

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

Date: 13th December 2023

Agenda Item 11A

Report of: Chief Officer – Financial Services

Report to: Executive Board

Will the decision be open for call in?

Yes No (Rec. d only)

Does the report contain confidential or exempt information?

Yes No

Brief summary

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

These budget proposals are set within the context of the 2024/25 – 2028/29 Medium Term Financial Strategy (MTFS), which was approved by the Executive Board on 20th September 2023, and which continues the journey commenced in 2019 whereby the Council's revenue budget becomes more financially robust, resilient and sustainable.

Recognising the challenge of bridging the estimated budget gaps for the period of the Strategy, whilst at the same time seeking to ensure that the Council's budget is robust, resilient and sustainable, another savings programme has been established. Reviews have been – and continue to be - carried out across the Authority to identify opportunities to continue to modernise and improve services, reduce costs and generate additional income. The outcome of this work has provided a number of saving proposals for consideration by the Executive Board: an initial set considered at the Board's October meeting with further proposals presented today. This report should therefore be read in conjunction with the accompanying '*Revenue savings proposals for 2024/25 to 2026/27*' reports. Savings approved for implementation, or consultation as required, will subsequently be built into the 2024/25 Budget and Provisional Budgets for 2025/26 and 2026/27.

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

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

The impact of pay and price inflation on the Council's Proposed Budget for 2024/25 has been significant and the respective assumptions are detailed in this report. Cost of living pressures are likely to have a wider impact on the Council with increased demand for support and welfare services, and reduced income across a range of services as Leeds residents and visitors choose to spend differently as a consequence of inflationary pressures on household income.

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

The provisional budget positions for 2025/26 and 2026/27 identify estimated budget gaps of £60.6m and £46.1m respectively. The revised gaps for these two years take into account the directorate savings proposals brought to this Board in October and elsewhere on today's agenda through the reports, 'Revenue Savings Proposals for 2024/25 to 2026/27'. Further budget savings proposals to reduce the estimated gaps for 2025/26 and 2026/27 will be brought to this Board for consideration.

As set out in both the Medium Term Financial Strategy 2024/25-2028/29 and this Proposed Budget report for 2024/25, the budget proposals detailed in this report need to be viewed within the context of the longer term approach to increase the financial sustainability, robustness and resilience of the Council's financial position. Specifically, this is to reduce reliance on one off funding sources to fund revenue expenditure and to reduce the Council's expenditure base so that it is affordable with the level of resources that are available to the Council in line with the Council's MTFs.

The headlines for the 2024/25 Proposed Budget when compared to the 2023/24 budget are as follows:

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

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

- The Financial Strategy identified an estimated budget gap of £59.2m for 2024/25. Since that report, there has been a net reduction in assumed resources of £0.3m, offset by a net reduction in budget pressures of £1.1m.
- The Council's established 'Financial Challenge' programme has continued to identify savings to contribute towards closing this gap. In October this Board received budget savings proposals reports totalling £13.4m; further savings proposals for 2024/25 of £45.0m are presented to this Board through the report on today's agenda, 'Revenue savings proposals for 2024/25 to 2026/27'.

In respect of the Council's Ringfenced Accounts:

Dedicated Schools Grant

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

Housing Revenue Account

- The proposals assume the application of the Government's formula of annual rent increases being no greater than CPI+1%. CPI was 6.7% as at September 2023, which would give an allowable rent increase of up to 7.7%. As such the Proposed Budget assumes an increase in rental income of 7.7% in 2024/25.
- Service charges will increase by 7% for tenants in multi storey flats and low/medium-rise flats where they receive additional services such as cleaning of communal areas, lift maintenance, staircase heating and lighting and CCTV. An increase of 7% is also proposed for sheltered complexes with heat consumption charges and the standing charge for district heating schemes will increase by 7% in line with increases in service charges.

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

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

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

Recommendations

Executive Board is recommended to:

- a) Note that the Proposed Budget for 2024/25 presented in this report is based on the approval and delivery of £65.8m of directorate savings for 2024/25, £58.4m of which have been brought to this Board through the accompanying reports, 'Revenue Savings Proposals for 2024/25 to 2026/27' at its October meeting and on today's agenda.
- b) Agree to consultation on the Proposed Budget for 2024/25. This includes the proposed 2.99% increases in core Council Tax and the 1.99% increase in the Adult Social Care precept. Further to this, that these budget proposals are submitted to Scrutiny and for wider consultation with stakeholders.
- c) Note the provisional budget position for 2025/26 and 2026/27 and to note that further savings proposals to address the updated estimated budget gaps of £60.6m and £46.1m for 2025/26 and 2026/27 respectively will be reported to future meetings of this Board.
- d) Approve that, should the application to form a 2024/25 Leeds City Region Business Rates Pool be successful, Leeds City Council becomes a member of the proposed Pool and acts as lead authority for it. The establishment of this new Pool will be dependent upon none of the other proposed member authorities choosing to withdraw within the statutory period after designation.

What is this report about?

- 1 Executive Board members are required to recommend a balanced Revenue Budget and funded Capital Programme for 2024/25 to Full Council in February. The Proposed Budget provides a key part of the budget setting process.
- 2 This report presents an update to the financial position reported to this Board in September 2023 in the Medium Term Financial Strategy for 2024/25 to 2028/29.

What impact will this proposal have?

- 3 The Equality Act 2010 requires the Council to have "due regard" to the need to eliminate unlawful discrimination and promote equality of opportunity. The law requires that the duty to pay due regard be demonstrated in the decision making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show due regard.
- 4 The Council is fully committed to ensuring that equality and diversity are given proper consideration when we develop policies and make decisions. In order to achieve this the Council has an agreed process in place and has particularly promoted the importance of the process when taking forward key policy or budgetary changes. Equality impact assessments also ensure that we make well informed decisions based on robust evidence.
- 5 Due regard to equalities will be given to any decisions taken via the delegated decision process on the savings proposals presented in the accompanying 'Revenue Savings Proposals for 2024/25 to 2026/27' report. Should 'Service Review' savings proposals come to the Executive Board in December, equality impact screenings will be included for each with equality impact assessments carried out where appropriate as part of the decision-making process.
- 6 The proposals within this report have been screened for relevance to equality, diversity, cohesion and integration (Appendix 4) and a full strategic analysis and assessment will be undertaken on the 2024/25 Revenue Budget and Council Tax report which will be considered by Executive Board and subsequently by Full Council in February 2024. Specific equality impact assessments will also be undertaken on all budget decisions identified as relevant to equality as they are considered during the decision-making process in 2024/25.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 7 The Best City Ambition sets out our overall vision for the city, focused on improving outcomes across the three pillars of Health and Wellbeing, Inclusive Growth and Zero Carbon. These outcomes can only be delivered through a sound understanding of the organisation's longer term financial sustainability, which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints. This is the primary purpose of the Medium Term Financial Strategy, which then provides the framework for the determination of the Council's annual revenue budget for which the proposals for 2024/25 are contained in this report.
- 8 This report needs to be seen in the context of the Best City Ambition update, the requirement for the Council to be financially sustainable and the requirement to set a balanced budget for 2024/25.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

