Public Document Pack

SCRUTINY BOARD (STRATEGY AND RESOURCES)

Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Monday, 16th October, 2023 at 10.00 am

(A pre-meeting will take place for ALL Members of the Board at 9.30 a.m.)

MEMBERSHIP

Councillors

G Almass	-	Beeston and Holbeck;
H Bithell	-	Kirkstall;
S Burke	-	Middleton Park;
D Chapman	-	Rothwell;
S Firth	-	Harewood;
T Hinchcliffe	-	Bramley and Stanningley;
A Khan (Chair)	-	Burmantofts and Richmond Hill;
W Kidger	-	Morley South;
A Parnham	-	Armley;
M Robinson	-	Harewood;
E Thomson	-	Guiseley and Rawdon;

Please Note: Please do not attend the meeting in person if you have symptoms of Covid-19 and please follow current public health advice to avoid passing the virus onto other people.

Note to observers of the meeting: We strive to ensure our public committee meetings are inclusive and accessible for all. If you are intending to observe a public meeting in person, please advise us in advance of any specific access requirements that we need to take into account by email (FacilitiesManagement@leeds.gov.uk). Please state the name, date and start time of the committee meeting you will be observing and include your full name and contact details.

To remotely observe this meeting, please click on the 'View the Meeting Recording' link which will feature on the meeting's webpage (linked below) ahead of the meeting. The webcast will become available at the commencement of the meeting.

Council and democracy (leeds.gov.uk)

Principal Scrutiny Adviser:
Rob Clayton
Tel: 37 88790

A G E N D A

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

Item No	Ward/Equal Opportunities	Item Not Open		Page No
3			**LATE ITEMS** To identify items which have been admitted to the agenda by the Chair for consideration. (The special circumstances shall be specified in the minutes.)	
4			**DECLARATION OF INTERESTS** To disclose or draw attention to any interests in accordance with Leeds City Council's 'Councillor Code of Conduct'.	
5			**APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTES** To receive any apologies for absence and notification of substitutes.	
6			**MINUTES - 18 SEPTEMBER 2023** To confirm as a correct record, the minutes of the meeting held on 18 September 2023	7 - 16
7			**EMPLOYEE MENTAL HEALTH UPDATE** To consider a report from the Director of Strategy and Resources setting out the Council's approach to staff mental health and well-being support.	17 - 28
8			**FINANCIAL REPORTING 2023/24 - MONTH 4** To consider the report from the Head of Democratic Services that sets out the Council's projected financial position at month 4 of the 2023/24 financial year.	29 - 84
9			**MEDIUM TERM FINANCIAL STRATEGY 2024/25 - 2028/29** To consider the report of the Head of Democratic Services presenting the Council's Medium Term Financial Strategy (2024/25 – 2028/29).	85 - 202

Item No	Ward/Equal Opportunities	Item Not Open		Page No
10			**BEST CITY AMBITION UPDATE** To consider the report of the Director of Strategy and Resources setting out the scope of the Best City Ambition update which precedes more detailed work on the initial update proposals, following consideration of a similar report by Executive Board on 20 September 2023.	203 - 208
11			**WORK PROGRAMME** To consider the Scrutiny Board's work schedule for the 2023/24 municipal year.	209 - 228
12			**DATE AND TIME OF NEXT MEETING** The next public meeting of the Board will take place on 11 December 2023 at 10.00am. There will be a pre-meeting for all board members at 9.30am. **THIRD PARTY RECORDING** Recording of this meeting is allowed to enable those not present to see or hear the proceedings either as they take place (or later) and to enable the reporting of those proceedings. A copy of the recording protocol is available from the contacts on the front of this agenda. Use of Recordings by Third Parties – code of practice a) Any published recording should be accompanied by a statement of when and where the recording was made, the context of the discussion that took place, and a clear identification of the main speakers and their role or title. b) Those making recordings must not edit the recording in a way that could lead to misinterpretation or misrepresentation of the proceedings or comments made by attendees. In particular there should be no internal editing of published extracts; recordings may start at any point and end at any point but the material between those points must be complete.	

SCRUTINY BOARD (STRATEGY AND RESOURCES)

MONDAY, 18TH SEPTEMBER, 2023

PRESENT: Councillor A Khan in the Chair

Councillors G Almass, H Bithell, S Burke, D Chapman, S Firth, T Hinchcliffe, A Parnham, M Robinson and E Thomson

27 Appeals Against Refusal of Inspection of Documents

There were no appeals.

28 Exempt Information - Possible Exclusion of the Press and Public

There was no exempt information on the agenda.

29 Late Items

There were no late items.

30 Declaration of Interests

There were no declarations.

31 Apologies for Absence and Notification of Substitutes

Apologies were received from Cllr W Kidger.

32 Minutes - 17 July 2023

RESOLVED – That the minutes of the meeting held on 17 July 2023 be confirmed as a correct record.

33 Matter Arising

Minute 22 – Leeds 2023 Update

Additional details have been provided to the Board on Leeds 2023 including the ING report on visible cities, Leeds Creative Skills Festival and some specific requests related to Rothwell Ward and school involvement in Leeds 2023. There remains an issue around data that the Leeds 2023 team do not have the capacity to capture 'in year' as they are busy delivering the programme of events – over 60 participation data and a ward breakdown of participation to date. These two items are being pursued by the scrutiny advisor.

Minute 24 2022/23 Financial and Treasury Management Outturn Reports

Information has been provided to Board Members on the children and families budget requests in terms of overall C&F budget comparisons and Children Looked After budget comparisons with core cities.

34 Staff Survey Analysis

The report of the Director of Strategy and Resources provided an update on the latest Staff Survey carried out in Spring 2023. In total, 14729 staff were sent the survey and 7647 completed it – an overall response rate of 52%. Figures for response rates for offline staff were also provided. The report outlined the survey approach and response rates, the results and analysis, and how the Council is responding to the feedback.

The following were in attendance for this item:

- Cllr Debra Coupar, Executive Member for Resources
- Mariana Pexton, Director of Strategy and Resources
- Graham Sephton, Head of Human Resources
- Frank Perrins, Senior Intelligence and Policy Officer

Supported by presentation slides the Board were given an overview of key findings, results and planned actions resulting from the staff survey. One key piece of data highlighted by those attending was that colleagues gave an overall satisfaction score for their jobs at Leeds City Council as 7.4 out of 10.

The links between the staff survey and the 'Be Your Best' Organisation Plan and manager development programme that have featured at the Board in recent months were highlighted. Having an effective, productive and happy workforce gives the Council the best chance of delivering against the Best City Ambition and delivering stronger services to Leeds residents and within localities. Ensuring that staff have a voice and are listened to is a key element of this.

The following areas featured in the presentation:

- Why the survey matters - understanding how the majority of staff feel about their job, their team, their workplace and employer, identifying what is working well and what is not and why, capturing honest feedback and fresh ideas, delivering better services and supporting managers to get the best from everyone and to help direct the Council's employment/people agenda and identifying improvement actions for the future.
- What has been done so far on the 2023 survey and what future actions are planned.
- Analysis of the results has revealed that on the positive side response rates are up, staff know what is expected of them at work, receive support from management and colleagues, and feel that their team supports equality and preventing discrimination. Where there is more

work to do focussed on career progression, better tools and equipment, workloads and the need for more support through periods of change.
- The need for key issues to be addressed from the survey findings in the coming weeks and months.

The Executive Member for Resources, Cllr Coupar, emphasised the strong positives that have emerged from the staff survey and in particular highlighted the increased response rate (especially for offline staff) but also noted the need for staff concerns to be addressed and the importance of staff are voicing concerns and having them responded to.

In response to comments and questions from the Board, discussion included the following:

- Members were interested in the response to staff concerns about tools and equipment and how improvements might help staff do their jobs better. In terms of digital improvements, it was suggested that IDS colleagues are contacted to ask for more information in terms of specific actions and plans. It was noted that the quality tools comments were not just about digital tools but also related to frontline staff such as park staff for example. The issue regarding tools and equipment on the frontline does not relate to health and safety concerns which was immediately checked out when the result from the survey were analysed. Further work is ongoing on the equipment and tools concern to get more detailed information about specific issues.
- The Board asked about the systems and support in place when staff are really struggling from a well-being perspective or from the demands of their role. Throughout Covid a strong well-being offer was developed to support staff and this has continued for staff who need extra support beyond what their managers offer, this offer is widely promoted and there are ongoing efforts to increase take up where appropriate.
- Whilst recognising the clear improvement in responses to the survey there were concerns about the high variation of response rates, with some areas scoring as low as 12%. Additionally, members sought further information on appraisals and the quality of them given feedback from the staff survey. On the different levels of response to the survey work is underway through direct contact with those teams to understand the reasons and also to ensure that those staff can still have their voices heard, consideration is being given to how response rates might be higher in the future for areas with low response rates, with Core Business Transformation hopefully helping this.
- On appraisals it was recognised that more training on appraisal and performance management is required to ensure consistent quality of appraisal discussion. Building on the recent manager EDI training, which has delivered significant improvements in that area, there are plans to deliver more mandatory face to face training for managers to deal with appraisals. It was also emphasised that the staff survey is an ‘additive’ and not the only way in which feedback from staff is sought.
- Members picked up on the identified staff groups where there was more likely to be positive feedback for example recent appointees and

Black/Black British. Some of this did not tally with direct feedback heard by members. Analysis is ongoing on these results and members were informed that there are quite a lot of factors at play when analysing demographics for example certain demographic groups are more prevalent in some services so disaffection or happiness can be based around service management and culture more than simply demographic groups. More work is planned with HR on this to understand the data and ensure that the right problems are being worked on.

- In response to questions relating to cultural awareness the Board were assured that the training for managers is not yet complete and there is more to come in terms of that training for managers being taken back to wider teams and the actions that will follow.
- Members raised questions around neutral responses both in terms of how that is interpreted, as in not necessarily a positive, and the validity of having a survey that allows a neutral response. Some members believed that it would be preferable to have at the least slightly negative or slightly positive options, rather than neutral options.
- Following further questioning on EDI and the broadly positive responses in the survey, members were keen to understand if this positivity represents staff who have protected characteristics or more an overall feeling of staff who do not in terms of how that agenda has been progressed. The board was assured that staff with protected characteristics have been part of the analysis and there are plans to drill down into this as some of the positive response to EDI from those with protected characteristics has not been as positive. A request was made for any additional information on this once the work is complete to be shared with the various elected member champions for protected characteristics.
- Members suggested that a ‘you said, we did’ type approach could be adopted in response to the staff survey findings. This was met with a positive response, building on work done in advance the survey that took this approach, and with an additional commitment to assure members that managers are being encouraged to adopt that approach in dealing with staff engagement in their respective services.
- Comparison of staff survey results with other local authorities has taken place along with other public sector organisations and where the questions match in terms of each survey comparisons are made.
- Referring to the lower response rates for offline staff, members wanted to understand more about the reasons for that and possible digital solutions that might address it such as use of smart phones to complete the survey. One third of offline staff responded (two thirds of online staff did for comparison) and digital solutions were offered such as QR codes. Members were also informed that there was a significant effort to increase responses through site visits, liaison with Trade Unions, videos from members, and poster campaigns, it was noted that 33% was the highest response ever from offline staff. It was also hoped that the Core Business Transformation Programme could assist in driving response rates up further.

- Members wanted to know more about techniques to manage workloads and it was suggested that a further report could come back on the corporate approach to managing workloads. The LGA Peer Challenge also noted growing workloads as an issue and work is underway to tackle the problem through digitising, automating and simplification of policies. It has been decided that single solutions such as ‘email free Fridays’ that have been used elsewhere are not suitable for the Council due to the complexity of the differing council services and varied workloads. Instead, the Council does encourage extension of deadlines where possible, taking regular breaks, the wellbeing offer, and other innovative local approaches that can make a difference to staff who are struggling with high workloads.
- In terms of the next staff survey this is likely to take place in 2025.
- The Board also stressed recognition of work and also continuing to encourage managers to say thank you when work has gone well and delivered positive results.

RESOLVED – To note the content of the report and survey results, analysis and response plans and:

a) Receive further updates and reports as this work progresses, making links to the current and future scrutiny work programme as appropriate.
b) Once the further EDI analysis is complete share the findings with the elected member champions representing the staff networks

35 Electoral Services Update – 2023 Election Review/Postal Voter Validation

The report of the Director of Communities, Housing and Environment provided an update on Voter participation May 2023, Voter ID, Changes to the postal and proxy voting application process and the outcome of the Parliamentary boundary review following a request for an Electoral Services Update from the Board.

The following were in attendance for this item:

- John Mulcahy, Chief Officer Elections and Regulatory
- Sue Wolfe, Deputy Head of Electoral Services
- Cllr Coupar, Executive Member for Resources

The Board was given a presentation which focussed on the following main areas:

- The impact of the pandemic on postal voter numbers in Leeds and subsequent impact on footfall in polling stations, Leeds has the largest number of postal voters of any local authority in England.
- Further information showing that Leeds has always had a large number of postal voters and how the peak of postal voting following and during the pandemic is beginning to ease with more people attending a polling station compared to 2021 and 2022.

- Comparative data showing the percentage of voters unable to vote, with Leeds performing well in comparison to other core cities, with just 0.29% of voters attending a polling station unable to vote due to the new voter ID requirements.
- Plans to focus resource in wards where voter ID issues were most prevalent in future years to increase awareness.

In response to questions and comments from the Board, discussion included the following:

- The Board were keen to thank Electoral Services for the communications campaign that led into the 2023 election in Leeds ensuring that residents were aware of the new voter ID regulations.
- Reference was made to accessibility of voting following the voter ID changes particularly for ethnically diverse communities and those with disabilities. The Board were informed that whilst polling stations are as accessible as possible no record of those that have voted in terms of demographic details is kept, due to it being a secret ballot.
- In response to queries about ‘greeters’ at polling stations and the potential for these to skew the number of people who are recorded as not being able to vote, Members were informed that ‘greeters’ were not used in Leeds so there would be no impact on the figures for the city.
- Members were concerned that the wards with the highest number of voter refusals because of ID were focussed in areas with diverse communities and where relative deprivation levels are highest both in terms of those being initially refused and then not returning to vote. Overall Leeds had a very low refusal rate, 225 in total across Leeds. However, an action plan will be drawn up based on the data from the elections and resources and communications will be targeted at those areas where there were the highest number of refusals.
- A small correction was advised at paragraph 4.3 linked to different figures in the report. It was agreed that the figures will be checked, and correct ones circulated as appropriate.
- Members asked about postal votes where the voter has made a mistake and the ballot is ‘spoiled’ and also where the voter has not received the postal vote. The Board were informed of plans for those voters where the postal vote has not been received, resources allowing, to hand deliver postal votes to people who are in this situation so that they are able to vote.
- The new constituency boundaries were queried with a particular focus on cross border co-operation with other authorities that will now ‘share’ a parliamentary constituency with Leeds. The Board were assured that work is underway on this and that Leeds has experience with this having worked with Wakefield City Council on a shared constituency in the past. Similarly working groups are in place to ensure co-ordination when there is more than one election on the same day, for example WYCA mayoral elections.

- The Board welcomed the suggestion of bringing back action planning for the Local Elections in 2024 to set out how the service is trying to improve awareness of the Voter ID requirements and other planning.
- The Chair asked about the robustness of resources to deal with postal voting given the increased number now using that method. He was reassured about arrangements and additional staffing that is available to ensure that the postal voting experience runs smoothly.

Cllr Coupar, the Executive Board Member for Resources, highlighted that the work in Leeds had received ministerial recognition at meetings she attended in the build up to the Election in 2023 and wanted to put on record her thanks to Electoral Services for the work they did to deliver a successful Election. The Executive Member also expressed concerns about the Voter ID changes at a higher profile Elections such as the expected General Election in 2024.

RESOLVED – To note the content of the report and

a) Consider an item on planning for the Election in 2024 as part of the Board's work programme in 2023/24.

36 Office For Local Government (OFLOG)

The report of the Director of Strategy and Resources provided the Board with information in relation to the newly launched Office for Local Government. The launch outlined the Government's vision for Oflog, to provide authoritative and accessible data and analysis about the performance of local government and to support its improvement. In addition, a summary of the performance indicators (metrics) Leeds City Council will be required to report against and the current set of results for the council's performance against relevant comparators, were provided.

The following were in attendance for this item:

- Councillor Debra Coupar, Executive Member for Resources
- Mariana Pexton, Director of Strategy and Resources
- Mike Eakins, Head of Policy
- Richard Ellis, Deputy Chief Finance Officer

It was noted that Oflog is in its early phases and this report is very much an early look at the implications of it for the Council. The expectation is that the role of Oflog will become clearer in the coming months as will how the data provided in the report will be used by Government.

From a finance perspective, which is data that will fall in the Strategy and Resources Board's remit in the future, these indicators have been available for a number of years and previously were in CIPFA's resilience index. It was noted that Leeds is aware of the indicators and is taking steps to address the reserve position and improve performance in some of the areas identified.

In response to comments and questions from the Board, discussion included the following:

- Board members requested a training session on Oflog and the data that is used to better understand the metrics used given that it is new and could be a factor for a number of years. It was agreed that this would be taken forward through member development.
- Members were interested in the role of WYCA in Oflog and the development of a digital dashboard. In terms of WYCA they are involved in employment and skills and will be an important partner in that work and that metric. On the digital dashboard it was hoped that the Oflog dashboard is developed and improves to become more accessible in addition to potential local approaches to deliver a dashboard containing the data across West Yorkshire.
- Members noted debt levels and the performance of Leeds on that and asked about the implications of that on the revenue budget. It was estimated that debt repayments and interest on debt is in the region of £120m annually though it was important to note that the debt figures for Leeds include the Housing Revenue Account (HRA) and not all local authorities have HRAs, with housing companies and arm's length arrangements being used in other authorities, so the data perhaps needs to be treated with caution.
- Members raised some queries regarding the data for adult social care contained in the report, it was agreed that this will be provided to members following consultation with the relevant services, and for members to note that these KPIs will be examined through the relevant scrutiny board.
- Members raised concerns about the reliability of the data and data contamination and whether each authority is submitting the same information to ensure that it is a fair measure of performance. In some areas such as waste there will be differences between what each authority submits, as the approach isn't as mature as say in the adult social care block where there is an established framework, and the Board were informed that this is a concern, and it would be a wait and see approach to see which direction Oflog goes in dealing with this.

RESOLVED –
The Board agreed to:

a) Note the information provided in the appendix to this report which contains an overview of the Oflog metrics and results for Leeds and relevant comparators.
b) Oflog metrics being incorporated into regular performance reporting to the relevant Scrutiny Board as part of the regular reporting which takes place twice per year.
c) Establish training for elected members on Oflog metrics.

37 Work Programme

The report of the Head of Democratic Services set out the 2023/24 Work Programme for the Board. The report reflected Elected Member comments made at previous meetings on the work programme item.

Members received a report on the LGA Peer Challenge return visit that had taken place earlier recently from the Director of Strategy and Resources.

Overall feedback from the visit was positive with strong comments on progress since the initial visit in relation to EDI, the use of data, the change and transformation agenda, ownership of the budget challenge and Leeds having a positive impact on national issues such as funding for Children Services. The visit also noted the 'Be Your Best' approach and the wellbeing offer to staff.

In terms of areas to continue to focus on the budget challenge, workforce resilience and work on locality arrangements, which was a recommendation in the original LGA report, were particularly mentioned.

It was also noted that a full update on the Peer Challenge will be provided to the Board at the December meeting.

Members attention was drawn to recommendation b) and paragraph 7 of the Work Programme report which refer to a request for two nominees from the Strategy and Resources Scrutiny Board for a Cross Scrutiny Working Group on the forthcoming Community Committee Review.

Following discussion four duly nominated and seconded members were put forward to participate in the Cross Scrutiny Working Group from the Board. These were Cllr S Firth, Cllr D Chapman, Cllr H Bithell and Cllr S Burke.

Following a vote Cllrs H Bithell and S Burke were nominated to the working group.

RESOLVED –

a) That the report and work programme be noted.
b) That Cllr H Bithell and Cllr S Burke are nominated to the Cross Scrutiny Working Group on the Community Committee Review.

38 Date and Time of Next Meeting

Monday, 16 October 2023 at 10.00 a.m. Pre-meeting for all Board Members at 9.30 a.m.

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Report author: Lisa Colver

Tel: 07891271615

Leeds
CITY COUNCIL

Mental Health Update

Date: 16 October 2023

Report of: Chief HR Officer

Report to: Strategy and Resources Scrutiny Board

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

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

Brief Summary

The report provides an update regarding the current position in relation to our management of employee mental health and the support we offer to managers and employees in relation to mental health and wellbeing.

Supporting good mental health is a key priority for the council and we are working hard to adopt good wellbeing practices. We want to create a healthy and resilient culture that enables our colleagues to work to their strengths. We can achieve this with focus on engagement, a clear framework and our BYB programme.

Like many responsible organisations we are mindful of how we can continue to support colleagues in a post pandemic world, to help them navigate personal challenges and encourage positive mental health, whilst creating a psychologically safe workplace that is committed to managing safe levels of work-related stress.

We are also aware of the effect poor wellbeing and mental health absence has on our ability to deliver our services and operate in an effective way. Navigating this requires fair and clear policy and procedure that supports colleagues to be their best, and the council to achieve its business needs.

Over recent years good progress has been made with our #BeWell brand to encourage positive mental health and ownership, with a strong offering to support employees who are experiencing personal mental health challenges. We recognise that if we are to fully support employee mental health, we must continue to mature and focus on some key areas such as minimising work-related stress and developing a stress aware and compassionate culture across the council. In turn this will bring to life our values, behaviours, and people strategy.

The targeted interventions involved:

1. **Setting a clear policy, framework, and management system.**
2. **Continue talking, learning, and leading.**
3. **Corporate Support.**
4. **Data Capture and Reporting.**
5. **Building Manager Capability.**
6. **Managing absence and performance.**

Recommendations

Strategy and Resources Scrutiny Board is asked to:

a) Note the content of the report and the ongoing work and progress to promote positive mental health and manage work-related stress, including the further development of the #teamleedsbewell offer.

b) Identify any actions arising from scrutiny's consideration of this report.

What is this report about?

1 The report provides an update regarding the current position in relation to workforce mental health management and support. This includes an overview of the meaning of mental health and its position within the wellbeing framework, our new approach to a more tangible and joined-up health, safety and wellbeing approach, an overview of the mental health trends across the Council, recognition of priority service, and the next steps in our journey including a 2023-25 action plan.

What impact will this proposal have?

2 This item will allow further scrutiny of the Council’s approach to managing colleague mental health and supporting the health and wellbeing of our workforce. This work also contributes to the recommendations made in the Peer Challenge in relation to supporting staff health and wellbeing particularly in relation to workload pressures which continue to be raised as an issue by staff (most recent staff survey data).

3 Unfortunately, even before the global pandemic, UK workplaces were facing a significant mental health challenge at work, and now post-pandemic, absences due to unhappiness/stress/anxiety/depression are rising.

4 Managing mental health is a key priority for the organisation as we have seen an increase in sickness absence since the pandemic. Initially this was due to Covid, temporary changes in our approach to managing attendance, the on-going effects of Covid and then high instances of other infections and increasing reports of mental health related illness. This picture largely mirrors the position in other large and peer group organisations.

5 Leeds City Council figures reflect this upward trend and whilst workforce survey results have been generally encouraging, increased pressure and demanding workloads has consistently come out as a theme causing concern among the workforce (highlighted in the 2023 staff engagement survey as an area of worsening concern and highlighted in subsequent wellbeing pulse surveys). This theme was also reflected in the recent LGA Peer Review Report.

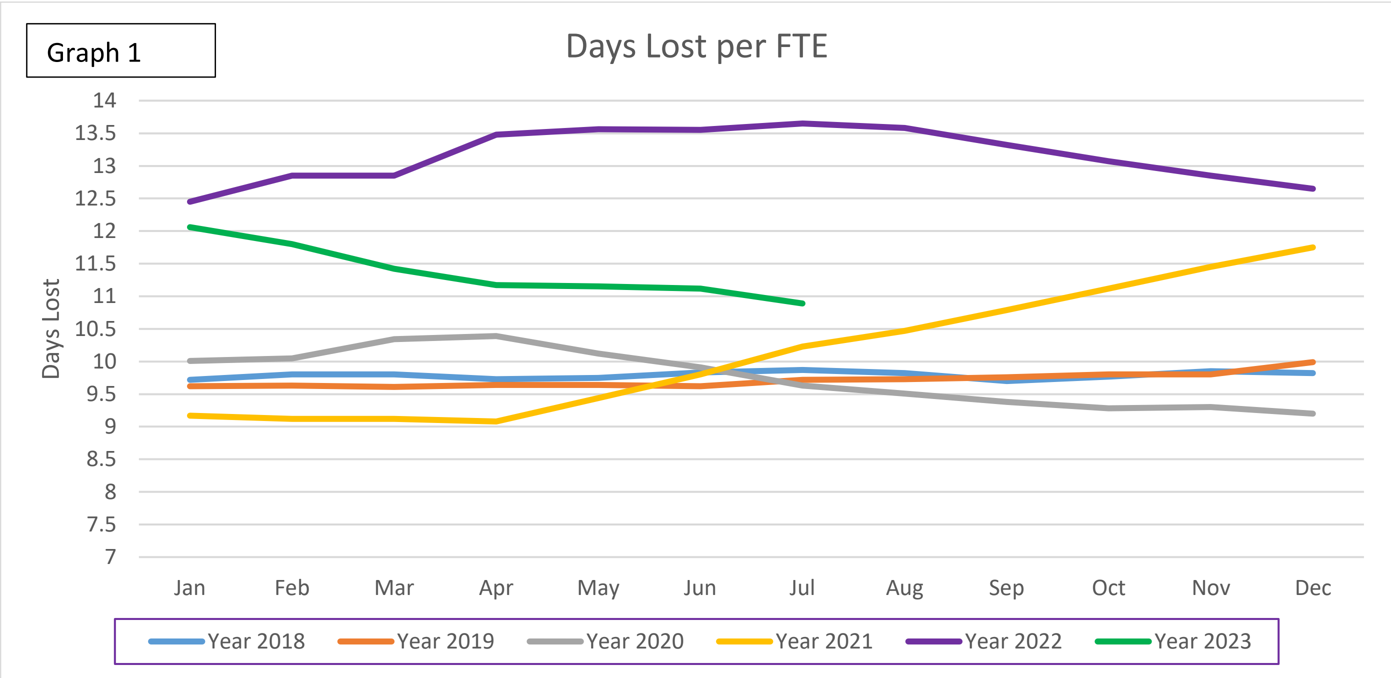
- Leeds City Council’s significant and ongoing workforce financial challenges mean that creating an environment and culture where people don’t feel pressured is a key consideration when creating a positive mental health and stress culture.
- Improving levels of attendance to create additional capacity and productivity is one of the key proposals identified to help tackle the Council’s significant financial challenges. A 10% reduction in absence would mean a productivity boost with over 18,000 more days worked. To truly improve absence rates, we must understand our absence culture.
- With absences due to poor mental health rising, it is critical that further action is taken now, particularly in the areas that need it most and where absence is the highest. Each of our five directors have chosen mental health and wellbeing as one of their key Health and Safety in

the Workplace (HSW) priorities for 2023/24. Acting around workplace mental health means that problems can be addressed early or prevented before they even arise. This work can also support colleagues that are experiencing difficulties to make a faster and smoother transition back to work after being absent, thereby reducing absence costs and increasing productivity.

Overview of ill-mental health absence levels across the Council

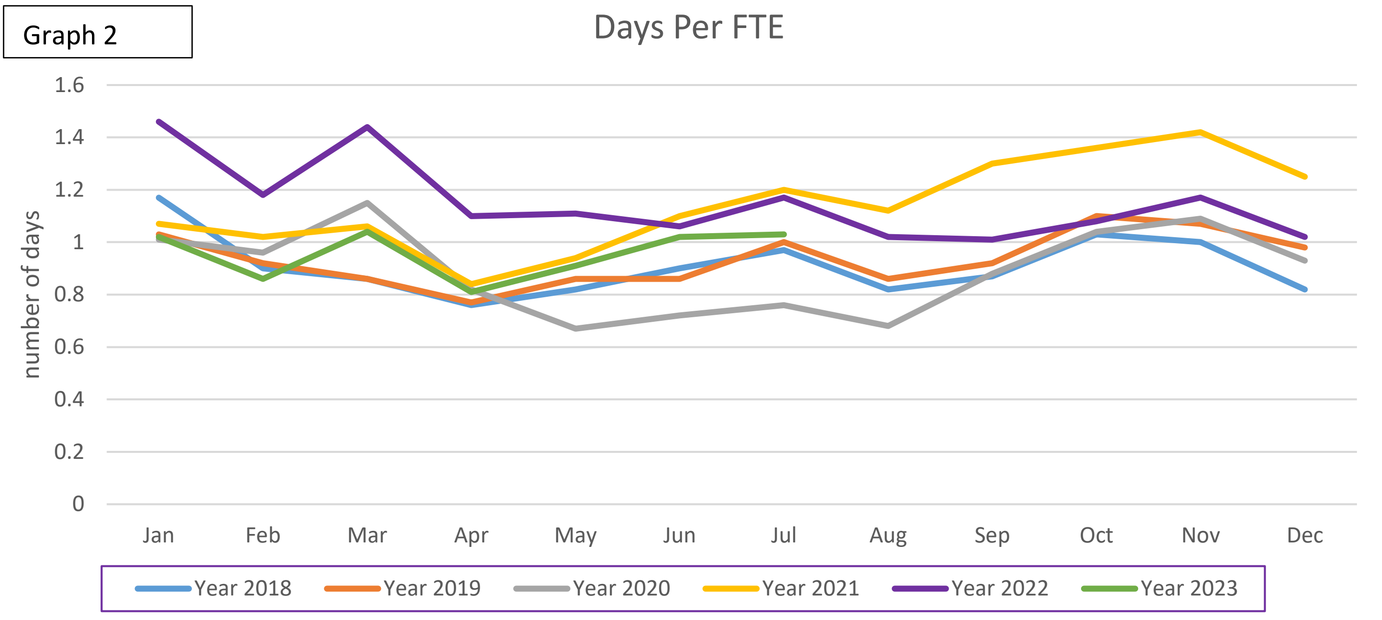
6 Graph 1 shows the total number of days lost per FTE month by month for each of the last six calendar years. For the year 2023, the days lost per FTE has decreased steadily.

7 It also shows that we have not returned to normal sickness levels that we experienced in 2018 prior to the pandemic where sickness in July 2018 was recorded at 9.87 compared to current levels of 10.89 days lost per FTE.



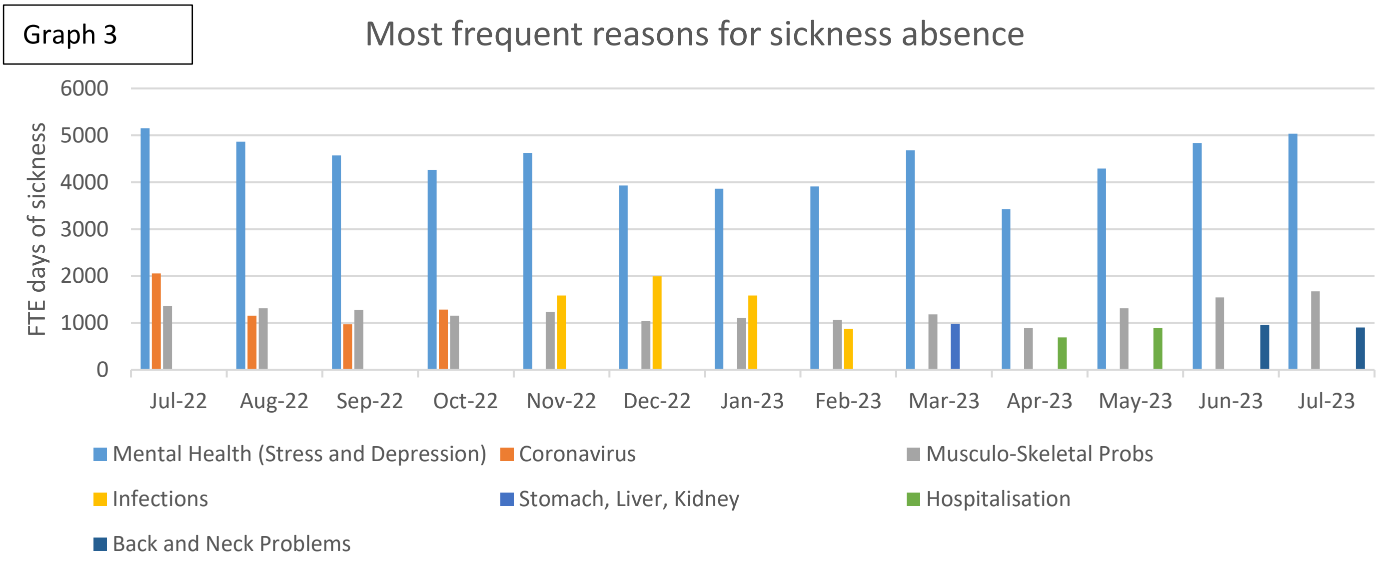
8 Graph 2 shows the number of sick days per FTE by month for each of the last six calendar years. The year 2022 had the highest number of days in comparison to the previous year's however, this has declined from July 2022. In July 2023, this has now dropped lower than the years 2021 and 2022 and is only 0.03 higher than July 2019 and 0.06 higher than July 2018. It is still significantly higher than July 2020 although this was an anomaly year due to the impact of Covid.

