

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

Date: 15 January 2024

Report of: Head of Democratic Services

Report to: Scrutiny Board (Strategy & Resources)

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

- In accordance with the Council's Budget and Policy Framework, the Executive Board's Proposed Budget for 2024/25 and provisional budgets for 2025/26 and 2026/27 is submitted to Scrutiny for consideration and comment. The formal referral to scrutiny took place at the Executive Board meeting on [Wednesday 13 December 2023](#).
- Once Scrutiny Boards have considered the budget proposals, they will be required to provide a summary of their deliberations for consideration at the meeting of the Executive Board on 7 February 2024.
- [The Proposed Budget 2024/25 and Provisional Budgets for 2025/26 and 2026/27 report](#) should be read in conjunction with two further reports – both entitled Revenue Savings Proposals. The first of those was considered by Executive Board on [18 October 2023](#) and the second was considered on [13 December 2023](#), these can be found in Appendix B to this report.
- During the 2021/22, 2022/23 and 2023/24 budget consultation processes, an enhanced consultation programme was adopted, which incorporated the use of private working groups. These informal working groups enabled scrutiny board members to receive an initial introduction to the savings proposals that fall within the remits of their respective boards, providing members with more time to consider the detail of saving proposals. This enabled greater input into the budget setting process. The same approach has been taken for the savings proposals for 2024/25 to 2026/27 and informal working groups took place for all Scrutiny Boards during December 2023. As noted above, a composite report summarising the outcome of all those deliberations will be submitted to Executive Board on 7 February 2024.
- This report provides some brief contextual information by way of introduction to the Scrutiny Board's consideration of this matter.

Recommendations

Board members are asked to note the following:

- a) The content of the report and appendices.
- b) A summary of the deliberations of all five Scrutiny Boards during the period of consultation on the Executive Board's proposed budget will be submitted for consideration by Executive Board on 7 February 2024.

What is this report about?

1. This report sets out the context for consultation on the Executive Board's proposed budget relating to services that fall within the remit of the Scrutiny Board (Strategy & Resources).
2. Services that sit within the Board's remit from a budgetary perspective are:
 - **Resources Directorate** – Strategy and Improvement Service, Finance, Human Resources, IDS, Procurement and Commercial Services, Legal Services, Democratic Services, Contact Centre and Digital Improvement, Shared Services and Civic Enterprise Leeds.
 - **Strategic and Central Accounts** – All services
 - **Communities, Environment and Housing** – Elections, Licensing and Registration, Communities (limited to equalities)
 - **City Development** – Arts and Heritage
3. Details of the specific budget proposals in these services can be found in Appendix B on pages 162, 166 and 167 for Strategy and Resources Directorate, page 162 for Strategic and Central Accounts (directorate savings on support services including finance), page 166 for Elections, Licensing and Registration and Communities and pages 159 and 165 for Arts and Heritage. These should be viewed in conjunction with the service reviews impacting on this Board's remit that are highlighted in paragraph 17.
4. The wider context and forward planning of the council's budgetary position is delivered through [The Medium-Term Financial Strategy 2024/25-2028/29](#) (MTFS) which is the authority's key strategic financial planning document. The MTFS identified an estimated General Fund budget gap of £251m for the five-year period of which £59.2m relates to 2024/25, a further £56.6m for 2025/26 and £47m for 2026/27 (£162.8 over the next three years). For the Housing Revenue Account (HRA) there is a cumulative deficit of £16.6m to 2028/29 of which £1.9m relates to 2024/25. Subsequent to the MTFS publication in September 2023 the budget gaps have been revised with the three-year gap now £160.7m: £58.4m in 2024/25, £57.8m in 2025/26 and a further £44.6m in 2026/27, before the savings proposals are applied (see paragraph 16 and accompanying table for more detail.)
5. The December iteration (Month 7) of the [Financial Reporting updates](#) considered by Executive Board regularly throughout the municipal year sets out the impact of inflation and cost of living pressures on the Council's in year budget position. As a result of continuing increases in the cost of commissioned services, increasing costs for social care particularly within Children Looked After (CLA) budgets, an unfunded staff pay award and the cost of energy and fuel, this report identified an in year pressure of £35.3m in 2023/24, approximately 6.2% of the net revenue budget and above any previous projections at this time in the financial year. The

Council is legally required to set and deliver a balanced budget and any use of reserves to meet the in year deficit in 2023/24 will have an impact on available resources in future years to meet the estimated budget gaps set out in the MTFS. More detail on the in year budget position can be found at item 7 of this agenda pack.