Yes

No

- 9 The Authority's financial strategy is driven by its ambitions and priorities as set out in the Best City Ambition. The determination of these ambitions was subject to consultation with Members and officers throughout its development, with additional extensive stakeholder consultation carried out on the range of supporting plans and strategies. This stakeholder consultation process will include public consultation in December and January in respect of the 2024/25 Proposed Budget.
- 10 The Council's Medium Term Financial Strategy 2024/25 – 2028/29, received at Executive Board in September 2023, was informed by the public consultation exercise carried out between December 2022 and January 2023 on the Council's 2023/24 budget proposals. Whilst the consultation covered the key 2023/24 proposals, it also incorporated broader questions around the principles that underlie the Authority's financial plans and sought views on the savings proposals, a number of which covered a three-year period, and so the results are relevant to this report. The full results of the consultation are publicly available in the [2023/24 Revenue Budget and Council Tax report](#) considered by Full Council on 22nd February 2023.
- 11 The public consultation on the Proposed Budget for 2024/25 will be carried out through an online survey: with the public via the council's website, social media and the Citizens' Panel; with staff through the intranet; and with other stakeholders, including representatives from the Third Sector. The consultation will begin once this report is initially agreed by Executive Board and will run for four weeks, with findings timetabled to be reported at the following meeting, prior to finalisation of the Budget.
- 12 With regard to the individual savings proposals approved by this Board at its October meeting and those put forward in the accompanying, 'Revenue Savings Proposals for 2024/25 to 2026/27' report for consideration by the Executive Board today, both senior members and staff have been engaged in their development. Trade unions have also been informed in headline terms of emerging proposals. Where required, further meaningful consultation and engagement has been, and will be, carried out with staff, trade unions, service users and the public as appropriate on the 'Service Review' savings proposals. The outcomes of any consultation will

inform the Council's decision-making and, where completed and analysed in time, be incorporated into the 2024/25 Budget Report for consideration at February's Executive Board and Full Council.

- 13 Scrutiny Boards will initially be consulted on the savings proposals (both those brought to the Executive Board in October and those put forward today), as relevant to their remits, through working group meetings held during December. Subject to the approval of Executive Board, this Proposed Budget report will also be submitted to Scrutiny Boards for consideration and review as part of their formal cycle of meetings in January 2023. The outcome of their deliberations will be reported to the planned meeting of this Board on 7th February 2024.

What are the resource implications?

- 14 The financial position, as set out in the Medium Term Financial Strategy received at September's Executive Board, identified an estimated budget gap of £162.8m for the period 2024/25 to 2026/27 of which a gap of £59.2m related to 2024/25. This position took account of the estimated level of resources available to the Council. In addition, it reflected the requirement to make the Council's revenue budget more financially resilient and sustainable over the medium term whilst at the same time recognising increased demand pressures for the services that we deliver.
- 15 Proposals to address this position and ultimately to deliver a balanced budget position for 2024/25 are contained within Appendix 1 of this Proposed Budget report.
- 16 The provisional budgets for 2025/26 and 2026/27 have been updated and the estimated budget gaps are now £60.6m and £46.1m for the respective years. Details are contained within Appendix 1 of this Proposed Budget report.

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

- 17 The Proposed Budget 2024/25 and the provisional budgets for 2025/26 and 2026/27 need to be seen in the context of significant inherent uncertainty for the Council in terms of future funding and spending assumptions.
- 18 The Council's current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way, in that the Council cannot balance its Revenue Budget, is identified as one of the Council's corporate risks, as is the Council's financial position going into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the Council's risk-based reserves policy. Both these risks are subject to regular review.
- 19 Failure to address these issues will ultimately require the Council to consider even more difficult decisions that will have a far greater impact on front-line services including those that support the most vulnerable and thus on our Best Council Plan ambition to tackle poverty and reduce inequalities.
- 20 Financial management and monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach will continue to be included in the in-year financial reports brought to Executive Board.
- 21 In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required.

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

What are the legal implications?

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

- 30 In accordance with the Council's Budget and Policy Framework, decisions as to the Council's budget are reserved to Full Council in line with Executive & Decision Making Procedure Rule 5.1.2. As such, recommendations a., b. and c. are not eligible for call in, as the budget is a matter that will ultimately be determined by Full Council. The report referred to in Recommendation a., 'Revenue Savings Proposals for 2024/25 to 2026/27', which appears elsewhere on today's agenda, is separately subject to call-in.
- 31 However, Recommendation d., regarding the Council's participation in the 2024/25 Leeds City Region Business Rates Pool, is a decision of the Executive Board and as such is subject to call-in.
- 32 With regard to the individual savings proposals considered at the October meeting of this Executive Board and additional proposals put forward in the accompanying, 'Revenue Savings Proposals for 2024/25 to 2026/27' report on today's agenda, decisions giving effect to the Business as Usual proposals can be taken by the relevant Director or Chief Officer in accordance with the Officer Scheme of delegation (Executive functions) and will be subject to the Executive and decision – making procedure rules. Notice of any decision which is "Key" will be published on the list of forthcoming decision not less than 28 clear calendar days in advance of the date of the proposed decision.
- 33 Decisions giving effect to the Service Reviews will be made following the outcome of consultation having regard to representations made. Decisions will be taken by the relevant Director or Chief Officer, save where the Leader or the relevant Portfolio Holder has directed or the Director considers that the matter should be referred to Executive Board for considerations.

Options, timescales and measuring success

What other options were considered?

34 Not applicable.

How will success be measured?

35 Not applicable.

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

36 Not applicable.

Appendices

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

Background papers

38 None.



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



Part 1: The Context for Leeds City Council's Proposed Budget 2024/25 and Provisional Budgets for 2025/26 and 2026/27

- 1.1 This report brings before Executive Board the Proposed Budget for 2024/25. The report presents proposals to date, and is based on assumptions set out in the Council's 5 year [Medium-Term Financial Strategy 2024/25 to 2028/29](#). This report also sets out the recommended council tax increase for 2024/25, excluding those for the precepting authorities. This report is a precursor to the Final Budget proposals which will be submitted to Executive Board in February 2024 and to Full Council for approval later that month.