Graph 2



9 Graph 3 shows a view of the most recent top three categories of sickness across the council. Mental Health (Stress and Depression) has been the top reason for sickness with a peak in July 2022 of 5148.52 FTE days. It had steadily decreased until April 2023. However, it has increased again from May reaching its second highest in 12 months at 5033.32 in July 2023.

Graph 3



Note: Mental Health covers an extensive list of sickness reasons that includes but is not exclusive to Acute Stress, Depression, Addiction, Eating disorder, Nervous debility, post-natal depression, Panic attacks and Dementia.

Main Interventions: Setting a clear policy, framework, and risk management system.

10 The corporate work-related stress policy will be reviewed in 2024. This work will provide clearer leadership commitment, roles and responsibilities and arrangements to support and manage poor mental health, captured by reporting, trend analysis and supported by service level Safety, Health, and Wellbeing improvement plans.

11 The corporate Mental Health and Wellbeing team will complete an organisational and service level work-related stress risk assessment as required under the Management of Health and

Safety Workplace Regulations 1999. This work will identify key workplace factors that contribute to poor mental health, unhappiness, poor staff retention and high absence, such as unmanaged instances of violence and aggression.

12 Mental health and wellbeing are key elements under the new risk assessment approach that incorporates person, place, and activity. This will enable better focus on wellbeing and mental health throughout the council.

13 The HSW framework will see an increase in the number of in-service HSW Officers, with high-risk services as a priority. This will increase focus and energy around HSW, guide managers, support compliance and drive change within teams.

Main Interventions: Continue talking, learning, and leading.

Leading with focus

14 Continue to have trusted and open conversations at all levels of the council leadership. To **promote** and increase mental health awareness and considerations amongst decision makers and to engender healthier ways of working and **prevent** unnecessary work-related stress.

15 Regular HSW updates and discussions with CLT and directorate leadership teams to understand risk factors across the organisation and ensure an appropriate improvement strategy is implemented.

16 Our #TeamLeedsBeWell" wellbeing brand is becoming increasingly recognised across the organisation and provides a wealth of information and guidance to support both managers and individuals with all wellbeing needs. Over recent months two of the Extended BCLT sessions have dedicated time to further develop the offer, helping raise awareness and increase visibility of all the support available. The focus has been to ensure leaders are supported, engaged, and well informed to support their teams.

Increasing service level and manager capability

17 The launch last year of the Be Your Best leadership and management development offer has enabled us to build capability, confidence, and support for managers in managing staff wellbeing and ill-health.

18 HSW, HR, and Occupational Health (OH) Business Partners (BPs) are now working together to provide more targeted service level support. This approach enables the join up of key elements such as absence, staff turnover, accidents, violence and aggression, reasons for referrals and HR cases to create a clear picture. This collaboration improves manager and employee support.

19 We are now ready to introduce the corporate wellbeing and mental health toolkit to help services promote, prevent, and support mental health at team level. To help us get our next steps right and enable service areas to build a bespoke toolkit we will review our existing offering and adapt where necessary. This will include a review of but is not limited to: “Be Your Best” core management training programmes, flexibly delivered let’s talk sessions on a range of topics including stress, our “supporting staff at work” package and specific health-related sessions, “listening ear” sessions facilitated by our team of Mental Health First Aiders.

20 Whilst we continue to promote the offer, it is recognised that the #TeamLeedsBeWell offer is not embedded across all parts of our frontline workforce. We believe this will improve when in-service HSW Officers are in place and the toolkit is accessed.

Encourage stakeholder collaboration

21 Continue to join up key areas of the council like Public Health, Active Leeds and specialist service teams in Adults and Health so that we make the most of internal expertise and co-design practical solutions that will make a real difference in teams.

22 We will continue to undertake further benchmarking and good practice analysis, working with partner and Anchor organisations on city-wide wellbeing initiatives, including those relating to the emerging Fair Work Charter. The Fair Work Charter is a West Yorkshire Mayor led initiative; more information will follow once the framework is available.

23 Working in partnership with local GPs to establish a 360 perspective and support network to actively support employees and work collaboratively to keep employees healthy, happy and in work.

Main Interventions: Continue supporting staff

24 We continue to maintain our status as an active Mindful Employer and regularly share good practice with other organisations across the region including third sector partners. Our internal Healthy Minds Group is very active and our hundreds of workplace-Mental Health First Aiders continue to offer vital support to those that need it. This year we will unify our mental health first aiders and wellbeing champion community to maximise effectiveness and bring together as an additional resource. We're keen to expand the role to help us keep talking to colleagues who are absent from work due to poor mental health, stress, and anxiety.

25 We also continues to support employees around many pertinent wellbeing issues including financial wellbeing, menopause, and bereavement. For example, we had our Money Awareness Week on 17^{th} to 21st April 2023. We recognise that the cost-of-living crisis is affecting everybody and can have a significant impact on individual wellbeing. We have continued to commit to paying the Real Living Wage with effect from the 1^{st} April 2023 of £10.90. In addition, last year we launched a new Staff Benefits Portal/App that enabled staff to access a range of salary sacrifice schemes, retail discounts and easy access to a wealth of guidance to help staff spend money wisely.

26 The Staff Survey is also an important opportunity to assess the wellbeing of our workforce, with the results helping us to identify priority areas and resource focus for the coming year.

27 We recognise that the occupational health team is small and as a result must focus on the most urgent cases. Work is being done at a leadership level to develop a vision for this team that matches the council portfolio and begin to work more proactively. Our occupational health team continue to promote good health, proactively prevent poor health, and support employees, managers, and HR colleagues across service areas.

28 Our employee support offer (Viv up) continues to provide telephone and face to face guidance and counselling for colleagues in need. This is a popular support mechanism to many colleagues and as a result we have increased on-site counselling to two days per week.

Main Intervention: Managing absence and performance

29 We use an occupational health referral system so, when it is needed, employees can get the support they require. A quick turnaround and correct reporting can help prevent unnecessary absence and provide valuable support.

30 Our absence management policy and procedures led and supported by HR BPs ensure managers can navigate employee absence reasonably and fairly, balancing both employee wellbeing and organisational needs. Our support, response, and relationship with colleagues when they are off sick due to ill-mental health has a direct impact upon their condition, they're recovery and the likelihood that they will return to work. This relationship can cause stress and anxiety, because of this our process management needs to be considerate, compassionate, and flexible. Ensuring managers are confident and competent to navigate this process mindfully is a priority for us. As a result, we will be reviewing how we manage our longer-term sick cases compassionately and how we respond to shorter term absence for stress and anxiety.

31 It is important to consider our absence culture and the behavioural patterns our employees display. Like many organisations we must reflect upon the possibility that some employees may abuse stress/anxiety sick leave because by its very nature it is difficult to diagnose.

Main Interventions: Data Capture and Reporting

32 Over the last year mental and emotional ill-health has been the main reason for sickness absence. Mental Health covers an extensive list of sickness reasons that includes but is not exclusive to acute stress, depression, addiction, eating disorder, nervous debility, post-natal depression, panic attacks and dementia.

33 We aim to improve our data capture and reporting pathways to aid more mindful, risk-based decision-making around how we approach mental health and wellbeing. This work will enable us to identify relationships between key factors and deliver a tailored and energised effort to make a difference in priority areas.

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

☒ Health and Wellbeing ☐ Inclusive Growth ☐ Zero Carbon

1 The interventions and support offer detailed in this report enable key elements of the People Strategy particularly, 'Being Our Best – you are supported to be well at work' but extends across manager expectations and strengthening our organisational culture and values by providing holistic health and wellbeing programmes.

2 This will therefore support and enable the delivery of the Organisational Plan and Best City Ambitions.

What consultation and engagement has taken place?

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

3 Consultation and engagement are ongoing with the Chief Executive, CLT, BCLT, Extended BCLT, Cabinet and Lead Member for Resources regarding the actions and initiatives taking place. Wider socialisation will begin after the report has undergone scrutiny amongst trade union colleagues, heads of service and other relevant groups.

What are the resource implications?

4 There are no specific resource implications contained in this report. However, delivery requires the on-going input from managers and the corporate HSW team to provide support, develop interventions and promote Health and Wellbeing initiatives from existing resource.

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

5 The risk to the organisation of increased levels of sickness absence, is the lost productivity and potential increased costs where services need to secure additional cover to maintain service delivery. There is also a potential risk that staff in work then experience additional pressure if the capacity in the team is reduced.

6 This report details the response to reducing the current levels of absence which will mitigate the above-mentioned risks.

What are the legal implications?

7 Failure to comply with the Health and Safety at Work Act 1974 and all consequent regulation.

Options, timescales and measuring success

What other options were considered?

8 Various options are being considered in relation to our response to managing mental health as detailed within the report. Mental health and wellbeing are multifaceted and therefore require a range of interventions which we will continue to develop to respond to matters that are impacting on attendance, performance, and employee health.

How will success be measured?

9 Success will be measured through the monitoring of the key data sources including 1) managing attendance data that records details in terms of the level of sickness across the Council, including any trends and patterns 2) access to mental health first aiders 3) reasons for occupational health referrals 4) use of Vivup employee support 5) service level HSW plans and risk ratings.

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

10 Managing mental health and wellbeing is an on-going process that will always be in place. The intensive support that is currently in place will remain to support local managers to build the capacity and capability for the on-going management of mental health and wellbeing locally.

11 Whilst corporate HSW will continue to support services, the accountability of team and service mental health and wellbeing remains the responsibility of local management teams. Regular management information will continue to be provided as part of the framework mentioned above.

Appendices

- ANNEX A Supporting colleagues with Mental Ill Health case studies

Background papers

- None

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Case Study 1

Mr X is a 34 year old male who is a full-time employee within Leeds City Council. He reported a sudden deterioration in his mental health and wellbeing due to events in his personal life. He had not reported any previous history of mental health difficulties.

Mr X initially approached a trained Mental Health First Aider (MHFA) within Leeds City Council whilst experiencing a crisis whilst at work and expressing thoughts of suicide. The employee was also trying to contact his local crisis team but had been left on hold for some considerable time. The MHFA was able to separately liaise with the crisis team and explain the situation and the delay that the employee had experienced in obtaining support. The crisis team were able to then take over from the MHFA and effectively manage the situation to a satisfactory conclusion.

Mr X was also referred by management with his consent for an Occupational Health appointment. A full assessment of his mental health and wellbeing and fitness for work was conducted. Following the intervention with the crisis team Mr X was able to access other clinical treatment to help in his rehabilitation. Workplace recommendations including temporary adjustments and regular monitoring of progress were also advised. Mr X was also supported by management in allowing him time out to attend his scheduled clinical appointments and treatment sessions. Management was also encouraged to complete the wellbeing passport to capture agreed adjustments and wellbeing conversations as part of the on-going plan of support for Mr X.

Mr X currently remains in work and continues to make gradual progress in his overall recovery.

Case Study 2

I have been with the council for around 23 years and suffer with mental ill health. I suffer from depression, anxiety and bipolar and hear voices. I also self-harm by overdosing. At first, I kept this to myself and didn't want anyone to know. I thought that was the best thing. I would ring in sick with different excuses.

It was only at the time when I got sectioned under the mental health act to the psychiatric unit in Leeds and was given sicknotes from the Becklin Centre that I had to tell work. So, when I got back to work, I did let my managers know what was going on, and they were shocked. My managers were brilliant and then I told my co-workers who were really supportive. I used to phone my manager on a Sunday and let them know I was in hospital, and they knew what I was in there for. There was no stigma attached and felt comfortable.

When I moved teams, I thought this was going to be a problem but after letting my manager and team know, they were all very supportive and I have felt really part of the team ever since. I feel I can talk about anything and will get the support I need. I feel I am able to ring in with my mental health issues rather than make excuses. Leeds City Council have really supported me, and I feel able to do my job comfortably and have trust in the manager and the team.

Case Study 3

Mrs Y had many complex physical health conditions which were impacting on her ability to be in work. She was very passionate about her role and thoroughly enjoyed it, however, was struggling with her mental health too as her manager did not understand what she was going through, or how to support her.

Following contact with the Wellbeing Team, various solutions were discussed and then agreed with both Mrs Y and the manager following which they were implemented. This involved creating a reasonable adjustment passport which was reviewed and updated on a regular basis to capture and respond to further changes in Mrs Y's health.

These reviews were always done with, and never to, which meant that there were never any assumptions made of what would help the most. These were agreed adjustments to reflect how Mrs Y was feeling and therefore always had the best outcome.

This work meant that Mrs Y moved from a position of hopelessness, upset and anxiety about her future prospects, to a bright, energised, enabled, and thriving employee, delivering a service that made her feel valued and respected. For the manager, Mrs Y was in work rather than on sickness absence, and very much delivering a much needed and quality service.

Report author: Rob Clayton

Tel: 0113 378 8790

Financial Reporting 2023/24 – Month 4(July)

Date: 16 October 2023

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

Scrutiny Board Strategy and Resources has a standing commitment to monitor financial performance throughout the financial year as part of its remit and to identify emerging issues and suggest alternative approaches as appropriate.

Appendix 1 to this report provides the Month 4 budgetary position in respect of the Council's 2023/24 General Fund and Housing Revenue Account (HRA) budgets reported to Executive Board on 20th September 2023.

The national context for local authority finances is challenging with a number of authorities reporting that their budgetary position is under significant stress. The reasons for this are largely due to an increase in both adults and children's social care costs resulting from both increased demand and increased costs, pressure in other demand led budgets, increased pay awards for staff, price inflation on contracts (including energy and fuel) and the overall cost of living impacting upon demand for Council's services.

As a result of this and the level of funding provided by Government the Council is projecting an overspend of £33.9m on the Authority's General Fund and a further overspend of £3.2m on the HRA.

The role of scrutiny as a 'critical friend' on financial performance and management contributes to supporting the Best City Ambition in ensuring a sustainable and robust financial position from which to deliver against the objectives set out in the Three key pillars.

Recommendations

a) Members are asked to note the content of the report and appendix within the wider Board remit linked to financial sustainability and long-term budgetary robustness.
b) Board members are also asked to highlight any future areas of scrutiny work should any arise during discussion of this item.

What is this report about?

1 Scrutiny Board Strategy and Resources has several key financial functions within its remit. These include scrutiny of the Council's functions with regard to the setting of the Budget and the Council's financial strategy, i.e. ensuring effective financial management and controls; setting, supporting and monitoring the Council's policies and procedures for budgets; administering effective financial management and controls; and setting, supporting and monitoring the Council's financial strategy. As a consequence, the Board closely monitors financial performance as part of its remit. Appendix 1 provide the latest financial report for 2023/24 considered by Executive Board in September.

2 The net revenue budget for 2023/24 was set at £573.4m in February 2023 with general reserves standing at £33.2m, following the closure of the 2022/23 accounts. There is a budgeted contribution of £3m to the general reserve in 2023/24 as a measure to enhance budgetary robustness in the future. The Council's Medium Term Financial Strategy also assumes a £3m annual contribution to the general reserve.

3 As noted above, a key area of budget pressure is in the provision of children's social care and in particular the Children Looked After budgets. The main causes of this are high-cost external placements where there is a projected overspend of £14.658m, semi-independent living for care leavers where there is a budget pressure of £6.75m and Independent Fostering Agency (IFA) spend where the planned savings of £2m are expected not to be met due to higher than projected numbers. Overall, the Children and Families Directorate is projecting an overspend of £25.195m driven largely by the pressures identified here.

4 These trends within children looked after services are not unique to Leeds and reflect the national picture where increased numbers of children in care, increased complexity of care requirements and higher costs have impacted all local authorities in England. Despite this national picture, as yet these higher costs have not been recognised by Government with additional funding to address them.

5 As noted in previous reports considered by this Board, inflationary costs and the wider cost of living being felt in the economy are also adding pressure to the Council's budget. Important factors here are increased pay awards for staff, high energy and fuels costs (which are now beginning to stabilise) and higher costs for goods and services.

6 Given the level of the projected overspend the Council has responded by implementing a freeze on recruitment, agency and overtime spending and a freeze on non-essential spend except on health and safety related matters, income generation and provision of statutory service requirements. On recruitment a robust post-by-post review is carried out to identify which posts meet agreed exceptions and can be excluded from the freeze.

7 As noted above the general fund reserve stands at £33.2m following closure of accounts for the 2022/23 financial year, with a budgeted contribution of £3m in 2023/24. The Strategic Contingency Reserve, established in 2020/21, to fund future unforeseen budget pressures had an opening balance of £19.9m at the start of 2023/24. Budgeted use of this in 2023/24 is £14.3m with a further £0.6m committed to support Covid backlog recovery and £1.3m from this reserve to fund budgeted fleet savings which are not deliverable in year due to the costs of maintaining an ageing fleet and increased demand for services. The available balance in this reserve is currently forecast to be £3.7m at 31st March 2024.

8 The overspend on the HRA of £3.17m is the subject of further analysis and monitoring with an action plan being developed to bring the budget into balance.

9 Members should note that Month 4 is the latest available financial reporting update for 2023/24. Due to publication deadlines for this Scrutiny Board and Executive Board when this is considered on 16 October the Month 5 position will have been published for the Executive Board meeting on 18 October.

What impact will this proposal have?

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

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

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

☒ Health and Wellbeing ☒ Inclusive Growth ☒ Zero Carbon

12 The terms of reference of the Scrutiny Boards continue to promote a strategic and outward looking Scrutiny function that focuses on the Best City Ambition.

13 Having a robust and sustainable budgetary position will enable the Council to deliver against its priorities including the three key pillars set out above.

What consultation and engagement has taken place?

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

14 The Council's financial health monitoring is a factual report and is not subject to consultation.

15 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 were 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.

What are the resource implications?

16 All resource implications are detailed in the main body of the attached Executive Board report at Appendix 1.

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

17 This report has no specific risk management implications.

What are the legal implications?

18 This report has no specific legal implications.

Appendices

- Appendix 1: Financial Reporting 2023/24 – Month 4 report considered by Executive Board on 20th September 2023.

Background papers

- None

Report author: Victoria Bradshaw

Tel: 88540

Financial Reporting 2023/24 – Month 4

Date: 20th September 2023

Report of: Chief Officer - Financial Services

Report to: Executive Board

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

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

The purpose of this report is to inform the Executive Board of the financial health of the Authority.

Financial Health Monitoring 2023/24 – Month 4 (Appendix A)

1. This report comments on financial performance against the 2023/24 budget, which has targeted resources towards the Council's policies and priorities as set out in the Best City Ambition.
2. This report sets out the projected 2023/24 financial position in respect of both the General Fund revenue budget and the Housing Revenue Account. The 2023/24 Budget supports the Council's strategic ambitions, policies and priorities aimed at tackling poverty and reducing inequalities, whilst also supporting our ongoing journey to strengthen the Authority's financial resilience and sustainability.
3. At Month 4 (July) the position reflects a forecast overspend of £33.9m on the Authority's General Fund Service, a position which needs to be understood within the wider national context - council finances are in a critical state and there is growing concern as an increasing number of councils are reporting overspends in the current financial year and significant estimated budget gaps in future financial years which provide a challenge to their financial sustainability. The current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions.
4. 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, has resulted in a number of local authorities issuing or raising the possibility of issuing Section 114 notices, which give notice that a Council cannot balance its budget.
5. Consequently, the freeze on recruitment, agency and overtime spend, and the freeze on non-essential spend introduced in 2022/23 will continue in 2023/24. Work continues to review the highest cost/spend areas, such as Children Looked After, Transport and LBS and all services are continuing to explore opportunities to maximise income. Asset reviews are underway to ensure the Council has the right numbers and mix of assets and directorates are considering where Service Review proposals identified as part of the Financial Challenge can be delivered to generate savings during 2023/24.
6. Any Collection Fund income shortfall arising in 2023/24 will impact on the Revenue Budget in 2024/25.
7. The budget for 2023/24 requires delivery of £58.6m of savings. At Month 4 it is anticipated that most of the budgeted savings will be delivered or mitigating actions found, however a £12m shortfall has been identified and is reflected in the reported directorate positions, except where noted, in Appendix A.
8. Where known, increased inflation and the rising cost of living, including the employer's final pay offer for 2023/24 and demand and demographic pressures in Social Care have been incorporated into this reported financial position.
9. The report updates Executive Board on the use of Invest to Save, Covid Backlog and Flexible Capital Receipt resources to date in 2023/24.
10. At Month 4 the Housing Revenue Account is forecasting an overspend of £3.2m. Further work is required to balance this position.

Brief summary

Recommendations

Executive Board are asked to:

a) Note that at Month 4 the Authority's General Fund revenue budget is forecasting an overspend of £33.9m for 2023/24 within a challenging national context, and that a range of actions are being undertaken or are proposed to achieve a balanced budget position.

b) Approve the virement of identified non-essential spend budgets out of respective Chief Officer budgets and into specific strategic costcentres within each directorate as a measure to prevent further spend against these budgets where it has been identified that this spend is not required.

c) Approve the release of £1.3m from the Strategic Contingency Reserve to fund budgeted fleet savings which are not deliverable across the Council in year due to the impact of inflation, costs of maintaining an ageing fleet and increased demand for services.

d) Note that where an overspend is projected Directorates, including the Housing Revenue Account, are required to present action plans to mitigate their reported pressures and those of the Council's wider financial challenge where possible, in line with the Revenue Principles agreed by Executive Board in 2019.

e) Note that known inflationary increases including demand and demographic pressures in Social Care and known impacts of the rising cost of living, including the employer's 2023/24 NJC pay offer of £1,925 and the JNC pay settlement of 3.5%, have been incorporated into this reported financial position. These pressures will continue to be reviewed during the year and reported to future Executive Boards as more information becomes available. Proposals would need to be identified to absorb any additional pressures.

f) Note the Month 4 positions with regard to the use of Invest to Save, Covid Backlog and Flexible Capital Receipt resources and also note the additional planned use of £5.3m of capital receipts in 2023/24 to support transformation projects and deliver savings in addition to the budgeted use.

g) Note that at Month 4 the Authority's Housing Revenue Account is forecasting an overspend of £3.2m for 2023/24.

What is this report about?

1 This report updates the Board on financial performance against the Council's 2023/24 General Fund revenue and Housing Revenue Account budgets for the first four months of the financial year.

2 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 2023/24 and significant estimated budget gaps in future financial years which provide a challenge to their financial sustainability.

3 The increasing cost of social care, predominantly within Children's Services where Government has to date not addressed 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.

4 Within this wider national context, at Month 4 (July) this report reflects a forecast overspend of £33.9m on the Authority's General Fund and the Authority's Housing Revenue Account is forecasting an overspend of £3.2m for 2023/24.

What impact will this proposal have?

5 The budget proposals contained in the 2023/24 Budget have, where appropriate, been the subject of the Council's Equality Impact Assessment process and mitigating measures put in place or planned where appropriate. As such, an Equality Impact Assessment was provided at Appendix 6 to the 2023/24 Revenue Budget and Council Tax Report.

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

☒ Health and Wellbeing ☒ Inclusive Growth ☒ Zero Carbon

6 The Best City Ambition is the strategic plan which sets out the ambitions, outcomes and priorities for the City of Leeds and for the Local Authority. The Three Pillars of health and wellbeing, inclusive growth and achieving zero carbon underpin this vision and these 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.

7 This is the primary purpose of the Medium Term Financial Strategy which provides the framework for the determination of the Council's annual revenue budget. This report needs to be seen in the context of the requirement for the Council to be financially sustainable and deliver a balanced revenue budget position in 2023/24 so that resources can continue to be targeted at the Council's priorities.

What consultation and engagement has taken place?

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

8 This is a factual report and is not subject to consultation. Public consultation on the Council's revenue budget proposals was carried out between December 2022 and January 2023 and is detailed in the 2023/24 Revenue Budget and Council Tax report presented to this Board in February 2023.

What are the resource implications?

9 Financial Health Monitoring 2023/24 – Month 4 is a financial report and as such resource implications are detailed in the report and appendices.

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

10 The reported budget position is considered in the context of risk to both the in year financial position and the potential impact on the Council's Medium Term Financial Strategy. These risks are included on the Council's corporate risk register.

11 Budget management and monitoring is undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget judged to be at risk such as the implementation of budget action plans, those budgets which are subject to

fluctuating demand and key income budgets. To reinforce this approach, specific project management based support and reporting around the achievement of key budget actions plans is in place for 2023/24.

12 This position reflects the forecast 2023/24 pay increase and the demand and demographic pressures being experienced in Social Care. Further this position reflects the latest projections with regard to known inflationary pressures in respect of the increased cost of electricity, gas, fuel and the impact of the cost of living pressures on our residents or businesses which has significantly affected the cost of goods and services the Council procures, demand for support and welfare services the Council provides, and the activity levels that support a wide range of income streams. These will continue to be monitored throughout the year as will increases on interest rates and their impact on the Council's financial position.

13 Four key messages have been introduced in 2023/24 to advise and support the Council's financial position:

- Stay within budget – reduce discretionary spend and minimise recruitment, including agency and overtime.
- Absorb in-year pressures – Directorates required to absorb all in-year pressures.
- Highlight issues early – use the budget monitoring process to raise issues with Financial Management as soon as possible.
- Robust monitoring is essential – includes detailed discussion at relevant monitoring meetings.

14 In addition, given the significant forecast revenue overspend position reported here, the Council's Corporate Leadership Team agreed to continue the freeze on recruitment, agency and overtime spend introduced in 2022/23 and further strengthen the controls through a post-by-post review to identify which posts meet agreed exceptions and can be excluded from the freeze.

15 It has also been agreed to continue the non-essential spend freeze introduced in 2022/23. The directorate positions reported reflect the impact of an initial review of areas of non-essential spend and further work is expected in this area. With Executive Board's approval, relevant non-essential spend budgets will be moved out of respective Chief Officer budgets to specific strategic costcentres within each directorate to prevent further spend where it has been identified that this spend is not required.

16 Work continues to review the highest cost/spend areas, such as Children Looked After, Transport and LBS and all services are continuing to explore opportunities to maximise income. Asset reviews are underway to ensure the Council has the right numbers and mix of assets and directorates are considering where Service Review proposals identified as part of the Financial Challenge to meet the MTFS funding gap can be delivered to generate savings during 2023/24.

17 Further budget savings proposals are actively being worked on and it is anticipated that these will contribute significantly towards reducing the current projected overspend in 2023/24. The proposals will include income generation, further savings from non-essential spend and savings resulting from reviews of key areas of expenditure which will both reduce activity levels and rationalise service provision. These proposals will be incorporated into the next Financial Health report which is timetabled to be received at the October meeting of this Board, and future reports as applicable.

What are the legal implications?

18 The Council is under a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.

19 Section 28 of the Local Government Act 2003 provides that the Council is under 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 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.

20 In addition, the Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Executive Board to receive information about the revenue and capital budgets as set out in this report.

21 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and, therefore, this report also demonstrates compliance with that legal duty.

22 Under Section 1 of the Local Government Act 2003 ("LGA") ("Power to borrow"), a local authority may borrow for any purpose relevant to its functions or for "the prudent management of its financial affairs".

Options, timescales and measuring success

What other options were considered?

23 Not applicable

How will success be measured?

24 Not applicable

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

25 The Council continues to face significant financial challenges over the next few years. Work is ongoing to address these challenges and to identify savings, which may be addressed in part through review of the Capital Programme and the impact on debt costs within the revenue budget. Further details have been provided to this meeting of the Executive Board as part of the Medium Term Financial Strategy proposals elsewhere on today's agenda.

Appendices

26 The following appendices are attached to this report:

- **Appendix A** – **Financial Health Monitoring 2023/24 – Month 4** – background information, detailed narrative regarding the projected financial positions for directorates, Dedicated Schools Grant (DSG) and the Housing Revenue Account HRA, update on Council Tax and Business Rates including collection performance.

- **Appendix A1** – Individual financial dashboards for directorates, DSG and the HRA.
- **Appendix A2** – Directorate Budget Action Plans.
- **Appendix A3** – Directorates Flexible use of Capital Receipts.

Background papers

27 None

Appendix A

Financial Health Monitoring 2023/24 – Month 4

1. Purpose of this report

1.1. This report sets out for the Executive Board the Council's projected financial health position for 2023/24 at Month 4.

Budget monitoring is a continuous process throughout the year, and this report reviews the position of the budget and highlights potential key risks and variations at Month 4.

2. Background information

2.1 Executive Board will recall that the net budget for the general fund for 2023/24 was set at £573.4m.

2.2 Following the closure of the 2022/23 accounts, the Council's general fund reserve stands at £33.2m. The 2023/24 budget assumes a £3m contribution to this reserve as part of measures taken to ensure financial robustness and sustainability in the future.

2.3 The Medium Term Financial Strategy assumes a balanced budget position for 2023/24 after the application of Government funding, the delivery of savings and the utilisation of earmarked reserves. Any adverse variation to a balanced budget position at the year end will require the identification of further savings in 2024/25.

2.4 Financial 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 deemed to be at risk, for example the implementation of budget action plans and those budgets which are subject to fluctuating demand and key income budgets. This is reinforced through specific project management based support and reporting around the achievement of key budget actions plans.

3. Main Issues

3.1 At Month 4 an overspend of £33.9m is projected across directorates, a 19.0% adverse movement from the Quarter 1 position. This position needs to be understood within the wider national context - council finances are in a critical state and there is growing concern as an increasing number of councils are reporting overspends in the current financial year and significant estimated budget gaps in future financial years which provide a challenge to their financial sustainability. The current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions.

3.2 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, has resulted in a number of local authorities issuing or raising the possibility of issuing Section 114 notices, which give notice that a Council cannot balance its budget.

3.3 As discussed in this report, the reported position reflects the effects of the employer's 2023/24 pay offer, known inflationary pressures, demand and demographic pressures in Social Care and the wider impact of rising cost of living pressures on the Council's financial position.

3.4 Any Collection Fund income shortfall arising in 2023/24 will impact on the Revenue Budget in 2024/25.

3.5 Directorate positions are summarised in **Table 1**.

Table 1: Summary Position Financial Year 2023/24 Month 4

		(Under) / Over spend for the current period				
Directorate	**Director**	**Staffing**	**Total Expenditure**	**Income**	**Total (under) /overspend**	**Previous Reported Position**
		£000	**£000**	**£000**	**£000**	**£000**
Adults & Health	Caroline Baria	(1,500)	16,817	(16,816)	0	0
Children and Families	Julie Longworth	(653)	22,602	2,593	25,195	18,172
City Development	Martin Farrington	(279)	(2,510)	2,127	(384)	635
Communities, Housing & Environmer	James Rogers	2,056	8,149	(4,358)	3,791	4,386
Strategy & Resources	Mariana Pexton	7,911	1,943	3,272	5,215	4,225
Strategic	Victoria Bradshaw	(62)	3,167	(3,063)	104	1,089
Total Current Month		**7,473**	**50,168**	**(16,245)**	**33,921**	**28,507**

Previous reported (under)/over spend	**851**	**20,726**	**7,781**	**28,507**

Managing the Overspend

As noted in **Table 1**, at Month 4 the Council is projecting an overspend of £33.9m for the financial year 2023/24.

3.6 Where an overspend is projected Directorates, including the Housing Revenue Account, are required to present action plans to mitigate their reported pressures, in line with the Revenue Principles agreed by Executive Board in 2019.

3.7 In 2022/23 cross-directorate Task and Finish working groups worked with services projecting overspends to support them to reduce cost pressures. In order to monitor and identify progress on these working groups, savings action plans were developed to record pressures and proposals and to monitor improvement. This process will continue to be used in 2023/24 and the outcome will be reported to future Executive Boards.

3.8 As previously reported, four key messages have been introduced in 2023/24 to advise and support the Council's financial position:

- Stay within budget – reduce discretionary spend and minimise recruitment, including agency and overtime.
- Absorb in-year pressures – Directorates required to absorb all in-year pressures.
- Highlight issues early – use the budget monitoring process to raise issues with Finance colleagues as soon as possible.
- Robust monitoring is essential – includes detailed discussion at relevant monitoring meetings.

3.9 In addition, given the significant forecast overspend position reported here, the Council's Corporate Leadership Team agreed to continue the following two measures that were introduced in 2022/23:

Recruitment Freeze
To continue the freeze on recruitment, agency and overtime spend introduced in 2022/23 and further strengthen the controls through a post-by-post review to identify which posts meet agreed exceptions and can be excluded from the freeze. Unless an identified vacancy is for an excluded post, services will be required to identify how they will cover the costs of the post.

Non-essential Spend
To continue the non-essential spend freeze introduced in 2022/23, with the exceptions being spend on health & safety, to meet statutory service requirements, to prevent further costs, or to support income generation. It is intended to focus monitoring on smaller number of high spend areas applicable to most services and include in Financial Health monitoring reports to Executive Board.

The directorate positions below reflect the impact of an initial review of areas of non-essential spend and further work is expected in this area. Executive Board are asked to approve the virement of identified non-essential spend budgets out of respective Chief Officer budgets and into specific strategic costcentres within each directorate as a measure to prevent further spend against these budgets where it has been identified that this spend is not required.

3.10 Work continues to review the Council's highest cost/spend areas, such as Children Looked After, Transport and LBS and all services are continuing to explore opportunities to maximise income, including a review of Fees and Charges to consider where these might be increased further in year. Asset reviews are underway to consider buildings, land, heritage assets and IT hardware to ensure the Council has the right numbers and mix of assets. Directorates are also considering where Service Review proposals identified as part of the Financial Challenge process supporting the MTFS 2024/25 – 2028/29 can be delivered sooner to generate savings during 2023/24.

Directorate Positions

3.11 The major Directorate variations in **Table 1** are outlined below, with additional detail provided on the Directorate dashboards at **Appendix A1** to this report.

