

## Revenue savings proposals for 2024/25 to 2026/27

Date: 18<sup>th</sup> October 2023

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

The Medium-Term Financial Strategy 2024/25 to 2028/29 brought to September's Executive Board reported an estimated revenue budget gap of £162.8m over the next three years, of which £59.2m relates to 2024/25 (this equates to 10.3% of the council's 2023/24 net revenue budget of £573.4m). This report details the actions underway and the proposals to start to address the gap. It should be read alongside the report elsewhere on today's agenda, '*Accelerated Property Releases and Disposals*', that recommends the accelerated release of a number of properties in order to deliver significant in-year capital receipts assumed within the £59.2m projected gap for 2024/25.

This report presents a number of savings proposals - a collective term used in this context to apply to efficiencies, income generation and accounting measures - to contribute to closing the gap over the three-year period and meet our statutory requirement to achieve a balanced budget for 2024/25. The report also notes that further significant savings are still required and therefore additional proposals will be brought to the Board's December meeting. To help mitigate the significant pressures on the authority's financial sustainability, it is essential that the proposals contained in this report are considered in order that the council's priorities can continue to be delivered within a robust and resilient financial framework

The scale of the pressures on the council's financial position this year, combined with the gap over the next three years and continued uncertainty concerning future central government funding is unprecedented. In common with local authorities throughout the country, in order to balance the council's budget and to avoid issuing a Section 114 notice (in effect declaring that the council cannot achieve a balanced budget and preventing all new spending), difficult decisions will have to be taken that will impact across services, affecting service users, residents, businesses, partners and our workforce. This forms part of the overall resetting of the role of local government locally, regionally and nationally, to enable effective service delivery within our available financial envelope.

With the biggest area of spend within the council's budget being staffing, further staffing reductions are likely to be required. As such, on 10<sup>th</sup> October 2023 we issued a Section 188 notice to collectively consult with our recognised Trade Unions to avoid, reduce and mitigate the potential risk and consequences of compulsory redundancies. The serving of a Section 188 notice is a legal requirement and is normal practice for employers, including local authorities, where reductions in the workforce may be necessary. We will be working closely with Trade Unions to develop creative solutions to the problems we face, including voluntary redundancies as an alternative to compulsory measures, and we will work together to ensure staff are regularly updated on progress. Support will continue to be made available to colleagues who may be concerned as part of our [#TeamLeedsBeWell wellbeing offer](#) for all council staff.

# Recommendations

Executive Board is requested to:

- a) Note the financial position for 2024/25 to 2026/27 outlined in this report and that further savings are required to deliver a balanced budget position for 2024/25 and contribute to closing the projected gaps in the following two years.
- b) Note the 'Business as Usual' savings put forward in this report and that decisions to give effect to them shall be taken by the relevant Director or Chief Officer in accordance with the Officer Delegation Scheme (Executive functions).
- c) Note that additional savings proposals will be brought to Executive Board for consideration at its meeting on 13th December 2023.

## What is this report about?

- 1 At its meeting on 20<sup>th</sup> September 2023, Executive Board received the annual [Medium-Term Financial Strategy](#) (MTFS) updated for the period 2024/25 to 2028/29. The MTFS reported an estimated revenue budget gap of £162.8m over the three years 2024/25 to 2026/27: £59.2m in 2024/25, £56.6m in 2025/26 and a further £47.0m in 2026/27.
- 2 The projected position incorporates a number of assumptions around external pressures that continue to significantly impact on the council's income and expenditure and remain subject to considerable uncertainty. These include:
  - **Price inflation** which has resulted in a cost-of-living crisis, impacting on our citizens and driving up both demand for, and the cost of, our services.
  - **Demand in social care** and the cost of commissioned services outpacing available resources. Though impacting upon Adult Social Care too, this particularly applies within Children's Services where central government funding has to date failed to recognise the significantly higher costs resulting from increasing numbers of children in care, many presenting with more complex needs, and rising prices within the external residential care market.
  - **Unfunded pay awards.** Provision of 4% has been made in each of the years covered by the refreshed MTFS but should future pay awards be higher (or the National Employer's offer in 2023/24 which, at the time of writing, has not been finalised, also be higher than provided for), this will add further pressures and the requirement to identify additional savings over and above those set out in today's report and planned for future meetings of this Board.
- 3 These pressures are not unique to Leeds: combined with continued uncertainty on future government funding, they are affecting the financial sustainability of councils across the country, both in-year and for future years, resulting in several issuing, or raising the possibility of issuing, Section 114 notices. To avoid this in Leeds, work continues to balance the 2023/24 position as described in the '*Financial Health Monitoring 2023/24 – Month 5 (August)*' report elsewhere on this agenda. With regard to future years, a 'Financial Challenge' savings programme has again been established to help close the gap for the next three years. This approach enables the authority to take a longer-term view of its savings options, recognising that major change often requires one- to two-years' lead time to implement.
- 4 Reviews are underway across the authority to identify opportunities to continue to modernise and improve services (for example, through a greater use of robotics and automation), reduce costs and generate additional income. This includes ongoing reviews of our estate to ensure buildings are being effectively utilised, to deliver capital receipts and to achieve revenue maintenance savings to support the in-year and future year financial pressures. (As noted above, please also see the report, '*Accelerated Property Releases and Disposals*' on today's agenda.) The cross-council senior officer group first established in 2020 to provide support and ensure a co-ordinated, consistent approach across the Financial Challenge programme, continues to meet. Further support and challenge to identify new