Influences affecting the Proposed Budget

- 1.2 The funding available to local authorities, and the way this is used, is influenced by factors at a regional, national and international level. This Proposed Budget is produced at a time when Leeds is facing significant change and challenges, some of which come as a result of developments far beyond the City's borders.
- 1.3 The Council's Medium Term Financial Strategy (MTFS) notes that we are in a period of political and economic volatility, with Section 1.4 of that report describing a range of influences and factors that impact on the development of the Proposed Budget. Paragraphs 1.5-1.8 discuss these influences where the situation has progressed since publication of the MTFS.
- 1.4 The predominant influences affecting the Proposed Budget and Medium Term Financial Strategy include: the Economy, both global and national; Annual Government Announcements; National Policy; Regional Working; a changing operating context including the impact of Cost of Living; and Health and Social Care funding.
- 1.5 **The Economy**
- **Office of Budget Responsibility forecasts** – At the time of the Autumn Statement in November 2023, the Office for Budget Responsibility (OBR) published its updated independent economic and fiscal forecasts. The OBR forecasts a significant slowing of the economy in the short to medium term compared to the forecasts in March 2023, as set out below:
 - the OBR's forecast for GDP growth for 2024/25 is down from 1.8% in March to 0.7% in November. Similarly, in 2025/26 growth forecasts are down from 2.5% to 1.4%.
 - The OBR estimates that inflation (CPI) will average 7.5% in 2023/24 before falling to 3.6% in 2024/25, 1.8% in 2025/26 and 1.4% in 2026/27.
 - Rates of unemployment are expected to increase to 4.6% in 2024, remaining at that level until falling back slightly in 2026 to 4.4% and 4.2% in 2027.
 - Average earnings are forecast to peak in 2023 with growth of 6.8% before falling back to 3.7% in 2024, 2.2% in 2025 and 2.0% in 2026. Earnings growth recovers slightly to 2.5% in 2027 and 2.8% in 2028.



As referenced above, we expect further detail, including detailed local authority allocations, at the Provisional Local Government Settlement in late December. As such this Proposed Budget is based on the announcements made during the Spending Review 2021, the DLUHC Policy Statement published in December 2022, the Autumn Statement 2023, and previous Government announcements relating to social care funding.

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

1.8 National Policy

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

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



About Leeds: Socio-economic context

- 1.9 Leeds is a growing city with a population that continues to become more diverse in terms of age, countries of origin and ethnicity. Leeds has a large, urban core but, unlike many other cities, its administrative boundary includes a significant rural area, with villages and market towns.
- 1.10 During the two decades prior to the last global financial crisis, the city's economy experienced significant growth, driven in large part by financial and business services. Leeds established itself as a vibrant, diverse and dynamic city, with a strong knowledge-based economy and recovered from the economic impact of the COVID-19 pandemic faster than many of its neighbours. However, the pandemic increased pressures on low-income households and the most vulnerable in society, as well as pushing some households to experience financial uncertainty and hardship for the first time. This has been exacerbated by the cost-of-living crisis, this not only compounding the challenges being experienced by many individuals and households, but also applying further pressure to council services through increased demand and increased costs, as well as reduced income as Leeds' residents and visitors choose to spend less or differently.
- 1.11 Further information on Leeds' socio-economic context is available at Section 1.5 of the [Medium-Term Financial Strategy 2024/25 to 2028/29](#).

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

- 1.12 Our overall vision for the city is set out in the Best City Ambition which can be read in full here: [Best City Ambition \(leeds.gov.uk\)](#). At its heart is our mission to tackle poverty and inequality and improve quality of life for everyone who calls Leeds home. The Ambition is focused on improving outcomes across three 'pillars': Health and Wellbeing, Inclusive Growth, and Zero Carbon. These pillars, and the areas of focus that cut across them all, capture the things that will make the biggest difference to improving people's lives in Leeds. The Best City Ambition aims to help partner organisations and local communities in every part of Leeds to understand and support the valuable contribution everyone can offer – no matter how big or small – to making Leeds the best city in the UK. The Ambition can only be delivered through a sound understanding of the organisation's longer-term financial sustainability, which enables decisions to be made that balance the resource implications of the council's policies against financial constraints. This is the primary purpose of the Medium Term Financial Strategy, which then provides the framework for the determination of the Council's annual revenue budget for which the proposals for 2024/25 are contained in this report.
- 1.13 The financial climate for local government continues to present significant risks to the Council's priorities and ambitions. Between 2010/11 and 2019/20, the Council faced severe reductions in Government funding and continues to face



significant demand-led cost pressures, especially within Adult Social Care and Children's Services. To date, the Council has responded successfully to this challenge through a combination of stimulating good economic growth, managing demand for services, increasing traded and commercial income, growing council tax from new properties and a significant programme of organisational efficiencies, including reducing staffing levels since 2010/11 by approximately 2,500 FTEs up to 31st October 2023.

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



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

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



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

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

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

- 2.1 The Council's Medium Term Financial Strategy 2024/25 – 2028/29 was presented to Executive Board in September 2023 and included a budget gap of £59.2m in respect of 2024/25. Table 1 summarises the movement in the 2024/25 position since the MTFS, showing the main changes in resources available to the Council and the budget movements relating to changes in cost assumptions, which total (£0.8m).
- 2.2 The table also shows the value of savings proposals that have been identified and which contribute towards balancing the 2024/25 budget within the estimated available resources. These are detailed in Part 5: Addressing the budget gap. Overall, the Proposed Budget shows a balanced position for 2024/25.



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

Assessment. However, since 2014/15 Settlement Funding Assessment has been adjusted without reference to these individual grants and therefore it is not possible to identify how much of the total funding receives relates to each constituent part.

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

Table 4 – Grants Rolled into the Settlement Funding Assessment

	2023/24	2024/25	Change
	£m	£m	£m
Settlement Funding Assessment	197.75	195.70	(2.06)
Which includes:			
Council tax freeze grant 2011/12			
Council tax freeze grant 2013/14			
Early intervention grant			
Preventing homelessness			
Lead local flood authority grant			
Learning disability & health reform grant			
Local welfare provision			
Care act funding			
Sustainable drainage systems			
Carbon monoxide & fire alarm grant			
Local Council Tax Support admin subsidy grant			
Family Annexe Council Tax Discount grant			
Food safety and standards enforcement grant			

3.3. Business Rate Retention

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

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



- 3.7.5. The impact of the proposed core increase (2.99%) and ASC precept increase (1.99%), as explained in paragraph 3.8, on the Leeds share of the council tax charge by band is shown at Table 10. The Leeds council tax charge will be presented to Full Council for approval in February 2024.