3.11.1 Adults & Health

Adult Social Care 2023/24 Budget

Budget Overview

At Month 4 Adults Social Care is projected to deliver a balanced budget. The Net Managed Budget (NMB) for 2023/24 is £198.8m, comprised of £422.4m Gross Expenditure offset by £223.6m income. This is a small increase of 0.54% from the original NMB 2022-23 budget of £197.643m, agreed at Full Council in February 2023. Reflected in the 2023/24 budget are Budget Action Plans totalling £16.19m, of which £5.3m are still to be delivered; an increase of £0.4m against the position reported to Executive Board in July. Significant risks remain to deliver this position and are outlined below, particularly around the demand and income budgets for Adult Social Care.

Social Care Grants

Included in the Adult Social Care budget for 2023/24 is additional social care grant funding of £27.6m:

- Additional Social Care Grant of £15.41m.
- New Adult Social Care Discharge Funding of £4.44m. This grant is to be pooled into the Better Care Fund with Leeds Integrated Care Board. Additional to the award to Leeds City Council, Leeds Integrated Care Board have directly received £4.7m; therefore £9.1m combined for the City of Leeds. There are new reporting requirements attached to this funding stream and funding is ringfenced for specific social care discharge activities.
- New Adult Social Care Market Sustainability and Improvement Funding of £7.75m. This incorporates the £2.25m 2022/23 Market Sustainability funding awarded last financial year. Like the Discharge Funding above, this grant comes with new reporting requirements and is ringfenced for specific social care activities, supporting market providers, growing the market, and developing and supporting social care workforce recruitment and retention.
- On 28th July the Department for Health and Social Care (DHSC) announced £5.04m new in-year grant funding titled, 'Market Sustainability and Improvement Fund – Workforce Fund Grant Determination (2023 to 2024)'. Subject to confirmation at a later date, the Council is in line for further funding for 2024/25 of £2.83m. Funding comes with tight restrictions around use of the grant, and it is aimed specifically at three target areas: -
    - Increase fee rates for providers in local areas.
    - Increase adult social care workforce capacity & retention.
    - Reducing adult social care waiting times.

Reserves

The 2023/24 Budget assumes the use of £4.4m Adult Social Care & Public Health reserves. At Month 4 the directorate is projecting to utilise an additional £4.0m: £2.6m Newton Europe Home First programme, £0.8m Leeds Older People's Forum for delivery of the Age Friendly programme which is funded by Health and £0.6m for investment in additional social work capacity and continuation of the winter 2022/23 support programme.

Budget Action Plans

At Month 4 there are concerns around the delivery of five Budget Action Plans with a forecast impact of £0.735m, comprising of £0.29m relating to the strategic review for Social Work due to slippage in recruiting staff, £0.12m relating to slippage in the budget action plan for the refurbishment of the 3 LCC run residential homes and their delayed refurbishment and £0.325m slippage in the delivery of commissioning savings. Offsetting this are two actions plans which are over recovering; £0.5m Homecare commissioning programme and £0.235m additional income from the roll out of 'billing engine' and the recovery of client income contributions.

Demand Budgets
The 2023/24 demand related budgets reflect £29.83m additional funding for price, inflation, and demand & demography growth, taking the overall size of the demand led budgets up to £280.173m before reducing to £277.33m after netting off £2.84m savings target reflected in the delivery of the 2023/24 budget action plans; principally the Strategic Review for Adult Social Work. The Month 4 projection is a pressure of £5.5m: -

- +£2.1m Working Age Adults and Learning Disability
- -£2.4m Homecare
- +£6.4m Residential and Nursing settings and includes £0.5m relating to delayed hospital discharge beyond 28 days.
- -£0.7m for Direct Payments and Individualised Care.

This pressure will be covered by staff savings and additional income.

There is a risk around providers challenging the percentage uplift in fees, particularly within the Working Age Adult settings, and another risk around delays in implementing the new delivery model for mitigating against delayed discharges over 28 days and the financial impact for Leeds City Council. Also, there is a risk of increasing numbers and winter pressures in the health system.

Income
At Month 4 we are projecting additional government grant income of £6.7m, additional Health income of £8.5m (of which £5.2m for Newton Europe programme is mentioned in 'Other' below), additional income from Service Users £1.8m; £2.1m additional residential & nursing income, £0.2m additional community-based income, £0.3m shortfall Telecare (offset by staff savings) and £0.2m shortfall Learning Disability income.

Pay
The impact of the employers pay offer is a pressure of £1.1m over and above the 4% pay award built into the 2023/24 pay budget. This will be covered by additional social grant that was not reflected in the Adult Social Care budget. The potential impact could be greater subject to final pay settlement.

Adult Social Care at Month 4 is projecting pay savings of £1.5m, principally around social workers and the national difficulty with recruitment and retention. Other savings on pay are in Provider Services. Some posts are being covered by Agency staff and the Month 4 projection reflects £3.6m of additional costs, with the projection being £5.2m.

Other
Additional CEL charges of £1m have been reflected in the Month 4 projection, made up of £0.8m for passenger transport and £0.2m for catering charges. The Newton Europe, Home First programme commences in 2023/24. The cost of this programme is £7.8m, funded by £2.6m from Leeds City Council (funded from reserves above) and £5.2m from Health. Also, within the Month 4 projection we are

assuming £0.5m of savings from this programme. Significant future savings will be built into the Medium Term programme.

Leeds City Council is the regional host for the Yorkshire & Humber International Recruitment fund. The total grant awarded and received is £1.38m and the majority of funding is allocated across the Yorkshire & Humber region on a relative needs basis. For Leeds this is £0.14m.

Public Health 2023/24 Budget
Public Health (PH) Grant funding for 2023/24 is £48.663m; this is an increase of £1.537m from 2022/23 (3.3%). After taking account of the Office for National Statistic population increase for Leeds, the actual increase per head of population is 3.1%. This is the first year of an announced two-year grant funding for Public Health. For 2024-25 the Public Health funding increases by 1.3% to £49.305m, which will be a challenge in the current inflationary environment. Public Health grant is a ring-fenced account and limited to specific terms and conditions. At Month 4 we are projecting a balanced position.

In 2022/23 Leeds was awarded additional Public Health funding for three years for 'Substance misuse funding for drug and alcohol treatment'. Leeds City Council received £2.785m for 2022/23 and is due to receive £4.445m for 2023/24 and £8.445m for 2024/25. It should be noted that 2023/24 is the second year of the programme and there are specific terms and conditions attached to this grant award.

3.11.2 **Children and Families** – The current year-end forecast for the Children and Families directorate is an overspend of £25.195m. This represents an increase of £7.0m from the headline figure reported at Quarter 1, however the report at Quarter 1 indicated that there was potential for the reported position to change. Currently the forecast of £25.195m is below the potential position which was set out, but there remains significant volatility across a range of functions. The main movements from Quarter 1 are:

- Care Leavers: Semi Independent Living £1.725m
- CLA In House Carers £1.252m
- IFA Placements £0.185m
- External Residential Placements £3.569m
- Staffing Pressures £0.563m
- Reprofiling of School Balances (£0.500m)
- Other movements £0.216m

Overall, the main variations included within the Month 4 position are:

	£m
CLA: External Residential Placements	14.658
CLA: Semi Independent / Leaving Care	4.695
IFA Placements	2.854
Little Owls Nurseries	1.200
Secure Welfare	0.388
CHAD Direct Payments	0.200
Transport	1.212
Projected Net Staff savings	(1.204)
Cost of additional pay award	1.225

Mitigation of pay award	(1.225)
Learning Inclusion	0.642
Reprofiling of School Balances	(0.500)
Non Delivery of Action Plans	0.719
Other Variances	0.331
Total	**25.195**

Whilst the Month 4 position reflects a General Fund forecast overspend of £25.195m, there remains a significant element of volatility in the number of children in high-cost residential placements and the cost of those placements. This reflects a national position of demand and demography challenges along with increasing costs, in part reflecting the wider cost of living challenges experienced more broadly in the economy.

Work continues within the Directorate on seeking to deliver effective practice which results in a lower number of children being subject to these high-cost placements. This continuing work is subject to significant scrutiny and any potential change in the forecast position will be highlighted.

In addition, the Directorate is participating in the Council's overall response to mitigating costs pressures and is engaging in corporate processes which seek to identify savings in non-essential spend, vacancy control and minimising recruitment (where possible) and income maximisation.

For the main areas of forecast overspend, an additional commentary is set out below:

External Residential Placements:
The External Residential budget for 2023/24 is £14.617m. Due to known inflation and demand pressures over and above what was assumed in the budget for 2023/24 there is a projected overspend of £14.658m. External Residential placements have increased from 95 at the start of the year to 121 at Month 4. This projection assumes the non-delivery of £2.966m of action plan savings against this budget including a proportion of the Turning the Curve and the Commissioning Review which have experienced delays in delivery and a reassessment of potential deliverables.

Care Leavers: Semi-Independent Living:

The budget for Semi-Independent Placements is £6.78m. Currently there are 253 placements, including 108 placements for 16 and 17 year olds, which is an increase from previous years. A continued increase in demand and price with particular reference to 16 to 17 year olds requiring higher support packages is seeing a pressure of £6.75m against this budget. Other Leaving Care costs including fees and allowances is projecting a saving of £27k. This pressure has been further mitigated with projected additional UASC income £1.8m.

IFA Placements:
The number of Independent Fostering Agency placements have increased from 209 to 221 since the beginning of 2023/24. The Month 4 projection assumes that £2m of action plan savings will not be delivered against this budget.

Little Owls Nurseries:
The Little Owls nursery settings are projecting a net pressure of £1.2m, a projected income pressure of £2.3m offset by projected staff savings of £1.1m. The Covid 19 pandemic had a significant impact on all Little Owls nurseries and whilst settings have reported increased recovery, income levels are still not back to pre-pandemic levels due to the change in working patterns, and a continued reduction in nursery capacity / opening hours due to ongoing staff shortages and recruitment difficulties.

To recognise increased costs, fees for Little Owls did increase by 5% in 2022/23 to £51.70 per day, an increase of £2.50 per day. For comparison, the average market rate in Leeds is between £45 and £58 per day. In addition to the increase in fees there is a more comprehensive review of the Little Owls provision ongoing.

Transport:
The overall transport budget is showing a projected overspend of £1,212k due to further increases in inflation and demand

Learning Inclusion:
Within the Learning Inclusion service there is a projected budget pressure of £642k which mainly relates to the Education Psychologist Team. Due to increased demands on the statutory service and recruitment difficulties the service is projecting a reduction in its trading capacity and so a loss of trading income, in addition to increased locum costs.

Pay Award:
The projected differential between the 4% pay award assumed in the budget and the proposed NJC pay award of £1,925k equates to £1,225k. This pressure will be mitigated from an additional contribution of £1,225k from the Social Care Grant.

Budget Action Plans
The budget for 2023/24 included action plan savings of £18.486m. The Month 4 position assumes that £11.469m of these action plans will not be achieved as below:

- Diversifying Children's Residential and Fostering provision £3.479m: it has been agreed that the slippage in this action plan will be funded corporately and so is not included as a C&F pressure in the Month 4 position.
- Review of Placement Commissioning £2.715m: only £1.285m of the £4m action plan saving is currently expected to be delivered however work continues on this workstream
- Turning the Curve £3m
- Review of Childrens Centres £0.350m
- Review of Contracts £0.369m
- Efficiencies across the directorate £1.556m

Dedicated Schools Grants

The approved DSG budget for 2023/24 assumed a balanced in year budget. The position at Month 4 projects an in year pressure of £0.085m. This projected pressure is within the high needs block.

With regard to the surplus balance brought forward from 2022/23 of £9.010m, proposed options to passport a proportion of this balance back out to schools were considered at the Schools Forum held in July.

A proportion of the surplus came from previous contributions from maintained mainstream schools for de-delegated services. As a result, it was agreed £0.5m would be used to fund de-delegated services, thereby reducing contributions required from those schools. In addition, it was agreed £1.25m would be refunded to maintained mainstream schools pro-rata to their original contributions.

Other options were also considered for increasing school funding by effectively reversing the £3.127m schools block to high needs block transfer in 2022/23, which would need to be actioned within the 2024/25 funding formula. A review of the Funding for Inclusion (FFI) applications process was also considered. It was agreed that decisions on these options should wait until the 2024/25 ESFA funding announcement was received and the Council's DSG MTFS had been updated in September, to reflect both the latest funding and forecasts for inflation and demand.

Taking into account the proposals for using £1.75m de-delegated contributions, plus the Month 4 pressure of £0.085m, DSG reserves at the end of 2023/24 are projected to be a surplus of £7.175m. This comprises £6.975m for general DSG and £0.2m contingency for de-delegated contributions. The reserves forecast may change later in the year once the DSG MTFS has been updated as this will enable the options put to Schools Forum in July to be considered.

3.11.3 City Development - The financial position for City Development at Month 4 is a projected underspend of £0.38m. This position includes the anticipated additional cost of the local government pay award which is currently estimated at £1m (net of amounts charged to capital and grant schemes) over and above the budgeted amount but it also includes additional savings which have been identified to offset this and achieve the reported position.

There are a number of areas of risk within individual service areas as described below but it is anticipated that these will largely be mitigated through the development of action plans to achieve the reported position at the year end.

The main variations anticipated at this early stage of the year are:

- **Active Leeds** – the service is projecting an underspend of £1.02m which reflects the cost of the additional pay award of £0.48m offset by expected running cost savings of £1.5m. Based on income achieved during the first few months of the year, there is a potential risk of £0.25m in respect of swimming income, although this is subject to a degree of variability and current projections assume that it will recover as the year progresses.
- **Arts & Heritage** – the forecast underspend of £0.77m reflects the anticipated additional cost of the pay award of £0.27m, as well as projected income shortfalls in respect of Breeze pass charges and Pudsey Civic Hall car parking (£0.2m). These are offset by savings from vacant posts (£0.02m) and refunds received in respect of Business Rates appeals totalling £1.22m in respect of Heritage Assets.

- **Asset Management & Regeneration** – a shortfall to budget of £0.22m is currently projected but mainly reflects pressures in respect of the Strategic Investment Fund (£0.66m) and Estate Rationalisation savings targets (£0.55m), partially offset by staffing savings of £0.3m and other one-off sources of income of £0.7m such as release of restrictive covenants and fees relating to capital receipts.
- **Employment and Skills** – a projected underspend of £0.27m mainly reflects final balances in respect of programmes which have now concluded.
- **Highways and Transportation** – the projected overspend of £0.15m includes the net impact of the pay award, vacant posts, anticipated additional external spend to deliver the work programs, and a shortfall in assumed income from the major schemes contractor procurement framework.
- **Markets and City Centre Management** – a shortfall of £0.6m in respect of Markets income is estimated which reflects vacant units mainly within the Kirkgate and Outdoor markets, partially offset by an assumption of additional income from the Block Shops redevelopment in the latter part of the financial year. In addition, income shortfalls of £0.4m are projected within City Centre Management in respect of city centre advertising income, income from street café licences and from hiring of event spaces in the city centre.
- **Planning & Sustainable Development –** the current forecast position is an overspend of £0.25m which reflects the impact of the assumed pay award and a projected shortfall in meeting the budgeted vacancy factor. Based on income received in the first few months of the year there is a risk around achieving the budgeted level of planning fee income. The forecast position assumes that it will recover as the year progresses, but this remains subject to variation and will continue to be monitored.
- **Staffing** – within the overall reported position described above, there is an overall staffing underspend of £0.2m.

Key Budget Action Plans

The 2023/24 budget contained £10.9m of new savings plans. At this stage of the year, it is anticipated that most have been delivered or are on track to be delivered, with only minor shortfalls forecast within the overall directorate position.

In addition, there are also a number of savings plans relating to previous years which need to be delivered, in particular, as referred to above, the existing Strategic Investment Fund, Estate Rationalisation and Highways major scheme procurement framework budget savings plans. Although these may not be achieved within the current financial year as originally envisaged, mitigating savings will be identified where possible to offset these pressures.

3.11.4 **Communities, Housing & Environment -** At Month 4, an overspend of £3.8m has been projected for the Communities, Housing and Environment directorate. This is an improvement of £0.6m from the position reported at Quarter 1, with an additional £0.3m forecast saving to the corporate contingency fund relating to Parking income.

This position includes the anticipated additional cost of the local government pay award which is currently estimated at £3.8m which can be netted down by £1.1m by passing on the impact of the pay award to capital schemes, HRA and grant funding.

Other significant pressures have arisen due to changes in Waste Management legislation (£1.7m) and Housing Benefits where the Council is unable to claim subsidy (£1.9m) alongside other inflation and demand led service pressures.

The staffing projections are primarily based on maintaining existing staffing levels with exceptions around the filling of grant funded/income generating posts. Actions to hold posts vacant, reduce non-essential spend and maximise income have been projected to deliver savings of £6.1m.

The main variations anticipated are:

- **Waste Management +£2.2m –** The service is facing a significant number of pressures, all of which only become known after the 2023/24 budget was approved.

  New guidance has been received that the Environment Agency (EA) will regulate the disposal of upholstered furniture that contain POPs. These materials are now required to be separated and disposed of in accordance with the new EA regulations, resulting in significantly higher disposal costs. Higher disposal charges are now being incurred for all collections (typically collections of bulky waste and the general waste skips at Household Waste sites) that contain any POPs materials. To mitigate the in-year cost to a forecast +£1.6m a temporary sorting solution has been identified, but there may be a need for capital works at Kirkstall Road (circa £0.3m).

  In late June 2023 the Government announced an intention to remove the ability of Councils to charge for the disposal of inert waste (typically soil and rubble) at Household Waste Recycling Centres, possibly in the Autumn of this year – although as yet no date has been confirmed. The in-year pressure is likely to be a minimum of £0.2m, with a greater FYE in 2024/25.

  Income from Green Bin waste is now forecast to be £0.4m lower because of the ongoing market price of recycled materials. This pressure will increase further if material prices continue to be lower than had been assumed in the budget.

  Offsetting these pressures is an additional £1.0m income relating to the Veolia RERF contract, £0.3m of which relates to a rebate from 2022/23 following the annual reconciliation of the PFI contract. A further £0.2m can be saved by utilising the Waste Strategy reserve to fund the costs of the glass collection pilot.

  The impact of the pay award offer is forecast at £1.4m.

- **Cleaner Neighbourhoods Teams & City Centre +£0.8m.** The variation mainly reflects the impact of the pay offer at £0.5m, although there are significant pressures on overtime within the service.

- **Welfare and Benefits +£1.6m.** Pressures arising from placement of people in Supported Accommodation with providers who are not registered and placement of people in temporary accommodation. The forecast subsidy pressure is £3.2m, with assumed one off recovery of benefit overpayment income of £1.3m. Whilst this projection shows the continuing demand pressures on benefits subsidy income, it does reflect the fact the service has already delivered £250k of the budgeted action plan saving of £600k at Quarter 1, with a full year effect of this action being £390k.

Staffing costs are projected at +£0.1m, but this is offset by expenditure savings and new burdens grant income of (£0.3m) and non-essential spend savings of (£0.1m).

- **Climate, Energy and Greenspaces +£0.0m.** The service is experiencing pressures across several areas, which are mitigated by staff savings and non-essential spend savings. The key variances are highlighted below:

    - Inflationary pressures of £0.2m on the cultural events programme
    - Net pressures on estates and attractions £0.6m (£0.3m is income related)
    - Bereavement services income pressures of £0.5m
    - Parks operations income maximisation savings of (£0.3m)

    Within the figures above, the impact of the pay award is £0.7m, but this can be offset with charges to capital and management of vacancies within the service.

- **Car Parking Services +£0m.** Income continues the recovery trajectory witnessed in 2022/23; however, at Month 4 the projection suggests that receipts are projected to fall £0.7m below the budget. As full provision has been made within a corporate contingency for this amount, a nil income variance is reported. Staffing costs are £0.1m under after pay award and £0.1m of non-pay award related staffing pressures have been identified.

- **Customer Access -£0.5m** – Review of non-essential spend and income maximation are projected to deliver net savings of £0.5m in 2023/24. Staffing pressures of £0.2m are offset by charges to grant/HRA and holding posts vacant.

- **Safer Stronger Communities +£0m –** Staffing pressures +£0.3m are projected. However, this can be offset by a combination of additional grant income and passporting the pay award on to the HRA/other grants.

- **Elections, Licensing and Registration and Environmental Health -£0.1m –** No significant variations are expected across these services. Operational spend savings and additional registrars income are offsetting the impact of the pay award.

- **Statutory Housing Services -£0.3m -** Staffing savings are projected to cover the cost of the pay award and it is expected an additional (£0.3m) can be delivered by maximising charges of existing staffing into new grant income and maximise collection from other income streams.

Budget Action Plans

A total of £6.6m of budget action plans are being monitored each month with a £0.3m positive variance against the plans reported at Month 4. £0.9m of plans have been marked as delivered in full.

3.11.5 **Strategy & Resources -** Based on an examination of key risk budgets, the Strategy and Resources Directorate is forecasting a pressure of £5.2m at this reporting period.

This is summarised into the following areas across the Directorate's services:

Finance £Balanced
A staffing overspend of £550k, which includes £208k to reflect the additional unbudgeted pay pressure based on the current offer. The total overspend is being offset by £487k additional income from the maximisation of grant funding and £63k savings from across operational budgets.

Integrated Digital Services £Balanced
Staffing overspends of £0.9m, including pay award £1.05m, contractor projected costs of £1.5m and an assumed vacancy factor of £1.3m. Overspends across supplies and services of £1.5m are being offset by additional income of £2.4m, which includes use of £2.5m of unbudgeted Capital Receipts.

Procurement £87k
Staffing overspends of £87k to reflect the additional unbudgeted pay pressure based on the current offer.

Legal Services £154k
Staffing overspends of £140k, including agency pressure of £140k, and other additional pressures of £105k offset by additional reimbursement income from a legal case of £91k.

Democratic Services £17k
Staffing overspends of £45k, this includes £37k to reflect the additional unbudgeted pay pressure based on the current offer, are being offset by expenditure savings of £28k.

Shared Services £1,568k
Staffing overspends of £2,645k including the current offer of pay award, income pressure of £180k on electronic goods salary sacrifice scheme, are being offset by income mitigations of £955k, additional funding of £250k and other expenditure savings of £52k.

Strategy and Improvement £123k
Staffing overspends of £141k and a pressure of £150k of budgeted savings on communications and marketing are being offset by £60k savings on expenditure and £109k additional income.

Human Resources £275k
Staffing overspends of £732k, £150k expenditure pressures, are being offset by additional funding from Adults and Health for HR support of £93k, income mitigations of £182k, use of reserves of £300k.

School Crossing Patrol £Balanced

Leeds Building Services (LBS) £1,228k
The pressure reflects the current understanding of the level of work likely to be commissioned by clients relative to the £80.9m required turnover and the consequent impact on the rate of return. There remains a risk that any variance from the current understanding of client budget will impact to the LBS business plan. LBS are also working to forecast all the inflationary pressures which have been seen throughout the industry which may further adversely impact the position.

Corporate Property Management £12k
Staffing overspends of £12k to reflect the additional unbudgeted pay pressure based on the current offer.

Catering £484k
The additional unbudgeted pay pressure based on the current offer results in a projected staffing overspend of £712k which the service is partially mitigating through additional income of £228k.

Cleaning £210k
The additional unbudgeted pay pressure based on the current offer results in a projected staffing overspend of £210k. This is the net pressure after actions taken by the service to mitigate the overall pressure through increased charges.

Fleet £650k
The Fleet position reflects the ongoing 2022/23 pressure of an aging fleet resulting in increased demand and inflationary pressures leading to increased occasional hire costs to maintain front line service operations. The use of vehicles across the authority is subject to review.

The 2023/24 Fleet Services budget contains a savings target of £1.3m, the achievement of which has been overshadowed by a combination of the impact of inflation on vehicle parts, fuel and occasional hire together with the impact of maintaining an ageing fleet. In addition, increased demand for services such as passenger transport has resulted in the requirement for more vehicles and hence greater maintenance costs. Together these factors have impacted on the capacity for directorates to absorb the £1.3m savings target. Consequently, this report askes Executive Board to approve the use of £1.3m from the Strategic Contingency Reserve to address this in year pressure. The reported position shown assumes the contribution from reserve.

Security £70k
The additional unbudgeted pay pressure based on the current offer results in a projected staffing overspend of £70k.

Presto £140k
Staffing overspends of £20k to reflect the additional unbudgeted pay pressure based on the current offer as well as £120k income pressure on the Meals and Home service. The service is seeing a reduction in demand following an increase during Covid.

Facilities Management £199k
Staffing overspends of £74k to reflect the additional unbudgeted pay pressure based on the current offer, £75k pressure for additional security and £50k pressure for front of house staffing costs.

Budget Action Plans
A total of £9.2m of budget action plans are being monitored each month. Against which a shortfall of £0.5m is forecast in respect of Staffing efficiencies £0.28m, Communications & Marketing synergies £0.15m and BSC Shared Cost Salary Sacrifice £0.08m.

3.11.6 Strategic & Central Accounts - At Month 4 the projection for the Strategic and Central Accounts is an overspend of £0.1m. This position includes a projection that the debt budget will be in balance. Although interest rate rises have been higher than was anticipated when the budget was approved, the borrowing requirement has reduced due to anticipated capital programme slippage. This projection assumes that short term borrowing will be obtainable at an average of 5.25% during the year. However there remains a risk that interest rates could peak at a higher rate than this, which could further increase the Council's borrowing costs.

A pressure of £0.3m has been recognised in the levy payable to WYCA (the West Yorkshire Combined Authority). This arises because, although WYCA's overall budget has remained unchanged, the proportion which is charged to the Council has increased due to changes in the relative population sizes of the five West Yorkshire councils. This pressure has been partly offset by the recognition of £0.2m of residual Covid sales, fees and charges compensation grant income, which had previously been uncertain but is now expected to be received during the current year.

3.11.7 Directorate dashboards highlight a projected overspend of £33.9m. As discussed in this report a range of actions are being undertaken or are proposed to achieve a balanced budget position. Ongoing pressures identified in the current year have been built into the Medium Term Financial Strategy, elsewhere on today's agenda, and will be included in the 2024/25 budget.

3.12 Budget Action Plans

The budget for 2023/24 requires the delivery of £58.6m of savings. In addition, directorates have identified a further £7.2m of savings actions since the Budget was agreed. Detailed budget action plans have been developed to identify how these savings will be achieved and progress against these action plans will continue to be monitored and reported throughout the year. Further detail is provided at **Appendix A2.**

At Month 4 it is anticipated that most savings will be delivered in full through the identified saving plans or through mitigating actions identified by each Directorate, however a £12m shortfall has been identified and is reflected in the reported directorate positions except where noted:

- Children & Families - £11.5m shortfall on the anticipated level of savings from the following projects: diversifying Children's Residential and Fostering provision £3.479m; review of Placement Commissioning £2.715m: Turning the Curve £3m; review of Children's Centres £0.350m; review of Contracts £0.369m and efficiencies across the directorate £1.556m. More detail is provided at paragraph 3.11.2, where it is noted that the target for Children's Residential and Fostering provision £3.479m, which is included in the £11.5m shortfall reported, will be funded corporately and so does not appear in the projected Month 4 position.

- Strategy and Resources – £0.5m shortfall in the anticipated level of savings from the following projects: £0.277m Staffing efficiencies, £0.15m

Communications & Marketing synergies and £0.08m BSC Shared Cost Salary Sacrifice.

As discussed at paragraph 3.11.5, the Strategy and Resources savings position outlined here assumes the use of £1.3m from the Strategic Contingency Reserve to fund budgeted fleet savings which are not deliverable across the Council in year due to the impact of inflation, costs of maintaining an ageing fleet and increased demand for services. Executive Board are asked to approve this release from reserves.

Although other directorates have indicated shortfalls in regard to fully meeting their targeted budget action plans totalling £0.945m, they have identified other mitigating measures to offset these shortfalls.

3.13 Inflationary Pressures

3.13.1 At the end of Month 4 an overspend of £33.9m is projected against the Council's 2023/24 revenue budget.

3.13.2 Pay Inflation – The 2023/24 budget allows for £38.9m of pay inflation. The increase provides for the following elements: £18.8m which reflects the Employer's final offer for 2022/23 and which was not agreed until after approval of the 2022/23 budget; £18.2m for an assumed 2023/24 pay award incorporating a 4% pay award for all other staff and the Real Living Wage of £10.90 at pay scale points 1 and 2 announced in September 2022; £0.3m in regard to the pay impact of the additional day of leave included in the 2022/23 pay award to be implemented from 2023/24; and £1.6m for the additional cost of Enhancements. The forecast position reflects a projected 2023/24 NJC pay award of £1,925 and the agreed JNC pay award of 3.5%. If the pay award is higher than the current forecasts then directorates will be required to implement contingency savings to offset any additional cost. Directorates have included any identified pay award mitigation measures in their 2023/24 budget action plans.

3.13.3 Energy – The Government's Energy Bills Discount Scheme, which runs for 12 months from 1 April 2023 to 31 March 2024 for businesses and other non-domestic energy users (including charities and public sector organisations), sets a much higher price threshold above which organisations become eligible for relief than was in effect over the Winter 2022/23, and, for the most part, the Council does not expect to benefit from any discounts based on its forward purchases and current market forecasts. However, the Government has set a lower threshold for relief for what they term as 'energy trade intensive industries', which include libraries, museums, historical sites and botanical and zoological gardens, and there may therefore be some eligibility for the Council.

The 2023/24 budget allows for £10.7m or a 53.21% increase in energy costs for gas and electricity. Since the budget was set in February 2023 energy prices have stabilised, with short term commodity prices currently around twice the historical levels (prior to the energy crisis) on average, which, although still high, are much lower than the extremes seen over the last two years. Recent advice from the Council's energy advisors has largely been to hold off temporarily from forward purchasing energy as the markets have continued to ease, and as such the LCC unsecured volume over recent months has been attracting lower spot market prices and reducing the overall unit price. Alongside the purchasing strategy, actions continue to be taken to review energy usage and implement measures across the Authority's estate in order to reduce the pressures associated with increased energy costs.

Whilst acknowledging the ongoing volatility of energy prices, recent forecasts indicate that costs could be as much as £3m lower than allowed for in the 2023/24 General Fund budget. At July's meeting Executive Board approved in principle that any underspend on energy would be transferred to the Strategic Contingency Reserve to support the Council to deal with pressures in other areas.

3.13.4 **Fuel** – The average UK pump prices for diesel and unleaded petrol saw decreases of 23.4% and 25.9% respectively between July 2022 and July 2023. The 2023/24 budget has allowed for an increase of £1.2m, largely attributable to the significant price increases in 2022/23. Fuel costs will continue to be monitored throughout the year.

3.13.5 **Cost of Living Pressures** – Further to the inflationary pressures detailed here, there has been a wider inflationary impact to the Council due to the severity of increased cost of living on our residents and businesses. As expected, we have seen the impact of this in increased costs to the Council for the goods and services that we procure, increased demand for support and welfare services, and reduced income across a range of services as Leeds residents and visitors choose to spend differently. The position will continue to be closely monitored.

3.14 Reserves

General Reserves

3.14.1 Following the closure of the 2022/23 accounts, the Council's general fund reserve stands at £33.2m. The 2023/24 budget assumes a £3m Strategic Contingency Reserve contribution to this reserve during the current financial year.

Strategic Contingency Reserve

3.14.2 The 2023/24 budget includes use of reserves to support the Council's General Fund, including use of the Strategic Contingency Reserve which was established in 2020/21 to fund future unforeseen budget pressures and to ensure the Council becomes more financially resilient.

3.14.3 The opening balance on the Strategic Contingency Reserve for 2023/24 is £19.9m with budgeted use of the reserve being £14.3m with a further £0.6m committed to support Covid backlog recovery. As discussed at paragraph 3.11.5, this report seeks Executive Board's approval to use £1.3m from this reserve to fund budgeted fleet savings which are not deliverable in year due to the costs of maintaining an ageing fleet and increased demand for services. If approved, the available balance in this reserve is currently forecast to be £3.7m at 31st March 2024.

3.15 Funding from other Resources

3.15.1 Flexible Use of Capital Receipts

Under guidance issued in March 2016 and updated in August 2022, Local Authorities are allowed to use capital receipts for funding "expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners".

Table 2: Expenditure funded through flexible use of capital receipts Month 4

2023/24- EXPENDITURE FUNDED THROUGH FLEXIBLE USE OF CAPITAL RECEIPTS						
Directorate	**2023/24 Planned Spend £m**	**2023/24 Projected Outturn £m**	**Variation to Budget £m**	**2023/24 Planned Savings £m**	**2023/24 Projected Outturn £m**	**Variation to Budget £m**
Adults & Health	2.32	2.14	(0.18)	(4.00)	(4.00)	0.00
Children & Families	1.40	1.40	0.00	0.00	0.00	0.00
City Development	0.63	0.63	0.00	0.00	0.00	0.00
Communities, Housing & Environment	0.12	0.00	(0.12)	(0.12)	0.00	0.12
Strategic & Resources	9.46	9.36	(0.10)	(2.03)	(0.50)	1.53
Strategic/ Corporate	10.33	10.33	0.00	(1.00)	(1.00)	0.00
	24.25	**23.86**	**(0.39)**	**(7.14)**	**(5.50)**	**1.64**

Full Council approved allocation of £19m of capital receipts in the 2023/24 budget to support further transformational work/ projects. This Month 4 report updates the position with an additional £5.3m of planned use bringing the total planned use for 2023/24 to £24.3m, of which £2.4m reflects slippage against budgeted use in 2022/23 and £2.9m relates to new transformation spend. The total "Planned Spend" is as shown at **Table 2** and the movements against the budgeted position are detailed below, with further detail at **Appendix A3:**

2022/23 Slippage:

- Core Business Transformation £4.25m in total, of which £0.6m is required in 2023/24 and £3.65m in 2024/25
- IDS staffing to support delivery of key projects across the authority £1.8m in 2023/24.