6. Since 2010/11, the Council has faced a reduction in core Government funding and significant demand-led cost pressures, especially within Adult Social Care and Children's Services. To date, the Council has responded successfully to that challenge through a combination of leading and/or supporting interventions to stimulate 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 2011 by 2,500 FTEs (full time equivalents) up to 31 October 2023.
7. Nationally, council finances are in a critical state and there is growing concern with regard to an increasing number of councils reporting both overspends in the current financial year and significant estimated budget gaps in future financial years which provide a challenge to their financial sustainability.
8. The increasing cost of social care, particularly within Children's Services where Government has to date failed to recognise the significantly higher costs resulting from increasing numbers of children in care, combined with the impact of pay and price pressures which are in excess of the level of resources provided for by Government in the annual local government finance settlements, has resulted in a number of local authorities either issuing or raising the possibility of issuing Section 114 notices, which give notice that a Council cannot balance its budget.
9. Of the Councils that have indicated that they are under significant financial pressure Birmingham City Council and Nottingham City Council are perhaps the most notable. Birmingham issued a s114 notice in September 2023 and Nottingham did so in early December 2023.
10. The financial challenge now facing the Council is to manage these pressures alongside the significant impact caused by the current cost of living crisis, increased inflation and higher interest rates, within a backdrop of global economic issues. The needs of the communities served by Leeds City Council have already increased and will continue to do so, and the various funding streams that support local government will undoubtedly be affected by 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.
11. The Council continues to work to ensure that the organisation is as efficient and productive as possible, but there is also recognition that in the longer-term there is a need to reset the role of the council within the financial envelope available. This may mean looking at further service modernisation and improvement through enhanced use of automation and ongoing reviews of the authority's estate to ensure buildings are being effectively utilised, to deliver capital receipts and to achieve revenue maintenance savings to support the in-year and future year financial pressures.

Savings Proposals

12. As in previous years, revenue savings proposals are categorised as either 'Business as Usual' (BAU), which can be implemented within the council's delegated decision-making framework and without consultation, or 'Service Reviews' which may require meaningful consultation with relevant stakeholders prior to any decisions being taken.
13. In previous budget consultations, scrutiny boards requested that information relating to BAU savings be published in the same way as information relating to service reviews. This was to enable members to fully understand where individual BAU proposals will deliver a material saving, and the cumulative impact of the overall savings anticipated to be delivered through the BAU programme. This year, BAU savings have been published via the Executive Board in October and December. Service Reviews have been published through the December Executive Board agenda.
14. In October 2023, the Chief Officer - Financial Services provided a revenue savings proposals report to the Executive Board that presented £13.4m of Business as Usual (BAU) savings for 2024/25. Some of these savings are one-off savings which creates a net pressure of £2m in 2025/26 and £1.6m in 2026/27.
15. The December proposals contained £45m of net savings through both BAU and Service Review proposals impacting on all directorates over the next three financial years. When considered with the October proposals totalling £13.4m this breaks down as: £58.351m in 2024/25 and net pressures of £2.815m in 2025/26 and £1.570m in 2026/27. The impact of the October and December savings proposals, broken down by directorate, are as follows:

Combined October & December Executive Board directorate savings

Oct & Dec Exec Board savings	Potential savings / £'000s		
	2024/25	2025/26	2026/27
Adults & Health	-16,742	530	1,770
Children & Families	-16,510	0	0
City Development	-8,064	2,494	0
Communities, Housing & Env't	-7,783	-9	0
Strategy & Resources	-9,252	-200	-200
Total	-58,351	2,815	1,570