Table 10 – Proposed 2024/25 Leeds Council Tax

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

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

Table 11 – Estimated Council Tax Income in 2024/25

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

- 3.7.7. The Settlement Funding Assessment includes an element to compensate parish and town councils for losses to their council tax bases arising as a result of Local Council Tax Support (LCTS). As this amount is not separately identifiable it is proposed, as in previous years, that LCTS grant should be pro-rated in line with the assumptions for Leeds's overall change in the Settlement Funding Assessment. The value of this increase, if any, will be confirmed at the provisional Settlement.



3.8. Adult Social Care Precept

- 3.8.1. At Spending Review 2021, the Chancellor stated that the Government had the expectation that the Adult Social Care precept would increase by 1% in each year of the current Spending Review period, that is 2022/23 to 2024/25. However, at the Autumn Statement 2022 the Government announced that this could be increased to 2% in respect of 2023/24 and a subsequent policy statement issued by DLUHC in December 2022 stated the Government was intending to allow the same increase in 2024/25.
- 3.8.2. Based on this statement, the Proposed Budget for 2024/25 assumes a 1.99% increase in the Adult Social Care precept. After 2024/25 the current Financial Strategy does not assume any increase in the Adult Social Care precept. Any final decision remains that of Full Council when approving the annual budget.

3.9. The Net Revenue Budget 2024/25

- 3.9.1. After taking into account the anticipated changes to the Settlement Funding Assessment, business rates and council tax, the Council's overall net revenue budget is anticipated to increase by £36.5m or 6.4% from £573.4m to £609.8m, as detailed in Table 12 and at **Appendix 2**. This includes a significant reduction in the business rates deficit of £6.0m with the deficit that will not be spread increasing from a surplus of £5.1m in 2022/23 to a deficit of £1.2m in 2023/24, a £6.3m deterioration, but also the final one-third of the exceptional balance from 2020/21, a £12.2m deficit that had to be paid in 2023/24, dropping out.

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

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

- 3.9.2. Table 13 analyses this £36.5m estimated increase in the net revenue budget between the Settlement Funding Assessment and locally determined funding sources.



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

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

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

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

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

Movement on the use of Reserves £3.2m

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



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

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

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



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



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

Other Changes in Resources (£0.95m)

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



- 4.14. **Children and Families** continues to face demographic and demand pressures due to several different factors. Birth rates were relatively high in previous years, particularly within the most deprived clusters in the city. Although the birth rate has now reduced, the population peak is now moving through to adolescents, who can require more complex and therefore costly placements.
- 4.15. The main drivers of demand pressures are well documented nationally and locally. The demand for Children and Families services are significantly influenced by the Covid-19 pandemic. The pandemic has had a huge impact on the communities of Leeds with those most vulnerable significantly affected in terms of their health and well-being as well as their economic circumstances. This has also led to an increased need for children's social care. Other specific drivers of demand pressures include an increasing population of children and young people with special and very complex needs, greater awareness of the risks of child sexual exploitation, grooming by criminal gangs, levels of domestic abuse, misuse of drugs and alcohol, levels of poverty and a children's home sector that requires rebuilding from the perspective of children's needs rather than financial incentive.
- 4.16. In addition, expectations of families and carers in terms of services offered by the Council and partners continue to evolve alongside the impact of Government legislation, including 'staying put' arrangements that enable young people to remain with their carers up to the age of 21.
- 4.17. As a result of these trends, Children Looked After (CLA) numbers nationally and in Leeds continue to increase. This trend is expected to continue and has been built into the Council's Medium Term Financial Strategy. The Proposed Budget for 2024/25 includes £18.2m for the forecast demand in the CLA and financially supported non-CLA budgets, excluding inflation.
- 4.18. In the **Communities Housing and Environment** directorate, provision of £0.2m has been made for the increased disposal costs of waste to the Recycling and Energy Recovery Facility (RERF) based on continuing **demand pressures** due to assumed household growth.
- 4.19. There are currently circa 170 families in need of temporary accommodation. Whilst the Council maximises its use of various Homelessness grants to minimise the impact of the costs of temp accommodation on the general fund, there is a need to provide an additional budget of around £0.5m to fund these **demand pressures**.
- 4.20. The Proposed Budget includes further measures to improve **financial sustainability**, allowing for an additional £10.5m to reduce reliance on capitalisations and £4.0m to reduce internal charging.
- 4.21. **Core Business Transformation** – the Proposed budget allows for additional costs of £2.5m for the Council's Core Business Transformation project. The



Bridging the Revised Gap – the Corporate & Directorate Savings Programme

- 5.4. The Medium Term Financial Strategy 2024/25 – 2028/29, approved at September’s Executive Board, reported an estimated budget gap of £59.2m in 2024/25. A subsequent review of assumptions has reduced this 2024/25 projected gap to £58.4m (around 10% of the council’s net revenue budget for 2023/24).
- 5.5. Building on the Financial Challenge savings programmes previously carried out (and which last year resulted in £58.6m of budgeted savings, contributing to the setting of a balanced budget for 2023/24), the Council has again established a Financial Challenge savings programme focused on identifying robust and sustainable savings not just to help close the gap for 2024/25 but for the following years: 2025/26 and 2026/27. This approach enables the authority to take a longer-term view of its savings options, recognising that major change often requires one- to two-years’ lead time to implement. As such, the savings proposals set out in the ‘*Revenue Savings Proposals for 2024/25 to 2026/27*’ reports for Executive Board’s consideration at its October 2023 meeting and on this December agenda span the next three financial years.
- 5.6. The outcome of this work has provided a number of saving proposals for consideration by the Executive Board: an initial set considered at the Board’s October meeting with further proposals presented to this Board. Proposals are categorised as either ‘Business as Usual’ (BAU) which can be implemented within the council’s delegated decision-making framework and without consultation, or ‘Service Reviews’ which require meaningful consultation with relevant stakeholders prior to any decisions being taken. The results of any such consultation with staff, trade unions, service users and the public will be used to inform the final decision. Those approved for implementation, or consultation as required, will subsequently be built into the 2024/25 Budget and Provisional Budgets for 2025/26 and 2026/27.
- 5.7. With regard to 2024/25, in October the Board received savings proposals of £13.4m. A further £45.0m are presented for the Executive Board’s consideration through the savings report on this agenda which, when combined with the October savings, total £58.4m. Should these proposals be approved for consultation, when added to the £7.4m savings identified in previous years for 2024/25, total directorate savings approved by this Board for 2024/25 will be £68.5m.
- 5.8. This level of savings is similar to the level of savings required for each of the following two years to enable balanced budgets to be achieved. Without a fundamental change to the way the council operates and the services it provides it will not be possible to ensure we can continue to deliver our strategic priorities and safeguard critical services within the much-reduced resources available to us.