2023/24 New Projects:

- Children & Families transformation team £1.4m
- Corporate Transformation Capacity Team £0.6m
- Leeds Building Services workstreams £0.3m

- PACS staffing for key transformational projects/work £0.6m

At Month 4 the estimated use of capital receipts for transformational projects is at £23.86m, a marginal variation from planned spend, and this spend is projected to achieve £5.5m of savings in 2023/24, with further savings in later years.

3.15.2 Invest to Save/Innovation Fund – The Invest to Save and Innovation Funds are designed to strengthen the Council's longer term financial resilience. The Invest to Save fund is used for service improvements or transformational projects where a proof of concept has already been delivered and an initial revenue investment would directly generate cost reductions or income for the Council. Allocations from the fund will be repaid from the savings generated and it is therefore self-financing. The Innovation Fund is designed to provide pump-priming investment for those more conceptual schemes which need to be developed further. It is acknowledged that not all of these schemes will be successful, but for those that are, the fund would be repaid with the aim of it becoming self-financing.

The total funds for Invest to Save and Innovation Fund schemes at the start of 2023/24 was £3.529m, of which £0.941m relates to funds committed before 2022/23. £0.318m relates to funds committed in 2022/23 which are projected to be entirely spent this year. At the end of Month 4 2023/24, £0.208m has been committed leaving an uncommitted and available balance of £2.062m. It is projected that £0.123m will be spent in year. This spend includes an external review of the Education, Health and Care Plans process (£98k). Although no in year savings are currently anticipated, this targeted expenditure will result in savings to be realised in future years, and is summarised in **Table 3**.

Table 3: Invest to Save/Innovation Fund Month 4

	£k	£k	Year End Projected Spend £k	Year End Projected Savings £k
Total Funds at start of 2023/24		(3,529)		
Less Funds Committed before 2022/23		941		
Less Funds Committed in 2022/23:				
City Development	0		0	0
Communities, Housing & Environment	245		245	0
Strategy & Resources	73		73	0
		318	318	0
Less Funds Committed 2023/24 to Qtr 1:				
Children & Families	98		98	0
Strategy & Resources	110		25	0
		208	123	0
Therefore Funds uncommitted and available		**(2,062)**		

3.15.3 COVID-19 Backlog Recovery Fund – This fund was established to meet costs related to clearing backlogs caused by the COVID-19 Pandemic. The total funds at the start of 2023/24 were £0.623m. At the end of Month 4, £0.619m has been committed leaving an uncommitted and available balance of £0.004m. It is projected that £0.521m of the £0.619m will be spent in 2023/24. This position is summarised in **Table 4**.

The most significant uses of this Fund relate to Business Administration support to the Children and Families directorate (£0.250m) and additional staffing resource for Debt Recovery (£0.146m).

Table 4: COVID-19 Backlog Recovery Fund Month 4

	£k	£k	Year End Projected Spend £k
Total Funds at start of 2023/24		(623)	
Less Funds Committed to 2023/24 Qtr 1*:			
City Development	146		48
Communities, Housing & Environment	66		66
Resources	407		407
		619	521
Therefore Funds uncommitted and available		**(4)**	

*To note, where schemes involve two directorates, they have been included under the lead directorate.

4. Other Financial Performance

4.1 Council Tax

The Council Tax in-year collection rate at the end of July 2023 was 35.59%. Whilst this is a slight decrease from the May 2022 in-year collection rate of 36.15% it should be noted that this can be attributed to application of around £4m in £150 cost of living 'rebates' to Council Tax accounts in July 2022, thereby artificially increasing the amount collected at that point in the year and impacting on the comparison.

The current collection rate is still significantly lower than the July 2019 in-year collection rate of 36.91%, however the profile of taxpayers' payments has changed significantly since the pandemic, with many more residents choosing to pay their council tax over twelve months rather than ten. Due to the challenging conditions following the pandemic, the target collection rate in the fullness of time was reduced for 2022/23 to 98.5%, at a cost to the Council's share of the Collection Fund deficit of £2.0m. It has been assumed collection rates will return to the normal 99% recovery rate from 2023/24 onwards.

The opening deficit on the Collection Fund is £8.901m, which includes the deficit from 2022/23 and the final instalment of the deficit from 2020/21, which the Government mandated had to be spread over three years. At the time of declaration these elements were estimated to be £8.778m and are to be repaid by the Council, the Fire Authority and the Police in 2023/24.

This repayment of the 2020/21 and 2022/23 deficits would be expected to generate a surplus on the collection fund, however current projections, based on historical trends of growth and movements in discounts and local council tax support, are that an in-year surplus of only £6.777m will be generated in 2023/24 leaving of projected closing deficit on the collection fund of £2.124m. Leeds share of this projected closing deficit would be £1.784m, with the remainder being paid by the Fire Authority and the Police.

New charges in addition to the original billing at the start of the year have been lower than assumed in projections, which, if repeated throughout the year, will be the most significant underlying cause generating the projected deficit. However, this projected position only reflects four months of data and close monitoring of the growth in council tax liabilities in the city will be required in the coming months.

4.2 Business Rates

The Business Rates collection rate at the end of July 2023 is 38.86% which is significantly higher than the July 2022 in-year collection rate of 36.15% but slightly lower than the July 2019 in-year collection rate of 39.03% before the pandemic. As with Council Tax, the profile of ratepayers' payments has changed after the pandemic with many more local businesses choosing to pay their rates bill over twelve months rather than ten. The budgeted collection rate for business rates is to achieve an in-year collection target of 97.8%, collecting £347.4m of business rates income. The collection rates will continue to be closely monitored in the current year and into future years.

The total rateable value of business properties in Leeds has decreased from £954.44m at the time of the 2023/24 budget to £952.31m as at 31st July 2023, a decrease of £2.13m. Around £840k of this reduction is due to hereditaments undergoing redevelopment or major works and so it is anticipated that in time the rateable value of these properties will increase. The 2023/24 budget includes an expected increase in Rateable Value of £2.5m for the full year. The size of the Business Rates tax base in Leeds continues to be monitored closely.

Leeds' share of the declared Business Rates deficit from 2022/23 (at 31st December 2022) has been incorporated into the 2023/24 budget. The total declared deficit on the Business Rates Collection Fund was £7.16m. Leeds' share of the unfunded declared deficit from 2020/21 was £36.7m, which has been spread over three years in accordance with Government legislation. The final of the three repayments of £12.2m will be paid in 2023/24 and is fixed and included in the £7.16m declared deficit.

After reassessing the level of the bad debt and appeals provisions for end-of-list appeals and reduction in the multiplier cap compensation, the actual closing deficit for 2022/23 was £9.08m; a worsening of £1.93m from the position declared. This will be carried forward as a loss to the 2024/25 budget.

In 2023/24, an in-year surplus of £0.54m is projected, driven mainly by a large reduction in the demand for Empty Rate Relief in the first two months of the year compared to the years immediately after the pandemic, in addition to an improvement in the projected bad debt provision. When combined with the £1.93m worsening in the closing position for 2022/23 it is currently forecast that there will be a total closing deficit of £1.87m, which will have to be repaid to the collection fund by the Council in 2024/25.

4.3 Business Rates Appeals

The opening appeals provisions for 2023/24 are £36.8m, made up of £4.6m relating to appeals received against the 2010 ratings list and £32.3m estimated costs in relation to the 2017 ratings list. Under 50% Business Rates Retention, Leeds' budget is affected by 49% of any appeals provision made in this year.

On 31st July 2023, there were 58 appeals outstanding against the 2010 ratings list. No 2010 appeals have yet been settled in this financial year. No new appeals have been received in 2023/24.

Before the COVID-19 public health crisis, the introduction of the new Check Challenge Appeal system on 1st April 2017 saw a significant reduction in the number of appeals submitted by ratepayers against their Rateable Value on the 2017 ratings list compared to the 2010 ratings list. Only thirteen appeals have so far been submitted to the Valuation Tribunal, the final stage of the new process.

The 2017 ratings list came to an end on 31st March 2023. In most cases this sees the end of the ratepayers' right to appeal against their Rateable Value on that list. As such the number of Checks received by the Valuation Office Agency increased significantly in the last few months of 2022/23. The increase was even greater than expected and although an allowance had been included in the forecast of the declared deficit further provisions were made to outturn at an additional cost of £4.2m to the General Fund and £1.93m worse than projected at declaration.

As at 31st July 2023, the Council is providing for a net of 2601 Checks and Challenges against the 2017 ratings list. This is significantly higher than the 605 received at the end of Quarter 1 and has resulted in the Council further increasing its appeals provisions at this time. The position will be monitored closely over the coming months to ensure that the Councils provisions for the 2017 list remain adequate. There are also 142 Checks and Challenges against the new 2023 ratings list. It is anticipated that because of the move to 3 yearly revaluations from 2023 (previously 5 years) the valuation lists will necessarily be more representative of the current commercial property market, and it is expected that there will be fewer challenges to the lists going forward. The level of appeals against the 2023 ratings list, and the losses incurred, will also continue to be closely monitored in the coming months.

In addition, the Authority has made provisions for specific issues such as the removal of ATMs located in shops from the 2017 list, expected reductions to hospitals, ambulance and fire stations and expected reductions to several GP surgeries which will be reassessed quarterly.

4.4 Impact of Covid 19 and cost of living on the Collection Fund in 2023/24 and beyond

Collection of Business Rates can be seen to be improving following the lifting of restrictions in place due to the Covid 19 crisis. However, the pressures of the cost of living crisis and the long-term impact on collection rates and the tax base will require close monitoring.

5 Housing Revenue Account (HRA)

5.1 At Month 4 the HRA is reporting a pressure of £3.17m.

5.2 As a result of significant pressures on the repairs budget of around £13m, a virement was input at Month 3 to reduce the capital investment programme in 2023/24 to provide the desired level of funding for responsive repairs.

5.3 Further work is still required to balance the HRA as there is an over programming pressure of £3.17m currently with no identified available funding. The position on repairs and capital budgets will be closely monitored and an action plan will be worked up to bring the budget into balance.

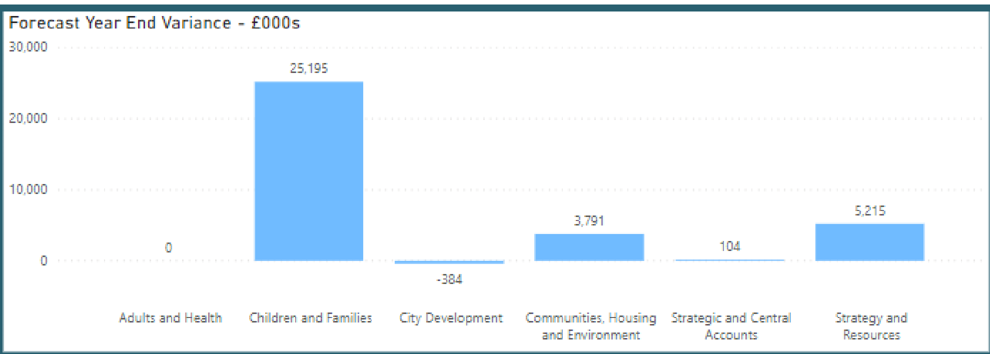
Overall Summary Sheet **Month 4 (July 2023)**

Financial Dashboard 2023/24 Financial Year

Budget Variation £000s

33,921

Overspend (+) / Underspend (-)



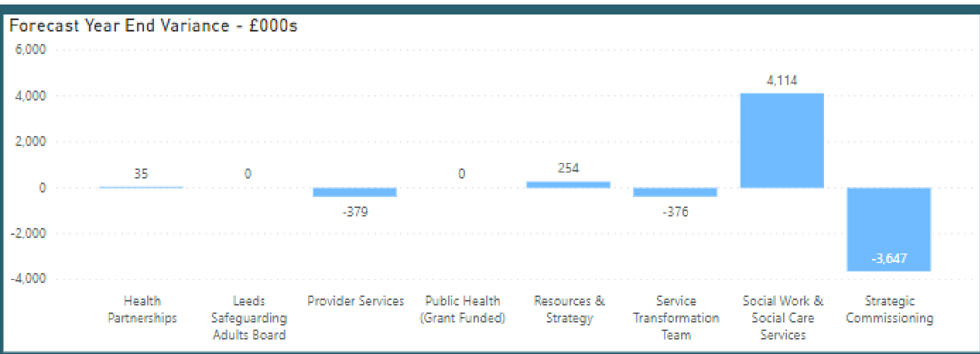
Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	536,780	544,252	7,473
Premises	65,368	65,768	399
Supplies and Services	251,230	256,222	4,992
Transport	54,115	55,016	901
Internal Charges	89,818	91,512	1,693
Third Party Payments	493,249	529,376	36,127
Transfer Payments	181,578	185,700	4,122
Capital	91,351	92,335	984
Transfer to/from Reserves	-22,633	-29,158	-6,524
Internal Income	-336,023	-331,512	4,511
External Income	-831,862	-852,617	-20,755
Total	**572,972**	**606,893**	**33,921**

Financial Dashboard 2023/24 Financial Year

Budget Variation £000s

0

Overspend (+) / Underspend (-)



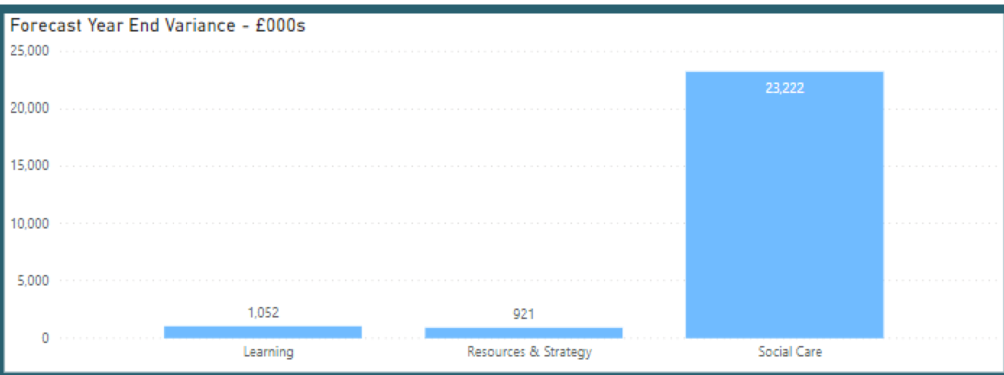
Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	70,427	68,927	-1,500
Premises	1,381	1,374	-7
Supplies and Services	5,861	14,117	8,256
Transport	1,011	1,021	10
Internal Charges	14,108	14,990	881
Third Party Payments	320,681	334,563	13,882
Transfer Payments	13,488	12,776	-712
Transfer to/from Reserves	-4,521	-8,514	-3,993
Internal Income	-4,972	-4,713	259
External Income	-218,639	-235,715	-17,075
Total	**198,826**	**198,826**	**0**

Financial Dashboard 2023/24 Financial Year

Budget Variation £000s

25,195

Overspend (+) / Underspend (-)



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	112,110	111,457	-653
Premises	4,749	4,752	3
Supplies and Services	66,098	66,889	791
Transport	11,822	11,832	10
Internal Charges	36,193	37,160	967
Third Party Payments	114,139	136,082	21,944
Transfer Payments	3,895	3,419	-476
Capital		0	0
Transfer to/from Reserves	-979	-963	16
Internal Income	-36,315	-35,382	933
External Income	-168,485	-166,825	1,660
Total	**143,226**	**168,421**	**25,195**

Financial Dashboard 2023/24 Financial Year

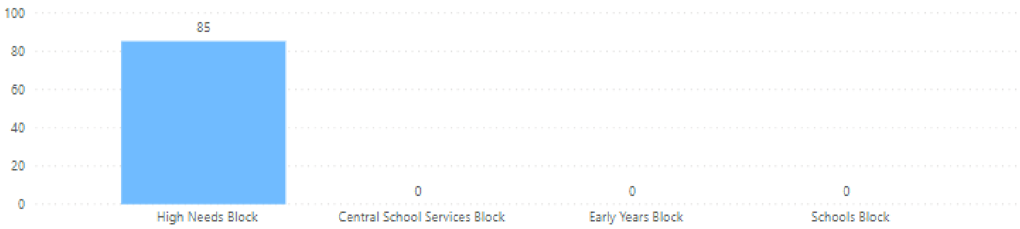
Leeds CITY COUNCIL

DSG Variation £000s

85

Overspend (+) / Underspend (-)

Dedicated Schools Grant (DSG) Forecast Year End Variance - £000s



Net Variations against the Approved Budget

DSG Block	Income Budget	Income Projection	Income Variance	Expenditure Budget	Expenditure Projection	Expenditure Variance	DSG Budget (LE)	DSG Projection	DSG Variance
Schools Block	-341,721	-341,721	0	341,721	341,721	0	0	0	0
High Needs Block	-117,035	-117,035	0	117,035	117,120	85	0	85	85
Early Years Block	-57,538	-57,538	0	57,538	57,538	0	0	0	0
Central School Services Block	-5,106	-5,106	0	5,106	5,106	0	0	0	0
Total	**-521,400**	**-521,400**	**0**	**521,400**	**521,485**	**85**	**0**	**85**	**85**

DSG Reserves

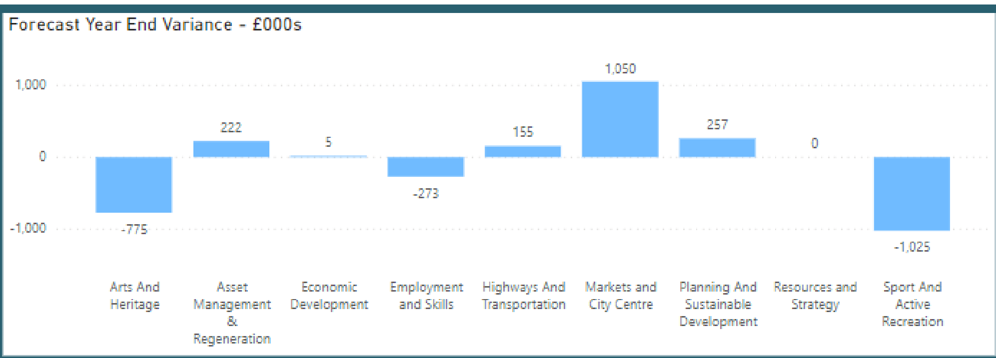
Reserve Type	Balance b/fwd	Net contribution to(-)/from (+) balances	Budgeted Deficit (+) / Surplus (-) c/fwd	Projected in year under(-)/over(+) spend	Planned use of reserves	Projected Deficit (+) / Suplus (-) c/fwd
De-delegated	-1,950	500	-1,450	0	1,750	-200
General	-7,060	0	-7,060	85	0	-6,975
Total	**-9,010**	**500**	**-8,510**	**85**	**1,750**	**-7,175**

Financial Dashboard 2023/24 Financial Year

Budget Variation £000s

-384

Overspend (+) / Underspend (-)



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	75,860	75,580	-279
Premises	31,500	32,108	609
Supplies and Services	48,649	46,656	-1,994
Transport	6,852	7,235	383
Internal Charges	10,516	10,554	38
Third Party Payments	188	188	0
Transfer Payments		0	0
Capital		0	0
Transfer to/from Reserves	-3,550	-4,817	-1,267
Internal Income	-46,345	-44,762	1,583
External Income	-81,276	-80,733	544
Total	**42,394**	**42,010**	**-384**

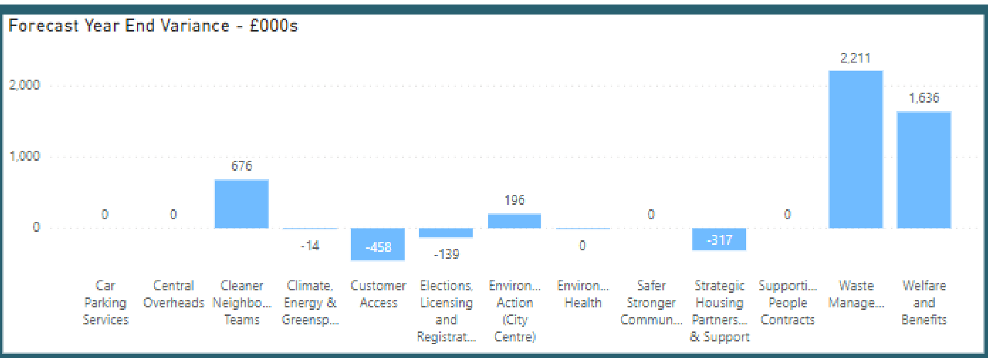
Directorate: Communities, Housing and Environment | Month 4 (July 2023)

Financial Dashboard 2023/24 Financial Year

Budget Variation £000s

3,791

Overspend (+) / Underspend (-)



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	107,170	109,226	2,056
Premises	11,765	11,538	-227
Supplies and Services	63,818	66,005	2,186
Transport	11,350	11,473	123
Internal Charges	20,217	20,015	-201
Third Party Payments	21,007	21,007	0
Transfer Payments	163,004	168,314	5,310
Capital		0	0
Transfer to/from Reserves	-1,574	-2,672	-1,098
Internal Income	-41,721	-41,805	-84
External Income	-262,952	-267,226	-4,274
Total	**92,086**	**95,876**	**3,791**

Financial Dashboard 2023/24 Financial Year

Surplus (-) / Deficit (+) £000s

3,165

HRA Income	Budget (LE) £000s	Projection £000s	Variance £000s	Change in Variance £000s
Dwelling Rents	-230,240	-229,976	264	0
Non Dwelling Rents	-3,347	-3,308	39	0
Service Charges	-9,551	-9,662	-111	0
Internal Income	-9,349	-8,921	428	-184
Grants	-21,385	-21,385	0	0
External Income	-1,778	-1,678	100	100
Total	**-275,650**	**-274,929**	**721**	**-84**

HRA Expenditure	Budget (LE) £000s	Projection £000s	Variance £000s	Change in Variance £000s
Disrepair Provision	5,000	5,000	0	0
Repairs to Dwellings	65,103	65,103	0	0
Employees	33,708	33,272	-436	228
Premises	11,732	11,571	-161	-178
Supplies and Services	5,185	5,225	40	40
PFI Unitary Charge	12,662	12,662	0	0
Transport	304	304	0	0
Internal Services	39,315	39,702	387	63
BITMO Management Fee	3,524	3,524	0	0
Provision for Doubtful Debts	1,136	1,136	0	0
Capital Charges	46,666	46,666	0	0
Contribution to Captial Programme	51,391	54,006	2,615	0
Total	**275,726**	**278,170**	**2,444**	**153**

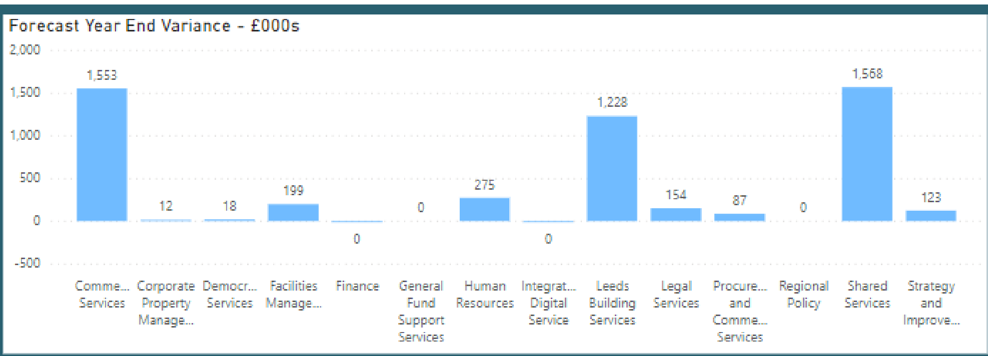
Surplus (-) / Deficit (+)	Budget (LE) £000s	Projection £000s	Variance £000s	Change in Variance £000s
Net Position	76	3,241	3,165	70
Appropriation: Sinking Funds	-326	-326	0	0
Appropriation: Reserves	250	250	0	0
Total	**0**	**3,165**	**3,165**	**70**

Financial Dashboard 2023/24 Financial Year

Budget Variation £000s

5,215

Overspend (+) / Underspend (-)



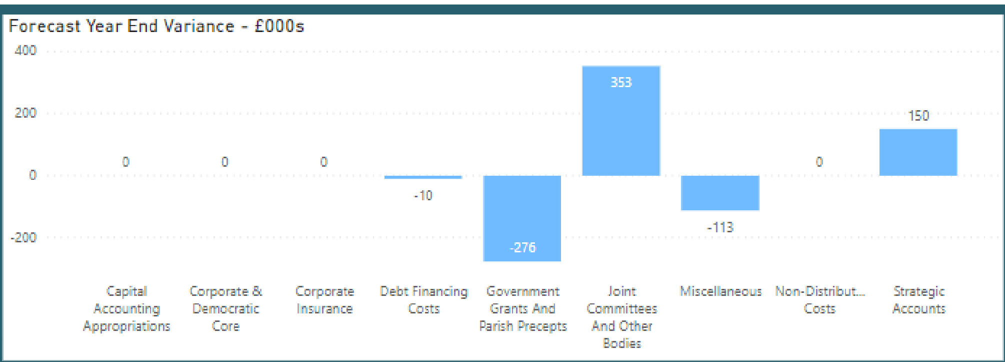
Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	166,482	174,394	7,911
Premises	15,974	15,995	21
Supplies and Services	63,477	57,768	-5,709
Transport	23,080	23,455	375
Internal Charges	3,823	3,750	-73
Third Party Payments	28	28	0
Transfer Payments	61	61	0
Transfer to/from Reserves	-74	-656	-582
Internal Income	-171,498	-167,556	3,942
External Income	-18,034	-18,704	-670
Total	**83,320**	**88,535**	**5,215**

Financial Dashboard 2023/24 Financial Year

Budget Variation £000s

104

Overspend (+) / Underspend (-)

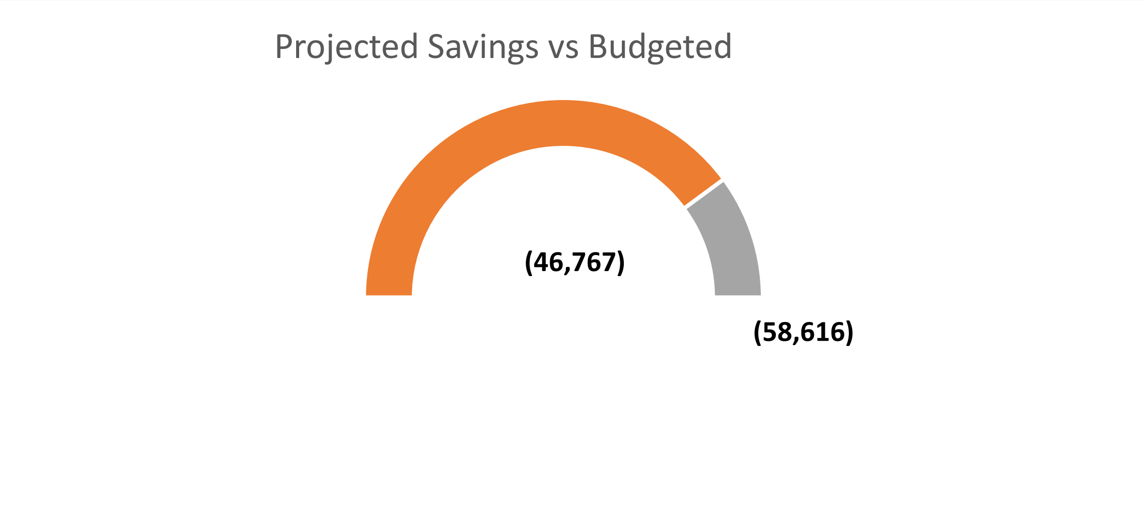


Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	4,729	4,668	-62
Premises		0	0
Supplies and Services	3,325	4,786	1,461
Internal Charges	4,962	5,044	82
Third Party Payments	37,207	37,508	302
Transfer Payments	1,130	1,130	0
Capital	91,351	92,335	984
Transfer to/from Reserves	-11,936	-11,536	400
Internal Income	-35,171	-37,294	-2,123
External Income	-82,476	-83,415	-940
Total	**13,121**	**13,225**	**104**

2023/24 BUDGET ACTION PLANS

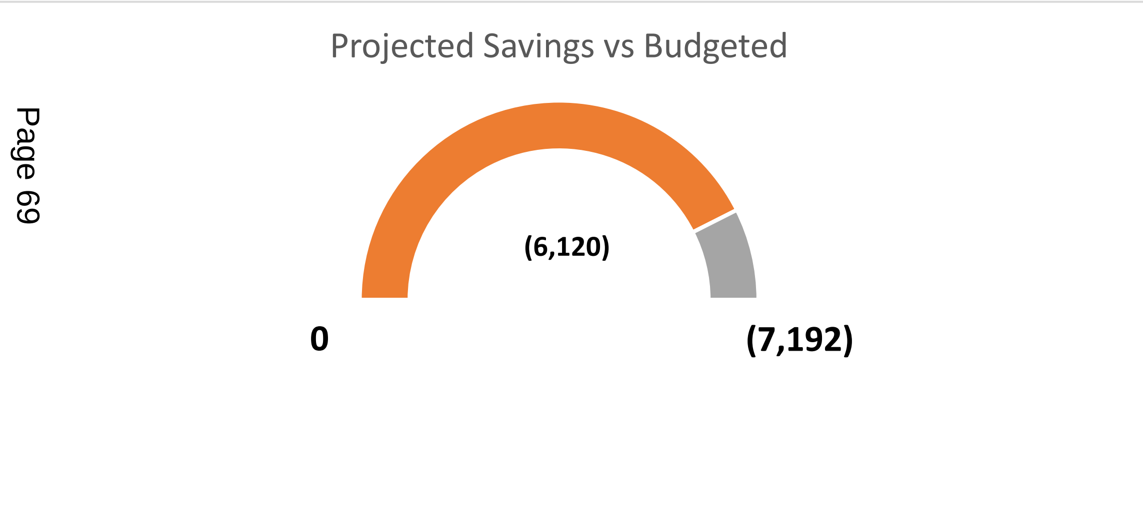
Appendix A2

July (Month 4)



LEEDS CITY COUNCIL - SUMMARY

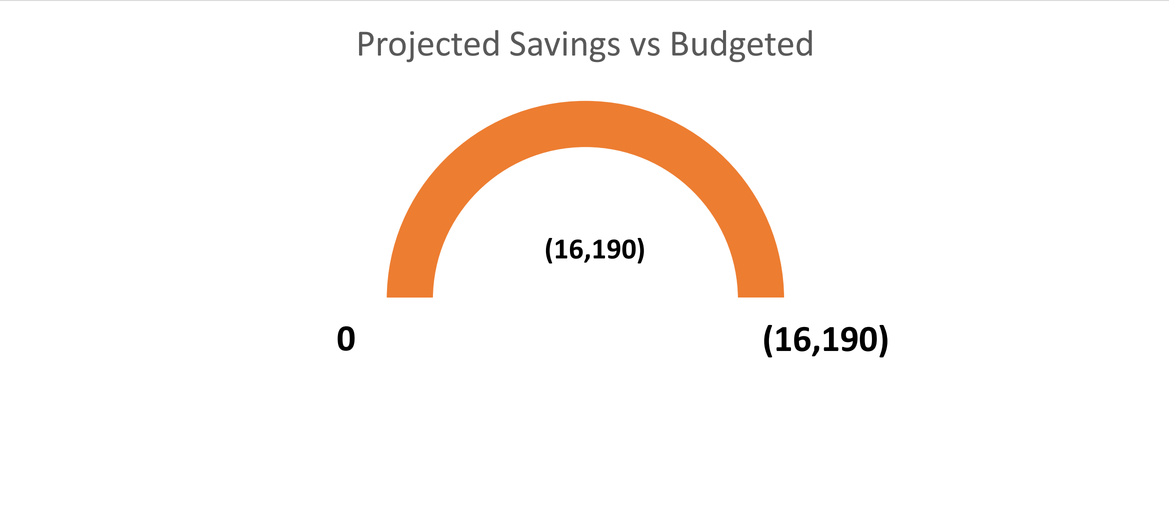
RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	(12,482)	(12,482)	0
On track, no issues	(19,194)	(19,344)	(150)
Some risk	(11,395)	(11,757)	(362)
High risk	(15,545)	(3,184)	12,361
Cancelled	0	0	0
Total	**(58,616)**	**(46,767)**	**11,849**



LEEDS CITY COUNCIL - Other Savings Measures

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	0	0	0
On track, no issues	(3,325)	(3,325)	0
Some risk	(1,420)	(1,320)	100
High risk	(2,447)	(1,475)	972
Cancelled	0	0	0
Total	**(7,192)**	**(6,120)**	**1,072**

July (Month 4)



ADULTS & HEALTH - SUMMARY

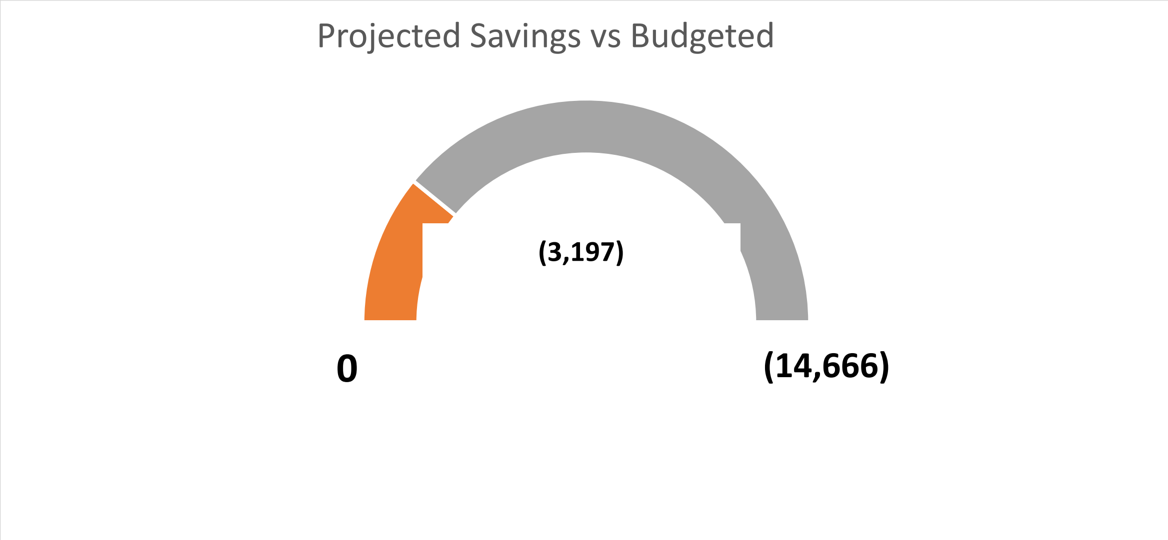
RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	(7,685)	(7,685)	0
On track, no issues	(3,625)	(3,625)	0
Some risk	(2,900)	(3,635)	(735)
High risk	(1,980)	(1,245)	735
Cancelled	0	0	0
Total	**(16,190)**	**(16,190)**	**0**

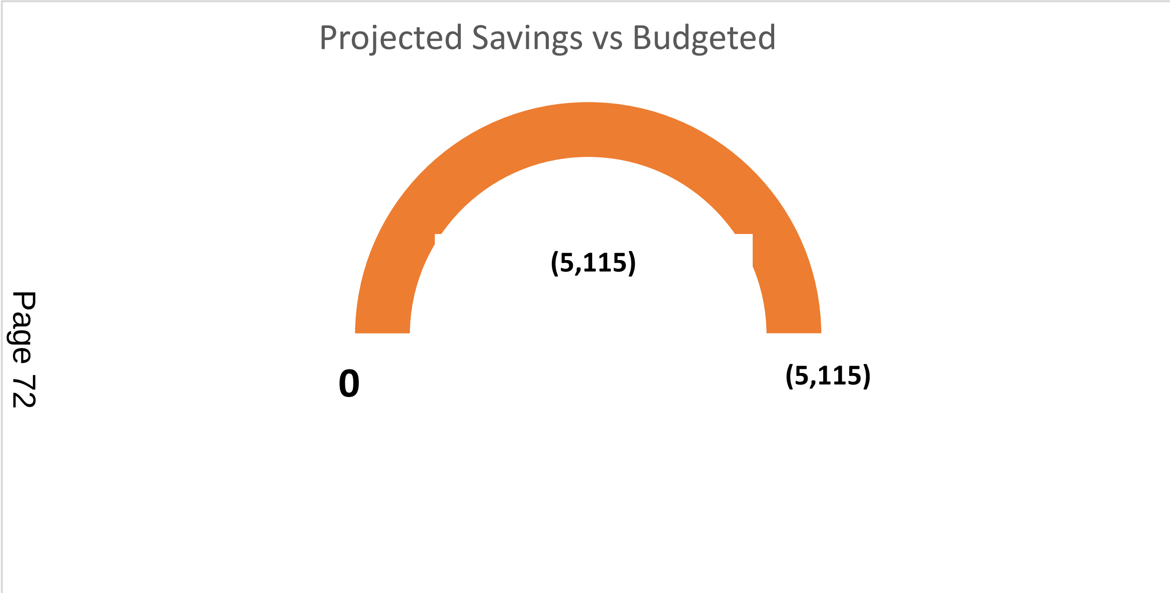
Amber & Red Risk Areas

Budgeted savings / Other savings measures	Service Review / Business as Usual	Savings title	Accountable Chief Officer	RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s	Including mitigating actions for Reds & Ambers
Budgeted Savings	BAU	Enhance awareness/desirability of in-house provision to encourage attendance and reduce external procurement (against fixed running cost)	Shona McFarlane	High risk	(160)	(40)	120	LBS struggling to let contracts re low interest. One of three properties will have f.y.e. one, half year effect and one little impact next year. Detailed action plan can only be completed once details of works have been obtained. Shortfall will be contained within budget or via reserves as this is slippage and not non-delivery (JC 15/2/23). Spring Gardens complete Q1 23-4. Dolphin & Knowle Manor still to start but both will commence at the same time. Final quotes received and on-line with approved budget. Complete late autumn.