16. These proposals have an impact on the projected budget gap figures set out above and show how the budget gap and challenge have been met since the Medium-Term Financial Strategy was published in September. The following table illustrates this and includes the impact of the net pressures on the budget gaps for 2025/26 and 2026/27:

Impact of savings proposals on estimated budget gap 2024/25 to 2026/27

	2024/25	2025/26	2026/27
	£'000s	£'000s	£'000s
MTFS gap (Sep Exec Board)	59,158	56,611	47,017
Subsequent review of assumptions	-807	1,190	-2,449
Updated gap	58,351	57,801	44,568
October Exec Board proposals	-13,398	1,995	1,570
December Exec Board proposals	-44,953	820	0
Total savings proposals	-58,351	2,815	1,570
Latest projected budget gap	0	60,616	46,138

17. Within the December savings proposals are 25 service reviews which as noted above can be subject to further consultation with relevant stakeholders before implementation. Details on the specific service reviews can be found in Appendix B – ‘Revenue Savings Proposals for 2024/25 to 2026/27’ starting at page 168 of this agenda pack, these also include Equality, Diversity, Cohesion and Integration Screening documentation. Service Reviews that are relevant to the remit of this Board can be found on page 247 - Thwaite Mills – Closure of the facility and surrender of the lease, page 256 - Pudsey Civic Hall closure and potential sale, page 313 – Strategy and Resources Directorate Savings: Support Services, page 321 - Strategy & Resources directorate Savings: Shared Services and page 327 - Civic Enterprise Leeds Business Planning Proposals.
18. In terms of the impact on staffing, on 10th October 2023 the Council issued a Section 188 notice to collectively consult with the recognised Trade Unions to avoid, reduce and mitigate the potential risk and consequences of compulsory redundancies. The serving of a Section 188 notice is a legal requirement and is normal practice for employers, including local authorities, where reductions in the workforce may be necessary.
19. Paragraph 6, above, notes the reduction in staffing that has taken place since 2011 as a result of the ongoing budget challenge, the savings proposals being considered today continue the trend of reduced staffing within the Council. The following table sets out the net impact of the proposals on budgeted full time equivalent posts (FTEs) in 2024/25:

Net impact of savings proposals on budgeted FTEs 2024/25

Oct & Dec Exec Board savings	Net budgeted FTE impact		
	2024/25	2025/26	2026/27
Adults & Health	-23.73	0.00	0.00
Children & Families	-42.70	0.00	0.00
City Development	-40.00	4.00	0.00
Communities, Housing & Env't	-73.40	0.00	0.00
Strategy & Resources	-181.70	0.00	0.00
Total	-361.53	4.00	0.00

20. The proposals published in the October and December savings proposals reports impact on all five scrutiny board remits and where service reviews are proposed more detail is provided in Appendix B to this report. This includes an executive summary, details of who additional

consultation will be with, equalities diversity, cohesion and inclusion screening and the level of projected savings for each service review proposal.

21. All five scrutiny boards held working groups in December, at those debate and discussion was limited to the remit of the respective Scrutiny Boards. This item will follow the same approach and if questions arise that sit outside of the remit of the Strategy & Resources Board, these will be referred to the relevant Scrutiny Board via the appropriate Chair.
22. As noted above services that sit within the Board's remit from a budgetary perspective are:
 - **Strategy and Resources Directorate** – Strategy and Improvement Service, Finance, Human Resources, IDS, Procurement and Commercial Services, Legal Services, Democratic Services, Contact Centre and Digital Improvement, Shared Services and Civic Enterprise Leeds.
 - **Strategic and Central Accounts** – All services
 - **Communities, Environment and Housing** – Elections, Licensing and Registration, Communities (limited to equalities)
 - **City Development** – Arts and Heritage
23. As noted at Paragraph 3, details of the specific budget proposals in these services can be found in Appendix B on pages 162, 166 and 167 for Strategy and Resources Directorate, page 162 for Strategic and Central Accounts (directorate savings on support services including finance), page 166 for Elections, Licensing and Registration and Communities and pages 159 and 165 for Arts and Heritage. To provide a full overview of services within the Board's remit that are impacted by the savings proposals these should be viewed in conjunction with the service reviews that are highlighted in paragraph 17.