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



Part 6: Summary Proposed Budget by Directorate

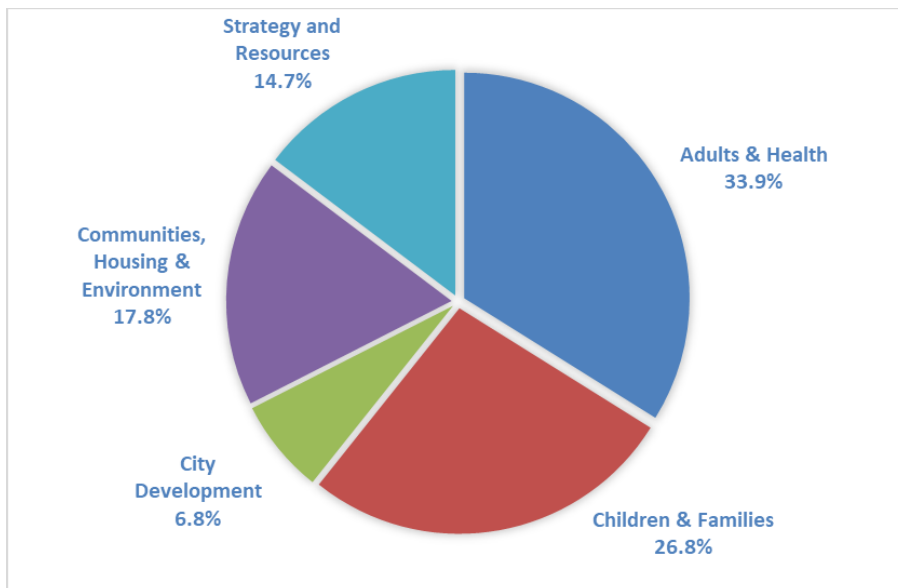
6.1. Table 16 summarises the changes identified above by Directorate.

Table 16 – Proposed Budget by Directorate

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

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

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



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

General Reserve

- 6.11. Under the 2003 Local Government Act (Part II) Section 25, the Council's Statutory Financial Officer is required to make a statement to Council on the adequacy of reserves as a part of the annual budget setting process. It is also good practice for the Authority to have a policy on the level of its general reserve and to ensure that it is monitored and maintained.
- 6.12. The purposes of the general reserve policy are to help longer-term financial stability and mitigate the potential impact of future events or developments which may cause financial difficulty. General and useable reserves are a key measure of the financial resilience of the Council, allowing the Authority to address unexpected and unplanned pressures.
- 6.13. The general reserve policy encompasses an assessment of financial risks both within the Medium Term Financial Strategy and also the annual budget. These risks should include corporate/organisation wide risks and also specific risks within individual directorate and service budgets. This analysis of risks should identify areas of the budget which may be uncertain and a quantification of each "at risk" element. This will represent the scale of any potential overspend or income shortfall and will not necessarily represent the whole of a particular budget heading. Each assessed risk will then be rated and scored in terms of impact and probability.
- 6.14. The Proposed Budget for 2024/25 assumes a general reserve balance of £36.2m will be brought forward from 2023/24. This Proposed Budget for 2024/25 continues the base budget contribution of £3m to the General Reserve.
- 6.15. Whilst the Council maintains a robust approach towards its management of risk and especially in the determination of the level of reserves that it maintains, it is recognised that our reserves are lower than those of other comparable local authorities of a similar size. However, the Council has made provision over the life of the Medium Term Financial Strategy to address this position while having minimum impact on front line services.
- 6.16. The Medium Term Financial Strategy recognises the requirement to keep the level of the Council's reserves under review to ensure that they are adequate to meet the identified risks. Grant Thornton's Auditor's Annual Report 2021/22, received at Corporate Governance and Audit Committee on 20th March 2023 noted that "the Council should continue to consider the adequacy of its current level of General Fund Reserves and Balances to ensure that these remain adequate for its needs and potential unforeseen events." This Proposed Budget report provides for a £3m annual contribution to the General Reserve and as a



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

Table 17 – General Reserve

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

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



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

- 7.1. At its meeting in September 2023 Executive Board received the updated Medium Term Financial Strategy and agreed the revisions to the Council's forecast budget gap for 2024/25 to 2028/29. The reported forecast gap was £251.0m of which £56.6m and £47.0m related to 2025/26 and 2026/27 respectively. The report received in September recognised that savings would be required to be identified in order that a balanced budget position could be delivered in 2025/26 and 2026/27.
- 7.2. In the context of the variations identified during the determination of the Proposed Budget for 2024/25 (and later year impact of 2023/24 savings), the financial projections for 2025/26 and 2026/27 have been refreshed to reflect these latest assumptions. However, it should be stressed that under the Council's Constitution the decision to set the annual council tax base and rate of council tax can only be taken by Full Council each year and therefore the provisional budgets for 2025/26 and 2026/27 are for information and planning purposes only and decisions will continue to be made as part of the Council's annual budget setting process.
- 7.3. In the determination of the revised financial projections for both 2025/26 and 2026/27 significant areas of uncertainty remain as to the Council's financial position in respect of both funding and spending assumptions, compounded by the cost of living crisis and inflationary pressures. The Autumn Statement 2023 provided limited information around the Government's spending plans and the detailed implications for local government remain unclear. Further detail is expected in the Provisional Local Government Settlement.
- 7.4. After taking account of the funding assumptions outlined in 7.2 and 7.3, and the variation in pressures and savings that have been identified in the determination of the 2024/25 proposed Budget proposals, the updated provisional positions for 2025/26 and 2026/27 are detailed in Table 18.
- 7.5. As can be seen in Table 18, the estimated budget gap has been revised to £60.6m in 2025/26 and to £46.1m in 2026/27. The main changes since the Medium Term Financial Strategy are as follows:
- **Changes to Funding and Resources:** review of assumptions regarding contribution to reserves, reflecting that there is already a £1m base contribution in 2025/26, such that a further increase in the base is not required in 2026/27;
 - **Revised Pressures:**
 - **Pay and Pensions:** reduction in estimated pay pressure as a result of reducing the pay award assumptions from 4% to 3.5%, offset by a reduction in pay mitigations also reflecting 3.5% - (£1.0m) in 2025/26 and (£1.4m) in 2026/27. In 2025/26 the one year increased pressure in contributions to the Local Government Pension Scheme falls out (£0.3m)