Budgeted Savings	BAU	Impact of telecare growth plan	Shona McFarlane	**Some risk**	(200)	(200)	0	0
Budgeted Savings	BAU	Improved collection of assessed client income (billing engine)	Shona McFarlane	**Some risk**	(1,000)	(1,235)	(235)	Analysis of client charges suggests there is more than £1m which could be achieved
Budgeted Savings	SR	Strategic Review of Adult Social Work provision	Shona McFarlane	**High risk**	(1,120)	(830)	290	risk associated with social work and OT recruitment and therefore f.y.e. Aiming for new model to start May. Potential to be impacted by getting the service ready for the CQC inspection. At Q1 assume 25% non-delivery but in all liklihood could be more.
Budgeted Savings	BAU	Review mid-price range Learning Disability packages	Shona McFarlane	**Some risk**	(500)	(500)	0	0
Budgeted Savings	BAU	Develop a direct payment plan that is easy to administer for social workers to become the default option; will improve client contributions and reduce instances of incorrect billing	Shona McFarlane	**Some risk**	(200)	(200)	0	Plan shared with Max & Nyoka. Target setting session with front line social work and targets set for each team.
Budgeted Savings	BAU	Review of mental health placements (s117 health contribution)	Caroline Baria	**High risk**	(100)	(75)	25	Alternative savings of £65k identified, Touchstone and their outreach offer which is expensive. WRAP?
Budgeted Savings	BAU	Individualisation of block contracts	Caroline Baria	**High risk**	(500)	(250)	250	Slow progress re individualistion of block contracts with Aspire and LYPFT. Assume 50% non-delivery Q1.
Budgeted Savings	BAU	Invest to save proposal for Home care - performance management	Caroline Baria	**Some risk**	(1,000)	(1,500)	(500)	Report approved to recruit 2 new staff. Expected to overachieve against BAP
Budgeted Savings	BAU	Review supported bank account contract (direct payments)	Caroline Baria	**High risk**	(100)	(50)	50	contract renewal late than originally thought. Sum will be contained within budget - or use of reserves as this is slippage and not non-delivery

July (Month 4)





CHILDREN & FAMILIES - SUMMARY

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	0	0	0
On track, no issues	(1,158)	(1,158)	0
Some risk	(450)	(100)	350
High risk	(13,058)	(1,939)	11,119
Cancelled	0	0	0
Total	**(14,666)**	**(3,197)**	**11,469**

CHILDREN & FAMILIES - Other Savings Measures

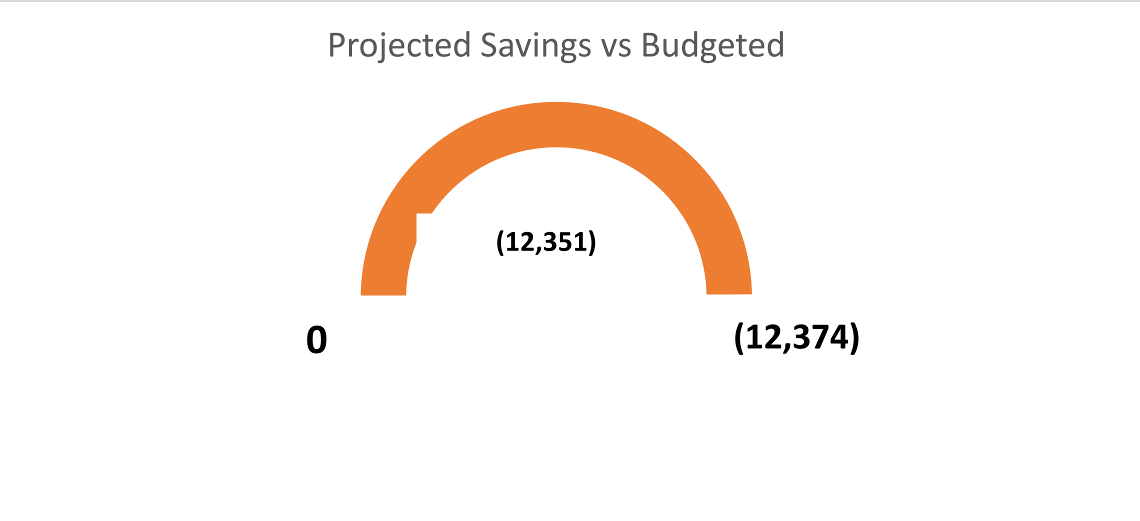
RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	0	0	0
On track, no issues	(2,695)	(2,695)	0
Some risk	(1,220)	(1,220)	0
High risk	(1,200)	(1,200)	0
Cancelled	0	0	0
Total	**(5,115)**	**(5,115)**	**0**

Amber & Red Risk Areas

Budgeted savings / Other savings measures	Service Review / Business as Usual	Savings title	Accountable Chief Officer	RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s	Including mitigating actions for Reds & Ambers
Budgeted	SR	Diversifying children's residential and fostering provision	Farrah Khan	High risk	(3,479)	0	3,479	While the project still delivers savings over the longer term, the timing has changed and the original 23/24 savings are likely to be delivered later. This is to be cashflowed to reflect change in phasing of savings.

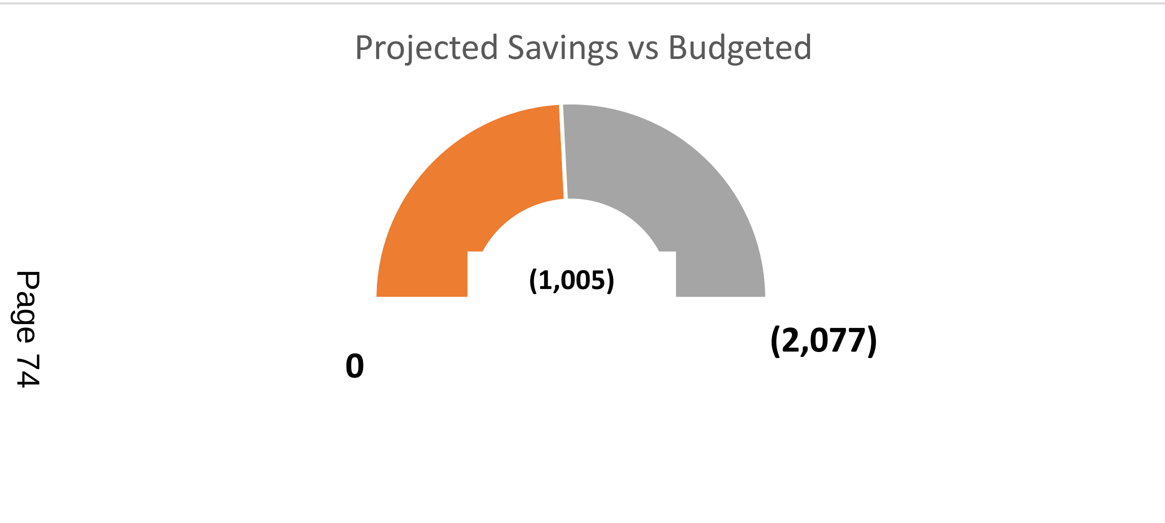
Budgeted	SR	Contracts: reduce costs and build on LCC's regional 'lead' role to maximise opportunities for income generation through additional investment in commissioning, contract management and placement reviews.	Phil Evans	**High risk**	(4,000)	(1,285)	2,715	Original savings plans assumed delivery of £4,750k savings with £750k investment in staffing. Savings plans are in place. However significant risk for delivery due to scale of savings and likely lead in period for delivery.
Budgeted	SR	Turning the curve – range of workstreams to reduce the forecast increase in Children Looked After number	Farrah Khan	**High risk**	(3,000)	0	3,000	Original plans required investment in an Edge of Care service to deliver the net savings of £3,000k. However this savings target overlaps with the fostering and residential plans, so is not expected to lead to additional savings in 23/24.
Budgeted	SR	Review of Children’s Centres and Commissioned Family Services	Farrah Khan	**some risk**	(450)	(100)	350	Unlikely the full £450k will be achieved in 23/24.
Budgeted	SR	Efficiencies in commissioned services through review of a range of contracts.	Phil Evans	**High risk**	(500)	(131)	369	Work ongoing to identify further savings
Budgeted	SR	Efficiencies across the Children & Families directorate, potentially including staffing reductions	Julie Longworth	**High risk**	(1,710)	(154)	1,556	Details being worked through, including a review of vacant posts
Budgeted	BAU	Staffing efficiencies: Social Care - Attendance and performance management	Farrah Khan	**high risk**	(369)	(369)	0	Reduced use of agency staff
Other	0	Little Owls	Farrah Khan	**High risk**	(1,200)	(1,200)	0	Review ongoing to identify savings
Other	0	Grant income target	tbc	**Some risk**	(1,220)	(1,220)	0	Details being worked through to establish how grants announced for 23/24 can contribute to this target.

July (Month 4)



CITY DEVELOPMENT - SUMMARY

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	(3,760)	(3,760)	0
On track, no issues	(8,083)	(8,083)	0
Some risk	(531)	(508)	23
High risk	0	0	0
Cancelled	0	0	0
Total	**(12,374)**	**(12,351)**	**23**



CITY DEVELOPMENT - Other Savings Measures

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	0	0	0
On track, no issues	(630)	(630)	0
Some risk	(200)	(100)	100
High risk	(1,247)	(275)	972
Cancelled	0	0	0
Total	**(2,077)**	**(1,005)**	**1,072**

Amber & Red Risk Areas

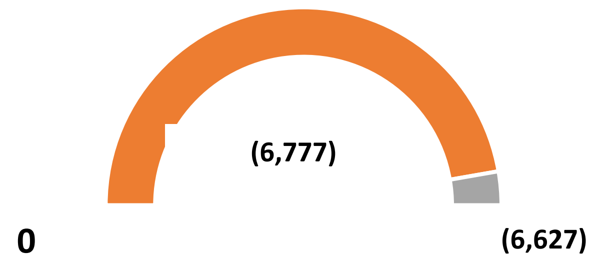
Budgeted savings / Other savings measures	Service Review / Business as Usual	Savings title	Accountable Chief Officer	RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s	Including mitigating actions for Reds & Ambers
Budgeted	SR	Leeds Museums & Galleries Invest to Save: relocation of Café	Eve Roodhouse	Some risk	(90)	(67)	23	0
Budgeted	BAU	Additional income from new contractor framework implemented in 22/23	Gary Bartlett	Some risk	(25)	(25)	0	0

Budgeted	SR	Street Lighting: Adaptive lighting via a Central Management System (CMS	Gary Bartlett	**Some risk**	(166)	(166)	0	0
Budgeted	BAU	Planning & Levelling Up Bill: National fees	David Feeney	**Some risk**	(250)	(250)	0	0
Other	BAU	Estate Rationalisation	Angela Barnicle	**High risk**	(583)	(275)	308	0
Other	BAU	Strategic Investment Fund	Angela Barnicle	**High risk**	(664)	0	664	0

Other	BAU	Contractor Procurement Framework	Gary Bartlett	**Some risk**	(200)	(100)	100	0

July (Month 4)

ojected Savings vs Budgeted



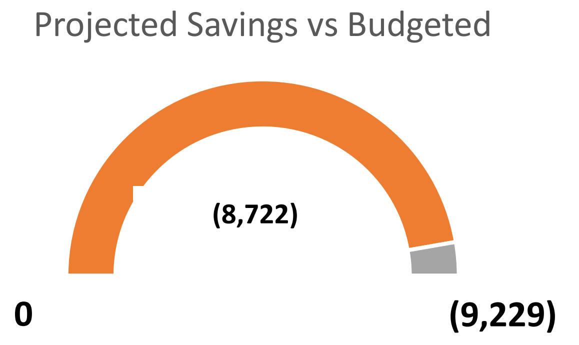
COMMUNITIES, HOUSING & ENVIRONMENT - SUMMARY

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	(922)	(922)	0
On track, no issues	(4,182)	(4,332)	(150)
Some risk	(1,523)	(1,523)	0
High risk	0	0	0
Cancelled	0	0	0
Total	**(6,627)**	**(6,777)**	**(150)**

Amber & Red Risk Areas

Budgeted savings / Other savings measures	Service Review / Business as Usual	Savings title	Accountable Chief Officer	RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s	Including mitigating actions for Reds & Ambers
Budgeted	BAU	Parks attractions income	Lee Hemsworth	Some risk	(600)	(600)	0	Action plan in place with the aim is to reduce or maintain existing pressure. However this is dependent on scale of new growth in legitimate supported accomodation claims.
Budgeted	BAU	Benefits - Subsidy - target Supported Accommodation	Paul Money	Some risk	(33)	(33)	0	Reduced income. Consideration as to whether Net Nil strategy is right. Linked to wider locality asset review.
Budgeted	BAU	Community Centres - strategy to reduce the current subsidy to nil	John Woolmer	Some risk	(740)	(740)	0	Significant volatility of market price of recycling income is possible. All disposal budgets are monitored each month.
Budgeted	BAU	Recycling Disposal costs	John Woolmer	Some risk	(150)	(150)	0	Due to be implemented 1st July 2023 but full saving still anticipated

July (Month 4)



STRATEGY & RESOURCES - SUMMARY

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	(115)	(115)	0
On track, no issues	(2,616)	(2,616)	0
Some risk	(5,991)	(5,991)	0
High risk	(507)	0	507
Cancelled	0	0	0
Total	**(9,229)**	**(8,722)**	**507**

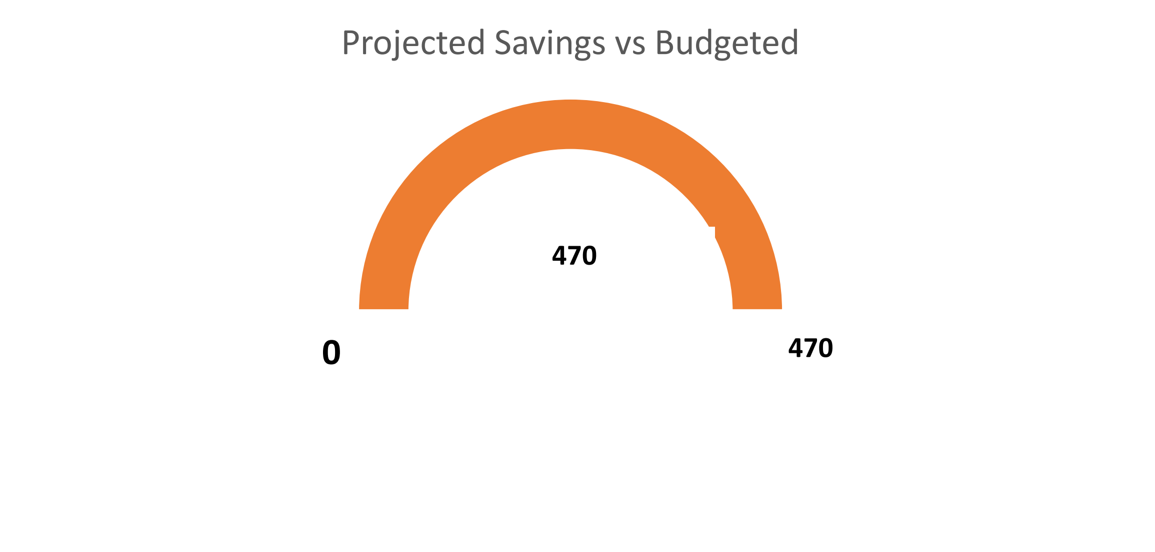
Amber & Red Risk Areas

Budgeted savings / Other savings measures	Service Review / Business as Usual	Savings title	Accountable Chief Officer	RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s	Including mitigating actions for Reds & Ambers
Budgeted	BAU	Additional LBS turnover as a result of capital work in the civic estate	Sarah Martin	Some risk	(1,500)	(1,500)	0	Will need to ensure future years' capital programme provision is recurrent in order to sustain the surplus.
Budgeted	BAU	Corporate Property Management - Various initiatives including: maximising Salix funding & review of building maintenance funding.	Sarah Martin	Some risk	(250)	(250)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Cleaning / Facilities Management/Security: Review of cleaning materials procurement, pricing, Presto offer and insourcing.	Sarah Martin	Some risk	(200)	(200)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Catering: Before and After School Clubs, target increased take up, review high school offer to include cross border training, procurement.	Sarah Martin	Some risk	(165)	(165)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Fleet Services' efficiencies: including reduction in maintenance spend, introduction of new vehicle types, greater utilisation of existing fleet and an enhanced focus on supplier spend and emerging markets.	Sarah Martin	Some risk	(488)	(488)	0	To be regulary reviewed as part of ongoing internal budget strategy review.

Budgeted	BAU	CEL Increased Productivity	Sarah Martin	**Some risk**	(345)	(345)	0	0
Budgeted	BAU	Cleaning/Facilities Management/Security - Increased productivity	Sarah Martin	**Some risk**	(30)	(30)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Civic Flavour - Armley Sports Centre Café	Sarah Martin	**Some risk**	(20)	(20)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Civic Flavour - Weddings	Sarah Martin	**Some risk**	(20)	(20)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Staffing efficiencies: CEL: Corporate Property Management / Facilities Management	Sarah Martin	**Some risk**	(163)	(163)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Commercial Services: Improving attendance	Sarah Martin	**Some risk**	(225)	(225)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Passenger Transport: Improving attendance	Sarah Martin	**Some risk**	(110)	(110)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Passenger Transport: Review all routes to ensure contracted hours aligned with routes to give maximum efficiency	Sarah Martin	**Some risk**	(75)	(75)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Staffing efficiencies: Finance	Victoria Bradshaw	**Some risk**	(414)	(414)	0	0
Budgeted	BAU	Staffing efficiencies: Human Resources	Andy Dodman	**Some risk**	(440)	(440)	0	0
Budgeted	BAU	Staffing efficiencies: Integrated Digital Services: additional 2% vacancy factor	Leonardo Tantari	**Some risk**	(500)	(500)	0	Both IDS DAPs to be consolidated into one.

Budgeted	SR	Review of Network Management Centre	Leonardo Tantari	**Some risk**	(370)	(370)	0	This is a full year's cost - any delay will be mitigated by further IDS vacancy factors.
Budgeted	BAU	BSC Shared Cost Salary Sacrifice- This would generate Employer NI savings (as well as savings for the individual).	Andy Dodman	**High risk**	(80)	0	80	0
Budgeted	BAU	Staffing efficiencies: Business Support Centre	Gemma Taskas	**Some risk**	(276)	(276)	0	0
Budgeted	BAU	Staffing efficiencies: Contact Centre	Gemma Taskas	**Some risk**	(125)	(125)	0	0
Budgeted	BAU	Staffing efficiencies: Business Administration Service: additional 2% vacancy factor	Gemma Taskas	**Some risk**	(275)	(275)	0	0
Budgeted	BAU	Staffing efficiencies: Strategy and Improvement	Mariana Pexton	**High risk**	(277)	0	277	0
Budgeted	BAU	Communications & Marketing: Synergies from a co-ordinated approach to marketing and promotion	Mariana Pexton	**High risk**	(150)	0	150	0

July (Month 4)



STRATEGIC - SUMMARY

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	0	0	0
On track, no issues	470	470	0
Some risk	0	0	0
High risk	0	0	0
Cancelled	0	0	0
Total	**470**	**470**	**0**

Amber & Red Risk Areas

Budgeted savings / Other savings measures	Service Review / Business as Usual	Savings title	Accountable Chief Officer	RAG Status	Budgeted Savings £'000s	Achieved Savings to date £'000s	Savings Achieved %	Including mitigating actions for Reds & Ambers

2023/24 - Expenditure funded through Flexible Use of Capital Receipts

Quarter 1

Project Description	Directorate	HOFs/ Contact	Planned Spend 2023/24 £m	Projected Spend 2023/24 £m	Variation to Planned Spend £m	Planned Savings 2023/24 £m	Projected Savings 2023/24 £m	Variation to Planned Savings £m
Service Transformation - supporting the delivery of key projects	Adults & Health	Alun Ellis	1.98	1.80	(0.18)	(4.00)	(4.00)	0.00
IDS -Planned recruitment of specialists supporting transformation Adults and Health Service	Adults & Health	Alun Ellis	0.10	0.10	0.00	0.00	0.00	0.00
Adults - Service Transformation- Chief Officer	Adults & Health	Alun Ellis	0.24	0.24	0.00	0.00	0.00	0.00
Children& Families transformation team	Children & Families	Mark Barrett	1.40	1.40	0.00	0.00	0.00	0.00
IDS - Highways Enterprise Architecture system	City Development	Kevin Mulvaney	0.63	0.63	0.00	0.00	0.00	0.00
Providing resources to deliver transformation activity within the Communities Directorate	Communities, Housing & Environment	Jonathan Thompson	0.12	0.00	(0.12)	(0.12)	0.00	0.12
IDS - Driving a digital approach across the Council	Strategy & Resources	Jonathan Thompson	0.50	0.50	0.00	(0.50)	(0.50)	0.00
IDS - Planned recruitment of specialists supporting the delivery of key projects across the Authority	Strategy & Resources	Jonathan Thompson	4.98	4.98	0.00	0.00	0.00	0.00
Council Tax Atomisation-digitising transactional activity	Strategy & Resources	Patrick McGuckin	0.08	0.08	0.00	0.00	0.00	0.00
CEL staff time spent on Transformational projects	Strategy & Resources	Patrick McGuckin	0.81	0.81	0.00	0.00	0.00	0.00
Legal - Staff supporting the Delivery of Documents and Time recording system	Strategy & Resources	Patrick McGuckin	0.10	0.00	(0.10)	(1.53)	0.00	1.53
Sharing back-office and administrative services	Strategy & Resources	Patrick McGuckin	0.47	0.47	0.00	0.00	0.00	0.00
Service Transformation - supporting the delivery of various projects	Strategy & Resources	Patrick McGuckin	0.70	0.70	0.00	0.00	0.00	0.00
LBS - Service Transformation - supporting the delivery of various projects	Strategy & Resources	Patrick McGuckin	0.24	0.24	0.00	0.00	0.00	0.00
Legal - Staff supporting the Delivery of DAT (Documents and Time recording system)	Strategy & Resources	Patrick McGuckin	0.06	0.06	0.00	0.00	0.00	0.00
Corporate Transformation Capacity Team	Strategy & Resources	Patrick McGuckin	0.52	0.52	0.00	0.00	0.00	0.00
Recruiting to the structure of Corporate Transformation Capacity Team	Strategy & Resources	Patrick McGuckin	0.10	0.10	0.00	0.00	0.00	0.00
LBS Work Streams	Strategy & Resources	Patrick McGuckin	0.27	0.27	0.00	0.00	0.00	0.00
Additional PACS staff to support transformation projects across the Council	Strategy & Resources	Patrick McGuckin	0.63	0.63	0.00	0.00	0.00	0.00
Statutory redundancy payments	Strategic/ Corporate	Naomi Eastwood	1.00	1.00	0.00	(1.00)	(1.00)	0.00
Driving a digital approach to the delivery of Core Business Transformation Programme ***see note	Strategic/ Corporate	Mark Barrett	9.33	9.33	0.00	0.00	0.00	0.00
Total			**24.25**	**23.86**	**(0.40)**	**(7.14)**	**(5.50)**	**1.64**

Report author: Rob Clayton

Tel: 0113 378 8790

Medium Term Financial Strategy 2024/25-2028/29

Date: 16 October 2023

Report of: Head of Democratic Services

Report to: Scrutiny Board (Strategy & Resources)

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

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

Brief summary

In line with Scrutiny Board Strategy and Resources remit the Board reviews the Council's Medium-Term Financial Strategy (MTFS) on an annual basis following consideration by Executive Board at its September meeting.

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

The MTFS is one of the key strategies of the Council, setting out the Council's commitment to provide services that meet the needs of people locally, that the Council is financially resilient, stable and sustainable for the future and that the use of resources represents good value for money. The updated MTFS for 2024/25 to 2028/29 is provided at Appendix 1 for members' consideration and review.

The MTFS sets out both the context and the factors that influence the shape of the financial plan providing an update on the level of resources available to the Council over the five-year period of the Strategy. In addition, it outlines the impact of budgetary pressures on the Council's revenue budget and provides an update on the Financial Challenge savings programme which will contribute towards the Council being able to present a balanced revenue budget for 2024/25.

The scale of the financial challenge is significant with an estimated General Fund budget gap of £251.0m for the five-year period of the strategy, of which £59.2m relates to 2024/25. 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.

Recommendations

a) Note the updated Medium Term Financial Strategy for 2024/25 to 2028/29
b) Note that savings proposals to be considered at future meetings of Executive Board and the budget proposals for 2024/25 will be the focus of a Scrutiny Working Group in December 2023, following practice established in previous years.

What is this report about?

1 Scrutiny Board Strategy and Resources considers the MTFS annually with a view to adding to and ensuring the Councils financial sustainability and robustness over the medium term. This approach is supported by annual consideration of budget proposals for the following financial year (this year for 2024/25) by each of the five scrutiny boards for services that fall within their remit. In doing this the scrutiny function provides a 'check and challenge' review of the Council's budget proposals and also ensures that the savings proposals being put forward have been developed with appropriate consultation and are mindful of the potential impacts on Leeds residents.

2 The context of the Council's financial position is therefore important, and the ongoing challenge faced in terms of Government budget reductions is clearly relevant. 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 2,600 FTEs (full time equivalents) up to 31st July 2023.

3 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 issues. As noted in the financial reporting item considered elsewhere on this agenda the scale of the challenge is significant with an in year projected overspend for 2023/24 of £33.9m. Savings proposals are being developed to address this projected overspend but the Council has a legal requirement to balance the budget each financial year and any overspend present at the end of 2023/24 will need to be funded through council reserves, which in turn could impact the level of resources available over the life of the MTFS.

4 The following table breaks down the projected budget gap facing the authority in the MTFS:

Estimated Budget Gap less Prior Year Savings and Routine Efficiencies

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Estimated Budget Gap	**66.623**	**64.539**	**47.746**	**47.824**	**42.861**	**269.592**
Prior Year Directorate Savings						
Business As Usual	0.492	(2.975)	(0.406)	(0.406)	(0.256)	(3.551)
Service Review	1.177	0.000	0.000	0.000	0.000	1.177
Routine Efficiencies	**(9.134)**	**(4.953)**	**(0.323)**	**(0.885)**	**(0.885)**	(16.180)
Total Savings/Efficiencies	**(7.465)**	**(7.928)**	**(0.729)**	**(1.291)**	**(1.141)**	**(18.554)**
Gap after Savings/Efficiencies	**59.158**	**56.611**	**47.017**	**46.533**	**41.720**	**251.038**

5 A key area of uncertainty in the MTFs is around future Government funding allocations, annual announcements of funding allocations do not assist local authorities with Medium-Term financial

planning. However, a Local Government Finance Policy Statement was published in December 2022 providing limited detail on future plans. The outline of the Government's intentions for 2024/25 included: -

- The local government finance reforms such as the Fair Funding Review and the business rates reset, will not be implemented in this Spending Review period.
- Core council tax will be allowed to increase by up to 3% and the adult social care precept by up to 2% in 2024/25 before being deemed excessive and made subject to a local referendum.
- The major grants included in the 2023/24 Core Spending Power will continue as in 2023/24, including the social care grants.
- Revenue Support Grant will be uplifted in line with the Baseline Funding Level, which normally increases in line with the increase in the Small Business rates multiplier.
- Business Rates Pooling will continue into 2024/25.
- Adult Social Care funding was confirmed as set out in the Autumn Statement 2022 for both 2023/24 and 2024/25

6 A further important consideration is the impact of regional working with the West Yorkshire Combined Authority which has the potential to impact how services are delivered, certainly in the medium-term. New funding streams from Government will be unlocked due to this devolution deal, including the Transforming Cities Fund, the Brownfield Regeneration Fund and the West Yorkshire Heritage Fund, which is supporting delivery of a new British Library North facility in Leeds. The devolution deal also provides £38m of gainshare funding each year for 30 years, to be spent flexibly in line with local priorities. Whilst these funding allocations are primarily directed towards WYCA there is a greater reliance on partnership with local authorities and in some areas, such as education and skills, WYCA is now a funder of the five West Yorkshire authorities in a way that it hasn't been previously. In addition, the UK Shared Prosperity Fund also offers opportunities for bids to be made by Leeds and the other West Yorkshire Authorities.

7 Budget pressures in Children's Social Care are expected to be a major factor both now and over the life of the MTFS with rising demand and costs and the operating environment of the market being key factors. These issues will be impacted by the MacAlister Review and the Government response to that 'Stable Homes, Built on Love.' A key area of concern in the short and medium term relates to sufficiency of Government funding to meet increased demands, complexity of care and rising costs which is impacting Leeds and local authorities nationally.

8 The surge in inflation and resultant cost of living crisis also presents challenges for the Council in terms of its priority to tackle inequality in the city. The MTFS notes that the 2019 Indices of Multiple Deprivation (IMD) found 1 in 4 adults and 1 in 3 children in Leeds are living in neighbourhoods that are classed in the 10% most deprived in the UK, with 13% of working-age adults in Leeds experiencing in-work poverty. Given the economic challenges that are now prevalent this may well have increased since 2019. Perhaps the starkest example of inequality relates to life expectancy which stands at around 13 years for women and 11 years for men between wards with the highest and lowest rates, with some areas of the city such as Leeds Dock, Stourton and Hunslet having the lowest female life expectancy anywhere in England.