proposals and consider options put forward by officers is again being provided by Scrutiny Board working groups.

- 5 The outcome of this work has provided a number of saving proposals for consideration by the Executive Board today, with further proposals to be brought to the December meeting. Proposals are categorised as either 'Business as Usual' (BAU) which can be implemented within the council's delegated decision-making framework and without consultation, or 'Service Reviews' which may require meaningful consultation with relevant stakeholders prior to any decisions being taken. The results of any such consultation with staff, trade unions, service users and the public will be used to inform the final decision. Those approved for implementation, or consultation as required, will subsequently be built into the 2024/25 Budget and Provisional Budgets for 2025/26 and 2026/27.
- 6 For the Board's consideration today, the Financial Challenge reviews have so far identified £13.4m of 'BAU' potential savings in 2024/25. Due to the impact of one-off measures within these, this has resulted in a net pressure of £2.0m in 2025/26 and a further £1.6m net pressure in 2026/27. The potential impact on the workforce from these BAU savings is -36.5 budgeted FTEs in 2024/25. There are no 'Service Review' savings proposals included in this report.
- 7 A summary of today's proposals is provided at Table 1 presenting the overall impact for each council directorate. Detail on each savings proposal is provided at Appendix 1.

**Table 1 – Directorate savings**

<b>Directorate BAU proposals</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Adults & Health	-4,410	750	1,770	<b>-1,890</b>
Children & Families	-3,263	0	0	<b>-3,263</b>
City Development	-1,802	1,060	0	<b>-742</b>
Communities, Housing & Env't	-2,344	385	0	<b>-1,959</b>
Strategy & Resources	-1,579	-200	-200	<b>-1,979</b>
<b>Total</b>	<b>-13,398</b>	<b>1,995</b>	<b>1,570</b>	<b>-9,833</b>

- 8 Table 2 shows the impact of these proposals on the estimated budget gap for the next three years.

**Table 2 – Impact of proposals on estimated budget gap**

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
MTFS gap (Sep '23 Exec Board)	59,158	56,611	47,017	<b>162,786</b>
Oct Exec Board savings proposals	-13,398	1,995	1,570	<b>-9,833</b>
<b>Gap after Oct savings proposals</b>	<b>45,760</b>	<b>58,606</b>	<b>48,587</b>	<b>152,953</b>

- 9 The projected gap will continue to be closely monitored and reviewed, taking into account updated assumptions on budgetary pressures and income, including future announcements on central government funding to local authorities and national policy on the levels of local council tax and business rates councils are permitted to collect and retain. However, as it stands, the three-year gap remains significant, with a further £45.8m savings or additional income required to close the 2024/25 projected budget gap.
- 10 Whilst we will continue our work to ensure the organisation is as efficient and productive as possible, we also recognise the need to take a longer-term view and reset the role of the council within the financial envelope available. This strategic approach will inform future savings proposals, financial planning and budgets.

## What impact will this proposal have?

- 11 The Financial Challenge savings programme aims to protect services that support the most vulnerable whilst ensuring that the organisation continues its journey to become more financially resilient and sustainable for the future. However, as noted above, the scale of the pressures on the council's financial position this year, combined with the gap over the next three years, is unprecedented and closing it is likely to mean difficult decisions will have to be taken that will impact across the council's services, affecting service users, residents, businesses, partners and staff.

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

Health and Wellbeing       Inclusive Growth       Zero Carbon

- 12 The council's strategic Best City Ambition, underpinned by the three pillars, can only be delivered through a sound understanding of the organisation's longer-term financial sustainability, this enabling decisions to be made that balance the resource implications of the council's policies against its financial constraints.
- 13 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, working hard to secure external income for place-based delivery and ensuring the organisation is providing as much value for money 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.