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

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

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

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

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



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

- 8.1.1. The Dedicated Schools Grant (DSG) for 2024/25 is funded in four separate blocks for early years, high needs, schools and central schools services.
- 8.1.2. A National Funding Formula (NFF) was implemented from April 2018 for high needs, schools and central schools services. The schools formula was initially a “soft” formula to allow local authorities some limited flexibility and this remains the case for 2024/25.
- 8.1.3. The Early Years block funds 15 hours per week of free early education for 3 and 4 year-olds and the early education of eligible vulnerable 2 year-olds. There is an additional 15 hours per week provision for working families of 3 and 4 year-old children. The funding hourly rate has not yet been confirmed for 2024/25. Funding rates were initially announced for 2023/24, but were increased from September 2023, with the expectation that the full increase be passed on to providers. The details are provided in Table 19:

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

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

The grant received will continue to be based on participation. The actual grant received during 2024/25 depends on pupil numbers in the 2024 and 2025 January censuses. The early years pupil premium is also included in this block and is payable to providers for eligible 3 and 4 year-olds. In addition, there is a Disability Access Fund for eligible Children. The grant value shown in Table 20 is based on the actual pupil numbers in January 2023 using the increased funding rates from September 2023 detailed in Table 19 as the final January 2024 pupil numbers have not yet been confirmed.

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



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

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

- 8.1.5. The High Needs Block supports places and top-up funding in special schools, resourced provision in mainstream schools and alternative provision; top-up funding for early years, primary, secondary, post-16 and out of authority provision; central SEN support and hospital & home education. An indicative allocation under the NFF calculation has been published, though the final allocation will not be issued until December 2023. The value in Table 20 is before any deductions are made by the Education and Skills Funding agency (ESFA) in respect of funding for academies, free schools and post-16 places and includes a supplementary allocation of £5.17m announced in December 2022 for 2023/24 which has been included in the baseline indicative allocation for 2024/25. The High Needs Block is facing a number of financial pressures nationally and in recognition of this the national allocation has increased again for 2024/25. For Leeds the indicative allocation is an increase of £6.41m for 2024/25 although there is still a cap on gains within the national funding formula and this has been applied to the funding allocation to Leeds to the value of £2.92m. Despite the increase in funding for 2024/25 the anticipated increase in special school places and pupils eligible for additional top-up funding means that there is expected to be on going funding pressures for the High Needs Block which will need managing within the overall available funding. As part of managing the funding pressures it is proposed to transfer funding from the Schools Block as outlined below.
- 8.1.6. The Schools Block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11. The grant for 2024/25 will be based on pupil numbers (including those in academies and free schools) as at October 2023. The pupil numbers from this census are not yet available. Schools have been consulted on options for the local formula in 2024/25 and on proposals to transfer funding to the High Needs Block. The results of the consultation have been presented to Schools Forum to enable further discussion with a final decision on the local formula being made by the Director of Children and Families in early 2024. As part of the consultation the majority of schools which responded supported a proposal to transfer 0.5% (approximately £3.49m) from the Schools Block to the High Needs Block. A Schools Forum meeting on 16th November approved this transfer. The majority of schools who responded to the consultation also supported a proposal for maintained schools to contribute funding of £140k towards severance costs. Schools Forum also approved this contribution. The figures in Table 20 include £22m supplementary grant for 2023/24 which was announced in December 2022 and is included in the baseline indicative allocations for 2024/25.
- 8.1.7. As part of the NFF, the Central School Services block (CSSB) was created from the DSG funding that is held by the local authority for central services. This



- 8.2.4. Other adjustments for the impact of decanting tenants from REEMAs properties and stock increases through the Council House growth programme result in a total net expected increase in rental income year on year estimated at £14.0m.
- 8.2.5. Tenants in multi-storey flats and in low/medium-rise flats receive additional services such as cleaning of communal areas, lift maintenance, staircase heating and lighting and CCTV. It is proposed to increase service charges by 7%. An increase of 7% is also proposed for sheltered complexes with heat consumption charges.
- 8.2.6. Housing Leeds manages a number of district heating schemes including the Leeds PIPES scheme. The standing charge for these district heating schemes will increase by 7% in line with increases in service charges.
- 8.2.7. Currently tenants in sheltered accommodation receiving a support service are charged £8.51 per week for this service. In 2024/25 this will rise to £9.22.
- 8.2.8. The weekly support charge for the Wharfedale View and Gascoigne House extra care scheme will increase from £24.54 in 2023/24 to £28.77 in 2024/25 to reflect the increase in staffing numbers and costs.
- 8.2.9. An analysis of the impact on tenants of increasing rents by 7.7% and implementing the proposed charges outlined above has been undertaken. These figures are based on average rents for different categories of tenants as individual levels will vary.
- 8.2.10. All tenants will pay more in 2024/25 than in 2023/24 as outlined in Table 22, with the majority (73%) paying between £6.00 and £6.99 per week more.

Table 22 – Average rental increase per week 2024/25

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

Where relevant these increases will be funded through Housing Benefit for eligible tenants and tenants eligible for Universal Credit (UC) will receive payments for this increase. Approximately 34% of tenants are in receipt of Housing Benefit with a further 36% in receipt of UC, a total of 70%. For those in Sheltered Accommodation, this figure is 65%.

Expenditure

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



planned investment in new homes. The costs associated with servicing the HRA's borrowing include the planned increase in borrowing to support the £337.6m Council's Housing Growth programme which will see 197 new build properties start on site and 40 new build properties and 85 acquisitions planned to be delivered in 2024/25.