9 The challenge of inequality and poverty are significant and are at the heart of the Best City Ambition, to tackle poverty and inequality and improve quality of life for everyone who calls Leeds home, the present wider economic conditions arguably make these ambitions more difficult to achieve.

10 Members will recall recent consideration of an initial report setting out the Council's response to the establishment of the Office for Local Government (Oflog). This is in part a response to the reported financial position of Local Government as a whole. 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 2023/24 and significant estimated budget gaps in future financial years which provide a challenge to their financial sustainability.

11 As in previous years the budget process for 2024/25 will include consultation with the Council's five scrutiny boards as required under the Budget and Policy Framework of the authority. As a result, a private working group will be established in December 2023 for each of the Council's scrutiny boards to consider budgetary proposals for services within their remit. This will be followed by further consultation at the public meetings held in January 2024.

What impact will this proposal have?

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

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

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

☒ Health and Wellbeing ☒ Inclusive Growth ☒ Zero Carbon

14 The Best City Ambition sets out the Council's ambitions, outcomes and priorities on behalf of the City. This Plan can only be delivered through a sound understanding of the organisation's longer term financial sustainability, which enables decisions to be made that balance the resource implications of the Council's ambitions against the financial constraints. This is a primary purpose of the Medium-Term Financial Strategy, which also provides the financial framework for the annual budget.

What consultation and engagement has taken place?

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

15 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 and previous public consultations that have taken place as part of the annual budget setting process.

What are the resource implications?

16 All resource implications are considered within the attached Medium Term Financial Strategy document at Appendix 1.

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

17 This report has no specific risk management implications.

What are the legal implications?

18 This report has no specific legal implications.

Appendices

- Appendix 1: Medium Term Financial Strategy 2024/25-2028/29 report considered by Executive Board on 20th September 2023.

Background papers

- None

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Leeds CITY COUNCIL

Report author: Victoria Bradshaw

Tel: 88540

Medium Term Financial Strategy 2024/25-2028/29

Date: 20th September 2023

Report of: Chief Officer – Financial Services

Report to: Executive Board

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

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

Brief summary

This report provides Executive Board with an update of the Council's Medium Term Financial Strategy (MTFS) for the period 2024/25 to 2028/29. The report sets out the framework for compiling the five year Financial Strategy. It is one of the key strategies of the Council, setting out the Council's commitment to provide services that meet the needs of people locally, that the Council is financially resilient, stable and sustainable for the future and that the use of resources represents good value for money.

The Best City Ambition sets out the Council's ambitions, outcomes and priorities for the City of Leeds and for the Local Authority. This financial strategy can only be delivered through a sound understanding of the organisation's longer term financial sustainability, which enables decisions to be made that balance the resource implications of the Council's ambitions against the financial constraints. This is a primary purpose of the Medium Term Financial Strategy.

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

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

The attached MTFS provides a robust, consistent and sustainable approach to establishing and maintaining a stable and prudent financial basis on which the Council's services are delivered. The launch of the Office for Local Government will support this approach with the publication of authoritative and accessible data and analysis about the performance of local government and support its improvement.

This report sets out both the context and the factors that influence the shape of this financial plan. Not only does it provide an update on the level of resources available to the Council over the five year period of the Strategy, but it also details the impact of budgetary pressures on the Council's revenue budget position and provides an update on the Financial Challenge savings programme which will contribute towards the Council being able to present a balanced revenue budget for 2024/25.

This Medium Term Financial Strategy for 2024/25 to 2028/29 identifies an estimated General Fund budget gap of £251.0m for the five year period of which £59.2m relates to 2024/25.

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.

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

There are a number of risks to the assumptions in the MTFS and these include pay and price inflation which in turn has resulted in both a cost of living crisis and higher costs to the services that the Council provides.

Another key driver of the budgetary pressures the Council is facing relates to both Adult and Children's Social Care. The Strategy reflects the increased cost of commissioned services for both the ongoing impact of demand and demography in adult social care, and increased need for social care within Children's Services resulting from a range of factors that includes the cost of living crisis and the continuing impact of the COVID 19 pandemic.

Provision of 4% for pay awards has been made in each of the years covered by this Medium Term Financial Strategy. If future pay awards are greater than this assumption, including acceptance of the National Employer's offer in 2023/24, then this will add a significant additional pressure to this Strategy and the requirement to identify additional income or savings in order to balance the budget in each of these years.

Recognising the challenge of bridging the estimated budget gaps for the period of the Strategy, whilst at the same time seeking to ensure that the Council's budget is robust, resilient and sustainable, another savings programme has been established. Reviews are underway across the Authority to identify opportunities to continue to modernise and improve services, reduce costs and generate additional income. This work will lead to a number of savings proposals for consideration by Executive Board during the Autumn of 2023. 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.

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

The Strategy reflects the limitations on the ability of local authorities to raise local funding. The Council is currently restricted to a 3% increase on core Council Tax, before the requirement for a city-wide referendum. Should referendum limits be increased by Government this could help to meet the reported budget gap. Likewise, the MTFS makes prudent assumptions about the level of multiplier cap compensation, whereby local authorities are compensated for the Government's decision not to increase business rates by inflation. Should compensation be paid at the current high levels of inflation, this will help to meet the reported budget gap.

The recommendations of the Local Government Association (LGA) Corporate Peer Challenge which took place in November 2022 have been considered in the development and review of the Medium Term Financial Strategy.

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

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

Recommendations

Executive Board is recommended to:

a) Note the updated Medium Term Financial Strategy for 2024/25 to 2028/29

b) Note that savings proposals will be received at future meetings of this Board in advance of the Proposed Budget for 2024/25 being received at this Board in December.

What is this report about?

1 Executive Board members are required to recommend a balanced Revenue Budget and a Capital Programme for 2024/25 to Full Council in February 2024. The Medium Term Financial Strategy provides a key part of the budget setting process.

2 This report presents an updated Medium Term Financial Strategy for 2024/25 to 2028/29 and the budget assumptions underlying that Strategy for Executive Board to note.

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

4 Full detail on the Medium Term Financial Strategy 2024/25 to 2028/29 is provided in the attached appendices, with key points summarised below:

The Five Year Revenue Financial Plan

a) The estimated revenue budget gap over the period 2024/25 to 2028/29 is £251.0m.

b) The main movements are summarised here:

   i. After taking account of changes in the level of resources, which includes forecast income from Council Tax, Business Rates, Grants and Reserves, it is projected that there will be additional funding of £101m for the period covered by this Medium Term Financial Strategy;

ii. Inflationary pressures relating to the cost of living crisis are expected to increase expenditure by £48.3m;

iii. Other cost pressures including pay awards, demand and demography and capital financing costs are forecast to increase by £322.3m for the five year period up to 2028/29.

iv. Projected savings of £18.6m include routine efficiencies identified as part of this update as well as the impact of prior year savings during the life of the Strategy.

c) Whilst the level of funding is expected to increase over the period covered by the Medium Term Financial Strategy this is outweighed by significant projected cost pressures. Further work is required to both review and contain the cost assumptions contained in this Strategy whilst at the same time identifying robust savings options that will allow a balanced budget for 2024/25 to be presented to Executive Board in December.

The Capital Programme

d) The ten year Capital Programme now incorporates £31.7m of additional priority schemes.

e) The re-stated annual programme for the period up to 2032/33 totals £822.3m.

Ring Fenced Funding

f) Within the Housing Revenue Account there is a cumulative deficit of £16.6m for the period up to 2028/29 of which £1.9m relates to 2024/25.

g) In respect of the Dedicated Schools Grant a cumulative deficit of £50.9m is projected for the period up to 2026/27.

What impact will this proposal have?

5 The Medium Term Financial Strategy informs the annual budget process. The 2024/25 budget proposals will be presented to Executive Board and to Full Council in February 2024 where a full strategic equality impact assessment and analysis of the proposed Revenue Budget for 2024/25 will be included.

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

☒ Health and Wellbeing ☒ Inclusive Growth ☒ Zero Carbon

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

7 This report needs to be seen in the context of the Best City Ambition update, the requirement for the Council to be financially sustainable and the requirement to set a balanced budget for 2024/25.

What consultation and engagement has taken place?

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

8 The Authority’s Financial Strategy is driven by its ambitions and priorities as set out in the Best City Ambition. The determination of these ambitions was subject to consultation with Members and officers throughout its development, with additional extensive stakeholder consultation carried out on the range of supporting plans and strategies. This stakeholder consultation process will include public consultation in December and January in respect of the 2024/25 Proposed Budget.

9 The Medium Term Financial Strategy has also been informed by the public consultation on the Council’s Proposed Budget for 2023/24. 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.

What are the resource implications?

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

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

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

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

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

14 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and the Chief Officer - Financial Services has responsibility for these arrangements. If in undertaking this statutory role it is clear that the Council cannot deliver a balanced budget position then it is incumbent on the Section 151 Officer under the Local Government Finance Act 1988, Section 114 (3) to “make a report under this section if it appears….that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure. Under S115 of the Local Government Finance Act 1988 Councillors have 21 days from the issue of a Section 114 report to discuss the implications at a Full Council meeting and before the consideration of an emergency budget.

15 Financial Management Corporate Risk Assurance is included in the Corporate Risk Register and is addressed in the Annual Corporate Risk and Resilience report that can be found elsewhere on this agenda.

What are the legal implications?

Medium Term Financial Strategy

16 Under Section 151 Local Government Act, the Council must make arrangements for the proper administration of its financial affairs and the Council's Chief Finance Officer and Director of Strategy and Resources have responsibility for the administration of those affairs.

17 The Council is under a statutory responsibility to set a balanced budget. Under Section 28 of the Local Government Act 2003 the Council is required to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.

18 Under Section 3 of the Local Government Act 1999, the Council, as a best value authority, must make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This MTFS is one of the ways in which the Council can secure best value within its budget envelop. Under Section 15 of the Act, the Secretary of State has the powers to intervene if satisfied that the Council is failing to meet its best value duty. This includes the power to issue direction that the function of the Authority be exercised by the Secretary of State, or a person nominated by him for a specified period.

Capital Strategy

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

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

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

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

expenditure. The minimum revenue provision is calculated in accordance with regulations 28 to 29.

23 Under the Council's Budget and Policy Framework Procedure Rules, the Executive is responsible for the preparation of proposed plans, strategies or budgets that form part of the Budget and Policy Framework, including plans or strategies for the control of the Council's borrowing or capital requirement. The proposals in this report will therefore inform proposals for submission to full Council in February 2024.

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

Annual Investment Strategy

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

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

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

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

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

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

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

Options, timescales and measuring success

What other options were considered?

32 Not applicable.

How will success be measured?

33 Not applicable

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

34 Not applicable.

Appendices

35 The following appendices are attached to this report:

- Appendix A: The Medium Term Financial Strategy 2024/25 to2028/29
- Annexe A1: Background to Business Rates Forecasts in the MTFS
- Annexe A2: Background to Council Tax Forecasts in the MTFS
- Annexe B: Capital Programme Review Prioritisation Criteria
- Annexe C: Financial Strategy 2020-2025

Background papers

36 None.

MEETING OUR FINANCIAL CHALLENGE

Medium Term Financial Strategy 2024/25 to 2028/29

Leeds City Council

Contents

Introduction and Overview

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

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

This Strategy considers:

- The influences affecting our Council
- Local factors which affect the Council's aims and priorities
- The resources available to the Council
- The requirement to deliver value for money services to the residents of Leeds
- How we safeguard public money
- Societal Context

The key objectives of the MTFS are as follows:

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

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

Influences Affecting the MTFS

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

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

Section 1.4 further discusses these influencing factors.

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

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

1.1 Background

1.1.1 The Financial Strategy sets out the overall shape of the Council's budget by determining the level of resources that will be available and how these are prioritised. This Strategy provides a financial planning framework through to 2028/29 and forecasts the budget for the next five years. The medium term framework enables members and officers to develop detailed annual budget allocations.

1.1.2 Nationally, 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 2023/24 and significant estimated budget gaps in future financial years which provide a challenge to their financial sustainability. A series of one year financial settlements provided by Central Government exacerbate these concerns as it is increasingly challenging to plan in the medium to long term with any certainty.

1.1.3 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.

1.1.4 In response to the reported financial position for local government, which is outlined above, the Government launched the Office for Local Government (Oflog) during the LGA Conference in Bournemouth in July 2023. The aim of Oflog is to provide "authoritative and accessible data and analysis about the performance of local government and support its improvement".[1] Oflog's strategic objectives are to:

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

1.1.5 The 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

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

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 2,600 FTEs (full time equivalents) up to 31st July 2023.

1.1.6 At Month 4 2023/24 the Council is projecting a £33.9m overspend and this is 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. This will have implications for the level of resources available to address the estimated budget gaps detailed in this Medium Term Financial Strategy.

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

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

1.1.9 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 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.

1.1.10 This Financial Strategy provides a financial planning framework through to 2028/29 and forecasts the available budget for the next five years. It should be stressed that, under the Council's constitution, decisions to set the annual budget, the Council Tax base and the rate of Council Tax can only be taken by Full

Council and therefore these decisions will continue to be made as part of the Council's annual budget-setting process.

1.2 Risks

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

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

- **Risks to Funding** – Government's future spending plans covering the period from 1st April 2024 won't be known until the Autumn of 2023 and the spending intentions for local government could differ from assumptions contained in this Strategy. Any differences will, in turn, impact on the level of resources available to the Council. Further, there remain uncertainties around Business Rates reform, the Government's Fair Funding review, how the Government's Levelling Up policies will support local authorities in the future, and also the Government's intentions for the future funding of social care. Financial modelling indicates that Leeds could benefit by more than £45m each year if these key funding reforms were implemented.
- **Energy and Fuel Inflation** – the current assumption in the MTFS is for a reduction in the costs of utilities of 7.4% and fuel of 30.6% below initial budgets for 2023/24, reflecting the significant increases included in the 2023/24 budget and the subsequent fall in prices for these. These remain significant risks to the Council and in-year monitoring reports will continue to review the level of inflation assumed in these areas.

- **Employer Offer Pay Award** – the assumption in this MTFS is that the Pay Award will be 4% per annum for the life of the Strategy. However, the employer offer in respect of the 2023/24 pay award for NJC staff is a flat £1,925 increase. This has not yet been agreed and we await the outcome of further discussions. The offer itself exceeds the current budget and will add to the cost pressures shown in the is MTFS but there remains a possibility that the final agreed position will be higher. The Pay Award for 2024/25 is still to be discussed, and we also await further announcements about the Real Living Wage. The outcome of these discussions will indicate the extent of any additional pressures in the MTFS.

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

- **Interest Inflation Risk** – increased interest rates, which push up the costs of borrowing for the Council and across the local economy, impacting on many businesses and families. For the Council this will include costs associated with managing the Council's debt being higher than budgeted assumptions.

- **Demand and Demography Risk** – this Medium Term Financial Strategy contains risks surrounding the estimation of demand and demographic pressures within services such as Adult Social Care and Children's Services, including determination of key income budgets that rely on the number of users of a service and risk that inflation on the cost of demand and demography will be higher than assumed in the Strategy.

- **Political Landscape** – The Prime Minister, Rishi Sunak, took office in October 2022. In January 2023 he outlined his five key priorities for 2023: to halve inflation this year; to grow the economy and create better paid jobs; to reduce the national debt, to cut NHS waiting lists and to pass new laws to stop small boats. The focus on these priorities inevitably impacts on the Government's expectations of the role of local government and the areas for which funding is made available. The next general election can be held no later than 28th January 2025 and this contributes to the uncertainty with regard to both the current and a future Government's spending plans with regard to Local Government.

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

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

1.3 Overarching Principles of the MTFS

1.3.1 The Best City Ambition sets out the Council's ambitions, outcomes and priorities on behalf of the City. This Plan can only be delivered through a sound understanding of the organisation's longer term financial sustainability, which enables decisions to be made that balance the resource implications of the Council's ambitions against the financial constraints. This is a primary purpose of the Medium Term Financial Strategy, which also provides the financial framework for the annual budget.

1.3.2 The Strategy contains provision for the Council's Revenue Budget to become both more financially resilient and sustainable, reducing the risks associated with funding recurring revenue expenditure through a requirement to generate capital receipts and making provision to unwind the utilisation of reserves and capitalisation of staffing costs, reducing the extent to which the Revenue Budget is supported by these mechanisms.

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

1.3.4 One of Leeds City Council's values relates to "spending money wisely" and ensuring that maximum value is extracted for every £1 spent. External Audit provides the annual independent assurance that value for money is being achieved. In March 2023 Grant Thornton presented their 2021/22 Auditor's Annual Report on Leeds City Council to Corporate Governance and Audit Committee. This detailed the outcome of their review of the value for money arrangements in the Council. Across the key criteria of financial sustainability, governance and improving economy, efficiency and effectiveness Grant Thornton did not make any statutory or key recommendations and instead made a number of lower priority recommendations for improvement.

1.3.5 This Medium Term Financial Strategy recognises the requirement to keep the level of the Council's reserves under review to ensure that they are adequate to meet the identified risks. Grant Thornton's Annual Audit report on Leeds City Council for the year ended 31st March 2021, and which was received at Corporate Governance and Audit Committee in September 2022, recommended "that the Council should consider it current level of General Reserves and Balances to ensure that these remain adequate for its needs and potential unforeseen events." In accordance with this recommendation, this Medium Term Financial Strategy provides for a £3m annual contribution to the General Reserve from 2023/24 onwards. As a result, the balance on the General Reserve is projected to be £51.2m by 2028/29.

1.3.6 In addition, as detailed in the 2022/23 revenue budget outturn report, there is a balance of £19.9m in the Strategic Contingency reserve, established to provide for any unforeseen events requiring additional resources. The 2023/24 budget assumes a net use of £14.3m and no further commitments have been agreed to date in year. In addition, £0.6m of funding allocated to support work to reduce COVID backlogs in 2022/23 was not used in year and is still required in 2023/24. Elsewhere on this agenda, the Financial Health Report for Month 4 asks Executive Board to approve the use of £1.3m of this reserve to fund budgeted fleet savings which are not deliverable in year due to the costs of maintaining an ageing fleet and increased demand for services. This Strategy assumes that an additional £20m of capital receipts will be applied to redeem debt and reduce MRP in

2023/24 and that the resulting revenue savings will be taken to this reserve. This would leave an estimated balance on the Strategic Contingency Reserve of £23.7m at 31st March 2024, of which the Strategy then assumes use of £20m in 2024/25 to smooth the gaps over the years of the Strategy.

1.3.7 In April 2023 the Board approved the application of the remaining balance of the Merrion House capital receipt to redeem debt in 2022/23, to reduce MRP by the same amount and to contribute the resulting £22.3m revenue saving to earmarked revenue reserves. These funds will be available to fund future unforeseen budget pressures and to ensure the Council continues to become more financially resilient, particularly given the reduction in Strategic Contingency Reserve balances. This Strategy does not assume any use of the Merrion Reserve.

1.3.8 The 2021/22 budget also provided for the creation of COVID and Energy reserves which, alongside the Strategic Contingency Reserve, contributed towards the Council's revenue budget becoming more financially sustainable and resilient in the short term. The 2023/24 budget has not provided any additional resources for these reserves. A balance of £1.4m has been brought forward on the COVID reserve to be applied in full to ongoing COVID pressures in 2023/24.

1.3.9 In addition, the Medium Term Financial Strategy reflects the need to make the Council's financial position more resilient, reducing the extent to which internal charging and capitalisations are used to support the revenue budget. These measures are discussed further in **Section 2.7.**

1.3.10 Whilst the Government's spending plans for the forthcoming financial period were set out in the Comprehensive Spending Review in early Autumn 2021, given two changes of Prime Minister since those announcements the Government published a clarifying statement about local government finance for 2023/24 and 2024/25 in December 2022. The information this contained about 2024/25 was limited and is summarised at **Section 1.4** but full details will not become clear until the Provisional Local Government Finance Settlement in December 2023. This Medium Term Financial Strategy assumes no growth in the Settlement Funding Assessment (Business Rates baseline plus Revenue Support Grant) for the period 2024/25 to 2028/29. It is assumed that the 50% Business Rates Retention Scheme will apply for the whole period of this Financial Strategy.

1.3.11 Business Rates receivable over and above the Business Rates baseline have been projected forward with account being taken of the ongoing impact of the economic uncertainty caused by the cost of living crisis on the forecast level of Business Rates receivable. In respect of core Council Tax, a 2.99% per annum increase is forecast in 2024/25 with 1.99% each year for the remainder of this Strategy. The Council Tax base is forecast to grow by 0.97% in 2024/25 rising to 1.26% by 2028/29. It should be noted that if either of these funding streams were higher than reflected in the Strategy this would be an additional resource towards meeting the current gap.

1.3.12 At the time of writing this Strategy, a 3.5% Pay Award for JNC staff has been agreed for 2023/24. National Employers have offered an increase of £1,925 for NJC staff for 2023/24 but agreement has not been reached. Any Pay Awards will be required to be funded by the Council. The financial position in this Strategy includes the impact of the agreed JNC Pay Award for 2023/24 and the proposed NJC Pay Award for 2023/24 on the base position for 2024/25. The Strategy then makes provision for the costs of 4% annual pay awards for both NJC and JNC staff for each year of the period covered and assumes that increases in the Real Living Wage will remain consistent with the increase from 2022/23 to 2023/24 (£1 per hour).

1.3.13 In recent years the Strategy only provided inflation where there was a contractual commitment. Fees and charges were anticipated to rise by 3% where this could be borne by the market. The current cost of living crisis has impacted on this approach given the financial impact of current high rates of inflation, and this Financial Strategy now includes additional inflation where it is deemed necessary, as further discussed at **Paragraphs 2.5.2-2.5.9.**

1.3.14 The Medium Term Financial Strategy considers the impact of international, national and regional factors. In summary, these include: the Economy, including the current cost of living crisis and economic forecasts; Government announcements about funding for the Public Sector; National Policy such as the “Levelling Up” agenda; Regional working and the West Yorkshire metro mayor; the new operating context resulting from the economic impact of COVID-19; and Health and Social Care funding. These are further detailed in **Section 1.4**.

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

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

1.3.17 The approach to the determination of the Capital Programme considers the affordability of the Programme and the capital spending requirements over a 10 year period. The greater integration of the Capital Programme within the Strategy better reflects a more co-ordinated approach to capital investment requirements, whilst ensuring that affordability remains a key priority within the Medium Term Financial Strategy. The Capital Programme has recently undergone a review, with new capital scheme proposals having been assessed to decide which are of sufficient priority to add to the Council’s programme and how these might be funded, so as to appropriately manage the overall cost of the programme. The impact of this review process in detailed in **Part 3.**

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

International, national and regional influences

1.4.1 The funding available to local authorities, and the way this is used, can be affected by factors at a regional, national and international level. Our Medium Term Financial Strategy has been produced at a time when Leeds is facing significant change and challenges, some of which come as a result of developments far beyond the city's borders.

1.4.2 A range of influences and factors impact on the development of the Medium Term Financial Strategy, including the current period of economic volatility. Section 1.4 explains these factors further.

Economy

1.4.3 **Cost of Living** – the Council's and City's economic and fiscal position is clearly impacted by the wider national and international economic context. The United Kingdom's cost of living crisis started in 2021, when prices for many essential goods increased faster than household incomes, resulting in a fall in real income. Global and local factors have contributed to this. Global factors include (but are not limited to): cost of living crisis, the energy crisis and rising energy process, a supply chain crisis and Russia's invasion of Ukraine in 2022. Local factors, some unique to the UK, include high inflation, labour shortages (in part caused by the exit from the EU), and rises in Council Tax. Household incomes have not kept pace with rising prices. The Council's Executive Board receive regular cost of living updates.

1.4.4 **Office for Budget Responsibility forecasts** – previous analysis of data provided by the Office for Budget Responsibility (OBR) showed that the economy was being adversely affected by the cost-of-living crisis and the impacts of the war in the Ukraine. This was further confirmed in the March 2023 Economic and Fiscal Outlook, when the OBR was forecasting UK real GDP to grow by only 0.2% in 2023/24, before returning to more normal growth of 2.1% in 2024/25, 2.4% in 2025/26, 2.1% in 2026/27 and 1.8% in 2027/28. Also at this time, the OBR forecast that CPI inflation would average 4.1% in 2023/24 falling from an average of 9.9% in 2022/23 and then continue to fall to 0.6% in 2024/25 and 0.0% in 2025/26, before beginning to climb to 0.8% in 2026/27 and 1.7% in 2027/28. Actual CPI in 2023 stood at 6.8% in the 12 months to July 2023.

Annual Government Announcements

1.4.5 The Government's spending plans for the years 2022/23 to 2024/25 were set out in the **Comprehensive Spending Review 2021** by the then Chancellor, Rishi Sunak on 27th October 2021 and were discussed in the Medium Term Financial

Strategy 2023/24 to 2027/28. However, since that time there have been two changes of administration and the cost-of-living crisis and the Government has modified its plans for adult social care, further clarified its plans for local government expenditure and announced a new policy on childcare as detailed below.

1.4.6 The Comprehensive Spending Review 2021 envisaged a Health and Social Care Levy, the additional funding from which was expected to be invested in reforms to the social care system administered by local authorities. At that time, it was assumed that the additional funding would generate additional costs and duties for local authorities responsible for adult social care such as a lifetime cap on the cost of care for service users. However, the next administration scrapped the levy and the current administration has committed to find the funding for the reforms from elsewhere. Finally, at the Autumn Statement 2022, the new duties were delayed from October 2023 to October 2025, but the funding was honoured to help the social care system deal with the inflationary pressures it was experiencing.

1.4.7 In a policy statement published in December it was confirmed that, in summary, this would release the following funds into the social care system in 2024/25: -

- £1.877 billion from delayed reforms distributed through the Social Care Grant for adult and children's social care.
- £1 billion in new grant funding through the Better Care Fund to get people out of hospital on time and into care settings. The fund will be split 50:50 between the Department for Levelling Up, Housing and Communities and the Department for Health and Social Care.
- £683 million in new grant funding to be distributed through a grant ringfenced for adult social care to help support capacity and discharge.

1.4.8 Other announcements included in the Autumn Statement 2022 were discussed in further detail in the Proposed Budget Report for 2023/24 which was received at Executive Board in December 2023.

1.4.9 A **Local Government Finance Policy Statement 2023/24 to 2024/25** was published by the Government on 12th December 2022 setting out the Government's intentions for local government funding in 2023/24 and 2024/25. The outline of the Government's intentions for 2024/25 were brief but included: -

- The local government finance reforms such as the Fair Funding Review and the business rates reset, will not be implemented in this Spending Review period.
- Core council tax will be allowed to increase by up to 3% and the adult social care precept by up to 2% in 2024/25 before being deemed excessive and made subject to a local referendum.

- The major grants included in the 2023/24 Core Spending Power will continue as in 2023/24, including the social care grants.
- Revenue Support Grant will be uplifted in line with the Baseline Funding Level, which normally increases in line with the increase in the Small Business rates multiplier.
- Business Rates Pooling will continue into 2024/25.
- Adult Social Care funding was confirmed as set out in the Autumn Statement 2022 for both 2023/24 and 2024/25

1.4.10 **2023 Spring Budget** – in March 2023, the Chancellor of the Exchequer, Jeremy Hunt, made a statement to the House of Commons outlining how the measures in his Budget were intended to further the achievement of three of the five priorities set out by the Prime Minister in late 2022; the three being: -

- halving inflation by the end of 2023;
- growing the economy and;
- getting debt to fall as a share of GDP.

1.4.11 Key announcements in the **2023 Spring Budget** included:

- Providing over £4.1 billion by 2027/28 to fund 30 hours per week of childcare free for working parents with children over 9 months. From April 2024 working parents of 2-year-olds will be able to access 15 hours extending to all those children over 9 months by September 2024. From September 2025 all parents will be able to access 30 hours of free childcare for children over 9 months.
- Childcare regulations will increase the staff to child ratio from 1:4 to 1:5 from September 2023 on a voluntary basis.
- Providing an additional £204 million in 2023/24 to pay an increased hourly rate for childcare from September 2023 rising to £288m in 2024/25
- Providing an additional £289 million to increase ‘wrap-around’ care at schools beyond school hours and rolled out nationally in 2024/25 and 2025/26
- Paying the childcare costs element of Universal Credit in advance rather than in arrears and increasing the maximum amount to £951 for one child and £1,630 for 2 children.
- Raising the annual allowance for contributions to pensions from £40,000 to £60,000 and abolishing the Lifetime Allowance of £1 million.

- The Work Capability Assessment for disability benefits will be abolished to lessen the fear of losing benefits among the disabled.
- Providing an additional £8.1m for the next two years to about half of local authorities for young people leaving residential care, giving them accommodation and practical and emotional support.
- Providing £63m of funding for public swimming pool providers to help with immediate cost pressures and make facilities more energy efficient.
- Providing £100m of support to local charities for on-the-ground assistance to those falling outside of official support networks.
- Maintaining fuel duty at current levels with no RPI increase in 2023/24 and extending the temporary 5p per litre cut for 12 months.
- Increasing Draught Relief for beer and cider products in public houses from 5% to 9.2%, and for wine and spirits from 20% to 23% from 1 August 2023.
- Creating 12 new Investment Zones across the country with £80m in support. One of the areas included in current negotiations is West Yorkshire.
- A third round of the Levelling Up Fund will proceed later 2023 with a further £1 billion committed to the fund.
- A consultation was announced on bringing the activities of Local Enterprise Partnerships back into local authorities.

National Policy

1.4.12 “Levelling Up” has been one of the Government’s flagship policies. It is intended to “level up opportunities across all parts of the United Kingdom, supporting jobs, businesses and economic growth and addressing the impact of the pandemic on public services.”[2] A Levelling Up Fund was announced at the 2020 Spending Review, initially making £4.8bn available for UK local infrastructure through a competitive bidding process, with this funding delivered through local authorities, and is intended to run until 2024/25. In February 2022 Government published a White Paper on its ‘levelling up’ strategy[3] and provided further detail on how the Fund would operate from 2022-23 onwards, including the first steps: Boosting pay and productivity, especially in places where they are lagging; Spreading opportunities and improving public services, especially where they are weakest; Restoring local pride; and Empowering local leaders.

1.4.13 Leeds City Council bid successfully for the ‘Connecting West Leeds’ scheme, a travel corridor scheme in the Pudsey constituency, receiving £20m from Round 1 of the Fund. A second round of funding opened in April 2022 with the Council

[2] The Levelling Up Agenda, House of Commons, LGA Briefing, 15 June 2021

[3] Levelling Up the United Kingdom - GOV.UK (www.gov.uk)

submitting 6 bids. The outcome of this second round was announced on 19th January 2023 and Leeds was informed that all of its submitted bids were unsuccessful. The Council awaits information about a further round of funding.

Regional Working – West Yorkshire Combined Authority

1.4.14 In May 2021 Tracy Brabin, the first West Yorkshire metro mayor, was elected following the agreement of a devolution deal between the Government and West Yorkshire Leaders in Spring 2020. This resulted in devolved powers across adult education, skills, and transport, and access to a range of new funding streams from Government. The presence of a new regional body with significant funding naturally impacts on how services are delivered regionally, and the Council may need to think differently about the way in which services are organised, funded, and delivered as regional collaboration continues to be strengthened. This will influence the Medium Term Financial Strategy in future years.

1.4.15 New funding streams from Government will be unlocked due to this devolution deal, including the Transforming Cities Fund, the Brownfield Regeneration Fund and the West Yorkshire Heritage Fund, which is supporting delivery of a new British Library North facility in Leeds. The devolution deal also provides £38m of gainshare funding each year for 30 years, to be spent flexibly in line with local priorities.

1.4.16 Most of the new funding is directed to WYCA in the first instance, with Leaders playing a central role as voting members of the Combined Authority in deciding how much of it should be allocated. In many cases the Council and Combined Authority will need to work in partnership as before to deliver against shared regional priorities. However, the Combined Authority is now one of the Council’s funders in a way it hasn’t been previously – for example in adult education and skills, as a result of powers devolved from the Department for Education and the Education and Skills Funding Agency (ESFA).

1.4.17 This is the first West Yorkshire devolution deal and there may be opportunities to expand and consider the scope and model of devolved powers and funding in future deals. The Levelling-Up and Regeneration Bill is currently at the report stage in the House of Lords. The Council may also want to consider further opportunities to bring services more closely together across West Yorkshire when they are aligned to priorities being agreed and pursued across that geography. There are likely to be opportunities both to further strengthen collaboration and to explore re-organising services to maximise use of the limited resources for all partners involved.

1.4.18 In April 2022, Government launched the UK Shared Prosperity Fund (UKSPF)[4] to succeed the EU structural funds. The UKSPF has the overarching objective of “building pride in place and increasing life chances” with funds to be invested in three local priorities: communities and place, support for local businesses and

[4] UK Shared Prosperity Fund: prospectus - GOV.UK (www.gov.uk)

people and skills. Total funding of £2.6 billion will have been made available for local investment by March 2025. The West Yorkshire Combined Authority are the regional Lead Authority for the UK Shared Prosperity Fund, administering over £83m for schemes in the region, for which Leeds City Council are eligible to apply[5].

Changing operating context

1.4.19 COVID-19 has fundamentally affected the way in which the Council works. Whilst the impact on the Council's financial position in both 2020/21 and 2021/22 was significant, the Medium Term Financial Strategy published in September 2021 (for 2022/23-2026/27) had assumed that the economy would then recover to nearly pre-COVID levels in the early years of that Strategy. Reflecting this, this Medium Term Financial Strategy document does not specifically provide for the ongoing impact of COVID-19. The Strategy does, however, allow for new trends relating to changing life/work practices because of the longer-term effects of the pandemic.