## What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?       Yes       No

- 14 Senior officers and elected members have been engaged in developing the savings proposals set out in today's report. Trade unions have been informed in headline terms of the emerging proposals. Scrutiny Boards will also be considering the proposals as relevant to their remits through a series of working group meetings.
- 15 The proposals presented today are classed as 'Business as Usual' (BAU) that do not require consultation to implement: for example, they relate to improving the efficiency of the service or are cost reduction measures with no impact on service users. Where BAU proposals include budgeted staffing reductions, these are anticipated to be met through deletion of vacant posts or voluntary means, as has been collectively agreed. Where voluntary measures have a modest and/or residual impact on the workforce, local / BAU consultation would be expected.
- 16 The outcomes of any consultation will inform the council's decision-making and be incorporated into the 2024/25 to 2026/27 Budget Report timetabled for initial consideration at December's Executive Board.

## What are the resource implications?

- 17 The financial and asset implications are set out earlier in the report.
- 18 In accordance with our statutory requirements, in December 2022 the council served notice under Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 (TULR(C)A) to collectively consult with our recognised Trade Unions to avoid, reduce and mitigate the potential risk and consequences of compulsory redundancies. In the context of further potential staffing reductions that

may be required to deliver the significant level of savings needed, we served a Section 188 notice on 10<sup>th</sup> October 2023.

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

- 19 As detailed in the MTFs, the financial projections for the coming years make assumptions around the level of resources the council will receive through council tax, business rates and government funding. Any variation from these assumptions has implications for the level of resources available to the council to fund services.
- 20 The MTFs articulate a range of risks, including economic, funding, pay, resources, demand and demography, and political. There also remain uncertainties around the impact of the government's forthcoming Autumn Statement due to be set out on 22<sup>nd</sup> November.
- 21 With regard to the council's savings proposals, if there is slippage in their implementation or the assumptions contained within them change, this could lead to a variation in the assumed level of savings and the authority's ability to set a balanced budget for 2024/25.
- 22 These risks and assumptions will be subject to review as more information becomes available and through the council's budget setting and financial management, monitoring and reporting processes.

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

- 23 Decisions giving effect to the Business as Usual proposals included in this report can be taken by the relevant Director or Chief Officer in accordance with the Officer Scheme of delegation (Executive functions) and will be subject to the Executive and decision – making procedure rules. Notice of any decision which is “Key” will be published on the list of forthcoming decision not less than 28 clear calendar days in advance of the date of the proposed decision.
- 24 As a decision of Executive Board, the recommendations in this report are eligible for call-in.
- 25 The Equality Act 2010 requires the council to have “due regard” to the need to eliminate unlawful discrimination and promote equality of opportunity. The law requires that the duty to pay “due regard” be demonstrated in the decision-making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show due regard.
- 26 The council is fully committed to ensuring that equality and diversity are given proper consideration when developing policies and make decisions. In order to achieve this, the council has an agreed process in place and has particularly promoted the importance of the process when taking forward key policy or budgetary changes. Equality impact assessments also ensure that we make well informed decisions based on robust evidence.
- 27 Due regard to equalities will be given to any decisions taken via the delegated decision process on the savings proposals presented in this report. Should ‘Service Review’ savings proposals come to the Executive Board in December, equality impact screenings will be included for each with equality impact assessments carried out where appropriate as part of the decision-making process.

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

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

- 28 All options are being considered to contribute to the council achieving a balanced budget for 2024/25 and a sustainable medium-term financial position, whilst protecting as far as possible those services that support the most vulnerable.

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

- 29 As above, setting a balanced budget and achieving a sustainable medium-term financial position.

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

30 The savings proposals presented today will subsequently be built into the 2024/25 Budget and Provisional Budgets for 2025/26 and 2026/27 for consideration at this Board prior to approval at Full Council in February 2024.