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

Table 23 – Council House Growth Programme

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

- 8.2.23. Even though the net stock numbers are decreasing, the Council aims to maintain a consistent level of investment in the HRA annual investment capital programme. This will help ensure the overall condition of the stock is improved and help mitigate any further disrepair pressures than those being incurred at present.
- 8.2.24. The total provisional capital programme spend for 2024/25 is £78.5m, which includes an extra £0.75m capital funding specifically to help meet the demands on the adaptations programme. This includes £4.4m which has been earmarked to fund the decant costs of the recently approved Reema works and also to complete the demolition works at the Highways site.
- 8.2.25. Most of this programme is funded by contributions from the revenue budget, and this accounts for around 21% of the HRA total spend budget. This represents a 3% increase in the proportion of income being spent on investment.



Table 24 – Housing Leeds Capital Programme

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

Table 25 – Housing Leeds REEMA programmes

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

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

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



Part 9: The Capital Programme

Table 26 – Revised Capital Programme

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

- 9.1. The Council's capital programme considers the need for capital investment against affordability within the MTFs. The programme identifies annual programmes across the Council that aim to provide investment in assets to ensure that the Council can continue to operate effectively. The Council also has a number of major programmes that provide investment in line with the Best City Ambition Plan objectives.
- 9.2. Capital investment needs are assessed on an annual basis under the direction of the cross-council senior officer group Best Council Team: Strategic Investment Board (SIB) with final approval sought from Executive Board and Full Council in February each year. Capital investment proposals that deliver savings or generate additional income can come forward throughout the year and are subject to a robust business case approval. Schemes funded by external resources can also come forward throughout the year.
- 9.3. The annual Capital Programme Review process considers the affordability of the programme and the capital spending requirements over a 10 year time period, better reflecting a more coordinated approach to capital investment requirements whilst ensuring that affordability remains within the Medium Term Financial Strategy. Executive Board considered the ['Medium Term Financial Strategy 2024/25 – 2028/29'](#) report, which included specific details of the review process, at its September 2023 meeting (details at section 3.1 of the linked document).
- 9.4. The review has been undertaken under the direction of the Best Council Team - Strategic Investment Board with final approval to be sought from Executive Board and Full Council in February 2024.
- 9.5. Savings proposals to address the current Financial Challenge, discussed at Part 5, have been reviewed to ensure that any interdependencies between capital and revenue are given due consideration.
- 9.6. **Appendix 3** details the restated 10-year capital programme (annual programmes). There have been no changes since this was reported to Executive Board in November 2023.
- 9.7. Executive Board in November 2023 also approved a future injection from the CIL Strategic Fund, to be invested for Strategic Highways and Transportation



schemes.

- 9.8. The strategy proposed by Strategic Investment Board and agreed by Executive Board in November 2023 is to utilise CIL funding as matched funding contributions for Strategic Highways and Transportation schemes, allowing resources to be redirected to release Leeds Borrowing to deal with any unforeseen circumstances, ensure sufficient resources are available to fund the capital programme or contribute savings to the overall Financial Challenge by reducing calls on the revenue debt budget.
- 9.9. Executive Board in October 2022 approved the Core Business Transformation Programme to proceed with phase 1 of delivery. The report noted that phase 1 is part of a wider programme of works estimated to cost £18.48m including phase 1. All of the estimated programme costs, whether revenue or capital are included under the banner of transformational change, and as such can be capitalised under the Government's Flexible Use of Capital Receipts Directive.
- 9.10. To fund the required wider programme of works requires the injection of an additional £7.8m of capital receipts (also identified on **Appendix 3**).
- 9.11. The implementation of the proposals outlined above has no impact on the revenue debt position as no additional borrowing is required. The change in funding has been factored into the revised capital programme position summarised in Table 26.
- 9.12. The Proposed Budget provides for a £3.0m increase in the cost of debt and capital financing for 2024/25. This assumes that the remaining borrowing is taken at an average rate of 5.25% interest for the remainder of 2023/24 and 4.75% in 2024/25. Interest rate projections will be kept under review.



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

- 10.1.1. The Council's current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way, in that the Council cannot balance its Revenue Budget, is identified as one of the Council's corporate risks, as is the Council's financial position going into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the Council's risk-based reserves policy. Both these risks are subject to regular review and reporting.
- 10.1.2. Failure to address these issues will ultimately require the Council to consider even more difficult decisions that will have a far greater impact on front-line services including those that support the most vulnerable and thus on our Best City Ambition in respect of Health and Wellbeing, Inclusive Growth and meeting our zero carbon target.
- 10.1.3. Financial management and monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach will continue to be included in the in-year Financial Health reports brought to Executive Board.
- 10.1.4. In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required. Specific risks relating to some of the assumptions contained within this Proposed Budget are identified below.
- 10.1.5. The impact of COVID-19 on the Council's budget has been significant and the receipt of specific financial support from the Government was necessary to deliver balanced budget positions. The Proposed Budget for 2024/25 does not provide for any ongoing impact of COVID-19 and it is assumed that income from sales, fees and charges is comparable with pre-COVID levels. Any ongoing impact of COVID will require contingency actions to be identified and implemented. The more significant current risk to both costs and income in this Proposed Budget is in regard to the impact of cost of living as discussed at paragraphs 10.1.17 and 10.1.18.
- 10.1.6. As detailed in the MTFs and the 'Revenue savings proposals for 2024/25 to 2026/27' reports considered by this Board at its October meeting and today, the Proposed Budget for 2024/25 assumes the delivery of £65.8m of budget savings proposals, including some that are subject to consultation. There remains a risk that there is slippage in the implementation of these proposals or that the assumptions contained in these proposals change as a result of the consultation exercises. This could lead to a variation in the assumed level of savings. Should this be the case, in accordance with the updated Revenue Budget principles agreed at Executive Board in February 2023 through the 2023/24 Annual



Revenue Budget report, directors would need to identify budget savings options to mitigate the directorate from going into an overspend position.