1.4.20 That expected recovery has been affected by the current cost of living crisis and high levels of inflation, most recently noted in the 2023/24 Revenue Budget and Council Tax report . The Strategy makes allowance for increased demand for services and anticipated losses of income from sales, fees and charges and from council tax and business rates in light of the cost of living crisis.

Health and Social Care

1.4.21 **NHS Integration** – the Health & Care Bill was introduced into Parliament on 6th July 2021. The West Yorkshire Integrated Care Board went live on 1st April 2022 and is responsible for bringing together local NHS and local government, such as social care, mental health services and public health advice, to deliver joined up care for its local population, improve people's health & wellbeing and reduce health inequalities. On 4th April 2023 The Hewitt Review report was published. The remit of the review was to consider the oversight and governance of integrated care systems and creating the environment for them to succeed and flourish with one of the key recommendations being a switch from illness to promoting health.

1.4.22 **Cost of Care -** The Autumn Statement announced additional funding of up to £2.8 billion in 2023-2024 in England and £4.7 billion in 2024-2025 for social care and discharge. This includes £1 billion of new grant funding in 2023-24 and £1.7 billion in 2024-25, further flexibility for local authorities on council tax and delaying the rollout of adult social care charging reform from October 2023 to October 2025:

- Repurposed money from delaying charging reform:
    - £1.265 billion in 2023-24 and £1.877 billion in 2024-25 will be distributed to local authorities through the Social Care Grant for adult and children's social care. This is in addition to the existing Social Care Grant. We will continue to equalise against the adult social care precept.

[5] UK Shared Prosperity Fund (UKSPF) | West Yorkshire Combined Authority - West Yorkshire Combined Authority (westyorks-ca.gov.uk)

- <u>New grant funding:</u>
  - £600 million will be distributed in 2023-24 and £1 billion in 2024-25 through the Better Care Fund to get people out of hospital on time into care settings, freeing up NHS beds for those who need them. The funding will be split 50:50 between the Department for Levelling Up Housing and Communities' Local Government DEL and the Department for Health and Social Care DEL, meaning Local Government DEL will allocate and distribute £300 million in 2023-24 and £500 million in 2024-25. This will be in addition to the existing improved Better Care Fund, for which the current distribution will remain.
  - £400 million in 2023-24 and £683 million in 2024-25 will be distributed through a grant ringfenced for adult social care which will also help to support capacity and discharge. Alongside this, the funding package for adult social care retains £162 million per year of Fair Cost of Care funding and its distribution to reflect the progress councils and providers have made this year on fees and cost of care exercises.

Government expects this new grant funding to enable local authorities to make tangible improvements to adult social care, in particular to address discharge delays, social care waiting times, low fee rates and workforce pressures in the adult social care sector. There will be reporting requirements placed on the new Adult Social Care Grant and the Better Care Fund regarding performance and use of funding to support improvement against these objectives. The Government will provide further details on reporting in due course.

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

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

The Government has responded to the MacAlister Review (and two additional reviews focused on Children's Social Care) by publishing its strategy and consultation on children's social care, 'Stable Homes, Built on Love'. This strategy consultation is currently being considered by Government. The issues outlined here have significant potential to impact on the focus of Children's Social Care across the country, including the financial implications of provision, and this may bring forward direct implications for Leeds City Council and it's children, young people and families.

1.5 About Leeds: Socio-economic context

1.5.1 Leeds is a growing city with a population that continues to become more diverse in terms of age, countries of origin and ethnicity. Leeds has a large, urban core but, unlike many other cities, our administrative boundary includes a significant rural area, with villages and market towns.

1.5.2 During the two decades prior to the last global financial crisis, the city's economy experienced significant growth, driven in large part by financial and business services. Leeds established itself as a vibrant, diverse and dynamic city, with a strong knowledge-based economy and recovered from the economic impact of the COVID-19 pandemic faster than many of its neighbouring cities. 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.

1.5.3 Poverty and inequality remain significant challenges. Despite very strong performance in job creation in recent years, low pay is a stubborn problem, with people caught in a loop of low pay, low skills and limited career progression. These challenges not only limit the opportunities for individuals - resulting in poorer health, wellbeing and educational outcomes -. but hold back the economy, affect productivity, cause skills' shortages, and create additional costs for businesses and the public sector.

1.5.4 Please visit the Leeds Observatory online here for more data about the Leeds economy, population and inequalities.

Population

1.5.5 Leeds has a population estimated at 812,000 (Census 2021), an increase of over 60,000 or 8% since the 2011 Census and projected to continue to grow in the future. We know from service demand information that very rapid demographic changes can sometimes be seen in some parts of the city, often most affecting those where communities can be more transient, income is lowest, and people are more likely to be experiencing poverty.

1.5.6 The city's population has continued to become more diverse since the 2011 Census in terms of age and ethnicity. Leeds has a relatively young average age of 37 years and while the birth rate 'bulge' of the 2010s has consistently fallen back since 2017, this decline has plateaued over the last two years - although it is too early to determine whether this will continue. The child population continues to grow at a faster rate than the city's population overall but with growth now concentrated in secondary school-age groups. The population profile of children and young people in Leeds continues to become more diverse and focused in communities most likely to be experiencing poverty.

1.5.7 At the other end of the age spectrum and in line with national patterns, ageing population trends continue with the 80+ age group growing fastest. As the baby-boomer generation grows older there will be a range of implications for service provision. With the 65+ age group continuing to expand, the distribution of the city's older population should also be considered. There are currently higher numbers of older people living in the city's outer areas, however this could change as the recent shifts in the composition and spatial concentration of the population work through, resulting in a far more ethnically diverse older population, with a greater concentration in the city's inner areas.

1.5.8 Between the 2011 and 2021 censuses, the proportion of people from ethnically diverse communities living in Leeds has risen from 19% to around 27%. People from Asian and Asian British backgrounds continue to make up the largest ethnic minority group in the city, but the fastest rate of growth was seen in the Black, Black British, Caribbean or African group which saw a 75% increase over the decade.

1.5.9 The city continues to see wide disparities in terms of healthy life expectancy outcomes – but the Census 2021 did report a 1.8% reduction in the proportion of people identifying as being disabled and limited a lot in their daily life. The proportion of people reporting they are limited a little remained stable. This data needs further investigation and analysis to understand potential implications for future service demand and delivery and will be included in the next Leeds Joint Strategic Assessment (JSA) update in 2024[6].

Economy

1.5.10 Leeds is well established as the main driver of economic growth for the city-region, and has key strengths in financial and business services, advanced manufacturing, health, and creative and digital industries, with a strong knowledge-rich employment base. These strengths, linked to the city's universities and teaching hospitals, are major innovation assets for Leeds. Leeds has also performed well in terms of business start-ups in recent years, with significant growth in digital and medical technologies, telecoms and creative industries.

1.5.11 The relative diversity of the Leeds economy has been a key asset in the city's resilience, helping it respond to the significant economic shocks of recent years that have impacted the whole country. The pandemic brought unprecedented changes impacting on the economy and labour market, accelerating trends around digital transformation, remote working, and the shift from the high street to on-line retail. The extent to which the full impacts of these changes are sustained in the

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

long term remains uncertain, but evidence suggests Leeds experienced a faster recovery than neighboring areas.

1.5.12 ONS data from the latest Annual Population Survey (April 2022 to March 2023, released August 2023) suggest that 401,000 (76.4%) people work in Leeds, of whom around three quarters are employed in the private sector, making Leeds one of the top cities nationally with a working population employed in the private sector. Indeed, Leeds has witnessed very strong private sector growth over the last decade.

1.5.13 According to the ONS, in the twelve months to March 2023 an average of 14,400 (3.5%) of economically active people aged 16 and over in Leeds were unemployed, comparable with the picture for the Yorkshire and Humber (3.5%) and Great Britain (3.6%) and compared to a high point in Leeds of 37,000 (7.0%) in March 2021.

1.5.14 However, according to the OBR's March 2023 'Economic and Fiscal Outlook', household disposable income will fall by 5.7% between April 2022 and March 2024, the largest two-year drop recorded in UK living standards since records began in the 1950s. Looking ahead, living standards are expected to remain below pre-pandemic levels until 2028 as high mortgage rates and inflation continue to affect people and communities (OBR, November 2022).

Poverty and Inequalities

1.5.15 The recent economic impact of the pandemic and cost-of-living crisis are worsening the already entrenched poverty and inequality we see in Leeds. The 2019 Indices of Multiple Deprivation (IMD) found 1 in 4 adults and 1 in 3 children in Leeds are living in neighborhoods that are classed in the 10% most deprived in the UK, with 13% of working-age adults in Leeds experiencing in-work poverty. The current inflation surge is having a disproportionate impact as those with the lowest incomes must spend a higher proportion of their funds on essentials – the difference in the impact of inflation on earnings between the top and bottom 10% of earners in Leeds was less than £3 in 2022[7].

1.5.16 There are time lags in the data, but in 2021 around 42,000 people in Leeds accessed a food bank[8], and 16% of households were in fuel poverty[9]. With the impact of inflation on food and fuel prices since, we would expect these circumstances to be considerably worse in the city today.

1.5.17 These disparities are reflected in health outcomes too where there is a longstanding gap in life expectancy across the city – currently around 13 years for women and 11 years for men between wards with the highest and lowest rates[10]. Parts of Leeds Dock, Hunslet and Stourton have the lowest female life expectancy

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[7] Department for Work and Pensions. Households below average income (HBAI) 2023 and ONS mid-year population estimates 2021
[8] Leeds Food Aid Network, September 2022
[9] Leeds' estimate from Department for Energy Security and Net Zero. Sub-regional fuel poverty data 2021, April 2023
[10] Leeds Joint Strategic Assessment 2021

anywhere in England[11]. People living in poorer areas of Leeds are more than twice as likely to experience anxiety and depression, a situation that has increased over time[12].

1.5.18 All these factors and more continue to have an impact on the demand for public services and support.

1.6 About Leeds City Council

Leeds City Council and the West Yorkshire Mayor

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

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

1.6.3 The Local Government Act 2000 made provision for the adoption of executive arrangements by councils. In Leeds we have adopted the strong leader and cabinet model of executive arrangements. Under the strong leader model of governance, the public elect their councillors and the councillors elect their leader. A such the leader of Council is usually the leader of the controlling group in Council, and in 2021 Councillor James Lewis (Labour) was elected as Leader. In Leeds what legislation calls "cabinet" is known as Executive Board. The Leader selects Members of this Board. The tradition in Leeds has been to include opposition members in Executive Board to function as a "Critical friend" and challenge or test decisions. The Executive Board of the Council currently consists of nine executive members with portfolio responsibilities from the ruling Labour group, and the leader of the Conservative Group, the largest opposition group.

1.6.4 All functions (powers and duties) of Local Authorities are divided between the Council and the Executive. Whilst the principal responsibilities will be an executive function under executive arrangements, some, as stated by legislation, will be

[11] Imperial College London, 'Life expectancy and risk of death in 6791 communities in England from 2002 to 2019: high-resolution spatiotemporal analysis of civil registration data', *The Lancet, Public Health*, Volume 6, Issue 11, November 2021
[12] Leeds Mental Health Strategy, 2020-2025

specifically for Full Council. Council functions include approving the budget and the relevant policy framework, taking decisions that involve the weighing of evidence, and providing oversight and scrutiny.

1.6.5 Leeds City Council is responsible for providing all statutory local authority services in Leeds, except for those it provides in conjunction with other West Yorkshire Authorities, together with the West Yorkshire Combined Authority (which saw an election of a Metro Mayor in May 2021, bringing access to significant levels of additional funding for the region). This includes education, housing, planning, transport and highways, social services, libraries, leisure and recreation, waste collection, waste disposal, environmental health and revenue collection.

1.7 Our strategic ambitions

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

1.7.2 Our overall vision for the city is set out in the Best City Ambition which can be read in full here: Best City Ambition (leeds.gov.uk). At its heart is our mission to tackle poverty and inequality and improve quality of life for everyone who calls Leeds home. The Ambition is focused on improving outcomes across three 'pillars': Health and Wellbeing, Inclusive Growth, and Zero Carbon. These pillars, and the areas of focus that cut across them all, capture the things that will make the biggest difference to improving people's lives in Leeds. The Best City Ambition, an update of which can be found elsewhere on this agenda, aims to help partner organisations and local communities in every part of Leeds to understand and support the valuable contribution everyone can offer – no matter how big or small – to making Leeds the best city in the UK.

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

- Being open, honest and trusted
- Treating people fairly
- Spending money wisely
- Working as a team for Leeds
- Working with all communities

1.7.4 In June 2023 the council launched 'Being Our Best', an organisational plan for 2023 onwards which reinforces our vision to be the Best Council in the Best City, and our role as a key partner in delivering the Best City Ambition. The plan is underpinned by our values and the behaviours aligned to them, providing a clear framework for managers to understand what's expected of them and how they can support staff to be their best while delivering against organisational priorities.

1.7.5 Being Our Best sets out the council's five main interdependent change priorities which, along with helping achieve improved outcomes, are fundamental to achieving the MTFS. These priorities are:

1. **Improving efficiency of how we do business** – by reducing bureaucracy and burdens on managers, simplifying policies, enabling more self-service, by bringing in new systems and processes to help us manage our finances, staff and employee records.
2. **Improving our digital offer** – by enhancing digital skills, automating manual processes, providing more technology services and infrastructure via the internet (cloud-based), and giving all staff including those on the frontline better access to digital tools and technology.
3. **Improving how we serve our customers** – by modernising our website so residents and businesses can do more online, helping to enhance our offer to customers through the contact centre and other channels.
4. **Improving how we work with people and families** – by continuing to build positive and collaborative relationships with our residents and service users, taking a strengths-based approach where we work together drawing on people's personal skills, knowledge, capacity and connections (assets), focusing on what they can do and not what they can't.
5. **Improving the co-ordination of our services locally** – by working in a more integrated way across our five directorates and with partners to strengthen joint planning, improve efficiency, and deliver services in a way which is more accessible for local people and supports our regeneration and place-making ambitions.

1.7.6 Being Our Best is underpinned by other key council strategies, including our Financial Strategy, People Strategy, Estate Management Strategy and Digital Strategy which can all be found on the Council's website here.

2. The Five Year Revenue Financial Plan

2.1 Introduction to Five Year Revenue Financial Plan

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

2.1.2 This Plan takes account of the range of socio-economic conditions and the policy drivers that shape our Medium Term Financial Strategy. The plan incorporates international, national and regional influences which include: economic impacts, such as the cost of living crisis, Government announcements on funding and policy, such as the short term Spending Review and Chancellor's statements, the Levelling Up Bill, Health and Social Care reform, devolution across West Yorkshire; and the socio-economic context of the city, including demography, the national and local economy, the local labour market and impact of deprivation across the city.

2.1.3 In addition, the Five Year Plan incorporates the ambitions and priorities of the Council. The socio-economic conditions and the policy drivers that shape our Medium Term Financial Strategy that had been affected by the current cost of living crisis, which has a major impact at all levels, international, national and local. It has also severely impacted upon the Council's operating environment both in terms of the demand for services and the level of resources available to the Council that support the delivery of services provided to the citizens of Leeds.

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

Table 2.1: Summary Updated Medium Term Financial Strategy 2024/25-2028/29

	2024/25 £m	2025/26 £m	26/27 £m	**3 Year Total £m**	2027/28 £m	2028/29 £m	**5 Year Total £m**
Movement in Funding (Increase)/Decrease Sections 2.2 to 2.4	(59.608)	7.653	(13.054)	**(65.009)**	(17.825)	(18.178)	**(101.012)**
Inflation due to Cost of Living Crisis (Increase)/Decrease	19.607	8.167	6.487	**34.261**	7.298	6.740	**48.300**
Other Cost Pressures (Increase)/Decrease Sections 2.5 to 2.7	106.623	48.718	54.313	**209.655**	58.352	54.299	**322.305**
Savings Proposals (Increase)/Decrease Section 2.8	(7.465)	(7.928)	(0.729)	**(16.122)**	(1.291)	(1.141)	**(18.554)**
Updated Gap	59.158	56.611	47.017	**162.785**	46.533	41.720	**251.038**

2.1.5 The Strategy for 2024/25 and 2025/26 was previously presented to Executive Board in February 2023, as part of the 2023/24 Revenue Budget and Council Tax Report. Since then, the gap for 2024/25 has widened, from £43.0m to £59.2m and the 2025/26 gap has widened from £28.7m to £56.6m, largely due to a combination of inflationary and demand pressures, as demonstrated in **Table 2.1**. The table shows the updated position for the Medium Term Financial Strategy. In summary, the three year gap is now £162.8m and the five year gap is £251.0m.

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

2.2 Financial Resources

Settlement Funding Assessment (SFA) and Changes in Local Funding

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

Table 2.2 Estimated Level of Financial Resources

	2023/24 Final £m	2024/25 Indicative £m	2025/26 Indicative £m	2026/27 Indicative £m	2027/28 Indicative £m	2028/29 Indicative £m
Revenue Support Grant	33.4	33.4	28.9	25.6	22.2	18.7
Business Rates Baseline	164.4	162.3	166.8	170.1	173.5	177.0
Settlement Funding Assessment	**197.8**	**195.7**	**195.7**	**195.7**	**195.7**	**195.7**
Net Cumulative Business Rates Growth	(3.5)	0.6	2.9	5.2	7.4	9.5
Business Rates Surplus/(Deficit)	(7.2)	(1.2)	0.0	0.0	0.0	0.0
Council Tax: Core	344.3	359.2	371.9	386.8	402.1	417.8
Council Tax: Adult Social Care Precept	49.4	57.3	57.3	57.3	57.3	57.3
Council Tax Surplus/(Deficit)	(7.4)	(1.8)	0.0	0.0	0.0	0.0
Net Revenue Budget	**573.4**	**609.8**	**627.8**	**645.0**	**662.5**	**680.4**
Change in Resources		**36.4**	**18.0**	**17.2**	**17.5**	**17.9**

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

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

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

2.2.5 **Table 2.2** shows that the Net Revenue Budget for the Council is forecast to increase over the life of the Strategy, from £573.4m in 2023/24 to an estimated £680.4m in 2028/29. However, this overall increase includes the continued effect of the reductions in local funding that occurred during the COVID 19 pandemic, which impacts on the Net Revenue Budget. As discussed in **Section 2.3**, it is not expected that local funding will return to pre-COVID levels until 2024/25.

2.3 Budget Assumptions

2.3.1 In 2022/23 the Government offered Business Rates reliefs to retail and leisure establishments up to a maximum of 75% of their liability or £110,000 per business nationally. This led to a higher number of claims in Leeds than was forecast, which generated a deficit in in the collection fund that had to be met in 2023/24. However, the relief was fully funded by the Government through a discretionary section 31 grant awarded by the Secretary of State. In 2022/23 this funding was placed in a reserve to meet the collection fund deficit generated by the reliefs. The relief was continued into 2023/24 to help the sector manage the ongoing cost-of-living crisis, but forecasts of the level of uptake have been much more accurate for this year therefore there will not be balances in this reserve to carry forward into 2024/25.The Spending Review published by the Government in early autumn 2021 covered the years 2022/23 to 2024/25 and initially it was indicated that the next Local Government Finance Settlement 2023/24 would cover the rest of the Spending Review period. Unfortunately, once again, the Provisional Local Government Finance Settlement published on 19th December 2022 was for one year only, i.e. 2023/24. However, the Government published a statement of its policy intentions for 2024/25 in December 2022. A summary of the Government's statement can be found at **Section 1.4**. This statement has been incorporated into the assumptions used in this Strategy.

2.3.2 A Revaluation of all non-domestic properties for the purposes of business rates was implemented on 1st April 2023. In theory the Government adjusted authorities' payments (top ups and tariffs) under the Business Rates Retention

Scheme to ensure locally retained income from Business Rates were not affected by the Revaluation. However, the calculations for these adjustments were provisional as the up-to-date data did not become available until after the end of the 2022/23 financial year. A final calculation will be made at the 2024/25 provisional local government finance settlement in December 2023, and further adjustments will be made to the 2024/25 tariff alongside a reconciliation payment for 2023/24. The Council has used the confirmed data to make these calculations and an estimate suggests that the authority's tariff paid to the Government will increase by £2.1m in 2024/25. With the reconciliation payment for 2023/24 dropping out from the tariff it will reduce again in 2025/26 by £1.0m. Revaluations will now take place every three years rather than every five years, and the adjustments required to top ups and tariffs to ensure local authorities do not gain or lose from a Revaluation mean that top ups and tariffs will become less stable and certain than before. Careful calculations will be required from year-to-year to accurately reflect this cost in the Council's financial strategy.

2.3.3 Changes in local funding, i.e., Business Rates Retention and Council Tax, are discussed in **Paragraphs 2.3.4 to 2.3.25.**

Business Rates Retention

2.3.4 The Leeds City Region Business Rates Pool commenced 1st April 2023 and is made up of the 5 West Yorkshire Authorities plus York. Within the current 50% retention pooling arrangements, the Leeds City Region Pool retains levy payments on growth which two of the member authorities would otherwise have paid to Government. These pooling arrangements will continue until 31st March 2024.

2.3.5 Pooled levy payments are spent locally by a Joint Committee made up of representatives of the member local authorities. The Council is currently projected to contribute levy payments to the Pool of £1.7m in 2024/25 and 2025/26, £1.8m in 2026/27, £2.0m in 2027/28, and £2.1m in 2028/29 based on current projections of income from the Business Rates Retention Scheme.

2.3.6 The continuing cost of living crisis and its economic consequences have undoubtedly slowed the recovery in locally generated income since the COVID-19 pandemic. Areas of particularly high risk for the Council reflected in this Strategy include higher than pre-pandemic provisions for non-collection (bad debts), and a slowing of growth in the tax base in the city in 2025/26 and future years. However there has been a reduction in demand for Empty Rates Relief in 2023/24 which is perhaps the first indication of an increase in demand for commercial space.

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

Table 2.3 Assumptions used to forecast business rates income

	2023/24 Indicative	2024/25 Indicative	2025/26 Indicative	2026/27 Indicative	2027/28 Indicative	2028/29 Indicative
In-year growth in taxbase	0.4%	1.1%	1.1%	1.1%	1.1%	1.0%
Level of bad debts	-2.2%	-1.6%	-1.4%	-1.4%	-1.2%	-1.0%
Level of Empty Rates relief	-5.2%	-4.2%	-4.2%	-4.2%	-4.2%	-4.2%
Multiplier compensation factor	17.0%	23.4%	23.4%	23.4%	23.4%	23.4%
Level of retention	50%	50%	50%	50%	50%	50%

2.3.8 The Budget for retained Business Rates income is set annually in January of the preceding financial year and this determines the precept transferred from the Collection Fund to the General Fund each year. Any shortfall in business rates income received in comparison with the budget set is carried through into the following year as a surplus or deficit. An estimate of any such surplus or deficit is also made in January in the year preceding that in which it is to impact the budget, known as the ‘declared deficit’. At the end of 2022/23, because the 2017 ratings list was coming to an end, additional provisions had to be made in the collection fund for an unexpectedly large number of appeals by ratepayer against their Rateable Value after the deficit was declared for 2022/23. This led to an additional deficit of £1.9m by the end of 2022/23, which will now have to be met in 2024/25. However, in 2023/24 it is projected that there will be a small surplus that will partially offset the deficit carried forward of £0.7m. This Strategy therefore recognises a deficit of £1.2m that will be a cost to the General Fund in 2024/25.

2.3.9 It is assumed that the in-year business rates income retained in 2024/25 to 2028/29 will be as budgeted and that therefore the Collection Fund will return to balance with no further deficits. At the time of writing the Council is not aware that the Government will cease to support retail and leisure establishments in response to the Cost of Living Crisis, thus support at the current level of 75% relief up to £110,000 per business nationally is assumed in the Strategy from 2024/25 onwards. This support, it is also assumed, will continue to be funded via a Section 31 grant which will compensate the Council for any loss of retained business rates income.

2.3.10 Based on the assumptions in **Table 2.3**, the Strategy assumes that budgeted in-year Business Rates income retained by the Authority in 2023/24 (£160.9m) will increase to £162.9m in 2024/25 as increased costs against this income caused by the pandemic, particularly Empty Rate Relief, continue to reduce. In 2025/26 this recovery is assumed to continue with in-year retained Business Rates income rising to £169.6m. £175.3m in 2026/27, £180.9m in 2027/28 and £186.5m in 2028/29.

2.3.11 Taking account of the impact of the deficit carried forward, the total budgeted income retained from the Business Rates Retention Scheme will increase from £153.7m in 2023/24 (supplemented by £8.1m of Section 31 grant funding for reliefs from 2022/23 held in reserve) to £161.7m in 2024/25. In 2025/26 this is expected to rise to £169.6m. Finally, the contribution of Business Rates to the Net Revenue Charge will increase to £175.3m in 2026/27, £180.9m in 2027/28 and £186.5m in in 2028/29.

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

2.3.13 In the years 2020/21 to 2023/24 increased risks around bad debts, Empty Rates Relief, continued reductions to the current tax base (the aggregate Rateable Value of all business premises in Leeds) and reduced in-year growth in future years due to the pandemic in 2020/21 more than reversed all the accumulated growth achieved since 2013/14.

2.3.14 2024/25 will see the return of growth above the baseline of £0.6m. Details of the underlying assumptions for each of the elements are given in **Table 2.3**. The net effect of these assumptions on growth above the baseline is detailed in **Table 2.4**.

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

	2024/25	2025/26	2026/27	2027/28	2028/29
	Indicative	Indicative	Indicative	Indicative	Indicative
Leeds share of growth above the baseline	49%	49%	49%	49%	49%
Growth above baseline assumed in previous year (£m)	**-3.5**	**0.6**	**2.9**	**5.2**	**7.4**
Increase in current taxbase in 2023/24 (£m)	0.1	0.0	0.0	0.0	0.0
Change in cost of bad debt provisions (£m)	0.9	0.8	0.5	0.0	0.0
Change in cost of empty rate relief (£m)	2.0	0.0	0.0	0.0	0.0
Change in cost of Small Business Rates Relief (£m)	-0.2	0.0	0.0	0.0	0.0
In-year growth of business rates yield (£m)	1.9	1.9	2.0	2.1	2.0
Other changes in the tax base (£m)	-0.6	-0.4	-0.2	0.1	0.1
Growth above baseline assumed in current year (£m)	**0.6**	**2.9**	**5.2**	**7.4**	**9.5**

2.3.15 The risks posed by appeals against the 2010 ratings list continue to come down as the number of outstanding appeals has significantly reduced over the last two years. The 2017 ratings list was introduced alongside new appeals process and, before COVID-19, the number of appeals against this list had been much lower than the 2010 ratings list. However, during the last two months of the 2017 Ratings List over 3,500 Checks were received by the Valuation Office Agency, the first stage of the appeals process. The Strategy includes the additional provisions for these appeals that were received prior to the end of the list. Ratepayers can no longer appeal their Rateable Values on the 2017 list. Provisions against the new 2023 Ratings List remain low, and expectations are that, because Ratings Lists will now only last three years rather than the previous minimum of five, Rateable Values will be more representative of the current commercial property market and fewer appeals will be submitted.

2.3.16 There remain many uncertainties around the future of Business Rates Retention within the local government finance system. The Government has made it clear that there will be no Business Rates Reset during this Spending Review period, when the growth nationally will be redistributed according to need through Settlement Funding Assessment and individual authorities' baselines reset to present values. There has also been little mention of moving to 75% retention rather than the current 50% or when that might happen if at all. Therefore, this Strategy assumes that any effects of these processes will be revenue neutral.

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

Council Tax

2.3.18 This Medium Term Financial Strategy is written in the context of the cost of living crisis and a forecast downturn in the housing market due to higher interest rates. As such, the Strategy assumes a lower than average underlying growth in the taxbase (excluding the impact of Local Council Tax Support) in 2024/25 of 0.97% which will not recover to pre-pandemic levels for the rest of the period of this Strategy reaching 1.29% in 2026/27, as shown in **Table 2.5**. The taxbase is the number of Council Tax band D equivalent residential properties in the City of Leeds less any discounts and exemptions that have to be applied according to statute and is explained in further detail at **Annexe A2.**

2.3.19 The Strategy further assumes that the number of Local Council Tax Support claimants will remain above average between 2025/26 and 2027/28 in line with the forecast unemployment rate from the Office for Budget Responsibility. **Table 2.5** projects that unemployment, the main driver of working age claims for Council Tax Support, is expected to rise gradually fall from its equilibrium rate of 4.1% in 2024/25 to 4.3% by 2026/27 before falling back to equilibrium by 2028/29. The effect of the cost of living crisis on Local Council Tax Support claims will remain under review. Additionally, the Strategy assumes that collection rates will remain at 99% throughout the period to 2028/29, however this remains an area of high risk given the economic situation.

2.3.20 The Strategy projects that councils will be able to raise core Council Tax by 2.99% in 2024/25 in line with a statement on Government policy intention published in December 2022 but in subsequent years it is assumed core Council Tax increases will return to their historical average of a 1.99% increase each year to the end of this Strategy period. It is assumed there will be an additional precept for Adult

Social Care of 1.99% in 2024/25 again in line with the recent Government statement alongside real terms increases in funding provided through government grants for Adult Social Care in 2024/25 announced in the Autumn Statement 2022, however after that it is assumed the precept will not be increased for the rest of this Strategy period in line with comments in the Spending Review 2021. Any increase above these assumptions would generate additional resources that could be used to contribute towards closing the estimated budget gap.

2.3.21 As with Business Rates, any shortfall or surplus between budgeted and actual Council Tax income is a cost or gain that must be carried forward to the following year. In 2023/24 it is estimated that there will be a deficit generated for Council Tax of £1.8m because of pressures on the housing market projected to reduce the number of homes coming onto the council tax list in 2023/24.

2.3.22 After 2024/25 it is assumed that actual income will be as budgeted and therefore no surplus or deficit is included.

2.3.23 Currently the Government is seeking to gain parliamentary approval for two reforms to the Council Tax system in the Levelling Up and Regeneration Bill, currently being considered in the House of Lords. The two reforms include: -

- The introduction of a 100% premium on council tax charged to those in a second home. This would have to be approved by Full Council once the Bill has become law and that approval must be given at least one year in advance of the premium coming into force in Leeds. As such any additional income from this reform could not be realised until 1st April 2025 at the earliest.
- There is currently a 100% premium on council tax charged on properties that have been empty for more than two years. The proposal is that the qualifying period for this premium to be applied be reduced to one year. Full Council would once again have to make the determination that this would be applied in Leeds, but if the Bill were to become law before the end of the 2023/24 financial year, this could be applied on 1st April 2024.

Because these reforms are not yet law no assumption about additional council tax income from these two reforms has been made in this Strategy.

2.3.24 Table 2.5 Assumptions used to forecast council tax income

	2023/24 %	2024/25 %	2025/26 %	2026/27 %	2027/28 %	2028/29 %
Core increase to LCC precept	2.99%	2.99%	1.99%	1.99%	1.99%	1.99%
Increase to Adult Social Care precept	1.99%	1.99%	0.00%	0.00%	0.00%	0.00%
Underlying taxbase growth from previous year	1.03%	0.97%	0.91%	1.29%	1.27%	1.26%
Levels of Bad Debt	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Unemployment assumptions impacting on levels of LCTS	3.70%	4.10%	4.40%	4.30%	4.20%	4.10%

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

2.4 Other Funding Changes

2.4.1 The paragraphs below outline the key changes to other funding that the Council receives, summarised in **Table 2.6**, in addition to changes to the Settlement Funding Assessment and to local funding outlined above. In summary, funding is expected to increase by £65.0m over the three years to March 2027 and increase by a total of £101.0m over the five years of the Strategy.

Table 2.6: Summary of Funding Changes

	2024/25 £m	2025/26 £m	2026/27 £m	**3 Year Total £m**	2027/28 £m	2028/29 £m	**5 Year Total £m**
Change in Resources due to Settlement Funding Assessment and Local Funding Table 2.2 Paragraphs 2.2.1 to 2.3.25	(36.457)	(17.944)	(17.228)	**(71.629)**	(17.481)	(17.907)	**(107.017)**
Specific Grant Funding Changes Paragraphs 2.4.2 to 2.4.23	(25.092)	4.840	(1.427)	**(21.679)**	(1.216)	(0.271)	**(23.166)**
Other Changes in Resources Paragraph 2.4.24 to 2.4.28	(0.950)	0.833	1.700	**1.583**	0.000	0.000	**1.583**
Movement on use of Reserves Paragraphs 2.4.29 to 2.4.34	2.891	19.924	3.901	**26.716**	0.872	0.000	**27.588**
Total Funding Changes	(59.608)	7.653	(13.054)	**(65.009)**	(17.825)	(18.178)	**(101.012)**

Specific Grant Funding Changes - New Homes Bonus

2.4.2 Since 2011/12, the Council has received New Homes Bonus, an incentive grant based on housing growth. In 2018/19, the 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. However, 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 for the rest of the period of this Strategy with the £2.2m budgeted income for 2023/24 dropping out.

Specific Grant Funding Changes – Adult Social Care

2.4.3 In September 2022 Government announced the ASC Discharge Fund, from which grants would be allocated to local authorities and integrated care boards (ICBs). Government set out that these organisations should work together to plan how to spend this money locally. The additional Leeds share of this in 2024/25 is estimated to be £2.957m, the Strategy assumes this falls out in 2025/26.