### **Appendices**

31 Appendix 1 details the BAU proposals.

### **Background papers**

32 None

## Appendix 1: 'Business as Usual' (BAU) savings proposals for 2024/25 to 2026/27

Adults & Health Directorate							
Service area(s)	Savings proposal description	Potential savings / £'000s			Budgeted FTE impact		
		2024/25	2025/26	2026/27	2024/25	2025/26	2026/27
<b>Business as Usual (BAU) savings</b>							
Social Work & Social Care	Additional income from government announcement with regard to Triple Lock on benefits (8.5%), adjusted per government announcement to 7.8%	-1,730	0	0	0.0	0.0	0.0
Social Work & Social Care	Client income: align home care charge to that paid	-160	0	0	0.0	0.0	0.0
Social Work & Social Care	Client income: reduce period of temporary placements	-1,500	0	0	0.0	0.0	0.0
Social Work & Social Care	Continued review of CHC (Continuing Health Care) eligibility - Older People	-100	0	0	0.0	0.0	0.0
Social Work & Social Care	Continued review of CHC (Continuing Health Care) eligibility - Mental Health	-150	0	0	0.0	0.0	0.0
Strategic Commissioning	Kirklands Autism Unit - proposed invest to save development with the ICB of a 6-place unit for individuals with complex needs. Savings relate to individuals having appropriately sized and costed packages.	0	-250	0	0.0	0.0	0.0
Public Health	Public Health IAS19 charge (accounting adjustment) - <i>One-off in 24/25</i>	-770	0	770	0.0	0.0	0.0
Public Health	Repayment of Public Health reserves - <i>One-off in 25/26 and 26/27</i>	0	1,000	1,000	0.0	0.0	0.0
<b>Total A&amp;H Oct Exec Brd BAU savings</b>		<b>-4,410</b>	<b>750</b>	<b>1,770</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Children & Families Directorate

Service area(s)	Savings proposal description	Potential savings / £'000s			Budgeted FTE impact		
		2024/25	2025/26	2026/27	2024/25	2025/26	2026/27
<b>Business as Usual (BAU) savings</b>							
Cross-directorate	Non-essential spend savings	-1,000	0	0	0.0	0.0	0.0
Cross-directorate	Staff transport cost savings	-40	0	0	0.0	0.0	0.0
Cross-directorate	Review grant funding shares	-250	0	0	0.0	0.0	0.0
Learning	Learning Inclusion: DSG substitution for existing staff x 2	-95	0	0	0.0	0.0	0.0
Learning	Learning Improvement targeted staffing reductions	-31	0	0	-1.0	0.0	0.0
Social Care	CLA (Children Looked After): Short-term internal residential provision (Herd Farm)	-50	0	0	0.0	0.0	0.0
Social Care	CLA: Small Group Living - bring forward timescales for delivery	-200	0	0	0.0	0.0	0.0
Social Care	CLA: ICB (Integrated Care Board) additional contribution to CLA external residential placements, based on existing cost sharing agreement	-1,531	0	0	0.0	0.0	0.0
Social Care	LSCP (Leeds Safeguarding Children's Partnership) - reduction in council's contribution to match partner contributions	-16	0	0	0.0	0.0	0.0
Resources & Strategy	Learning Systems: reduction in miscellaneous property budget	-50	0	0	0.0	0.0	0.0
<b>Total C&amp;F Oct Exec Brd BAU savings</b>		<b>-3,263</b>	<b>0</b>	<b>0</b>	<b>-1.0</b>	<b>0.0</b>	<b>0.0</b>



## City Development Directorate

Service area(s)	BAU savings proposal description	Potential savings / £'000s			Budgeted FTE impact		
		2024/25	2025/26	2026/27	2024/25	2025/26	2026/27
<b>Business as Usual (BAU) savings</b>							
Cross-directorate	Non-essential spend savings across the directorate / further price inflation savings	-500	0	0	0.0	0.0	0.0
Culture & Economy: Arts & Heritage	Impact of Business Rates appeals at Heritage sites	-92	0	0	0.0	0.0	0.0
Culture & Economy: Employment & Skills	Cost recovery from external funding £100k, staffing saving £50k	-150	0	0	-1.0	0.0	0.0
Highways & Transportation	Highways maintenance capitalisation - <i>One-off</i>	-900	900	0	0.0	0.0	0.0
Resources & Strategy	Further year's slippage on vacant Service Improvement posts	-160	160	0	0.0	4.0	0.0
<b>Total CD Oct Exec Brd BAU savings</b>		<b>-1,802</b>	<b>1,060</b>	<b>0</b>	<b>-1.0</b>	<b>4.0</b>	<b>0.0</b>

## Communities, Housing & Environment Directorate

Service area(s)	BAU savings proposal description	Potential savings / £'000s			Budgeted FTE impact		
		2024/25	2025/26	2026/27	2024/25	2025/26	2026/27
<b>Business as Usual (BAU) savings</b>							
Cross-directorate	Reductions in operational and non-essential spend across the directorate	-470	0	0	0.0	0.0	0.0
Safer Stronger Communities	Maximise usage of grant income (e.g. Homes for Ukraine, Resettlement, UKSPF grants) by reviewing charging opportunities council wide in line with the conditions of the grant - <i>One-off</i>	-290	90	0	0.0	0.0	0.0
Waste Management	Utilisation of Waste Strategy Reserve to fund the costs of glass pilot rollout	-213	0	0	0.0	0.0	0.0
Car Parking Services	Full-year effect of impact of new Bus Lane Enforcement (BLE) cameras operational during autumn 23	-70	0	0	0.0	0.0	0.0
Car Parking Services	Car parking income: reduction in initial income pressure	-625	0	0	0.0	0.0	0.0

## Communities, Housing & Environment Directorate

Service area(s)	BAU savings proposal description	Potential savings / £'000s			Budgeted FTE impact		
		2024/25	2025/26	2026/27	2024/25	2025/26	2026/27
<b>Business as Usual (BAU) savings</b>							
Car Parking Services	Full-year effect of 23/24 fee increases - Woodhouse Lane, off-street and on-street parking	-300	0	0	0.0	0.0	0.0
Elections, Licensing & Registration	Registrars income - to reflect fees previously agreed	-36	-5	0	0.0	0.0	0.0
Environmental Health	Annual increase of various Environmental Health charges	-40	0	0	0.0	0.0	0.0
Strategic Housing Partnership	Maximisation of grant funding by utilising existing resources - grant ends in 25/26 - <i>One-off</i>	-300	300	0	0.0	0.0	0.0
<b>Total CH&amp;E Oct Exec Brd BAU savings</b>		<b>-2,344</b>	<b>385</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Strategy & Resources Directorate

Service area(s)	BAU description	Potential savings / £'000s			Budgeted FTE impact		
		2024/25	2025/26	2026/27	2024/25	2025/26	2026/27
<b>Business as Usual (BAU) savings</b>							
<b>Support Services</b>							
Strategy & Improvement	Cease corporate memberships (e.g. WIG, NFLA - Nuclear Free Local Authorities)	-29	0	0	0.0	0.0	0.0
Shared Services	Efficiencies within Business Administration Service: delete non-essential vacant posts, focus staff on to statutory work and implement new technology	-500	0	0	-18.0	0.0	0.0
Shared Services	Increase Business Support Centre charges to Academies by 5%	-24	0	0	0.0	0.0	0.0
Human Resources	Increase fees and charges to schools	-30	0	0	0.0	0.0	0.0
Human Resources	Reduce / Stop recruiting graduate trainees	0	-200	-200	0.0	0.0	0.0
		<b>-583</b>	<b>-200</b>	<b>-200</b>	<b>-18.0</b>	<b>0.0</b>	<b>0.0</b>

## Strategy & Resources Directorate

Service area(s)	BAU description	Potential savings / £'000s			Budgeted FTE impact		
		2024/25	2025/26	2026/27	2024/25	2025/26	2026/27
<b>Business as Usual (BAU) savings</b>							
<b><i>Civic Enterprise Leeds</i></b>							
Commercial Services	Cleaning and front-of-house efficiencies in line with estate rationalisation	-50	0	0	-1.8	0.0	0.0
Commercial Services	Key Stage 1 school meal price increase	-114	0	0	0.0	0.0	0.0
Commercial Services	Key Stage 2 school meal price increase	-42	0	0	0.0	0.0	0.0
Commercial Services	Mail Room - reduction of drivers	-60	0	0	-3.4	0.0	0.0
Commercial Services	Reduce cleaning frequency across suitable sites	-150	0	0	-5.7	0.0	0.0
Commercial Services	Automation of back-office functions / power apps	-200	0	0	-3.6	0.0	0.0
Commercial Services	Insourcing of work currently going externally - savings through increased productivity and economies of scale	-75	0	0	0.0	0.0	0.0
Commercial Services	Management of waste within high rise blocks	-75	0	0	-2.0	0.0	0.0
Commercial Services	Weddings - increase number of days venue(s) used	-50	0	0	0.0	0.0	0.0
Commercial Services	Increase Fleet external income	-30	0	0	1.0	0.0	0.0
Commercial Services	Commercialisation opportunities	-50	0	0	0.0	0.0	0.0
Commercial Services	Review over-specification within contracts and in-house work	-100	0	0	-1.0	0.0	0.0
		<b>-996</b>	<b>0</b>	<b>0</b>	<b>-16.5</b>	<b>0.0</b>	<b>0.0</b>
<b>Total S&amp;R Oct Exec Brd BAU savings</b>		<b>-1,579</b>	<b>-200</b>	<b>-200</b>	<b>-34.5</b>	<b>0.0</b>	<b>0.0</b>