Risks to Funding

- 10.1.7. The Government's current Spending Review covers the three years until the end of this Parliament in March 2025. Whilst the Autumn Statement on 22nd November 2023 provided assurance that the Spending Plans in the Spending Review would be honoured, these have not yet been ratified by Government through the annual budget process.
- 10.1.8. Further to this, we await the Provisional Local Government Finance Settlement which is anticipated to be published in late December. Whilst the Spending Review 2021 and Autumn Statement 2023 provided details of the Government's spending plans for 2024/25, the provisional Local Government Finance Settlement in each year will confirm these details. There remains a risk that the more detailed funding assumptions contained in the provisional Settlement are different to the assumptions contained in the Spending Review and Autumn Statement and this could have implications for the level of resources available to the Council in 2024/25.
- 10.1.9. The 2024/25 budget submission contains a number of assumptions about the level of resources receivable through some specific grants. Where the Government has yet to announce or finalise how much grant will be receivable in 2024/25 then a number of assumptions will be made in the determination of the budgeted figures receivable. Where the grant received is less than assumed in the Budget then, as per the Revenue Budget Principles approved at Executive Board in June 2019, the directorate concerned will need to manage the reduction in both expenditure and income through the identification and implementation of an exit.
- 10.1.10. Under the Business Rates Retention Scheme the Council's local share of business rates is exposed to risks both from collection and from reductions in rateable values. Since 2013 two trends have become clear: firstly, that there is a lag between gradual economic recovery and significant volumes of business new-builds in Leeds, with little growth in aggregate Rateable Value in Leeds until 2018/19, and secondly, that business rates growth that does occur has been offset by successful appeals and other reductions to the rating list - either through closure or Valuation Office reviews.
- 10.1.11. The level of business rates appeals continues to be a risk. The 2010 ratings list is now closed and appeals against that list are no longer possible. There are only 10 appeals remaining outstanding against the 2010 list. The 2017 list remains open only to those ratepayers who already have lodged a Check (the first stage of the appeals process) against that list. They may subsequently present a Challenge (the second stage of the process) to their Rateable Value on that list. As the 2017 list has not been applicable since 31st March 2023, towards the end



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

- 10.1.18. There are risks that demographic and demand pressures in Adult Social Care and Children's Services could be greater than anticipated in this Proposed Budget, that inflation is higher than that assumed and that the costs associated with managing the Council's debt is higher than budgeted assumptions. There is also significant reform on the horizon across social care. For Adults, there will be the impact of the care reforms, for which there will be additional costs however the level of Government funding for this is uncertain. For Children, the Independent Review of Children's Social Care was published earlier this year and recommended a radical reset of the Children's Social Care system. The government intends to publish an implementation strategy in response to the review before the end of the year.
- 10.1.19. The implementation of proposed savings and additional income realisation could be delayed. Equally, the level of savings generated and/or the level of additional income realised could be less than that assumed in this Proposed Budget for 2024/25.
- 10.1.20. Inflation including the pay award and inflationary pressures in respect of contracts and energy costs could be higher than that assumed in this report. In addition, this Proposed Budget makes a number of assumptions about the costs associated with managing the Council's debt. As set out in the Treasury Management Strategy Update 2023/24 report, received at Executive Board in November, all new Council borrowing activity will be funded through short-term variable rates which means that it is exposed to any upward movement in rates which would result in an increase in costs to the Council. It should be noted that due to the previously employed policy of locking in long term borrowing need at historically low rates the Council had no short term borrowing on its books at 31/03/2022 and this places the Council in a good position to manage current interest rates.
- 10.1.21. Key risks for the Dedicated Schools Grant (DSG) projections relate mainly to the high needs block of the DSG, which provides funding in relation to pupils with special educational needs. Future demand has been estimated based on trends and forecasts, both for population growth and increases in complexity of need, however actual demand may vary from these assumptions and the availability of places may also affect costs. In particular, the long-term impact of COVID-19 on these trends is not yet known. In addition, funding allocations are confirmed on an annual basis and there is a risk that actual funding increases will differ from the amounts assumed in the MTFs. Specifically, funding increases are currently capped, and it is not yet known how this cap will operate in future years. Lastly, a number of DSG funding decisions are made by the Leeds Schools Forum, a statutory body of education representatives from across the city, and there is a risk these decisions may impact on future DSG pressures.



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

- 10.1.22. There are a number of risks that are specific to the Housing Revenue Account. These include CPI being lower than the percentage figure assumed in the calculation of the rent increase in this Proposed Budget. Every 0.1% variation equates to a reduction of £0.24m in the level of resources available to support the services provided to Leeds tenants.
- 10.1.23. There is a risk within the HRA and within the General Fund Capital Programme that continued inflationary pressures may impact on the timing of the delivery of capital schemes given the overall funding available.
- 10.1.24. A full analysis of all budget risks will continue to be maintained and will be subject to monthly review as part of the in-year monitoring and management of the budget. Any significant and new risks and budget variations are contained in the in-year financial health reports submitted to the Executive Board.



2024/25

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

TOTAL FUNDING AVAILABLE (Forecast Net Revenue Charge)

609.81

GAP

0.00

Equality, Diversity, Cohesion and Integration Screening

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

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

Completed at the earliest opportunity it will help to determine:

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

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

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

Is this a:

Strategy / Policy

 Service / Function

 Other

If other, please specify

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

The Council is required to publish its Proposed Budget two months prior to approval of the Budget by Full Council in February 2024. The Proposed Budget report for 2024/25 sets out the Executive's plans to deliver a balanced budget within the overall funding envelope. It should be noted that the Budget represents a financial plan for the forthcoming year and individual decisions to implement these plans will be subject to equality impact assessments where appropriate.

Appendix 4

3. Relevance to equality, diversity, cohesion and integration

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

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

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

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

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

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

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

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

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

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

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

Appendix 4

The Proposed Budget identifies a savings requirement of £65.8m due to unavoidable pressures such as inflation and demand/demography. Savings proposals to bridge this gap will affect all citizens of Leeds to some extent. The Council has consulted on its priorities in recent years and has sought to protect the most vulnerable groups. However, the cumulative effect of government funding reductions and these unavoidable pressures means that protecting vulnerable groups is becoming increasingly difficult. Where consultation is required and has not already commenced with regard to the specific proposals contained in this report this will be carried out before the final budget for 2024/25 is agreed.

• Key findings

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

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

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

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

• Actions

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

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

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

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

Date to scope and plan your impact assessment:

Appendix 4

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

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

7. Publishing	
<p>Though all key decisions are required to give due regard to equality the council only publishes those related to Executive Board, Full Council, Key Delegated Decisions or a Significant Operational Decision.</p> <p>A copy of this equality screening should be attached as an appendix to the decision making report:</p> <ul style="list-style-type: none"> • Governance Services will publish those relating to Executive Board and Full Council. • The appropriate directorate will publish those relating to Delegated Decisions and Significant Operational Decisions. • A copy of all other equality screenings that are not to be published should be sent to equalityteam@leeds.gov.uk for record. <p>Complete the appropriate section below with the date the report and attached screening was sent:</p>	
For Executive Board or Full Council – sent to Governance Services	Date sent: 4.12.23
For Delegated Decisions or Significant Operational Decisions – sent to appropriate Directorate	Date sent:
All other decisions – sent to equalityteam@leeds.gov.uk	Date sent: