Finance		Finance	• Dynamics implementation in progress – Go live Dec 2024 • Work continues - some outstanding design issues remain, FIT nearly completed, E2E and UAT commenced
Core HR/Payroll		HR/BSC	• Timeline and go-live date have been re-planned – cutover for wave 1 April 2025, wave 2 June 2025 • A/w outcome of the Pay Day consolidation consultation - outcome could impact on timeline
Recruitment & Onboarding		HR	• Transformation work underway - being led by HR (local Resourcing Officers identified) • Contract variation signed off. Design completed and first release will be August 2024.
Learning & Development		HR	• Current Cornerstone contract ends Oct 2024 – looking to extend/renew existing contract to 2027 to enable further market research and possible subsequent procurement exercise. Work to review Cornerstone license numbers complete.
Health & Safety		HR	• Core HR includes a basic health & safety module – to determine functionality within MHR
Occupational Health		HR	• CBT Board agreed to defer to Phase 3 – however this is impacted by Access Replacement programme. Options for solutions (interim and long term) are being explored. IDS identified that Power Platform tools could be utilised to develop a long-term solution that would meet business needs. Recommendation being developed by IDS.
Source to Contract		PACS	• Business Readiness activities including Contract Management improvements and work undertaken with Go4Growth to support procurement policy, process and templates review. Contract management framework, including score-carding and strategic segmentation being developed with intention to launch July 2024 • PACS work with Ernst & Young (EY) now complete and c.£950k savings obtained. Lessons learned fed into S2C business case, and a contract management action plan developed • Contract Management Assurance Board (CMAB) to be integrated into Financial Challenge Group to provide corporate assurance over performance/risk • Business case for Source to Contract technology approved via DDR – decision on forward plan until 9th August.

9. Budget Position

9.1 The business cases for the new Finance and HR/Payroll solutions were approved by Executive Board on 19th Oct 2022 and 8th Aug 2023 respectively, which totalled a combined delivery budget of £18.48m. Based on existing timelines, the current projected spend position at 31st July is:

Spend Category	Previous Years' Spend £000	Projected Spend 24/25 £000	Projected Spend 25/26 £000
Internal Resource	3,885	2,333	218
External Resource/Consultants	4,603	3,035	297
Licensing	2,828	214	300
Archiving		200	200
Total	**11,316**	**5,782**	**1,015**

9.2 Due to the transformational nature of the programme and the very high degree of complexity, a £3m contingency was included in the cost projections. Due to two extension of Finance timelines, and the high level of resource effort the programme requires, this contingency is diminishing and currently stands at £367k. Any further extension to timelines would require additional funding.

Finance Workstream Update

10. Technology Choice

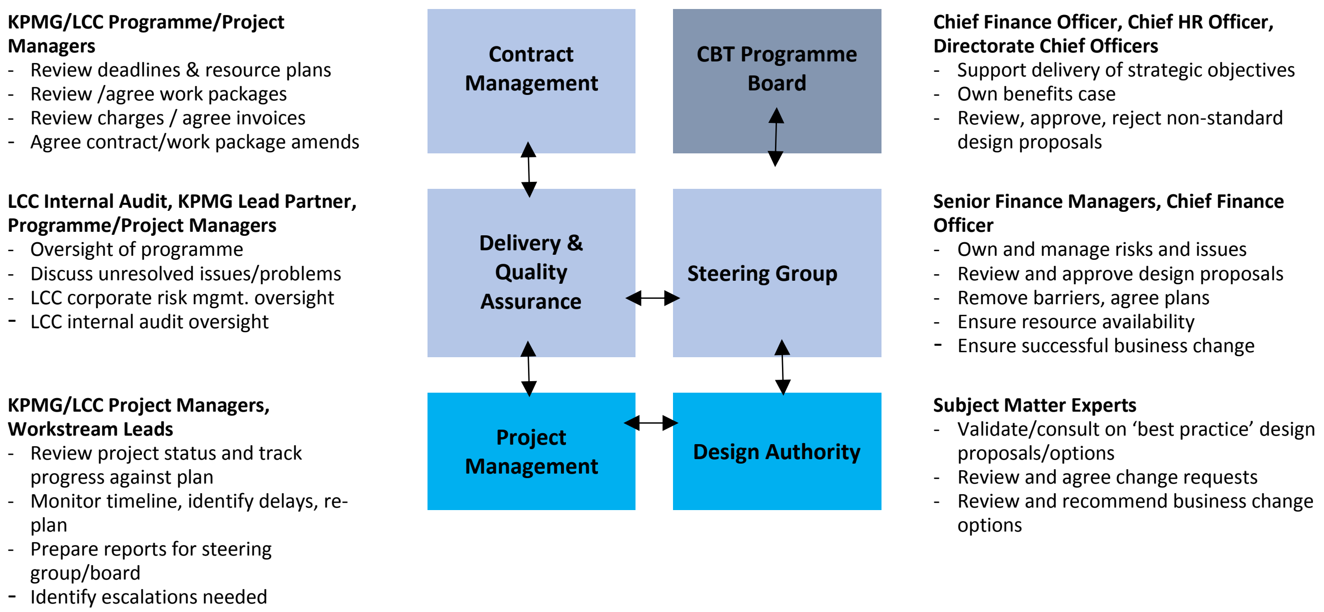
10.1 The Finance solution recommended as 'best fit' by Ernst & Young (following an independent functionality assessment that indicated >90% fit) was Microsoft Dynamics Finance & Operations (F&O). This aligned with the corporate strategy to leverage existing investment in Microsoft products. F&O is a module within the existing Microsoft Dynamics 365 eco-system and can be implemented within the Council's Microsoft Azure Cloud environment. The 10% gap in capability mainly relates to Income Management and Automated Invoice Processing – it was therefore recommended that the existing solutions remained in place and were integrated into Dynamics F&O until such time that this capability in F&O had matured sufficiently for adoption within LCC. The technology recommendation was agreed by CBT Board on 22nd Sept 22 and subsequent business case approved by Executive Board on 19th Oct 22.

11. Design Governance

11.1 An experienced implementation partner, KPMG, were procured in April 2023 to project manage the configuration and implementation of MS Dynamics F&O. KPMG are using standard project management tools and have experience of implementing MS Dynamics in the public sector, using a proven standardised methodology - Powered Local Government (PLG) which utilises CIPFA compliant leading practice assets, i.e.:

- CIPFA recommended Chart of Account structure
- Financial Report templates based on Council-published statements/reports
- Pre-designed and tested enhancements to plug known product gaps
- Fully CIPFA code compliant on non-current asset accounting
- Budgets and forecasts based on establishments and positions
- Change and training strategy

11.2 KPMG's PLG methodology includes a 'Design Authority' model that ensures robust management of design and configuration proposals:



11.3 Although the programme has agreed an "adopt not adapt" design principle, it was inevitable that an 'off-the-shelf' solution would have gaps in business-critical functionality required by a large and complex Local Authority. KPMG brought several pre-designed/pre-tested local-government-specific enhancements. It was agreed by at the outset that whilst additional 'enhancements' (or add-ons) to meet business critical needs would be considered (where business change is not a viable option), requests for bespoke customisation of the system that impacted on the 'core accounting' capability would be rejected.

11.4 Where gaps in standard functionality are identified, options are appraised by the Design Authority. All proposals are documented and include following supporting information:

- Summary of gap/design issue
- Recommendation
- Volumes/value
- Options - alternative work arounds / business change / best practice

- Benefits of recommended solution
- Risks / Impact of recommended solution
- Other information
- Change impact

11.5 Recommendations for enhancements agreed by the Design Authority are presented at Steering Group to provide assurance that proposals do not adversely impact accounting integrity. Enhancements that require additional development work or attract additional costs are escalated to CBT Board for approval. All design decisions are documented and reflected in the 'Design Blueprint'.

11.6 A separate Delivery & Quality Assurance Board was established at the outset, meets monthly and is chaired by Leeds City Council's Head of Finance – Internal Audit to provide oversight and a mechanism for any issues or concerns to be raised and addressed.

11.7 Given the scale, complexity and risk associated with a new Finance system implementation, Microsoft are also providing support and oversight through their "Fastrack Ready Partner Programme" which is designed to help customers achieve successful implementation of Microsoft cloud solutions:

Microsoft Fastrack Ready Process:

11.8 The project team meet monthly with a Microsoft Senior Solution Architect who provides advice, guidance and pre-go-live assessment on architecture, functional and technical designs and build to:

- Ensure customer outcome
- Identify risks
- Ensure customer understanding
- Identify where Microsoft can help

11.9 The Finance workstream lead has recently convened a regular forum of other Local Authority Dynamics F&O Users to ensuring ongoing sharing of knowledge and lessons learnt.

12. Development & Implementation Timeline

12.1 The indicative implementation timeline proposed by Ernst & Young was 2 years (go live 1st April 2025). However the Programme Team and KPMG have collectively been working towards a more ambitious and challenging timeline to minimize cost and pressure on 'business as usual' and accelerate the introduction of more modern and efficient ways of working. KPMG were originally engaged to achieve a go-live by April 2024. This was reviewed in November 2023, and subsequently extended to October 2024. This was reviewed again in May 2024 and subsequently revised to 1st December 2024, which given the complex nature of implementing a new Finance solution and the current work pressures on Financial Services, is still challenging and is subject to regular review as the team work through the remaining project stages as follows:

Activity	**Period**
Functional Integration Testing	1st June – 16th August
End to End Integration Testing	1st July – 13th September
User Acceptance Testing Preparation (identify and train testers, develop scripts)	1st June – 30th August
User Acceptance Testing – Phase 1 (Budgeting, Fixed Assets, Project Accounting)	1st July – 16th August
Data migration #4	w/c 19th August
User Acceptance Testing – Phase 2 (Purchase to Pay, Sundry Income, Financial Control/Reporting)	1st Sept – 30th Oct
Power App development and testing (agreed enhancements)	1st June – 30th Sept
User Acceptance Testing – Phase 2 (Power App developments)	1st Oct – 31st Oct
Training preparation (development of materials, training delivery user guides and e-learning)	1st June – 31st Oct
Training delivery (in-person)	1st Nov – 30th Nov
Cutover preparation and rehearsals	1st Nov – 30th Nov
Cut-over / Go-live	1st December

Hypercare	1st Dec – 30th Dec

13. Workstream Progress

13.1 A number of sub-workstreams were established to ensure successful design and delivery of the new solution. The table below provides an overview of status of these workstreams with progress, risk/issues and mitigations being reported to the Finance Steering Group on a fortnightly basis and CBT Board on a monthly basis:

- Solution Design
- Technical Infrastructure
- Data Migration
- Change
- Training
- Testing
- Operational Support
- Reporting
- Integration
- Info Governance & Security
- Chart of Accounts
- Cut-over and readiness
- Power Apps

14. Key Risks

14.1 As at 31st July, a number of critical/high risks and issues are being actively managed and mitigated:

RAG	Risk	Mitigation
	Uncertainty for the timescale for the completion of interface development and unit testing.	KPMG and LCC/Fujitsu team to conduct joint testing sessions to increase the speed of triage and resolution as issues found. Daily stand ups for KPMG/LCC Integration teams. Exploration of testing automation as mechanism to speed up testing.
	Risk of overwork and stress for project team members and SME's	Backfill / alternative delegation arrangements have been put in place in Finance to ensure staff have sufficient time to dedicate to project.
	Risk of not achieving 1st December go-live or with reduced business readiness	Regularly review approach to test phases to mitigate against delays. Ensure SME's are 100% focussed on completing design / UAT / training development
	PowerApps Development required to minimise licence costs	Contracting for the implementation in progress. Need to focus on MVP to minimise cost, effort and risk.
	Interfaces/config changes brought into scope after FIT/E2E testing has been completed could create regression issues	Minimise additions. Maintain development and test environments outside the FIT/E2E/UAT path
	Risk of additional effort/complexity if test phases overlapping Impact may include: - Resource constraints - Regression issues - Complicated release path- Issues from multiple phases concurrent - Duplicated issues	Utilise dedicated Test Manager resources on KPMG and LCC side to closely plan, monitor and control test phases.
	SME's for R2R, A2R and P2R are being drawn into BAU work and cannot devote sufficient time to the project	KPMG Consultants and Test team to support with development of test scripts. Finance to ensure SME's are relieved from BAU work to focus on project work.
	UAT not as thorough as planned	Financial Services to ensure SME's are relived from BAU work to focus on UAT.

14.2 The highest risks associated with a go-live date of 1st December 2024 are attributed to the testing phases of the project, the allocated timescale to achieve completion and the availability of business resources to participate in end-user-testing. Although KPMG have designed test plans based on their experience of implementing MS Dynamics, there is always a variation in an organisations' technical environments, integration requirements, data quality and resource capacity, thus creating a risk that the time scheduled in the plan for testing is insufficient.

14.3 The current timescales scheduled for testing is challenging. To achieve the planned go-live date requires an overlap of test phases. This creates other risks relating to the complexity involved in managing resources and multiple rounds of regression testing. This is being mitigated by limiting the overlap to testing integrations with functional areas that have no integration dependencies, and detailed planning and management by KPMG and LCC Test Management resources.

14.4 Inability to achieve a go live date of 1st December, will mean reverting to the go-live date to 1st April 2025, which is still within the originally planned programme timescales, however this would result in additional cost to retain KPMG and project resources for 4 months longer than currently budgeted for. However, this will need to be balanced with the risks of additional costs over a protracted period for the specialist resources required to fix defects or resolve issues in a live, operational environment, and the potential disruption to budget monitoring, paying suppliers and/or collecting income.

HR/Payroll Workstream Update

15. Technology Choice

15.1 Following a series of needs analysis workshops, Ernst & Young provided LCC with shortlist of suitable options. The HR module within MS Dynamics was included as an option given the corporate strategy to exploit existing Microsoft solutions, however, following an independent functionality assessment, gaps in business-critical functionality were identified which indicated a <75% fit.

15.2 Leeds City Council's HR/Pay landscape is complex; services are provided to staff who are directly employed by LCC in directorates and maintained schools as well those staff directly employed by external Academies and other affiliated external organisations (e.g. Aspire, Grand Theatre) this means having to accommodate various different terms & conditions, pension schemes and multiple pay days for approx. 35,000 employees.

15.3 Therefore the recommendation to proceed to procuring an externally hosted Cloud solution with a proven track record in Local Government and would seamlessly integrate the MS Dynamics F&O was agreed by CBT Board on 22nd Dec 2022.

15.4 As part of the procurement process, shortlisted providers were required to attend engagement sessions and provide in-depth demonstrations to HR/Payroll Subject Matter Experts to ensure a solution could meet the Council's complex requirements. The successful bid was received from MHR for provision of externally hosted HR/Payroll Cloud technology and implementation services. The contract was awarded following approval of the final business by Executive Board on 8th Feb 23. Provision of the Recruitment & Onboarding modules were subsequently included to the contract from the same supplier on 10th Jan 24. The new solutions will be known as "MyRecruitment", "MyPeople" and "MySelfService" within LCC to reflect the new solutions being corporate 'staff management tools' for use by managers and staff.

15.5 Sourcing the remaining solutions within the HR/Payroll workstream (Learning & Development, Health & Safety and Occupational Health) will be commence during 2025/26 as part of phase 3, following the implementation of the core HR/Payroll, Recruitment and Onboarding solutions. In the interim the contract with Cornerstone for the provision of the existing L&D solution will be extended for a further 3 years.

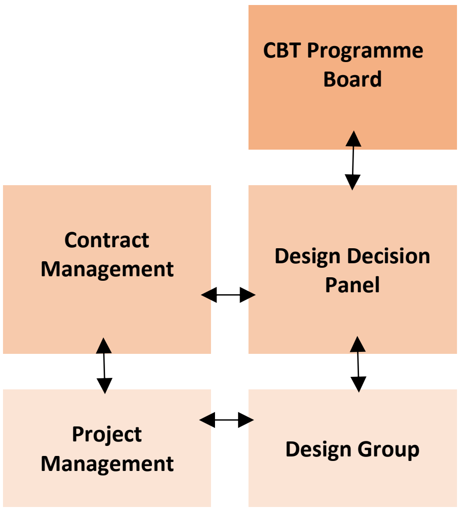
15.6 The HR/Payroll technology choice has presented the Council with the opportunity to provide all staff with access to new HR/Payroll self-service tools. Currently only digitally-enabled staff (predominantly office based) are able to access self-service tools, with 'off-line' staff continuing to be dependant on manual, paper-based processes. The new HR/Payroll technology will help the Council to deliver a long-held ambition to remove the 'digital divide' with all staff being able to access self-service tools via LCC or personal devices (i.e. interactive payslips, submit leave requests and overtime claims, maintain personal information, apply for jobs, direct access to communications/information). This will also contribute to easing workload pressures on those staff who support off-line staff by eliminating associated (and often duplicate) manual processes.

16. Design Governance

16.1 A 'Design Authority' governance model was also established for the HR/Payroll workstream to ensure adherence to "adopt not adapt" design principles. The HR/payroll solution is an off-the-shelf, externally hosted solution. Although flexible and highly configurable, requests for bespoke customisation that adversely impacts 'core' payroll processing would not be supported by the supplier, and this was clearly articulated at the outset by the supplier, which was in turn articulated to LCC users/stakeholders.

16.2 MHR ran a series of initial 'design' workshops with Subject Matter Experts to discuss and agree configuration requirements. Decisions that resulted in a change to current ways of working or configuration requirements that differed to the current system were escalated to the HR/Payroll Design Decision Panel, with full options analysis. Given the solution is highly configurable and designed to cater for Local Government, there were no requests for enhancements. The HR/Payroll workstream lead has joined the MHR Local Authority User Group which is the mechanism for identifying and submitting ideas and requests for improvements and enhancements to the supplier.

HR/Payroll Design Authority Model:



Chief Finance Officer, Chief HR Officer, Directorate Chief Officers
- Support delivery of strategic objectives
- Own benefits case
- Review, approve, reject non-standard design proposals

Programme/Project Managers, MHR Success Delivery Manager
- Delivery assurance function
- Contract management/review
- MHR quality assurance
- Escalation of unresolved issues

Deputy CO HR & Shared Services, Senior Stakeholder reps
- Own and manage risks and issues
- Review and approve design proposals
- Remove barriers, agree plans
- Ensure resource availability
- Ensure successful business change

MHR/LCC Project Managers, Workstream Leads
- Review project status and track progress against plan
- Monitor timeline / risks
- Identify delays, re-planning
- Prepare reports for steering group/board
- Identify mitigations to manage risks
- Identify escalations needed

Subject Matter Experts
- Validate/consult on 'best practice' design proposals/options
- Review and agree change requests
- Review and recommend business change options

16.3 This project has been used as an opportunity to review the currently complex configuration requirements such as number of payrolls, organisational groupings and pay days to minimise the complexity, timescale and cost of this and any future system implementations.

16.4 The transition to the new Recruitment module (MyRecruitment) commenced August 2024 and will be fully completed by April 2025 alongside the go-live of MyPeople and MySelfService. Given the size and scale of the LCC payroll service, to minimise the risk of problems impacting the whole workforce, 'go-live' for HR/Payroll will take place in 2 waves - (1) April (2) June. This is subject to continual review as the team work through the milestones.

16.5 A key component of successful 'cutover' to the new system is ensuring a sufficient period of 'parallel running'. This requires the preparation and processing of payroll in the current and new system simultaneously for a period leading up to go-live, with results being compared to identify discrepancies. Parallel running is currently timetabled to commence in January 2025 and run to May 2025. The BSC are in the process of recruiting additional temporary staff to support the additional work. Following completion of the test phases and parallel running, a recommendation will be taken to CBT Board on "go" or "no go" in terms of go-live, with all options fully risk assessed. It has been noted by the Board whilst the go-live waves are in progress, LCC will be unable to apply any pay awards.

17. Development and Implementation Timeline

17.1 The indicative implementation timeline proposed by Ernst & Young was 2 years (go live 1st April 2025). However the Programme Team and MHR have collectively been working towards a more ambitious and challenging timeline to minimize cost and pressure on 'business as usual' and accelerate the introduction of more modern and efficient ways of working. MHR were originally engaged to achieve a go-live by April 2024. This was reviewed in November 2023, and subsequently extended to April 2025, which given the scale and complexity of LCC Payroll, remains challenging and is subject to regular review as the team work through the remaining project stages as follows:

Core HR/Payroll Phases	**Period**
Data migration rounds 1-6	1st Feb 24 – 31st Jul 24
Base system acceptance testing - LCC configuration	1st Mar 24 – 31st July 24
Integration development	1st June 24 – 31st Aug 24
User Acceptance Testing	1st July 24 – 1st Dec 24
End to end Testing	1st Aug 24 – 31st Dec 24
Patch SAP	1st Jan 25 – 28th Feb 25
Wave 1 – data cut from SAP	Jan 25
Wave 1 – parallel running	Feb 25 – March 25
Wave 1 – go-live	April 25
Wave 2 – data cut from SAP	March 25
Wave 2 – parallel running	April 25 – May 25
Wave 2 – go-live	June 25
Recruitment Phases	**Period**
Integration	1st Apr 24 – 30th Jun 24
Live Build	1st Jun 24 – 31st Jul 24
New requisition process	1st Aug
Adverts go-live	12th August
Interview scheduling go-live	12th August
On-boarding / end to end process go-live	April 2025

18. Workstream Progress

18.1 A number of sub-workstreams were established to ensure successful design and delivery of the new solution. The table below provides an overview of status of these workstreams with progress, risk/issues and mitigations being discussed regularly with HR Leadership Team and reported to CBT Board on a monthly basis:

- Data conversion strategy
- Reporting
- Design & Build
- UAT strategy
- Parallel running
- Integrations
- Post- go live actions
- Benefits realisation
- Communication
- Business Readiness
- Training

19. Key Risks

19.1 As at 31st July, a number of critical/high risks and issues are being actively managed and mitigated as follows:

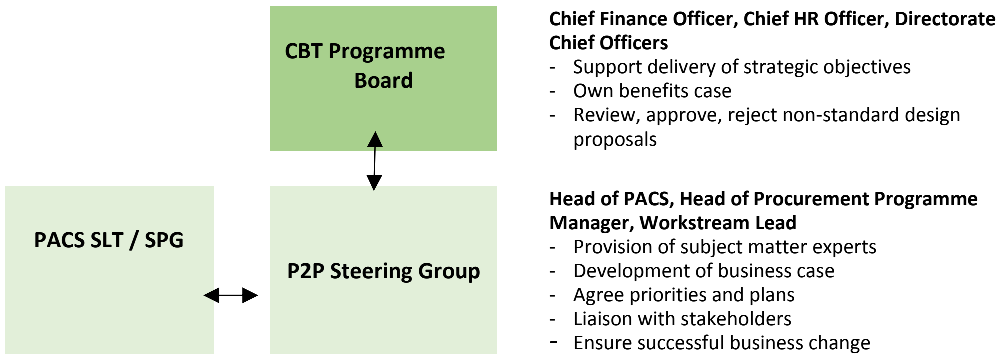
RAG	Risk	Mitigation
●	Delay to timeline - if pay award needs applying during critical stage of the project	Pay award to be scheduled to be paid at a time outside of transition to go live
●	Availability of resources - complexities of interface development – will require significant LCC and MHR resources	IDS to utilise augmentation partner resources
●	User expectations not met– if new Identify management is not being developed in time for go-live	Dependency being tracked on Identify Management Project – dedicated PM – project on track
●	Availability of resources – year end patching of SAP would impact on resource availability to the project	Arrangements made to utilise external basis support partner where required
●	Data migration could be delayed if the automation programme is not completed by end August.	IDS developer to focus on completion of programme. Utilise Mandant or other team members for BAU work.

Procure to Pay Workstream Update

20. Background

20.1 Transformation of the ‘Procure to Pay’ (P2P) process began during 2019, when the BSC implemented Kefron (an automated invoice payment solution) as a separate stand-alone project. It was recognised that the ability to achieve full efficiency and digitisation of the end-to-end process was hindered by limited/lack of technology upstream in the process, which is now in scope of the CBT programme, and modernising the purchasing capability is underway as part of the MS Dynamics F&O implementation.

20.2 Given the cross-cutting nature of Procure to Pay, a P2P Steering Group was established and a dedicated workstream lead appointed to work closely with all stakeholders and undertake a “current state assessment” for Procurement and Contract Management with workplans and progress being reported to the CBT Board. Once technology implementation begins, this model will develop further into a design authority model as used by other workstreams:



20.3 It was recognised by the Head of Procurement & Commercial Services (PACS) that it was timely to review and refresh of the current corporate procurement strategy which expires in 2024 and a revised version needing to take into account the revised Public Procurement Regulations (due Oct 2024).

20.4 Procurement & Commercial Services (PACS) engaged the support of the Local Government Association’s (LGA) National Procurement Advisory Group (NAG) who initiated a Peer Review during spring 2021. The review found that as well as very limited digital capability, there was no consistent approach to contract management hindering the ability to produce comprehensive contract/spend intelligence. The peer review recommended a number of actions (incorporated into overarching Action Plan) currently being delivered by PACS, which included the development of a contract management framework as well as the adoption of new “Source to Contract” technology to improve efficiency and compliance and digitisation of the end-to-end process.

20.5 To inform a technology business case, 3 further pieces of work were initiated:

- Market engagement with Source to Contract technology suppliers
- Engagement of Ernst & Young on a contract review and assurance project to aid the development of a Contract Management Framework that would, in turn, inform potential for savings as well as technology requirements
- Engagement with other public sector organisations (multiple Local Authorities, NHS ICB, Leeds Teaching Hospitals) to understand how they have met similar challenges. Lessons learnt include:

  - Confirmation that more efficient ways of working can be achieved through use of more comprehensive, modern technology
  - Robust contract management can achieve significant savings – and modern systems can support monitoring and compliance through production of robust intelligence
  - Technology alone will not achieve savings – investment also had to be made in supporting and upskilling Contract Managers

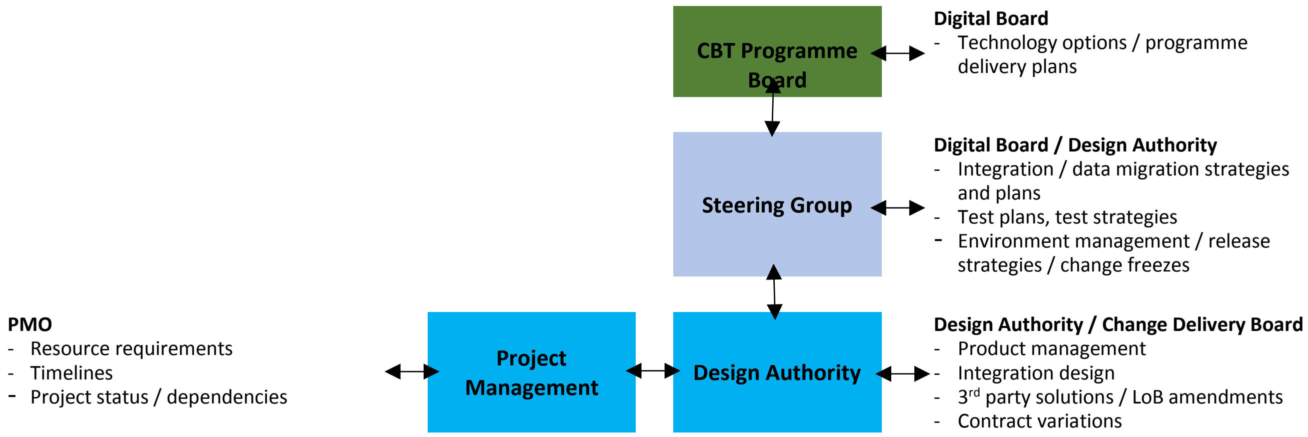
20.6 PACS also engaged in work with the Cabinet Office and Local Partnerships, who provided input into a transformation plan. This makes several key recommendations that will help the Council introduce best practice in contract management.

20.7 Culmination of the work has resulted in a business case for new 'Source to Contract' technology that will support more efficient ways of working through use of modern procurement platforms, with in-system processes, intelligence dashboards and self-service capability. It will also enable services to achieve savings and improved performance through more robust and compliant contract management. The business case was subject to comprehensive consultation and widely supported by CLT, CBT Board, Financial Challenge Group and the Portfolio Member, and as a result, the Director of Resources & Strategy approved the Business Case via delegated decision on 27th July 2024 enabling commencement of a procurement process. When completed, and the workstream moves to the implementation stage, design and governance arrangements that align with other workstreams will be established.

Technical Workstream

21. Governance Arrangements

21.1 Given the high degree of digital change and technical work involved in the design and implementation of the new solutions, design governance arrangements are linked into existing IDS governance arrangements as outlined below, to ensure appropriate oversight and that technical decisions taken in the programme align with IDS strategy and work plans:



22. Testing / Go Live Decision

22.1 Testing is split into four phases:

1) Unit Testing
2) Functional Integration Testing
3) End to End Testing
4) User Acceptance Testing

22.2 Both suppliers have developed test strategies and plans that have been reviewed and signed-off by LCC IDS. Taking lessons learnt from other Councils into account, the Board agreed that the protection of timescales assigned to testing is a key priority, to maintain clarity and integrity of test results and remedy of defects, and the project team do not take unnecessary risks in terms of overlapping test phases or reducing the scope of tests. LCC is responsible for ensuring appropriate testing is completed and the solution signed off as fit for purpose, therefore a dedicated and experienced Test Manager has been appointed to work with the Consultants to ensure appropriate planning, preparation, testing, defect identification and remediation and LCC sign-off. Progress, risks and issues are reported to Board.

22.3 Following completion of the test phases, a recommendation will be taken to CBT Board on "go" or "no go" in terms of live deployment, with all options fully risk assessed.

22.4 Any defects remaining upon completion of the testing cycles, will be categorised as follows:

- **Critical Severity:** Cannot go live with the defect – the defect is a severe malfunction of functionality for which there is no work-around
- **High Severity:** the defect is a malfunction which is grossly away from expected behaviour for which there is no work-around
- **Medium Severity:** the defect does not prevent operation but does not operate as it should – the defect has an agreed work-around
- **Low Severity:** the defect has not functional impact and does not need a workaround, but is an inconvenience

22.5 The CBT Board and programme team are very conscious that extending go-live dates would increase project costs, but also aware this needs to be balanced with potential additional and protracted costs associated with operational disruption, reputational damage and managing the risks to accounting or payroll integrity when attempting to identify and remedy defects in a live operational environment, and all risks and issues are monitored and mitigated as part of the standard project methodologies being utilised by the implementation partners and programme manager.

Communication, Change and Training Workstream

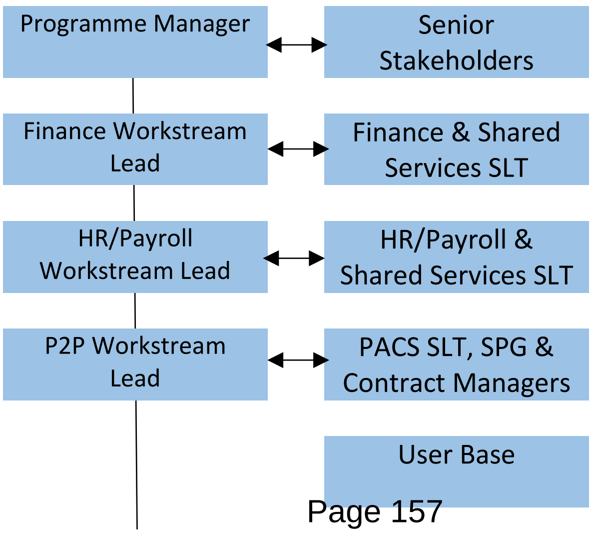
23. Stakeholder Engagement Channels / Benefits Realisation

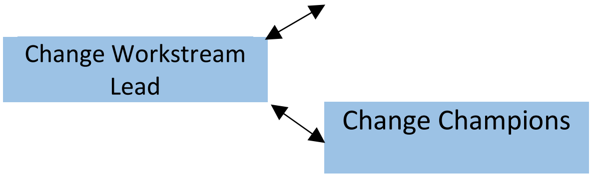
23.1 Both external partners provided a Change Manager to work closely with the LCC Workstream Lead to capture the business changes required to maximise the digital capabilities offered by transformation. A series of validation/design workshops ran throughout 23/24 which resulted in the following outputs:

- Communication Plan
- Change Impact Analysis
- Training Needs Analysis
- Benefits Tracker

23.2 The LCC Change Team are using these outputs to design and deliver communication and training activities to the user base and that required business change is successfully accommodated within operational teams. Realisation of benefits will be tracked as part of implementation and deployment activities and will be reported to the CBT Board on an ongoing basis.

23.3 Chief Officers representing the core business functions and Directorates are members of the CBT Board and are accountable for ensuring the successful business change and realisation of benefits in their respective services. The following relationships have been established to ensure effective communication and engagement, that training solutions meet business needs and arrangements are put in place to achieve the identified business change to enable the benefits outlined in the business case to be realised:





24. Savings and Continuous Improvement

24.1 Both the Finance and HR/Payroll business cases are predicated on the replacement of old, out of date technologies and/or current contractual arrangements expiring. This provides an opportunity to replace old systems with new, modern solutions that facilitate more efficient and modern ways of working.

24.2 Tools that provide modern, efficient ways that make it easier to do business will help alleviate current workload pressures arising from the mitigations being put in place to address ongoing financial challenges such as staffing reductions and recruitment freezes - staff survey results highlight workload pressures as an ongoing area of concern. It should be noted that significant savings have already been made in core business services since the approval of the business case. Financial Services made staffing savings of £1m in 2019 following a re-structure in anticipation of the implementation of a new, modern Finance System. Shared Services (administrators being predominant users of HR/Payroll and Finance systems) also made budget savings of £1m across 22/23 and 23/24, with a further savings target of £2m to be achieved in 24/25. Savings resulting from staffing reductions has resulted in increased work pressures and workloads, the new technology will help to reduce these pressures to a more manageable and sustainable level.

24.3 However, it was recognised in the business cases that the implementation of new Cloud solutions will act as an ‘enabler’ for ongoing improvements, efficiencies and more modern ways of working, not only in Finance, HR and Shared Services but Council-wide. To minimise implementation costs and achieve a transition to the new platforms as soon as possible, it was recognised that a ‘minimum viable product’ (MVP) approach would be required. Business requirements have been classified as Must, Should, Could, Would (MoSCoW), with those rated Must and Should being prioritised for development within project timescales, with any remaining requirements outstanding at go-live being put on a ‘backlog’ for development post-go-live that will form part of a development ‘roadmap’.

24.4 Potential savings purely attributed to the introduction of the new technology over and above the savings already achieved have not yet been isolated. The initial ‘go-live’ has prioritised delivery of (as a minimum) core functionality that aims to replace existing capabilities. This will enable existing systems to be de-commissioned, which in the first instance will contribute towards IDS savings targets for 25/26 by eliminating existing on-premise software and hardware maintenance costs, however these savings will need to be offset against archiving costs which have yet to be identified.

24.5 Identifying additional savings relating to Finance, HR/Payroll, Procurement and Shared Services (as well as wider service teams) will be a phased and iterative approach. The programme has developed a ‘benefits tracker’ that captures improvements identified during the initial design stage. As the Council becomes more familiar with the full digital capabilities, additional benefits will be identified. A ‘product owner’ will be assigned to each new solution who will be responsible for working with services to ensure that the functionality offered by the new systems is utilised to achieve value for money. Additional benefits and opportunities will be captured and form a post-go-live “development roadmap” these will arise from process reviews alongside the new features and enhancements that are included in quarterly releases provided by the software supplier. It is envisaged that an annual cycle will be established after go-live to review the benefits delivered (both cashable and non-cashable) in the previous year as well as agreeing developments and improvements for the forthcoming year – this aims to ensure that services exploit the full capabilities on offer and achieve maximum value for money. The cashable savings identified will help inform savings targets allocated to services through the budget planning processes. Details of the roadmap and benefits realisation reports will continue to be provided to Financial Challenge on a periodic basis post-programme.

Equality, Diversity, Cohesion and Integration (EDCI) impact assessment

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. In all appropriate instances we will need to carry out an equality, diversity, cohesion and integration impact assessment.

This form:

- can be used to prompt discussion when carrying out your impact assessment
- should be completed either during the assessment process or following completion of the assessment
- should include a brief explanation where a section is not applicable

Directorate: Resources	**Service area: Core Business Transformation**
Lead person: Suzanne Hopes	**Contact number:**
Date of the equality, diversity, cohesion and integration impact assessment: Version 10 : 29th August 2024	

1. Title: Core Business Transformation Programme
Is this a: [ ] **Strategy / Policy** [X] **Service / Function** [ ] **Other** **If other, please specify**

2. Members of the assessment team:

Name	**Organisation**	**Role on assessment team** **For example, service user, manager of service, specialist**
Helen Fallows	LCC	Senior Business Change Lead – HR/Payroll
Emma Browes	LCC	Head of Business Change
Suzanne Hopes	LCC	CBT Programme Manager
Jill Stuart	LCC	CBT team – finance lead
Mark Barrett	LCC	Head of finance/ business change
Manjit Ahiar	LCC	Project officer
Richard Charnley	LCC	Solution architect
John McPherson	LCC	CBT team – communications lead

Andy Keightley	LCC	Senior business partner
Anna Walton	LCC	Business Change Partner - people
Sophie Thom	LCC	Business Change Partner

3. Summary of strategy, policy, service or function that was assessed:
CBT is a programme to transform the way the council delivers its core People and Finance functions of Human Resources, Payroll, Finance and Procure to Pay (how we select, buy and pay for goods and services), both within the authority and to external partners and organisations as part of its traded service. It will therefore impact on every single employee as well as wider traded services customers and partners.

4. Scope of the equality, diversity, cohesion and integration impact assessment (complete - 4a. if you are assessing a strategy, policy or plan and 4b. if you are assessing a service, function or event)

4a. Strategy, policy or plan (please tick the appropriate box below)	
The vision and themes, objectives or outcomes	☐
The vision and themes, objectives or outcomes and the supporting guidance	☐
A specific section within the strategy, policy or plan	☐
Please provide detail:	

4b. Service, function, event please tick the appropriate box below	
The whole service (including service provision and employment)	X
A specific part of the service (including service provision or employment or a specific section of the service)	☐
Procuring of a service (by contract or grant)	X
Please provide detail:	

The programme is first and foremost a business change programme which supports the Best Council vision (an efficient, enterprising and healthy organisation) and key strategic aims around people, money, digital capability, evidence and insights. The programme will drive continuous improvement and efficiency, increase workforce knowledge and skills and provide an excellent user experience for all staff/ traded customers/suppliers/partners.

A key enabler of the programme will be new technology to support the transformation. This will be modern, integrated and cloud based to replace the council's out-dated and fragmented software systems for People and Finance functions

What is achieved by 2025/26 and beyond will make the council more resilient and ready to navigate a period of unprecedented and uncertain change that extends well beyond the life of this programme.

5. Fact finding – what do we already know

Make a note here of all information you will be using to carry out this assessment. This could include: previous consultation, involvement, research, results from perception surveys, equality monitoring and customer/ staff feedback.

(priority should be given to equality, diversity, cohesion and integration related information)

Protected characteristics for overall workforce – dashboards updated every month.

Wellbeing surveys – in 2021 the least happy employees were disabled colleagues and working carers.

We know we have a range of suppliers and that not all are geared up for e-invoicing.

Employment policies (attendance, disciplinary, grievance, probationary and improving performance) are analysed annually by protected characteristics.

Results from engagement with front line colleagues, mainly in CEL through the "attitude to digital" survey. Update March 2022: More info from other frontline service areas is needed and therefore the survey has been widened to other non LCC IT enabled staff groups with the survey extended to end March 2022. Update May 2022 : 460 responses were received. Findings reported to CLT via a B paper and shared with key stakeholders including the TUs.

We have mapped out the current two tier workforce with digital inequality and also mapped out the future context with a one tier workforce with reduced inequalities.

We know about and understand our legal responsibilities regarding accessibility in technology. This is built and will continue to be built into procurement specifications. We have the DAWN staff network who are keen to work with us. We will hold "user story" workshops with DAWN members. Update September 2022 : workshops held and user stories will inform communication and engagement plans. Update May 2023: DAWN nominated a CBT rep who was then a part of the SME team who advised on the Core HR & Payroll procurement March/ April 2023.

We have records of those employees who use assistive technology and the type of technology they use. This info was shared with suppliers as part of the Core HR & Payroll procurement.
Are there any gaps in equality and diversity information **Please provide detail:** Protected characteristics for employees who contact the ICT helpdesk. Protected characteristics for employees who do not have LCC digital access. Some characteristics have lower levels of declarations in SAP eg: sexuality and religion and faith. Do we hold protected characteristic info relating to our customers/ debtors? We do not have information about employees who adjust the way they use technology on an ad hoc individual basis. Update Nov 22 : as we move into procurement phase for finance implementation partner we do not currently know the protected characteristic make up of FMS users. Future Dynamics users may include people who don't use FMS now, they have not yet been identified. We do not yet know whether other councils who are implementing Dynamics have experienced issues with implementation for those using assistive technology. The CCS frameworks are not as robust on EDI as we expected. Update August 24 : a local authority Dynamics user group has been established. We specifically asked other LAs about the experience of their assistive technology users and have been informed it has been positive.
Action required: Support "bring your whole self to work" initiative and other work to increase staff choosing to share their protected characteristics. Investigate whether we can cross reference a report from the ICT helpdesk with SAP info to understand which groups of staff use the ICT helpdesk the most. Find out what info we have about customers/ debtors. Update March 2022: It has been confirmed that we do <u>not</u> hold this information. Nov 22 – cross reference the list of FMS users with protected characteristic info in SAP. Build into procurement the requirement for suppliers to ensure new technology either works with current assistive technology or is superseded by new features. Feedback to CCS regarding the weakness of EDI info within the standard framework info. Ask Harrow whether during implementation there have been any lessons learnt in relation to compatibility with assistive technology. Update: Harrow confirmed user experience of those using AT was positive.

6. Wider involvement – have you involved groups of people who are most likely to be affected or interested

☒ **Yes** ☐ **No**

Please provide detail:

Comms and engagement plan in place and continually reviewed. Initial stakeholder mapping exercise was updated April 2022 and is also continually reviewed.

Extended BCLT sessions held end of November 2021 and May 2023.

TU updates given at quarterly CJCC meetings on an ongoing basis – last update was 12^{th} June 2024.

Directorate equality boards and staff networks engagement began February 2022 and agreement in place for regular communication and engagement. Regular attendance at Frontline reps group and DAWN.

HR team engagement sessions held January 2022 and feedback shared with HR leadership team and CBT team. Regular updates take place at HR team 'Shout outs' which are held weekly.

Analysis of attitudes to digital frontline staff survey complete and has been presented to CBT board May 2022.

BSC employment services engagement session held Sept 2022. Attended BSC leadership day May 2024.

Governance structure in place with monthly board meetings.

Focus groups of managers, online staff, offline staff, CBT professionals and senior managers held in summer 2022 to inform persona work.

July 2023 - engagement session for BSC and HR (over 200 attendees) Q&A site set up, MHR videos shared.

Spring/summer 2024 – testing team widened to include team managers and supervisors from BSC.

Dynamics Champions group established on Teams – over 140 champions volunteered from across the organisation, including assistive technology users. Engagement with Champions includes upskilling in broad digital skills – particularly M365.

In 2024 - Implementation of weekly 'protected time' for learning, briefings on the system and change workshops held for Finance Team professional users.

Engagement with Schools and other entities on the programme through School's Business Managers meeting spring 2024. Followed by briefing sessions and email updates.

Communications are being produced in accessible ways e.g. pay day change information in both Heyzine and plain text, letters to home addresses.

Briefing sessions held taking into account different working patterns e.g. early morning and evening sessions.

Equality impact checklist included in CBT Board Papers monthly:

CORE BUSINESS TRANSFORMATION

Equality Impact Checklist

Equality Impact Assessments (Ongoing)
- ✓ Completion of the EIA from the start of the project (overarching aims and scope of the project), providing detail on:
  - Fact finding
  - Involving groups affected
  - Identifying key stakeholders
  - Positive and negative impact
  - The EDCI action plan
- ✓ Remains a live document throughout the project cycle
- ❑ Any risks/ significant barriers to achieving actions reported to Board and included on project risk register

Procurement (Repeat for subsequent rounds)
- ✓ Include EDI info gathering within market engagement
- ✓ Specification includes standard accessibility compliance requirements
- ✓ IDS to review submissions to ensure minimum regulatory compliance
- ✓ Additional accessibility requirements reflected in specification/contract additional agreements where required
- ✓ Requirements relating to equality and Council included implementation partner specifications
- ✓ Ensure specialist EDI knowledge/ experience is included in SME advisor group
- ✓ Include a separate method statement for EDI in evaluation

Design and Configuration
- ✓ Understand pre-built accessibility features
- ✓ Don't unnecessarily turn off available features
- ✓ Review list of assistive technology users and what technology is in use.
- ✓ Ensure specialist EDI knowledge/ experience feeds into design decisions
- ✓ Ensure language used for protected characteristics is configured by LCC

Training & Testing (testing currently in progress)
- Include assistive technology users during testing
- Include AT team. All aspects of system use need to be tested for compatibility with the AT in use across LCC.
- Cloned and anonymised data for testing and training.
- Robust testing plans. *(Cyber team been asked for more detail following recent MoveIT example)*
- Ensure the training needs of different users are met

Roll Out and Deployment
- Ensure help is available for assistive technology users
- Ensure comms/ guidance raises awareness of accessibility features
- Ensure comms are produced/ delivered in accessible ways
- Ensure up to date signposting info is available for users who need and wish to improve their overall digital skills.
- Engage with TUs, staff networks and directorate equality boards

Ongoing Auditing & Review
- Gather feedback from assistive technology users
- Gather feedback from all users and identify if any disparity in satisfaction levels across different protected characteristics.
- Participate in supplier customer engagement forums
- Ensure impact of the regular software updates are understood and impacted users engaged early.

Action required:

Engagement session for finance teams. Update September 2022: session held in August 2022 focussed on future technology option.

CBT info needs to be made available to wider workforce either via Teams/ Insite/ Sharepoint. Update September 2022 - CBT Insite page is live.
Update July 2023 – HR/BSC professional users sharepoint site live

7. Who may be affected by this activity?
please tick all relevant and significant equality characteristics, stakeholders and barriers that apply to your strategy, policy, service or function

Equality characteristics

X	**Age**		**Carers**	X	**Disability**
X	**Gender reassignment**		**Race**		**Religion or Belief**

☐ **Sex (male or female)** ☐ **Sexual orientation**

☐ **Other**

(Other can include – marriage and civil partnership, pregnancy and maternity, and those areas that impact on or relate to equality: tackling poverty and improving health and well-being)
Please specify:

Stakeholders

X **Services users** X **Employees** X **Trade Unions**

X **Partners incl NHS & schools** X **Members** X **Suppliers**

X **Other please specify : other people who are end users eg: external job applicants.**

Potential barriers

☐ **Built environment** ☐ **Location of premises and services**

X **Information and communication** X **Customer care**

X **Timing** X **Stereotypes and assumptions**

X **Cost** X **Consultation and involvement**

X **Financial exclusion** X **Employment and training**

X **specific barriers to the strategy, policy, services or function**

Please specify : TBC

8. Positive and negative impact

Think about what you are assessing (scope), the fact finding information, the potential positive and negative impact on equality characteristics, stakeholders and the effect of the barriers
8a. Positive impact:
For all employees : "Access to information whenever, wherever I want on a device that I can use." More equal access to information for all - not reliant on those in the know or the contacts people have. Could better enable future transformational activity (i.e. skills baseline increased) Technology can be standardised and positively impact those using core systems and needing reasonable adjustment. Enabling people to independently look after themselves and improve their lives (whilst at work or in their community) - Digital self serve. Inclusion of wider community (suppliers and citizens). Making access easy, open and equitable for all using our services.
Action required:
Ensure the benefits of standardisation are communicated and understood. For reasonable adjustments : ensure non-functional requirements align with web accessible technology. Recognising we are not the most diverse project group involve Trade Unions & staff networks sooner rather than later.

8b. Negative impact:
Accessibility software / tools might not work / might work differently. 'Learning curve' will be greater (and possibly too great) for some groups which could lead to retention issues. Failure to digitise will make access to services difficult for people (specifically young people) joining the organisation/ affect our employer brand and make it more difficult to recruit the best talent. Could generate a greater divide between digitally confident and non-digitally confident. Nature of cloud based technology means there are regular updates which can be harder for some people to easily adjust to.
Action required:
Investment in change management / change agents in teams etc Review lessons learnt from other digital and change projects completed recently. Include affected people in User Acceptance Testing. Rapid action / priority to resolve accessibility issues and prior testing where possible. Update Nov 22: Ensure mechanism/ team/ support in place to ensure accessibility software continues to work with every update. Users need to know what user configurability features are available. Do not lock down features unnecessarily.

9. Will this activity promote strong and positive relationships between the groups/communities identified?
[x] **Yes** [ ] **No** **Please provide detail:** More equal access to employment related information for all staff. This will enable employees to be aware of and source support they need earlier.
Action required: Ensure that when the implementation phase work is being planned that the full range of real work situations is recognised. Review the outcome of the internal audit into "culture" to identify if this indicates whether some services will be harder to reach and therefore require more resource to engage than others. Update May 2023 : internal audit report reviewed, it supports the aims of the CBT programme.

10. Does this activity bring groups/communities into increased contact with each other? (for example, in schools, neighbourhood, workplace)
[x] **Yes** [ ] **No** **Please provide detail:** It is expected that the new solution will include opportunities for two way employee engagement. The growth of the staff Facebook page during covid demonstrated that employees welcomed the chance to communicate across different services.
Action required: Ensure acceptable use messages are built into all solutions. Update: October 2023: the design session have shown that the opportunities for greater communication with employees/ sections of employees using the "company news" section of ESS are significant. Decision needed on who will own the development and content of this feature. Update August 2024 : The head of HR for OD has been assigned as the project sponsor for the Insite review project and is already involved with the CBT project team.

11. Could this activity be perceived as benefiting one group at the expense of another? (for example where your activity or decision is aimed at adults could it have an impact on children and young people)

[x] **Yes**	[ ] **No**

Please provide detail:

It is intended that the new technology will be easy to use but it will still mean employees and suppliers will have to have the access and ability to use it.

Action required:

Ensure design is user friendly and accessible to all.
Hold workshop to capture user stories from DAWN members. Update September 2022: workshops held.
Ensure the needs of assistive technology users is understood and addressed through procurement/ implementation and BAU. Update May 2023: AT info included in Core HR & Payroll procurement, next steps are to work with chosen supplier through implementation.

12. Equality, diversity, cohesion and integration action plan
(insert all your actions from your assessment here, set timescales, measures and identify a lead person for each action). *Once an action is complete/ embedded into BAU it will be shaded as grey.*

Action	**Timescale**	**Measure**	**Lead person**
Support "bring your whole self to work" initiative and other work to increase staff self declarations regarding their protected characteristics.	October 2021 onwards	Increase in % of employees recording their protected characteristics on SAP. Ease of self reporting in new system especially for frontline staff.	Helen Fallows (Confirmed with OD team that the bring your whole self to work continues.) Core and lead assessors within procurement exercise.
Investigate whether we can cross reference a report from the ICT helpdesk with SAP info to understand which groups of staff use the ICT helpdesk the most.	Prior to drafting staff engagement plan for first round of technology roll out.	Information on users of the helpdesk can be analysed by protected characteristics.	Sophie Thom
Further engagement with front line colleagues, through the "attitude to digital" survey.	October – March 2022	Survey carried out and results analysed and presented to CBT board – intelligence gained used to inform transformation activities.	Dylan Owen and Emma Browes
Find out what info we have about customers/ debtors.	October 2021	Info either is or isn't available.	Suzanne Hopes – confirmed protected characteristics info is not collected for debtors or suppliers.

Action	Timescale	Measure	Lead person
Involvement of staff networks Helen & Emma attended leads meeting 14th Feb 22 – agreement for ongoing engagement. Helen attended DAWN 23rd Feb – agreement for ongoing engagement. Helen, Shaun and Dylan attended 18th May, began user story work. Helen attended DAWN 2nd Nov 22 with overall update. Helen attended DAWN 14th Dec with update. DAWN CBT rep identified, involved in market engagement and part of SME team for procurement.	From February 2022.	Positive stakeholder support. Input into procurement decision making.	Different team members to take lead depending on topic.
Brief directorate equality boards. Attended: City Dev - 24th January 2022, 14th Dec 2022 CH&E 1st - March 2022 A&H 24th - February 2022 Resources – 16th February	From February 2022	Positive stakeholder support.	Different team members to take lead depending on topic.

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Action	Timescale	Measure	Lead person
Agreement for ongoing engagement.			
Brief functional service areas. Two engagement sessions held with the HR team in January 2022. Engagement session held with finance team focussed on future technology choice, August 2022. Engagement session held with BSC employment services team September 2022. Whole HR team shout out update 16th Nov 22. July 2023 - engagement session for BSC and HR (over 200 attendees) Q&A site set up, MHR videos shared.	From January 2022	Positive stakeholder support.	Change Leads for the functional areas.
Ensure the benefits of standardisation are communicated and understood.	Incorporate into staff engagement plan for first round of technology roll out.	Teams don't seek to create "work arounds". Efficiencies are realised.	Emma Browes and John McPherson.
For reasonable adjustments : ensure non-functional	From initial spec into procurement packages.	New systems are accessible to all. Users who have	Richard Charnley plus core and key assessor procurement team.

Action	Timescale	Measure	Lead person
requirements align with web accessible technology.		reasonable adjustments report a positive experience.	
Involvement of Trade Unions	Started Autumn 2021 and ongoing through quarterly CJCC.	Positive engagement throughout the project.	Emma Browes
Investment in change management / change agents in teams etc	Summer 2022 onwards – links to work with transformation partner. Update May 2023 ; DDR to increase change support drafted and approved.	Objectives of programme are met.	Suzanne Hopes
Review lessons learnt from other digital and change projects completed recently - Equality related lessons learnt are picked out and kept as separate document.	Autumn 2021 then ongoing	Lessons learnt are made available, are discussed and our project planning is amended as appropriate.	Live doc created on Teams site to pull out equality lessons learnt from the larger written docs.
Ensure that when the implementation phase work is being planned that the full range of real work situations (with particular attention to diversity) is recognised.	Autumn 2022 onwards	Objectives of programme are met.	Transformation leads Testing leads and SMEs
Ensure acceptable use messages are built into all solutions.	Incorporate into technology implementation plans.	Users are aware of acceptable use messages when using new technology.	IDS lead
Ensure design is user friendly and accessible to all.	Autumn 2021 then ongoing.	Built into specification from the beginning, tested through	Core and key assessor procurement team.

Action	Timescale	Measure	Lead person
		implementation and beyond into continuous improvement.	
Ensure info on the CBT programme is available to the wider workforce.	March 2022 and then ongoing	Awareness of the programme is increased. Employees have access to consistent info.	John McPherson
Hold User Story workshop with DAWN members.	Summer 2022	Positive stakeholder engagement.	Helen Fallows
Embed EDI within all procurement packages including scoring mechanisms.	1st package for transformation partner April 2022. 2nd package finance implementation Jan 2023. Third procurement Core HR & Payroll March 2023. Fourth procurement P2P Autumn 2024.	Assessed criteria for EDI (for TP proved decisive for one bidder who failed to meet the quality pass mark)	Procurement lead for each package.
Ensure selected TP is held to actions on EDI as detailed in their bid.	June 2022 – October 2022	Through contract management.	Dylan Owen
Engage with Business Disability Forum – join their procurement network.	May 2022 onwards	Share best practice and lessons learnt.	Helen Fallows
Cross reference FMS users with protected characteristic info held in SAP	By January 2023	Report available to feed into comms and engagement plan for finance tech implementation.	Jill Stuart & Anna Walton
Ask Harrow for lessons learnt from Dynamics implementation and assistive technology.	November 2022	Add to our EDI lessons learnt log and use to inform implementation plan.	Mark Barrett

Action	Timescale	Measure	Lead person
Feedback to CCS on the limitations of EDI info in current frameworks	November 2022	Feedback will hopefully be incorporated into later framework versions.	Helen Fallows
Include lead DAWN member in Core HR/ payroll supplier engagement sessions.	January 2023	Positive engagement and chance to see how suppliers approach accessibility in practice.	Emma Browes
Assistive Technology colleagues to attend CBT team meeting.	January 2023	CBT team members aware of the role of the AT team and the key AT which is used by LCC employees.	Helen Fallows
Identify EDI SMEs/ advisors to provide feedback on EDI sections of procurement.	December – January 2023	High quality evaluation of EDI sections of procurement packages.	All
Review the culture audit report	As soon as report is shared.	Greater understanding of areas that may require more support.	Helen Fallows
Review users of FMS, Civica financials, SAP self service and e-pay to inform the change impact analysis.	May 2023	Greater understanding of areas that may require more support.	Anna Walton
Take advice from functional experts on equality language within Core HR configuration	Oct – Dec 2023	Experts consulted and decisions taken by HR/Payroll design panel.	Helen Fallows
Include the Assistive Technology Team and assistive technology users during testing.	From August 2024	Products and systems are tested in the 'real world' by a diverse range of people – particularly those with accessibility requirements.	Emma Browes / SMEs / Test Leads

Action	Timescale	Measure	Lead person
		Professional Assistive Technology colleagues test with a view on compatibility with AT use across LCC. Ensure the right help is available for assistive technology users & ensure comms / guidance raises awareness of accessibility features. Ensure the training needs of different users are met.	
Cloned and anonymised data for testing and demonstrating the system.	From July 2024	Users receive training and are able to practice on real live data whilst retaining anonymity.	Change leads – Mark Barrett, Helen Fallows
Review of e-pay users to establish those with greatest need for support to move to digital ways of working & develop individual / group support packages.	Audit August – September 2024. Develop support – ongoing.	All staff are able to login and access Employee Self Service April 2024.	Emma Browes
Ensure Communications are delivered in an accessible way & meet relevant accessibility standards.	Ongoing	Information can be accessed and understood by all.	Emma Browes

Action	Timescale	Measure	Lead person
		Impact of regular software updates are understood and impacted users are engaged early.	
Signposting for users who need and wish to improve their overall digital skills.	Ongoing	Improved digital skills.	Sophie Thom
Update Quarterly CJCC	Quarterly	Trade Unions are up to date with progress.	Emma Browes
Update staff networks and directorate equality boards	By end October 2024	Networks and boards are up to date on progress.	Emma Browes
Implement ongoing feedback and review from users e.g. through testing, champions network, user adoption.	Ongoing	Feedback from a diverse range of users is considered throughout implementation and into continuous improvement.	Emma Browes / Change Leads

13. Governance, ownership and approval State here who has approved the actions and outcomes from the equality, diversity, cohesion and integration impact assessment		
Name	**Job title**	**Date**
Suzanne Hopes	Programme Manager	29.08.24
Date impact assessment completed		**Ongoing, live assessment throughout programme**

14. Monitoring progress for equality, diversity, cohesion and integration actions (please tick)

- [ ] As part of Service Planning performance monitoring
- [x] As part of Project monitoring
- [ ] Update report will be agreed and provided to the appropriate board
  Please specify which board
- [ ] Other (please specify)

15. Publishing

Though **all** key decisions are required to give due regard to equality the council **only** publishes those related to **Executive Board**, **Full Council, Key Delegated Decisions** or a **Significant Operational Decision.**

A copy of this equality impact assessment should be attached as an appendix to the decision making report:

- Governance Services will publish those relating to Executive Board and Full Council.
- The appropriate directorate will publish those relating to Delegated Decisions and Significant Operational Decisions.
- A copy of all other equality impact assessments that are not to be published should be sent to equalityteam@leeds.gov.uk for record.

Complete the appropriate section below with the date the report and attached assessment was sent:

For Executive Board or Full Council – sent to **Governance Services**	Date sent:
For Delegated Decisions or Significant Operational Decisions – sent to appropriate **Directorate**	Date sent:
All other decisions – sent to equalityteam@leeds.gov.uk	Date sent:

Agenda Item 9

Report author: Lewis Sinkala

Tel: 0113 5350813

Procurement update report: New Procurement Strategy 2025 - 2030

Date: 14 October 2024

Report of: Director of Strategy and Resources

Report to: Scrutiny Board (Strategy and Resources)

Will the decision be open for call in? ☐ Yes ☒ No

Does the report contain confidential or exempt information? ☐ Yes ☒ No

What is this report about?

- The Council's procurement function helps to ensure that the Council is able to deliver the 3 pillars of the Council's Best City Ambition. The goods, works and services we choose to buy and commission, the suppliers we select, the influential relationships we maintain with those suppliers, and the commercial opportunities we offer can help deliver inclusive growth, improve the health and wellbeing of local people, and support the push toward zero carbon.
- The Council's current Procurement Strategy runs until 2024 and is due to be updated for mid-2025. This report provides an update on progress to date and key next steps.

Recommendations

Members are recommended to:

1. note the contents of this report;
2. endorse the work underway to refresh the Council's Procurement Strategy; and
3. provide comments that they may have on the Procurement Strategy review in such regard.

Why is the proposal being put forward?

1 This report provides an update as to progress made in relation to:

a) planning the update the Council's Procurement Strategy.

b) the timescales for the implementation of the new Procurement Strategy by mid-2025.

Background Information

2 The Council currently spends over £1bn externally on goods, works and services each year. across both revenue and capital. We use a variety of contracts, from simple purchase orders to long-term partnership agreements. Some contracts are with a single provider, others are frameworks or dynamic purchasing systems with multiple providers.

3 The Council's current procurement strategy has been in place since 2019 and focuses on the following key areas:

a) **Value for money and efficiency.** We will: seek to ensure the Council gets maximum value from every pound that is spent through best value and innovative procurement practice; adopt a consistent corporate approach to commissioning; adopt a clearly identified savings strategy; and continue a category management approach to procurement.

b) **Governance.** We will ensure compliance with the Contract Procedure Rules, the Council's Constitution and public procurement law (including the Public Contracts Regulations 2015) in order to manage procurement risk and to comply with legal requirements.

c) **Social value.** We will seek to improve economic, social and environmental wellbeing from our contracts, over and above the delivery of the services directly required, and at no extra cost. While much progress has been made in respect of social value through procurement, and this has been reported to Executive Board previously, further work is needed to draw together examples of social value achieved and provide advice and support to commissioners as to social value opportunities in procurement. The New Procurement Strategy KPIs anticipate that PACS will be responsible for reporting to Executive Member and Scrutiny Board, and managing and delivering social value across procurement and commissioning, and will provide relevant officers with social value training. Currently there is no resource available to undertake this role, and this will need to be addressed in due course in order to maximise social value outcomes and realise the Council's ambitions.

d) **Commercial opportunities.** We will seek new ways to develop and create commercial opportunities through procurement and commissioning activities, not just by promoting revenue generation, but by looking at how we engage with, and influence, the marketplace and potential suppliers in order to drive innovation and develop new ideas around service delivery.

e) **Strategic supplier engagement and contract management:** We will manage our strategic supplier relationships through continuous engagement with them. We will also ensure effective management of all contracts from beginning to end in order to control costs, obtain the quality outcomes and performance levels set out in the contract and minimise the level of risk.

4 The Procurement Strategy also identified a number of "procurement enablers" which are cross-cutting issues that the Council is to address to realise its ambitions. These cover:

- ensuring we develop talent by supporting staff to obtain professional qualifications and apprenticeships;
- exploiting digital technology such as electronic tendering, Procure 2 Pay systems, electronic invoicing and using technology to enhance our knowledge management by accessing paper and electronic sources to build comprehensive intelligence about contracts, markets and trends;
- embracing an innovative approach across all Council procurements; and
- embedding change in the organisation by ensuring that senior managers recognise the importance of procurement and contract management, and promoting it as a way of leading and managing organisational change.

5 There have been a number of significant achievements made under the existing Procurement Strategy as reported annually via Corporate Governance and Audit Committee.

6 It is also important to reference the environment which this Procurement Strategy has operated and some of the key challenges including:

a) Covid-19;

b) Cost of living crisis;

c) New Procurement legislation;

d) Formally leaving the European Union.

Procurement Act 2023

7 The Procurement Act 2023 received Royal Assent on 26th October 2023 and is expected to come into force from 24th February 2025, having application to new procurement activity from the "go live" date.

8 The National Procurement Policy Statement is currently being reviewed by the new government and therefore delayed the go live date from 28th October 2024 to 24th February 2025. As a result, it is likely that any amendments will affect the Council's Procurement Strategy. Any significant changes will be considered prior to the implementation of the new Procurement Strategy.

Work to date

9 The National Procurement Strategy is accompanied by a self-analysis toolkit which has been developed to support its delivery by helping councils to understand their maturity levels in key areas of procurement strategy, to set appropriate objectives in relation to those maturity levels and to assess their own progress against those objectives.

10 In determining the Council's baseline level of procurement maturity, the Local Government Association indicated that scoring should be done on the basis of the weakest level of attainment in the Council rather than attempting to arrive at an average.

11 An initial review against the National Procurement Strategy self-analysis toolkit has been undertaken within PACS (see Appendix 1).This has identified some key areas for development within the next Procurement Strategy. Further consultation will take place across the Council to verify the assessments that have been conducted

12 Additionally, PACS has undertaken a SWOT analysis to support the review of the Procurement Strategy.

13 To support to development of the new Procurement Strategy, analysis has been undertaken to identify the current strategic context within which the Council is working (see Appendix 2). This will be further reviewed and developed subject to any further guidance.

Next steps - New Procurement Strategy

14 At this point, it is anticipated that many aspects of the new Procurement Strategy will mirror the existing and not change. The initial review of the Procurement Strategy has, however, identified building blocks to focus on as part of the new Procurement Strategy. These include:

a) Value for money
b) Governance and Risk
c) Social Value
d) Commercial
e) Contract Management
f) Supplier and Market Engagement
g) Reform and Continuous Improvement
h) Culture, recruitment and retention

15 It is anticipated that there will be the following actions required upon adoption of the new Procurement Strategy.

a) Documentation and CPR updates
b) Category strategy updates
c) Rollout and training on the new Procurement Strategy and documentation
d) Monitoring of progress against the

Consultation Proposals

16 To support with the development and implementation of the new Procurement Strategy, it is anticipated that the following engagement will take place:

a) Consultation with procurement and commissioning staff and Procurement Practitioners Group;

b) Key Council teams who engage with the Procurement Strategy;

c) Executive Board; and

d) Corporate Governance and Audit Committee

17 It is not expected that there will be public consultation of the new Procurement Strategy as there is no direct impact on the general public from the review.

Implementation

18 The below timetable details the anticipated timescales associated with the abovementioned actions.

Month	**Action**
October – November 2024	Review of current Procurement Strategy; Draft of new Procurement Strategy
December 24 – February 2025	Consultation and amendments
February – April 2025	Formal approvals
May – June 2025	Rollout of new Procurement Strategy

What impact will this proposal have?

Wards affected:		
Have ward members been consulted?	☐ Yes	☒ No

19 Each of the matters detailed in this report seek to further improve the efficiency and effectiveness of the Council’s procurement and contract management function, in order deliver the key areas of the Council’s Best City Ambition,

What consultation and engagement has taken place?

20 At present, there has been limited consultation and engagement. The consultation proposals are mentioned above.

21 An equality impact assessment screening will be conducted.

What are the resource implications?

22 It is anticipated that the implementation of the new Procurement Strategy will require internal resources only.

What are the legal implications?

23 There are no specific issues in this report with respect to these matters.

24 The Council's approach to procurement satisfies the necessary legal and regulatory obligations.

25 The review and refresh of the Council's procurement strategy will ensure that they continue to be fit for purpose with a view to facilitating compliance by the Council with requirements of the new procurement legislation.

26 This report is not eligible for call-in.

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

27 The new Procurement Strategy will continue to ensure that the Council has appropriate risk management when conducting procurements and managing contracts.

Does this proposal support the council's three Key Pillars?

☒ Inclusive Growth ☒ Health and Wellbeing ☒ Zero Carbon

28 The Council's procurement function ensures that the Council can deliver the council's three Key Pillars.

29 Effective procurement and contract management activity supports the Council's ambitions of a strong economy and a compassionate city, and the new Procurement Strategy will be specifically drafted in response to the Best Council Plan. Individual procurements support all of the Council's priorities and breakthrough projects.

Options, timescales and measuring success

What other options were considered?

30 A "do nothing" option was considered and discounted as the Council needs to ensure it has a Procurement Strategy.

How will success be measured?

31 Success will be measured against the KPIs set in the new Procurement Strategy.

32 Performance and progress will be measured on an annual basis and reported to both this Board and the Corporate Governance and Audit Committee.

What is the timetable for implementation?

33 As noted above.

34 Preparation for “go-live” in relation to the Procurement Act 2023 by February 2025 is ongoing.

Appendices

35 Appendix 1 – Procurement and Commercial Services self-analysis

36 Appendix 2 – Strategic Context

Background papers

37 None

Appendix 1

Theme	2019	2024 Ambition	2024 Actual (draft)	2030 Target
Social Value	Developing	Innovator	Leader	Innovator
Engagement	Developing	Leader	Leader	Innovator
VCSE/SME	Developing	Mature	Mature	Leader
Behaviour Commercially	Developing	Leader	Mature	Leader
Supplier & Contract Management	Developing	Leader	Mature	Leader
Working with partners	Developing	Leader	Leader	Innovator
Strategic supplier	Developing	Mature	Mature	Innovator
Developing talent	Mature	Leader	Mature	Innovator
Digital technology	Minimum	Developing	Minimum	Leader
Innovation	Developing	Mature	Developing	Leader
Change	Mature	Leader	Leader	Innovator

Appendix 2

National	Regional	Local
Public Contract Regulations (2015) Concession Contracts Regulations (2016)	West Yorkshire Plan	Contract Procedure Rules
Public Services (Social Value) Act 2012	Yorkshire & Humber Strategic Procurement Group	Corporate Priorities (City and Council Plans and Strategies)

National Procurement Strategy (NPS) 2022 for Local Government in England	Core Cities Network	Category Strategies
Local Government Transparency Code 2015		Best City Ambition
Joseph Rowntree Living Wage		Social Value Network, Framework and Guidance
Procurement Act 2023		
Procurement Policy Notes		

Agenda Item 10

Report author: Rob Clayton

Tel: 0113 378 8790

Work Programme

Date: 14 October 2024

Report of: Head of Democratic Services

Report to: Scrutiny Board (Strategy & Resources)

Will the decision be open for call in? ☐ Yes ☒ No

Does the report contain confidential or exempt information? ☐ Yes ☒ No

Brief summary

The report sets out the draft 2024/25 work programme for the Scrutiny Board (Strategy & Resources).

All Scrutiny Boards are required to determine and manage their own work programme for the municipal year. In doing so, the work programme should not be considered a fixed and rigid schedule, it should be recognised as a document that can be adapted and changed to reflect any new and emerging issues throughout the year.

The Scrutiny Board Procedure Rules also state that, where appropriate, all terms of reference for work undertaken by Scrutiny Boards will include 'to review how and to what effect consideration has been given to the impact of a service or policy on all equality areas, as set out in the Council's Equality and Diversity Scheme'.

Members will be invited to review and discuss the work programme at each public Scrutiny Board meeting that takes place during the 2024/25 municipal year.

Recommendations

a) Members are requested to consider and discuss the Scrutiny Board's work programme for the 2024/25 municipal year.

What is this report about?

1 A draft work programme for the Strategy & Resources Scrutiny Board is presented at Appendix 1 for consideration and discussion. Reflected in the programme are known items of scrutiny activity, including performance and budget monitoring and identified Budget and Policy Framework items.

2 The latest Executive Board minutes from the meeting held on 18 September 2024 are also provided at Appendix 2. The Scrutiny Board is asked to consider and note the Executive Board minutes, insofar as they relate to the remit of the Scrutiny Board; and consider any matter where specific scrutiny activity may also be warranted.

3 Under the Sources of Work agenda item considered at the 17 June meeting of the Board initial views on work programming were put forward by Board Members and senior officers. Appendix 1 to this report attempts to reflect that discussion and subsequent work programming discussion at Board meetings since.

4 In September, the Board discussed a future item on the employee pay date change which was agreed to subject to agreeing timescales with the service and Director, those discussions are ongoing and an item will be scheduled once concluded.

5 The Board has an annual working group to consider the authority's budget for the following financial year, in this case 2025/26. This has been scheduled on 9 December 2024 to follow the Board's formal December meeting which will have two substantive items. This will therefore be in person with a comfort break in between the formal meeting and the commencement of the Budget Working Group, the aim will be to conclude the working group by 13.00 and therefore make use of the existing diary booking for the formal board.

6 Work programming is an iterative process and board members can seek to add to the programme or suggest areas of interest as the year progresses.

What impact will this proposal have?

7 All Scrutiny Boards are required to determine and manage their own work programme for the municipal year.

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

☒ Health and Wellbeing ☒ Inclusive Growth ☒ Zero Carbon

8 The terms of reference of the Scrutiny Boards promote a strategic and outward looking Scrutiny function that focuses on the best council objectives.

What consultation and engagement has taken place?

Wards affected:		
Have ward members been consulted?	☐ Yes	☐ No

9 To enable Scrutiny to focus on strategic areas of priority, it is recognised that each Scrutiny Board needs to establish and maintain an effective, early dialogue with relevant Directors, senior officers and Executive Board Members.

10 The Vision for Scrutiny also states that Scrutiny Boards should seek the advice of the Scrutiny officer, the relevant Director and Executive Member about available resources prior to agreeing items of work.

What are the resource implications?

11 Experience has shown that the Scrutiny process is more effective and adds greater value if the Board seeks to minimise the number of substantial inquiries running at one time.

12 The Vision for Scrutiny, agreed by full Council also recognises that like all other Council functions, resources to support the Scrutiny function are under considerable pressure and that requests from Scrutiny Boards cannot always be met.

13 Consequently, when establishing their work programmes Scrutiny Boards should:

- Seek the advice of the Scrutiny officer, the relevant Director and Executive Member about available resources;
- Avoid duplication by having a full appreciation of any existing forums already having oversight of, or monitoring a particular issue;
- Ensure any Scrutiny undertaken has clarity and focus of purpose and will add value and can be delivered within an agreed time frame.

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

14 This report has no specific risk management implications.

What are the legal implications?

15 This report has no specific legal implications.

Appendices

- Appendix 1: Draft work programme 2024/25

- Appendix 2: Minutes of the Executive Board meeting on 18 September 2024.

Background papers

- None

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Appendix 1
Scrutiny Board (Strategy & Resources)
Work Schedule for 2024/25 Municipal Year

June	July	August
Meeting Agenda for 17 June 2024 at 10.30AM	**Meeting Agenda for 22 July 2024 at 10.30AM**	**No Scrutiny Board meeting scheduled.**
Scrutiny Board Terms of Reference / Sources of Work / Co-opted members reports (Development Briefings) Performance Report (Policy/Service Review / Performance Monitoring) Employee Mental Health and Well Being (Performance Monitoring)	Financial and Treasury Management Outturn 2023/24 /Financial Health Reporting 2024/25 (Performance Monitoring) Organisation Plan Refresh (Policy/Service Review) Digital Strategy Update (Performance Monitoring)	
Working Group Meetings		
Site Visits		

Appendix 1
Scrutiny Board (Strategy & Resources)
Work Schedule for 2024/25 Municipal Year

September	October	November
Meeting Agenda for 16 September 2024 at 10.30AM	**Meeting Agenda for 14 October 2024 at 10.30AM**	**No meeting**
Electoral Services Update – 2024 Election Review/Postal Voter Validation (Performance Monitoring) Financial Reporting 2024/25 (Performance Monitoring) Licensing Act – Gambling (pre-decision scrutiny) Joint Strategic Assessment (Policy/Service Review)	Medium Term Financial Strategy (Performance Monitoring) Procurement Strategy (Policy/Service Review) Core Business Transformation (CBT) (Performance Monitoring)	
Working Group Meetings		
25 September 2024 @ 4.30PM – Budget Working Group		
Site Visits		

Appendix 1
Scrutiny Board (Strategy & Resources)
Work Schedule for 2024/25 Municipal Year

December	January	February
Meeting Agenda 9 December 2024 at 10.30AM	**Meeting Agenda for 13 January 2025 at 10.30AM**	**Meeting Agenda for 17 February 2025 at 10.30AM**
Civic Enterprise Leeds – Catering and Cleaning (Performance Monitoring)	Performance Report (Policy/Service Review / Performance Monitoring) Financial Reporting 2024/25 (Performance Monitoring) The Proposed Budget 2025/26 and Provisional Budgets for 2026/27 and 2027/28 (Pre-decision Scrutiny) People Strategy (pre-decision scrutiny)	Equality, Diversity and Inclusion – Update (Policy/Service Review) Procurement Strategy (Performance Monitoring)
Working Group Meetings		
Budget Working Group - TBC		
Site Visits		

Appendix 1
Scrutiny Board (Strategy & Resources)
Work Schedule for 2024/25 Municipal Year

March	April	Notes
Meeting Agenda for 17 March 2025 at 10.30AM	**No Scrutiny Board meeting scheduled.**	**Items to be scheduled**
Financial Reporting 2024/25 (Performance Monitoring) IDS Helpdesk (Performance Monitoring) Strategy and Resources Scrutiny Board End of Year Summary Statement		
Working Group Meetings		
Site Visits		

EXECUTIVE BOARD

WEDNESDAY, 18TH SEPTEMBER, 2024

PRESENT: Councillor J Lewis in the Chair

Councillors S Arif, D Coupar, M Harland, H Hayden, A Lamb, J Lennox, J Pryor, M Rafique and F Venner

34 Chair's Opening Remarks

At the commencement of the meeting, the Chair highlighted that this was the first Executive Board meeting since Mariana Pexton's recent appointment as the Council's Interim Chief Executive and welcomed Mariana in her new role.

Also, the Chair noted that this would be the final Executive Board meeting attended by Martin Farrington, the Director of City Development, prior to his retirement. The Chair paid tribute to Martin for his efforts and achievements throughout his time at Leeds City Council.

35 Exempt Information - Possible Exclusion of the Press and Public

There was no information contained within the agenda which was designated as being exempt from publication.

36 Late Items

There were no late items of business submitted to the Board for consideration.

37 Declaration of Interests

Regarding the report entitled, 'Leeds City Council's Response to the West Yorkshire Combined Authority's Mass Rapid Transit Public Consultation', Councillors Lamb and Lewis, in the interests of transparency, both respectively drew the Board's attention to their positions on the West Yorkshire Combined Authority Board. However, both Members confirmed that it did not preclude them from taking part in the discussion at today's meeting in their capacity as Executive Board Members (Agenda Item 18, Minute No. 51 refers).

38 Minutes

RESOLVED – That the minutes of the previous meeting held on 24th July 2024 be approved as a correct record.

<u>COMMUNITIES, CUSTOMER SERVICES AND COMMUNITY SAFETY</u>

39 Safer Leeds Annual Update

The Director of Communities, Housing and Environment submitted a report presenting the annual update from the Safer Leeds Community Safety Partnership, which in Leeds is the Safer Leeds Executive. The report highlighted the progress which had been made over the past 12 months on the key deliverable actions arising from the 9 priority areas as included within the Safer, Stronger Communities: Leeds Plan 2021 – 2024.

The Board welcomed Chief Inspector Jonathan McNiff, West Yorkshire Police to the meeting, who was in attendance for the consideration of this item.

In presenting the report, the Executive Member highlighted the progress being made together with the developments in relation to the key priority areas. Emphasis was also placed upon the leading role played by the Safer Leeds Executive in the partnership working undertaken in this area. The Executive Member highlighted how this report should be considered alongside the respective Leeds Safeguarding Adults Board and Leeds Safeguarding Children Partnership annual reports on today's agenda, given the significant partnership work being undertaken across those bodies.

The Executive Member thanked all Council officers involved in this service area, partner organisations for the key role they played and also Councillor D Coupar for her leadership throughout her time as Executive Member with responsibility for community safety.

Responding to a Member's enquiry, an update was provided on the work being undertaken following the disorder experienced in Harehills on 18th July 2024. Emphasis was placed on the significant short, medium and long term actions being taken to support the Roma community together with the wider community of Harehills. The ongoing citywide approach being taken towards the promotion of community cohesion was also highlighted. The key role played by local Ward Councillors, Council staff and partner organisations both on the evening of the disorder and following that was highlighted, with thanks being extended to all of those parties for their continued efforts in this area. Further to this, Councillor S Arif highlighted the positive relationship established between the Council and the Romanian consulate. In conclusion, it was noted that the Council would work with West Yorkshire Police on a formal debrief of the incident, with any findings being shared appropriately.

In response to a Member's enquiry, an update was provided on the effectiveness of the community safety policies and procedures in place in Leeds. Emphasis was placed on the need to strike the correct balance between improving residents' confidence in services in order to encourage them to report issues when they are experienced, whilst at the same time working to reduce the prevalence of incidents taking place. The work of the performance and analytical team was highlighted, which produced the relevant data sets that sat behind the policies. It was highlighted that such data had illustrated that the procedures in place were effective. It was undertaken that further detail could be provided separately to the Member in question through Council officers, the Executive Member and Chief Inspector McNiff.

Chief Inspector McNiff and Councillor Coupar reiterated the strong partnership working regarding community safety which was established in Leeds.

In response to a Member's enquiry, further detail was provided on the scrutiny of the Mayoral Policing function. It was noted that the Council worked closely with the Mayor's office, with there being an effective and strong working relationship in place, and whilst there were challenges, these were no different to other partnerships of this nature. Specific examples of effective partnership working in this area were provided. It was undertaken that if the Member in question had any specific enquiries on such matters, then these could be responded to in more detail separately.

RESOLVED – That the contents of the submitted Safer Leeds annual update report, together with the full overview document, as presented at Appendix 1, be noted.

40 Leeds Community Safety Strategy 2024-2027

The Director of Communities, Housing and Environment submitted a report presenting the proposed Leeds Community Safety Strategy for the period 2024-2027. The report highlighted how the strategy would provide strategic direction for the Leeds Community Safety Partnership (CSP), which in Leeds is the Safer Leeds Executive. The report sought the Board's endorsement of the Strategy with the recommendation that it is referred to Full Council for approval and formal adoption as part of the Council's Budget and Policy Framework.

The Board welcomed Chief Inspector Jonathan McNiff, West Yorkshire Police to the meeting, who was in attendance for the consideration of this item.

In introducing the report, the Executive Member highlighted that the proposed strategy would replace the Safer, Stronger Communities: Leeds Plan (2021-24) and that it had been informed by strategic intelligence assessment and through a wide-ranging consultation exercise. An overview of the strategy's key priorities was provided. It was also noted that Leeds had been awarded £600,000 from the Government's Community Recovery Fund.

Members were supportive of the proposed strategy.

The Executive Member and the Chief Officer (Safer, Stronger Communities) extended their thanks to all involved in the compilation of the strategy and the associated consultation exercise.

RESOLVED –

(a) That the Leeds Community Safety Strategy 2024-2027, as presented at Appendix 1 to the submitted report, be endorsed, with the Board's agreement that this Strategy be referred to Full Council with a recommendation that it be formally adopted;

(b) That it be noted that the Director of Communities, Housing and Environment will lead and implement the Strategy, which will supersede the Leeds Community Strategy 2021 – 2024;

(c) That it be noted that this Strategy forms part of the Council's Budget and Policy Framework and therefore the above resolutions are not eligible for Call In.

(As indicated in resolution (c) above, given that the above decisions were being made in accordance with the Council's Budget and Policy Framework Procedure Rules, they were not eligible for Call In)

ADULT SOCIAL CARE, ACTIVE LIFESTYLES AND CULTURE

41 Leeds Safeguarding Adults Board - Annual report 2023/24

The Director of Adults and Health submitted a report presenting the Leeds Safeguarding Adults Board (LSAB) annual report for 2023/24 together with the Leeds Safeguarding Adults Board's Strategic Plan. The annual report provided an update on the work of the Leeds Safeguarding Adults Board, the steps taken to implement the Board's strategy, together with an outline of the findings of any Safeguarding Adults Reviews held during 2023/24.

In presenting the report the Executive Member advised that whilst the Independent Chair of the LSAB, Richard Jones CBE, could not be present at the meeting, it was noted that two key themes that he would have raised were the collaborative working which had taken place to embed safeguarding across partner organisations, and also the invaluable work of the city's frontline staff in this area.

The Executive Member provided an overview of the Board's key ambitions, with the range of actions being taken around the citizen led approach towards safeguarding being specifically highlighted. The Independent Chair of the Board, together with all of the Board Members were thanked for their role in this important area.

The importance of the LSAB Strategic Plan (April 2023 – March 2026), which was also appended to the report, was highlighted. It was noted that the strategic plan presented all related objectives and actions that respective agencies were contributing to.

Responding to a Member's specific request, it was undertaken that periodic meetings would be arranged between that Member and the Independent Chair.

In response to a Member's enquiry, the Board was provided with further detail regarding the statistic that 32% of safeguarding concerns arose from care home settings, with information being provided on the sources of those concerns, together with the actions which were being taken to address such matters and to ensure that people were being cared for in the most appropriate way. It was also noted that it was common for care home settings to have a higher number of referrals. An update was also provided on the work being undertaken with the whole range of care providers in Leeds, including home care providers, in relation to the reporting of safeguarding concerns.

Also in response to a Member's enquiry, the Board received an update on the work which continued to be undertaken to review data around referral levels of safeguarding concerns. It was identified that there were lower levels of referrals experienced in certain geographical areas with ethnically diverse communities. The range of work being undertaken as a result to increase awareness and share information across all communities was noted.

In conclusion, the Chair extended his thanks to Richard Jones CBE, Independent Chair of the LSAB, together with the other Board Members for the role they played in this important area.

RESOLVED – That the contents and recommendations of the Leeds Safeguarding Adults Board Annual Report 2023/24, as submitted to the Board, be noted.

CHILDREN AND FAMILIES

42 Leeds Safeguarding Children Partnership - Annual Report 2023/24

The Director of Children and Families submitted a report presenting the Leeds Safeguarding Children Partnership Annual Report for 2023/24. The report outlined the activity that had taken place during the year in relation to the Safeguarding Partners' statutory duties to work together in exercising their functions of safeguarding and promoting the welfare of children. Included within the update were details regarding developments in practice, and the progress made in relation to priorities, learning, scrutiny, inspections and statutory responsibilities.

The Board welcomed David Derbyshire (Independent Scrutineer), Gill Marchant (Head of Safeguarding/Designated Nurse Safeguarding Children and Adults, NHS) and Superintendent Dan Wood (West Yorkshire Police) to the meeting for the consideration of this item.

In introducing the report, the Executive Member highlighted how the LSCP annual report provided an overview of the city's arrangements for safeguarding children during 2023/24. It was noted that such arrangements had been reviewed over the past year, a process supported by the new Independent Scrutineer, David Derbyshire. The positive outcomes from the recent Joint Targeted Area Inspection (JTAI) into serious youth violence were highlighted, including the strong multi-agency relationships of the LSCP partners.

The Director of Children and Families highlighted that the submission of the annual report was in line with the reporting requirements as set out in the Working Together to Safeguard Children 2023 statutory guidance. It was also noted that the report provided an update on the progress made against the agreed priorities during 2023/24 and also on the work undertaken to review safeguarding arrangements to ensure that they were in line with statutory guidance. The commitment to continued improvement in this area was reiterated.

Thanks was extended to all those involved in the crucial work of safeguarding children throughout the city, including frontline practitioners and their managers.

David Derbyshire, Independent Scrutineer, addressed the Board, providing an overview of his experiences since taking up this role nearly one year ago and highlighting the key points arising from his statement as included within the LSCP annual report.

A Member highlighted the progress which had been over the past year, the work which had been undertaken and the positive way in which challenges had been responded to.

Responding to an enquiry regarding unregulated care homes in Leeds, it was undertaken that the Director would meet with the Member in question on this issue to provide further detail. However, assurance was provided that the Council did work closely with Ofsted on such matters.

RESOLVED –

(a) That the work undertaken to further strengthen the safeguarding children arrangements in Leeds, as set out within the submitted report, be endorsed;

(b) That the Board provide its continued support for the city's multi-agency safeguarding arrangements for children and young people.

43 Youth Justice Service Plan - 2024-2027

The Director of Children and Families submitted a report presenting the refreshed Leeds Youth Justice Service Plan for the period 2024-27 and provided an update on the work undertaken and progress made in respect of the previous plan which covered 2021-24. The report sought the Board's endorsement of the plan with the recommendation that it is referred to Full Council in November 2024 for approval and formal adoption as part of the Council's Budget and Policy Framework.

In presenting the report, the Executive Member highlighted that the plan had a strong commitment to a 'child first' principle. The impact of poverty and deepening inequalities were highlighted as key issues, with the report setting out the work being undertaken to address such matters.

Responding to a Member's request, the Director undertook to provide the Member in question with a briefing on the issues covered in the submitted report.

In response to a Member's enquiries regarding the re-offending rates and also first time offender rates presented, further information and context was provided on those statistics, together with details on the range of actions and interventions being taken in this area in order to reduce offending behaviours in children across the city.

RESOLVED –

(a) That the Leeds Youth Justice Service Plan, as submitted to the Board, be endorsed, with the Board's agreement that the Plan be referred to Full Council in November 2024 with a recommendation of approval and formal adoption as part of the Council's Budget and Policy Framework;

(b) That it be noted that the responsible officers for the implementation of such matters are the Service Delivery Manager, Leeds Youth Justice Service; and the Head of Service, Children Looked After and Youth Justice Service. That it also be noted that the Youth Justice Service Partnership Board has statutory responsibility to monitor performance, ensuring the delivery of service improvements and the meeting of local priorities.

(Given that the above decisions were being made in accordance with the Council's Budget and Policy Framework Procedure Rules, they were not eligible for Call In)

44 Outcome of consultation on proposals to expand Broomfield South SILC by 100 places, as part of a school rebuild, and the establishment of a permanent satellite site for post-16 provision

The Director of Children and Families submitted a report presenting proposals to expand Broomfield South Special Inclusion Learning Centre (SILC) by 100 places, as part of a school rebuild, and through the establishment of a permanent satellite site for post-16 provision. Specifically, the report provided details of the outcome from the public consultation undertaken and sought the Board's approval to publish a Statutory Notice on the proposals.

In presenting the report, the Executive Member highlighted the key aspects of the proposal. It was noted that whilst the Council had established 450 specialist learning places across the city since 2020, the need for specialist education in Leeds continued to increase.

Members highlighted their support for this proposal.

In response to a Member's enquiry, an update was provided on the arrangements in place regarding associated consultation, and it was confirmed that local Ward Councillors were supportive of the proposals.

Also, responding to an enquiry regarding how the proposals may impact upon post-16 transport costs, it was noted that any impact would be dependent upon where children and young people using the facility lived. However, it was felt that the benefits which would be realised by the new provision would significantly outweigh any potential risks caused by potential increased transport costs in the future. It was thought that in terms of post-16 transport costs, the proposals were likely to be cost neutral.

RESOLVED –

(a) That the outcome of the public consultation undertaken for the proposals, as presented within the submitted report, be noted;

(b) That the publication of a Statutory Notice on the proposals to expand Broomfield South SILC by 100 places, as part of a school rebuild, and establish a permanent satellite site of Broomfield South SILC for post-16 provision at Arlington Business Centre, White Rose, be approved;

(c) That it be noted that the implementation of the proposals will be subject to the outcome of the proposed Statutory Notice and future decisions by Executive Board;

(d) That the intention for a further report to be presented to the December 2024 Executive Board meeting detailing the outcome of the Statutory Notice, be noted;

(e) That it be noted that the implementation of the rebuild and expansion of Broomfield South SILC will be subject to the outcome of further detailed design work and planning applications, as indicated in paragraphs 26- 29 of the submitted report;

(f) That it be noted that the responsible officer for the implementation of such matters is the Deputy Director for Learning.

45 The Child Poverty Strategy For Leeds

The Director of Children and Families submitted a report which provided an overview of, and a further update on the Child Poverty Strategy for Leeds and the work undertaken as part of the strategy, including the actions being taken in response to ongoing post pandemic and cost of living priorities.

The Executive Member provided an overview of the key aspects within the report, highlighting the consultation work undertaken as part of the refresh process, and noting the Government's establishment of a task force on child poverty and its plans to publish a national Child Poverty Strategy.

Members supported the proposals and the need to focus on the actions to eradicate child poverty in the city.

RESOLVED –

(a) That the refreshed and ongoing strategic framework in place to mitigate the impact of child poverty, and the work being undertaken by the Council and other partners in the key areas of activity, as detailed within the submitted report, be endorsed;

(b) That the need to promote the work of the Child Poverty Strategy across the city and across Council directorates, and also through our wider city partnerships in order to highlight the impact of poverty on children and their families, be acknowledged;

(c) That it be noted that the responsible officer for the implementation of such matters is the Deputy Director, Social Care, Children and Families.

LEADER'S PORTFOLIO

46 Leeds Joint Strategic Assessment 2024

The Director of Strategy and Resources submitted a report presenting the Leeds Joint Strategic (Needs) Assessment (JSA) 2024 report, following Health and Wellbeing Board's consideration of the JSA in July 2024. The report noted that the Council and the West Yorkshire Integrated Care Board have an equal and joint statutory requirement to work through the Leeds Health and Wellbeing Board to produce a JSA, with the purpose being to assess current and future health and social care needs in Leeds in order to inform the Health and Wellbeing Strategy, shape priorities and guide the use of resources.

The Leader introduced the report, highlighting how the data within the JSA would be used to inform decision making moving forward, with the aim of addressing the challenges which have been identified as part of the process.

The Executive Member for Equality, Health and Wellbeing highlighted how the JSA had been considered by the Health and Wellbeing Board and would be used throughout the Assessment's lifespan, as it allowed the city's health needs and challenges to be clearly identified. As such, it was reiterated that the JSA would be used to inform priorities with the aim of addressing identified challenges and needs. It was noted that the report also provided details of work undertaken across the city to address the policy implications arising from the previous JSA published in 2021.

A Member highlighted the importance of the JSA, the need for it to be integrated into the work of the Council moving forward and the value of Scrutiny Boards considering it. It was noted that Scrutiny Board Strategy and Resources had considered the JSA on 16 September 2024, and that other Scrutiny Board chairs had been in attendance at that Scrutiny Board meeting.

In conclusion, the Board's thanks was extended to all partners who had been involved in the co-production of the JSA.

RESOLVED –

(a) That the Joint Strategic (Needs) Assessment 2024 report, as presented at Appendix 1 to the submitted report, including the policy implications drawn from the analysis, be noted;

(b) That the areas for further exploration and integration into future JSAs, as set out in paragraph 9 of the submitted report, be agreed;

(c) That the comments made during the Board's discussion on such matters, be noted.

RESOURCES

47 Medium Term Financial Strategy 2025/26 - 2029/30

The Chief Officer, Financial Services submitted a report presenting an update on the Council's Medium Term Financial Strategy for the period 2025/26 – 2029/30, and which provided details of both the context and the factors that influence the shape of the strategy. The report noted that the intention was to submit budget savings proposals to future Executive Board meetings in advance of the proposed 2025/26 budget being submitted to the Board in December 2024.

The Executive Member introduced the report, highlighting the currently estimated General Fund budget gap which existed over the 5-year period that the Strategy covered, including the budget gap relating to 2025/26. Further details were provided on the context and the associated challenges that the Council faced, including inflationary pressures and also increased demand regarding adult and children's social care. It was noted that the Strategy also covered the Council's Capital Programme, Housing Revenue Account and Dedicated Schools' Grant.

Members discussed the budget gap detailed within the report relating to 2025/26 and the liaison taking place with Government regarding Local Government finances.

Responding to a Member's specific comments regarding the high costs of external residential placements for children looked after, the Board received an update on the current position in Leeds in relation to demographic and demand pressures, with it being highlighted that this continued to be a significant national issue. Further detail was provided on the Council's sufficiency strategy and the work that continued in Leeds to develop in-house residential care provision. It was noted that the Council continued to work closely with Ofsted on such matters. Members also received an update on the recent announcements made by the Government aimed at tackling national issues regarding children's external residential placement provision.

Members noted the actions that continued to be taken to reduce associated pressures where possible and to address the General Fund budget gap detailed with the report. Whilst it was noted that proposals to contribute towards addressing this position would continue to be submitted to Members for consideration, the significant scale of the challenge faced was emphasised. With regard to related proposals being brought forward, it was noted that there was a clear timetable in place for Member engagement and Scrutiny consideration.

RESOLVED –

(a) That the updated Medium Term Financial Strategy for 2025/26 to 2029/30, as presented in the submitted report and appendices, be noted;

(b) That it be noted that budget savings proposals will be received at future Executive Board meetings in advance of the Proposed Budget for 2025/26 being received by Executive Board in December 2024.

48 Financial Health Monitoring 2024/25 - July (Month 4)

The Chief Officer Financial Services submitted a report presenting the Council's financial performance against the 2024/25 revenue budget, as at month 4 of the financial year. The report also provided an update on the month 4 position in respect of the Housing Revenue Account (HRA), the Dedicated Schools' Grant (DSG) and the Council Tax and Business Rates Collection Fund.

In presenting the report the Executive Member provided an overview of the key points in which it was noted that as at month 4 of the financial year, the Council was forecasting a General Fund overspend of £22.2m. The key areas of overspend were noted together with the reasons for those. The Executive Member also highlighted the range of mitigating measures being taken to address the overspend.

The scale of the challenge being faced in terms of addressing the General Fund budget gap, as discussed under the previous report on the Medium Term Financial Strategy was reiterated, with it being highlighted that nationally Local Authorities continued to experience similar challenges.

In considering this matter, the Board acknowledged that a number of matters linked to the information within this report had already been discussed as part of the previous agenda item on the Medium Term Financial Strategy.

RESOLVED –

(a) That it be noted that at July 2024 (Month 4 of the financial year), the Authority's General Fund revenue budget is reporting an overspend of £22.2m for 2024/25 (3.6% of the approved net revenue budget) after the application of reserves and within a challenging national context. That it also be noted that a range of actions are being taken to address the position as detailed within the submitted report;

(b) That it be noted that at July 2024 (Month 4 of the financial year) the Authority's Housing Revenue Account is reporting a balanced position;

(c) That it be noted that known inflationary increases, including demand and demographic pressures in Social Care and known impacts of the rising cost of living have been incorporated into the reported financial position. The position assumes a pay settlement of 3.5%, with the final pay award for 2024/25 yet to be agreed. That it also be noted that these pressures will continue to be reviewed during the year and reported to future Executive Board meetings as more information becomes available, and that proposals would need to be identified to absorb any additional pressures;

(d) That it be noted that where an overspend is projected, directorates, including the Housing Revenue Account, are required to present action plans to mitigate their reported pressures and those of the Council's wider financial challenge where possible, in line with the Revenue Principles as agreed by Executive Board in February 2024 through the annual Revenue Budget report;

(e) That it be noted that the reported position reflects that the budgeted contribution to the General Reserve of £3m will be reduced to £1.5m and that the budgeted contribution of £3m to the Strategic Resilience Reserve will not be made in 2024/25, with it also being noted that these planned contributions have been applied to the in-year position to reduce the overspend due to the significant financial pressures that the Council is facing. That it also be noted that provision is made in the Medium Term Financial Strategy for a base budget contribution of £3m to each reserve from 2026/27.

49 Core Business Transformation Programme - Progress Update

The Chief Officer, Financial Services submitted a report which provided an update on the progress of the Core Business Transformation Programme - a programme aimed at transforming and modernising 'back office' services and underpinned by a technology refresh. The update report looked to provide the Board with the latest position and assurance in respect of the programme delivery framework, programme and workstream management and governance arrangements.

The Executive Member presented the report, providing an overview of the programme's objectives and an update on the progress being made. It was highlighted that the programme was not only about introducing new digital solutions, but also about refreshing the Council's approach to become more efficient in its delivery of its core business.

Responding to a Member's specific enquiry regarding the implementation of the Council's new payroll system, the Board received assurance that the delivery of this system was on track and, whilst some contingency had been used, it was also on budget. It was noted that whilst delivery was slightly later than originally planned, this was due to the processes in place to learn from others and also to ensure a robust testing process was completed prior to implementation, given the significance of introducing such a critical system. It was also highlighted that this matter had been considered by the Corporate Governance and Audit Committee and is scheduled to be considered by the relevant Scrutiny Board also.

The Member in question was offered a further briefing on such matters, if required.

RESOLVED – That the contents of the submitted report, together with the details provided in the progress report as presented at Appendix 1, be noted, with it also being noted that a further update will be provided in 6 months.

50 Recognition of Inspirational Women

The Director of Strategy and Resources submitted a report which sought approval for the installation of panels within the Civic Hall Council Chamber commemorating six inspirational women from the city's past. The report outlined the outcomes from the consultation undertaken on this proposal and also recommended that consideration be given to how more women could be recognised in the future, and that moving forward such recognition be increasingly reflective of the city's diversity.

The names proposed to be initially installed on the plaques in order recognise their contributions to the city were:

- The Barnbow Lasses;
- Leonora Cohen OBE;
- Gertrude Paul;
- Alice Bacon CBE;
- Beryl Burton OBE; and
- Ivy Benson.

In presenting the report, the Executive Member thanked all Members of Council for the cross-party support for, and engagement in the development of the proposals. Thanks was also extended to all officers involved, with specific reference to Tom Riordan, outgoing Chief Executive, for their roles in this initiative.

The importance of recognising the inspirational women of Leeds in this way was highlighted, together with the overwhelmingly positive response to the public consultation which had been received. The Board confirmed its support for the proposals and welcomed that further work would be undertaken on a cross-party basis so that the role of more inspirational women could be recognised moving forward, in order to further reflect the diversity of the city, and which it was hoped would prove to be inspirational to future generations.

RESOLVED –

(a) That the results of the consultation undertaken, as detailed within the submitted report and appendix 1, be noted;

(b) That the proposals within the submitted report for plaques to be installed within the Civic Hall Council Chamber, be approved, subject to listed planning consent being received;

(c) That the proposals within the submitted report for further work to be undertaken in order to recognise further inspirational women in future years, be approved, with approval also being given for this recognition to be increasingly reflective of the diverse nature of the city.

ECONOMY, TRANSPORT AND SUSTAINABLE DEVELOPMENT

51 Leeds City Council's Response to the West Yorkshire Combined Authority's Mass Rapid Transit Public Consultation

The Director of City Development submitted a report providing an update on the Mass Rapid Transit (MRT) proposals for West Yorkshire and which sought the Board's endorsement of the Council's proposed response to the consultation exercise being undertaken by the West Yorkshire Combined Authority (WYCA) on the proposed routes for phase one of the MRT scheme.

In presenting the report, the Executive Member highlighted the Council's support for WYCA's plans to bring mass transit to West Yorkshire and provided an overview of the proposals set out in the report together with details of the Council's proposed response to the consultation.

The significant importance of introducing mass transit to the city was emphasised, together with the with economic impact and associated opportunities in areas such as housing growth it would generate.

In supporting the development of an MRT network, a Member highlighted that whilst the lines initially established as part of this scheme would not run directly through all areas, there was a need to ensure that the wider benefits arising from the establishment of an MRT system were effectively communicated to all communities in Leeds and West Yorkshire. The Member then suggested that this aspect be included within any response provided to WYCA.

Responding to the comments made, Members discussed the approach being taken by WYCA on the current public consultation exercise. Further to this, the following was highlighted:-

- that the proposals currently being consulted upon were seen as the beginning of an MRT network for West Yorkshire and not the end;
- in respect of mass transit, it was acknowledged that West Yorkshire had a lot of progress to make when compared with other areas of the country;
- that the establishment of an MRT network would be alongside other initiatives, such as the delivery of bus franchising in West Yorkshire;
- in terms of public engagement, in addition to WYCA's public consultation on MRT, the Board's attention was drawn to the consultation exercise being undertaken on the Local Transport Plan which was wider in scope.

In response to a concern raised regarding the capacity of WYCA in delivering this initiative alongside other ongoing projects, it was highlighted that the Council, through the Highways and Transportation team was providing its full support to WYCA on this matter.

Responding to a Member's specific enquiry, it was undertaken that the Member in question would receive further information outside of the meeting on the current position regarding the White Rose Railway Station, Leeds Bradford Airport Parkway and Thorpe Park Railway Station.

In conclusion, the Chair acknowledged the comments which had been made during the discussion.

RESOLVED –

(a) That the Council's overall support for the proposals as outlined within the submitted report, be noted, with it being recognised that this is early consultation. That the key points in the submitted report regarding areas where the Council will need greater clarity as the MRT scheme is developed, be noted;

(b) That Leeds City Council's preference of route option L1 via Calverley Street and Infirmary Street and L6 via Elland Road, Elland Road Stadium and Ring Road Beeston in the Leeds Line corridor, be endorsed;

(c) That the Leeds City Council response that further discussions are required with WYCA in respect of the route options on the Bradford Line in order for Leeds City Council to state a preference, be endorsed;

(d) That Leeds City Council's broad support of the Sustainability and Placemaking strategies, be endorsed, whilst noting that further discussion is required with WYCA to develop the detail, and how it will be implemented through the design;

(e) That the response to WYCA's public consultation on the MRT scheme (being undertaken by WYCA in its role as sole promoter), which is presented at Appendix A to the submitted report, be endorsed.

CLIMATE, ENERGY, ENVIRONMENT AND GREEN SPACES

52 Leeds Food Strategy - Report on Progress

The Director of Communities, Housing and Environment submitted a report providing an update on the delivery of the Leeds Food Strategy, which was a long-term vision for the sustained provision of healthy and affordable food in the city. Through the strategy delivery plan, the report drew Members' attention to several key areas, with the report also seeking the Board's approval of the governance, delivery and key performance indicators relating to the strategy, together with amendments to both the objectives and action plan.

In presenting the report, the Executive Member provided an overview of the key elements within the strategy and the key actions being delivered, highlighting how the strategy closely aligned with the three strategic pillars of the Best City Ambition. The cross-directorate approach being taken in this area, together with the partnership working with the third sector was noted.

Responding to a Member's comments about the resource implications arising from the strategy and whether the aims and outcomes could be achieved in a more efficient way, it was clarified that there were no additional costs to the Council arising from delivering the strategy. It was also noted that the aim was to deliver outcomes through existing Council services and external organisations and helping them to work more collaboratively and towards the strategy's objectives. The importance of promoting the strategy's aims within communities was also highlighted.

In response to a further enquiry about how outcomes would be measured, one specific example was given regarding the routine data which was now received around the proportion of adults reporting to eat 5 fruit or vegetables a day.

RESOLVED –

(a) That the governance, delivery and key performance indicators of the Leeds Food Strategy, as detailed within the submitted report and appendices, be approved;

(b) That the progress made against the actions in the strategy, as presented in the submitted report / appendices be noted, and that the amendments to both the objectives and action plan, as detailed, be approved.

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LAST DATE FOR CALL IN OF ELIGIBLE DECISIONS: 5.00PM, FRIDAY, 27TH SEPTEMBER 2024