What impact will this proposal have?

24. Engagement with Scrutiny in relation to the budget proposals is in line with the requirements of the Budget and Policy Framework. A summary of the deliberations of the five scrutiny boards is required to then be provided to the Executive Board for consideration on 7 February 2024. The Executive will be expected to report to Council on how it has taken into account any recommendations from the Scrutiny Board.
25. Outside of the formal requirements for consultation, such engagement also provides the opportunity for scrutiny members to add value to the budget setting process.
26. Ongoing scrutiny of financial matters supports the Council in delivering a robust, sustainable budget, which reflects the strategic objectives set out in the Best City Ambition, along with the aspiration to be an enterprising, efficient, healthy and inclusive organisation.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

27. The role of scrutiny as a 'critical friend' on financial performance and management helps provide assurance that resources are available and aligned to the aspirations of the Best City Ambition and the associated delivery of the three pillars; Health and Well Being, Inclusive Growth and Zero Carbon.

Wards Affected: Please state the specific wards affected here. If city-wide, state "All" for clarity.

Have ward members been consulted? Yes No

What consultation and engagement has taken place?

28. This item provides consultation with scrutiny on the Proposed Budget for 2024/25, in accordance with the Budget and Policy Framework of the authority.
29. Where Service Reviews are being implemented these may require meaningful consultation with relevant stakeholders prior to any decisions being taken. Those savings proposals that are classed as 'Business as Usual' (BAU) do not require consultation to implement, though where voluntary measures have a modest and/or residual impact on the workforce, local / BAU consultation would be expected.
30. Consultation with Leeds residents on the budget proposals commenced following consideration at Executive Board on 13 December 2023 and runs for four weeks.

What are the resource implications?

31. All resources, procurement and value for money implications are detailed in the Appendices to this report

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

32. This report has no specific risk management implications in itself however, the proposals contained within the appendices to this report provide information on the risks associated with them.

What are the legal implications?

33. More detail on the legal implications associated with the Executive Board reports that are considered in the appendices to this report can be found under the legal implications section of those reports. However, 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.
34. The council has a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year. Section 28 of the Local Government Act 2003 provides that the council has a statutory duty 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 authority must take such remedial action as it considers necessary to deal with any projected overspends.

Options, timescales and measuring success

What other options were considered?

35. The budget consultation process has been developed in conjunction with elected members and relevant senior officers.
36. An enhanced process of consultation is intended to add value by allowing greater capacity for members to consider the detail of budgetary proposals.
37. Consideration was given to only carrying out consultation with scrutiny through the public meeting cycle in January and not conducting the December working groups. However, this approach would risk delivering less detailed input and member oversight from scrutiny members and was discounted on those grounds.

How will success be measured?

38. As in previous years, feedback from elected members on the process of budget consultation will be used to inform the approach to such consultation in future years.
39. The submission of a composite scrutiny statement on the budget for 2024/25 for consideration at the 7 February 2024 meeting of Executive Board will complete the consultation process and meet the requirements of the Budget and Policy Framework.

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

40. The Executive Board formally referred the proposed budget to Scrutiny at its meeting on 13 December 2023.
41. Scrutiny Boards then conducted a series of working groups in December 2023 and this agenda item provides the formal public element of the consultation with scrutiny on the budget proposals. An approach that will be replicated by the four other scrutiny boards throughout January 2024.
42. A summary of the deliberations of Scrutiny will be submitted for consideration by Executive Board on 7 February 2024 before the final budget proposals are referred for consideration by full Council on 21 February 2024. Working with elected members and Scrutiny Board Chairs this is the responsibility of the Council's scrutiny function.

Appendices

43. Appendix A – Proposed Budget for 2024/25 and Provisional Budgets for 2025/26 and 2026/27 Executive Board report considered on 13 December 2023.
44. Appendix B - Revenue Savings Proposals for 2024/25 to 2026/27 (13 December 2023). Please note that the Revenue Savings Proposals from 18 October 2023 are appended to this report.

Background papers

45. None