2.4.4 As a part of the 2022/23 final Local Government Finance Settlement the Government introduced a new grant, Market Sustainability and Fair Cost of Care Fund (subsequently renamed the Market Sustainability and Improvement Fund-MSIF when the new duties it was to fund were delayed but the funding was honoured to help the social care system deal with inflationary pressures), with a national allocation of £162m in 2022/23 and further allocations in 2023/24 and 2024/25. Leeds received £2.2m in 2022/23 and £7.7m in 2023/24. It is assumed that the 2023/24 level of funding will continue for the life of the Strategy as the Government continues to support the reform of social care. Additional funding has subsequently been announced for 2024/25 with Leeds receiving £3.9m. The Strategy assumed that this additional allocation will fall out in 2025/26. MSIF funding is part of the Council's Core Spending Power and relates to the Government's planned reforms of the social care system. It is therefore expected that it will fund new burdens arising from the new duties the Council will have to undertake. As such it is expected to be largely neutral to the Council overall, and expenditure matching the £7.7m ongoing element is included in the base pressures in this Strategy.

2.4.5 The Strategy includes inflationary increases for the improved Better Care Fund - £1.1m in 2024/25, £0.7m in 2025/26 and £0.4m per annum for the years 2026/27 to 2028/29.

2.4.6 The Autumn Statement 2022 included the announcement of additional Social Care Grant for adult and children's social care. This Strategy reflects £4.25m of this additional grant in Adult Social Care and assumes that funding will continue at this level for the life of this Strategy.

2.4.7 As such, the Medium Term Financial Strategy assumes a £12.2m increase in Adult Social Care grant resources in 2024/25, reducing by £6.2m in 2025/26 but increasing by £0.4m in 2026/27 and continuing at this level for the life of the Strategy.

2.4.8 The Strategy assumes Council's will be able to raise an Adult Social Care Precept in 2024/25, but that this will not continue into the later years of the Strategy. This is reflected in the Council Tax section at **Paragraph 2.3.20**.

Specific Grant Funding Changes – Children and Families

2.4.9 Leeds is one of three authorities to receive funding through the Department for Education (DfE) Strengthening Families Protecting Children (SFPC) Programme to support the spread of innovation programmes across 20 local authorities over five years. Annual grant of £1.6m is assumed in 2024/25, reducing by £0.5m in 2025/26 with this lower allocation continuing for the life of this Strategy.

2.4.10 The Autumn Statement 2022 included the announcement of additional Social Care Grant for adult and children's social care. This Strategy reflects £5.54m of this additional grant in Children's Social Care in 2024/25 and assumes that funding will continue at this level for the life of this Strategy.

2.4.11 The Strategy assumes an additional contribution of £1.2m from the Dedicated Schools Grant from 2024/25 to reflect the increase in the number of and complexities of looked after children.

2.4.12 The numbers of Unaccompanied Asylum Seeking Children supported by the Council has increased and as such the Strategy assumes an additional £2.03m of Home Office Funding to continue to support and care for UASC from 2024/25.

2.4.13 Disabled Facilities Grant of £0.2m is expected to fall out in 2025/26.

2.4.14 As such, the Medium Term Financial Strategy assumes an £8.7m increase in Children's Social Care grant resources in 2024/25, reducing by £0.7m in 2025/26 and continuing at this reduced level for the life of the Strategy.

Specific Grant Funding Changes – Communities, Housing and Environment

2.4.15 The Waste PFI grant is expected to reduce by £0.108m in 2024/25 due to the impact of DEFRA penalties on recycling performance. These penalties were suspended during COVID-19 but are now reinstated.

2.4.16 The Medium Term Financial Strategy reflects a number of other grants falling out or reducing. In 2024/25 a £0.3m reduction reflects fallout of ESIF grant. In addition to this, the Strategy reflects the fallout of £0.4m Ukraine grant in 2025/26 and £0.19m Community Cohesion grants in 2026/27.

2.4.17 Other funding streams expected to fallout over the life of the Strategy are: Local Welfare Support Scheme £0.3m in 2025/26; Supported Housing Improvement Programme £0.5m in 2025/26; Household Support Fund £0.7m in 2025/26 and Accommodation for ex-Offenders programme £0.2m in 2025/26.

2.4.18 As such, the Medium Term Financial Strategy assumes a £0.4m reduction in Communities, Housing and Environment grant resources in 2024/25, further reducing by £2.0m in 2025/26 and another £0.2m in 2026/27 and continuing at this reduced level for the life of the Strategy.

Specific Grant Funding Changes – Strategy & Resources

2.4.19 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.

Specific Grant Funding Changes – Section 31 grants

2.4.20 Section 31 grants are received from Government to compensate local authorities for the costs of business rates reliefs introduced by the Government since the start of the Business Rates Retention Scheme and increases to the Small Business Rates multiplier being capped at CPI rather than RPI. Since 2020/21 the multiplier has been frozen, and local government has also received compensation for the lost income incurred, although the Government has now made it clear that continued compensation will now only be to CPI rather RPI.

2.4.21 Government has awarded local authorities funding to meet the cost of mandated Business Rates reliefs introduced since 2013/14, although this was at a much lower level than in 2020/21 and 2021/22 when Government supported businesses that had to close during the lockdowns with extensive reliefs. It is not forecast that there will be any additional reliefs in 2023/24, the funding from which would have been held in reserve to meet the resultant deficit in 2024/25.

2.4.22 In 2023/24 it is projected that Government will continue to compensate councils for historic changes to reliefs and capping of the multiplier. Historically, the Government has placed a cap on the annual increase in the multiplier of less than RPI. The Government has then compensated authorities for all losses that have been incurred up to the full RPI rate. The Government has now made it clear that going forward local authorities will only be compensated up to rate of increase to CPI rather than RPI, following the introduction of legislation to place a limit on increases to CPI rather than RPI. The Strategy therefore assumes that the multiplier will be frozen again in 2024/25 but that this will only be compensated for up to the rate of CPI, alongside compensation for historical capping of the multiplier in line with previous practice. With CPI currently assumed to 5.5% in September 2023, this alone will generate £38.2m in compensation. The Strategy then assumes that the value of this grant will be maintained in real terms, but there will be no further compensation, until the end of the Strategy period.

2.4.23 It is assumed that extended Retail Relief offered to businesses in 2023/24 will be continued in 2024/25. Therefore, the Section 31 grant received for Retail Relief in 2023/24 continues to be received by the Council in 2024/25. The total increase in Section 31 grant funding for 2024/25 is therefore £10.6m, mainly due to the increase in the multiplier cap compensation. After 2024/25 it is projected that Section 31 grant relief funding will increase by £4m in 2025/26, £1.3m in 2026/27m and in each of the years 2027/28 and 2028/29 by £1.3m.

Other Funding Changes – Strategic Accounts

2.4.24 Local authorities pay a levy on Business Rates growth, either to the Government or to a local Pooling arrangement where one exists, as discussed in paragraph 2.3.4. It is estimated that levy payments will increase from £1.1m in 2023/24 to £1.7m in 2024/25 and 2025/26, £1.8m in 2026/27, £2.0m in 2027/28, and £2.1m in 2028/29. Should 75% retention be introduced during the period of this Strategy, it is thought that the levy calculation will be reformed and only applied to ‘extraordinary’ Business Rates growth, however this has not yet been defined by Government.

Other Changes in Resources

2.4.25 WYCA gainshare funding of £0.633m commenced in 2022/23 for a three year period falls out in 25/26. The Council also received an additional £1.7m 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 and 2025/26, with the full amount of £1.7m falling out in 2026/27 WYCA income.

2.4.26 As part of the 2022/23 budget setting process, £0.867m of Business Rates Pool balances were utilised to substitute for the Council’s core budget contribution to Leeds 2023 in 2022/23, together with a further £0.133m in 2023/24, which falls out in 2024/25.

2.4.27 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 and a further £0.2m in 2025/26.

2.4.28 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. At the time of the 2023/24 Budget, planned expenditure of £19.0m relating to transformational work that meets these criteria was agreed to be funded through the Government's flexible use of capital receipts regulations. In 2024/25 the Strategy reflects the part-fallout of £0.16m of this resource.

Movement on the use of reserves

2.4.29 The opening General Reserve position in 2023/24 stood at £33.2m with the opening position for 2024/25 estimated to be £36.2m also, reflecting a budgeted contribution of £3m to this reserve in 2023/24. This Medium Term Financial Strategy incorporates a base budget increase of £3.0m in 2024/25. As such a £3m contribution in every subsequent year of the Strategy is assumed, giving a projected General Reserves position of £51.2m at 31st March 2029. The impact of these assumptions on the level of General Reserve over the life of the Strategy is discussed in **Part 6** of this Strategy document.

2.4.30 The opening General Fund earmarked reserves for 2023/24 stood at £148.8m. This total includes £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 assumes a net use of £14.3m from this reserve. There are currently in year commitments of £0.6m relating to funding COVID Backlog Recovery and £1.3m relating to delays in the delivery of fleet management savings in 2023/24, discussed at **paragraph 2.5.23.** This Strategy assumes that an additional £20m of capital receipts will be applied to redeem debt and reduce MRP in 2023/24 and that the resulting revenue savings will be taken to this reserve. This would leave an estimated balance on the Strategic Contingency Reserve of £23.7m at 31st March 2024, of which the Strategy then assumes use of £20m in 2024/25 to smooth the gaps over the years of the Strategy.

2.4.31 The 2024/25 Strategy introduces a £3.0m contribution into a new Strategic Resilience Reserve in order to increase the Authority's financial sustainability in future years.

2.4.32 The 2021/22 approved budget allowed for the creation of an earmarked reserve for COVID pressures. A balance of £1.3m has been carried forward into 2023/24 but it is anticipated that this will be used in full in the current year to fund specific ongoing effects of COVID. This Strategy does not make further provision in respect of this reserve.

2.4.33 An Energy Contingency reserve, established in the 2021/22 approved budget to provide contingency funding should energy costs exceed provision in the budget had balances of £3.9m for 2022/23 which were applied in full. No balances were carried forward into 2023/24 and this Strategy does not provide for further energy contingencies. This reflects the fall in gas and electricity prices in recent months. As discussed at **paragraph 2.5.6**, the Strategy provides separately for future forecast energy inflation.

2.4.34 Movements across the range of earmarked reserves provide for a net increased pressure of £27.6m on the General Fund over the life of the Strategy, £22.9m of which occurs in 2024/25. The increased General Fund pressure includes net fallout of £18.8m relating to use of the Strategic Contingency Reserve and £3.3m fallout of use of Adults and Health reserves, fallout of the use of Section 106 £0.7m, fallout of use of social inclusion reserve £0.2m and fallout of use of funds from the Homelessness grant reserve £0.1m. The General Fund is contributing £3m per annum to the Strategic Resilience reserve and £2m and £1m per annum respectively to increase provisions for insurance and MMI, among other measures to improve financial sustainability, discussed at **Section 2.7**. These costs to the General Fund are partly netted of by a (£2.1m) net reduction in contributions to the Investment Fund reserve.

2.5 Budget Pressures

Table 2.7: Summary of Cost Pressures

	2024/25 £m	2025/26 £m	2026/27 £m	**3 Year Total £m**	2027/28 £m	2028/29 £m	**5 Year Total £m**
Inflationary Pressures:							
Pay Award and the Leeds Living Wage	25.937	19.632	21.247	**66.815**	23.473	24.455	**114.744**
National Living Wage for Commissioned Services	17.452	18.208	19.657	**55.317**	21.262	22.276	**98.855**
Energy	(1.355)	1.170	1.239	**1.053**	1.305	1.345	**3.704**
Fuel	(1.600)	0.116	0.121	**(1.363)**	0.123	0.000	**(1.240)**
Other General Price Inflation	22.562	6.882	5.127	**34.571**	5.869	5.395	**45.835**
Paragraphs 2.5.2-2.5.9							
Non-Inflationary Pressures:							
Employers Local Government Pensions Contributions	0.000	0.000	0.000	**0.000**	0.000	0.000	**0.000**
Severance & Capitalised Pension costs	(0.586)	(1.803)	(4.449)	**(6.838)**	(0.216)	(0.005)	**(7.059)**
Demand and Demography	28.553	6.530	7.043	**42.126**	7.111	7.527	**56.764**
Income Pressures	5.139	0.486	1.450	**7.075**	0.550	0.200	**7.825**
Other Cost Pressures	27.021	(0.861)	0.553	**26.713**	2.326	0.131	**29.170**
Debt	3.108	6.526	8.813	**18.447**	3.845	(0.286)	**22.006**
Paragraphs 2.5.10 to 2.5.26							
Total Funding Changes	126.230	56.886	60.800	**243.916**	65.649	61.039	**370.605**

2.5.1 **Table 2.7** summarises the cost pressures identified as part of the Strategy for 2024/25 to 2028/29. Given the impact of pay and cost of living pressures upon the Council's financial position these have been shown as either "Inflationary Pressures" or "Non-Inflationary Pressures" to separately identify the impact of inflation in addition to the other pressures noted.

Inflationary pressures

2.5.2 **Pay Award and the Leeds Living Wage**: At the time of writing this Strategy, a 3.5% Pay Award for JNC staff has been agreed for 2023/24. However, agreement has not been reached between the National Employers and Trade Unions regarding the 2023/24 Pay Award for NJC staff. The offer from the National Employers was a pay increase of £1,925 for all NJC staff. The Trade Unions have rejected this offer and are balloting their members on whether to instigate industrial action. Any Pay Awards will be required to be funded by the Council.

2.5.3 The financial position in this Strategy includes the agreed JNC Pay Award for 2023/24 and the NJC Pay Award for 2023/24. The Strategy does not make assumptions about the Pay Award for 2024/25 or beyond. Instead, the position shown makes provision for the costs of 4% annual pay awards for both NJC and JNC staff for each year of the period covered by the Medium Term Financial Strategy. The Strategy also assumes that increases in the Real Living Wage will remain consistent with the increase from 2022/23 to 2023/24 (£1 per hour).

2.5.4 The estimated impact on the Council's financial position is shown in **Table 2.8**. It should be noted that every increase of 1% equates to a cost to the Council of around £4.0m. These figures reflect the impact of the pay award only and exclude other adjustments to pay which are included at Table 2.7, for example cost of enhancements and impact of measures to mitigate pay inflation.

Table 2.8: Pressure due to Pay Award/Pay Offer

	2024/25 £m	2025/26 £m	2026/27 £m	**3 Year Total £m**	2027/28 £m	2028/29 £m	**5 Year Total £m**
MTFS Position at Budget 2023/4 (2% pay award)	11.018	14.637	16.217	**41.872**	17.591	0.000	**59.463**
Estimated impact in 2024/25 of Pay Award 2023/24	9.812	0.000	0.000	**9.812**	0.000	0.000	**9.812**
Estimated later years impact of pay award and ongoing inflation	7.589	5.621	5.770	**18.980**	6.842	25.486	**51.308**
Total Funding Changes	28.419	20.258	21.987	**70.664**	24.433	25.486	**120.583**

2.5.5 **National Living Wage for Commissioned Services**: In respect of services commissioned from external providers, provision has been made for £17.5m in

2024/25, £18.2m in 2025/26 and £19.7m in 2026/27. As such over the first three years of the Strategy, provision is made of £55.3m for this area of work. The remaining two years of the Strategy are estimated to require £21.3m and £22.3m, meaning that the five year Strategy makes a total provision of £98.9m for Commissioned Services. The majority of this sits in the Adults and Health Directorate, with £0.6m per annum provided for in the Children and Families Directorate. The 2023-24 budget for Adults and Health incorporated funding to pay all providers in residential settings staff at the Real Living Wage rate. For Homecare it was Real Living Wage plus 40p/hour.

2.5.6 **Energy:** The Strategy assumes a £1.4m (7.4%) reduction in energy costs in 2024/25 compared to the base budget in 2023/24 which provide for a significant increase in energy costs (118.5% for gas and 64.0% for electricity at an additional cost of £10.7m). The Strategy then makes allowance for 5% inflation each year from 2025/26 for the life of the Strategy, providing an additional £1.2m-£1.3m each year. In total, the Strategy allows for £3.7m of energy inflation over the five year span.

2.5.7 **Fuel:** Fuel prices have fallen significantly during 2023/24 and based on recent forecasts this Strategy assumes a saving of £1.6m on fuel costs in 2024/25 when compared to the base position for 2023/24. In later years the Strategy assumes that inflation will fall in line with Office for Budget Responsibility forecasts and makes provision for increases of around £0.1m per annum. Consequently, over the life of the Strategy a net saving of £1.2m is assumed.

2.5.8 **Other general inflation:** In recent years, the Strategy has not provided for general price inflation, reflecting prevailing low rates of inflation, and the only inflationary allowance have been made where there is a contractual commitment. Whilst this can vary from contract to contract, it is often index linked to CPI or RPI which are both forecast to remain high in 2023 (September forecast for CPI is 5.41% and RPI is 8.1%). Where PFI schemes are linked to CPI or RPI the Council will need to provide for the increase accordingly. Due to the ongoing significant inflationary pressures in the economy this Strategy also makes allowance for general price inflation. In 2024/25 contract and general inflation of £22.6m is provided for as follows: Adults and Health £3.5m, Children and Families £13.7m, City Development £2.5m, Communities, Housing and Environment £1.0m and Strategy & Resources £1.9m. As inflation is expected to return to more normal levels over time, the Strategy reflects this, reducing to £6.9m Council-wide in 2025/26 and to £5.4m by the fifth year, provision of £45.8m in total.

2.5.9 The Strategy has assumed an inflationary uplift on fees and charges where it was considered they could be borne by the market. However, given the significant financial pressures faced by the Council, proposed levels of fees and charges continue to be reviewed to identify potential to increase income.

Non-inflationary budget pressures

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

Employers Local Government Pensions Contributions

2.5.11 The most recent actuarial valuation showed that the West Yorkshire Pension Fund is in a surplus position. The position assumes an employer's contribution of 15.7% each year, resulting in no additional pressure in the current Strategy. However, we will continue to review this position in discussion with the actuaries as current inflationary pressures do present a risk to equity markets.

Early Leavers Initiative – Fall-out of capitalised pension costs

2.5.12 The fall-out of capitalised pension costs associated with staff who have left the Council under the Early Leavers Initiative (ELI) will save an estimated £0.6m in 2024/25. 2025/26 and 2026/27 each see significant reductions of £1.8m and £4.4m respectively, the fallout of the pensions costs associated with the high numbers of staff leaving in 2020/21 and 2021/22. Savings in the Strategy then reduce to £0.005m by 2028/29.

Demand and Demography

2.5.13 The Medium Term Financial Strategy recognises the increasing demography and consequential demand pressures for services in Adult Social Care, Children and Families services and Temporary Accommodation and Waste services, with £56.8m being provided over the five years up to 2027/28 as shown in **Table 2.9**.

Table 2.9 Demand & Demography

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Adults & Health	9.64	6.30	6.52	6.88	7.28	36.62
Children & Families	18.18	0.00	0.00	0.00	0.00	18.18
Communities, Housing & Environment	0.73	0.23	0.53	0.24	0.24	1.97
	28.55	**6.53**	**7.04**	**7.11**	**7.53**	**56.76**

Adults and Health

2.5.14 Within Adults and Health, the population growth forecast assumes a steady increase from 2023 in the number of people aged 65+ between 2023 and 2029. These increases of 2.05%, 2.17%, 2.08%, 2.00% and 1.92% respectively result in additional costs for domiciliary care and care home placements. In addition, the Medium Term Financial Strategy reflects the anticipated impact of increasing cash personal budgets through to 2029. The Learning Disability demography is expected to grow by 1.6% (based on ONS and transitions data) over the period. It should be noted that the high cost increase in this area of service is primarily a combination of increasingly complex (and costly) packages for those entering adult care, as well as meeting the increasing costs for existing clients whose packages may last a lifetime. The Strategy provides £8.1m to deal with demand and demographic growth for 2024/25 (in addition to provision of £20.4m to cover inflationary pressures and National Living Wage/Real Living Wage increases), £34.3m in total across the years of the Strategy.

2.5.15 Also within Adults and Health, the Strategy provides £1.5m in 2024/25 and £2.3m in total over the life of the Strategy to meet demand and demographic pressures for Transitions, costs relating to service users moving from Childrens to Adult services.

Children and Families

2.5.16 Children and Families continues to face demographic and demand pressures due to several different factors. Birth rates were relatively high in previous years, particularly within the most deprived clusters in the city. Although the birth rate has now reduced, the population peak is now moving through to adolescents, who can require more complex and therefore costly placements.

2.5.17 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.

2.5.18 In addition, expectations of families and carers in terms of services offered by the Council and partners continue to evolve alongside the impact of Government legislation, including ‘staying put’ arrangements that enable young people to remain with their carers up to the age of 21.

2.5.19 As a result of these trends, CLA numbers nationally and in Leeds continue to increase. This trend is expected to continue and has been built into the Strategy. Consequently, the Medium Term Financial Strategy provides £5.454m in total over the next five years for the projected demand in the CLA and financially supported non-CLA budget, excluding inflation. £1.588m of the increase is in 2023/24. In subsequent years, the increase each year is between £0.2m and £1.6m.

Communities, Housing and Environment

2.5.20 As a result of continuing demand pressures due to assumed household growth, provision of £0.2m has been made in each year of the Strategy for the increased disposal costs of waste to the Recycling and Energy Recovery Facility (RERF). In addition, periodically household growth can require that a new route is provided, the Strategy makes provision for £0.3m for this in 2026/27.

2.5.21 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 pressures. As such £0.5m has been added to the base in 2024/5.

Income Pressures

2.5.22 Over the life the Strategy there is provision for additional income pressures of £7.8m relating to the following, of which £5.1m impacts in 2024/25: impact of Housing Subsidy & overpayment £4.5m; loss of car parking income £1.2m; reduction of historic action plan in Children and Families £1.2m; loss on Bereavement income £0.7m; loss of income due change in legislation regarding the disposal of Inert Waste £0.5m; loss of fee income due to a reduction in capital receipts £0.5m; income shortfall in BSC Salary Sacrifice on Electrical devices budget action plan £0.2m; reduction of Housing Benefit Income in Adults and Health £0.15m; net cost of centralisation of recharges £0.1m. This is partly offset by small increases in income reflecting the planned Elections schedule (£0.3m) and LBS related income (£0.9m).

Other pressures

2.5.23 Over the life of the Medium Term Financial Strategy 2024/25-2028/29 other cost pressures amount to £29.2m, £14.0m of which relates to reduced reliance on capitalisation and internal charging arrangements. This is further discussed at **Section 2.7**. Other significant variances over the life of the Strategy include:

- Persistent Organic Pollutants (POPs) leading to an increased pressure of £1.1m in Waste - New guidance has been received that the Environment Agency (EA) will regulate the disposal of upholstered furniture that contain POPs. These materials are now required to be separated and disposed of in accordance with the new EA regulations, resulting in significantly higher disposal costs. Higher disposal charges are now being incurred for all collections (typically collections of bulky waste and the general waste skips at Household Waste sites) that contain any POPs materials.
- Leeds 2023, a reduction in cost pressures of £3.3m in 2024/25 reflects the fallout of all costs associated with the Leeds 2023 year of culture.
- The 2023/24 Fleet Services budget contains a base savings target of £1.3m, however delivery has been overshadowed by a combination of increased demand for vehicles, the financial impact of inflation and maintaining an ageing fleet, impacting on the capacity for directorates to absorb this saving. This Strategy removes the saving from the base position going forward, a pressure of £1.3m in 2024/25.

- In addition to the Fleet Services pressure already noted, the Strategy includes an additional pressure of £2.3m for External Hire of Refuse Vehicles. This is also due to delays in procuring new vehicles and the resulting increased hire costs.
- Previous years' budgets have utilised the capitalisation of revenue expenditure to mitigate the impact of the Government's austerity agenda and the resultant reduction in funding to local authorities since 2010. In order for the Council's Revenue Budget to become more financially resilient, whilst at the same time reducing the risks associated with funding recurring revenue expenditure from capitalisation, this Strategy contains provision to further unwind the extent to which the Revenue Budget is supported by these mechanisms. Consequently, the base budget provision has increased by £14m per annum from 2024/25 to reduce reliance on capitalisation and internal charging and improve the Council's financial resilience, a process which began in 2019/20.
- The Strategy allows for an increased pressure of £2.5m around the Council's Core Business Transformation project. The project includes the procurement and implementation of new HR and Finance systems, which will ultimately result in efficiencies for the Council. Savings identified in 2023/24 at Section 2.8 include a small saving in 2024/25 in relation to this project.

2.5.24 These 'other pressures' are analysed by Directorate in **Table 2.10** below:

Table 2.10 Other Pressures

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Adults & Health	2.12	0.21	0.01	0.01	0.02	2.37
Children & Families	1.10	(0.13)	(0.08)	(0.48)	0.02	0.44
City Development	(3.08)	(0.45)	0.52	0.02	0.02	(2.98)
Communities, Housing & Environment	4.77	(0.58)	0.03	2.73	0.03	6.97
Strategy & Resources	5.16	0.08	0.08	0.04	0.05	5.41
Strategic Accounts	16.96	0.00	0.00	0.00	0.00	16.96
	27.02	**(0.86)**	**0.55**	**2.33**	**0.13**	**29.17**

Debt

2.5.25 Over the life of the Strategy, additional provision of £22.0m is required to service debt over the life of the Strategy as detailed in **Table 2.11**. Of this, £11.3m relates to the net requirement to increase the level of budgetary provision for MRP as detailed in **Table 2.12**. PFI related provision in **Table 2.11** totalling £2.9m covers the use of capital receipts to fund PFI liabilities including MRP on these arrangements, together with a provision for the impact of the capitalisation of PFI lifecycle costs.

2.5.26 The increase in core treasury provision includes several elements such as external interest payable, offset by costs rechargeable to Departments for departmentally determined schemes. This provision also includes a number of other distinct headings such as interest payable to or receivable from the HRA for its debt costs and use of its revenue balances, brokerage and external interest receivable. The provision for core treasury amounts to an additional provision of £7.8m within the total increase of £22.0m. The most significant factor within this is for the anticipated increase in external interest costs being provided for in 2024/25 and 2025/26.

Table 2.11 Provision for Debt

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	TOTAL £m
Core Treasury	3.87	1.90	2.15	3.27	(3.39)	7.81
MRP	1.40	2.03	2.53	1.43	3.95	11.34
PFI related	(2.16)	2.59	4.14	(0.85)	(0.85)	2.86
	3.11	**6.53**	**8.81**	**3.85**	**(0.29)**	**22.01**

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

Table 2.12 Minimum Revenue Provision and External Interest

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Gross MRP	66.30	68.34	70.86	72.29	76.24
External Interest - General Fund	67.54	69.50	72.27	75.04	71.49

2.6 Summary of resources and estimated pressures

2.6.1 After taking account of changes to the Settlement Funding Assessment, changes in local funding plus other cost and funding changes as outlined above, but before savings agreed to date, there is a requirement to deliver £178.9m of savings in the three years 2024/25-2026/27 and £269.6m of savings over the full five year period covered by the Medium Term Financial Strategy. The scale of the overall savings requirement needs to be considered in the context of the Council’s current budget: a gross General Fund budget of £1,611.6m and net budget of £573.4m 2023/24.

2.6.2 **Table 2.13** summarises the estimated change in local funding such as Council Tax, Business Rates, grant funding use to support expenditure, and estimates of pressures, that have been made to the 2024/25 to 2028/29 Medium Term Financial Strategy as detailed in **Sections 2.2 – 2.5**.

Table 2.13 Estimated Budget Gap (including Financial Sustainability Measures)

2024/25 TO 2028/29 PROJECTIONS	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**Total £m**
Settlement Funding Assessment	2.057	0.000	0.000	0.000	0.000	2.057
Changes in Local Funding	(38.514)	(17.944)	(17.228)	(17.481)	(17.907)	(109.074)
Change in contribution to/(from) General Reserve	0.000	0.000	0.000	0.000	0.000	0.000
Change in contribution to/(from) Earmarked Reserves	2.891	19.924	3.901	0.872	0.000	27.588
Other Changes in Specific Grant	(17.746)	8.900	(0.083)	(0.296)	(0.271)	(9.496)
Changes in S31 grants	(7.346)	(4.060)	(1.344)	(0.920)	0.000	(13.671)
Change in other resources	(0.950)	0.833	1.700	0.000	0.000	1.583
Decrease/(Increase) in Funding	**(59.608)**	**7.653**	**(13.054)**	**(17.825)**	**(18.178)**	**(101.012)**
Pay Award including Living Wage	25.937	19.632	21.247	23.473	24.455	114.744
Employer's LGPS contribution	0.000	0.000	0.000	0.000	0.000	0.000
Severance & Capitalised Pension costs	(0.586)	(1.803)	(4.449)	(0.216)	(0.005)	(7.059)
NLW Commissioned Services	17.452	18.208	19.657	21.262	22.276	98.855
Inflation: Energy	(1.355)	1.170	1.239	1.305	1.345	3.704
Inflation: Fuel	(1.600)	0.116	0.121	0.123	0.000	(1.240)
Inflation: Other	22.562	6.882	5.127	5.869	5.395	45.835
Demand and Demography	28.553	6.530	7.043	7.111	7.527	56.764
Income pressures	5.139	0.486	1.450	0.550	0.200	7.825
Other pressures/savings	27.021	(0.861)	0.553	2.326	0.131	29.170
Debt - external interest/Minimum Revenue Provision	3.108	6.526	8.813	3.845	(0.286)	22.006
Projected Cost Increases	**126.230**	**56.886**	**60.800**	**65.649**	**61.039**	**370.605**
Total Cost and Funding Changes	**66.623**	**64.539**	**47.746**	**47.824**	**42.861**	**269.592**

2.7 Medium Term Financial Sustainability Measures

2.7.1 This MTFS continues the journey that commenced in 2019, and which was detailed in the Revenue Budget Update report to October's Executive Board in 2019, whereby the Council's revenue budget becomes more financially robust, resilient, sustainable and affordable by moving away from the use of one-off sources of funding such as capital receipts and reserves to fund recurring expenditure. Subsequently the MTFS 2023/24 – 2027/28 and the Annual Revenue Budget report 2023/24, received in September 2022 and February 2023 Executive Boards respectively, further embedded the requirement to make the Council's revenue budget affordable and sustainable.

2.7.2 This 2024/25 to 2028/29 Strategy reflects the requirement to make the Council's financial position more resilient with the inclusion of ongoing planned budgeted contributions to the General Reserve. Further to this, the Strategy provides for a reduction in both the reliance on the capitalisation of revenue expenditure and reduction in the extent to which internal charging mechanisms are used in the Council's revenue budget, where the application of internal charging is driving the wrong financial behaviours and sustaining inefficiencies.

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

Table 2.14 Financial Sustainability Measures

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Included in Funding Changes (Table 2.6):					
General Fund Balances	0.0	0.0	0.0	0.0	0.0
Strategic Resilience Reserve	3.0	0.0	0.0	0.0	0.0
Provision for Insurance	2.0	0.0	0.0	0.0	0.0
Provision for MMI	1.0	0.0	0.0	0.0	0.0
Included in Cost Increases (Table 2.7):					
Capitalisation	10.0	0.0	0.0	0.0	0.0
Internal Charging	4.0	0.0	0.0	0.0	0.0
Repayment of Borrowing from Ring Fenced Resources	0.0	0.0	0.0	0.0	0.0
Total Financial Sustainability Measures	**20.0**	**0.0**	**0.0**	**0.0**	**0.0**

2.7.4 Under the 2003 Local Government Act, the Council's Statutory Financial Officer is required to make a statement to Council on the adequacy of reserves as a part of the annual budget setting process. The Medium Term Financial Strategy recognises the requirement to keep the level of the Council's reserves under review to ensure that they are adequate to meet identified risks. Grant Thornton's Auditor's Annual Report 2021/22, received at Corporate Governance and Audit Committee on 20th March 2023 noted that "the Council should continue to consider the adequacy of its current level of General Fund Reserves and Balances to ensure that these remain adequate for its needs and potential unforeseen events." The MTFS provides for a £3m base budget contribution to the General Reserve each year from 2024/25 to 2028/29. The impact is to provide General Reserves of £39.2m in 2024/25, £42.2m in 2025/26, £45.2m in 2026/27, £48.2m in 2027/28 and £51.2m in 2028/29.

2.7.5 Whilst the current cost of living crisis presents a significant risk to the level of resources available to the Council there may be further impacts in addition to those provided for in this Medium Term Financial Strategy. It is therefore prudent to contribute to the Strategic Resilience reserve to mitigate against any potential further impacts, commencing the base budget contribution to this reserve of £3m per annum in 2024/25.

2.7.6 In recognition of the requirement to adequately provide for insurance claims against the Council and specific insurance liabilities arising from having been a member of Municipal Mutual Insurance (MMI) the MTFS provides for a base budget increase in the level of the insurance provision in 2024/25 of £3m.

2.7.7 Previous years' budgets have utilised the capitalisation of revenue expenditure to mitigate the impact of the Government's austerity agenda and the resultant reduction in funding to local authorities since 2010. In order for the Council's Revenue Budget to become more financially resilient, whilst at the same time reducing the risks associated with funding recurring revenue expenditure from capitalisation, this Strategy contains provision to further unwind the extent to which the Revenue Budget is supported by these mechanisms. Consequently, as previously reported the base budget provision will further increase by £14m per annum from 2024/25, this is detailed in **Table 2.14**.

2.7.8 Of this, £4m reflects the requirement to reduce the extent to which internal charging mechanisms are used in the Council's revenue budget, where the application of internal charging is driving the wrong financial behaviours and sustaining inefficiencies.

2.7.9 The impact of these variations on the estimated budget gaps each year which are incorporated into **Table 2.13** and detailed in **Table 2.14**, shows that the measures agreed increase the base budget by £20m in total over the life of this Financial Strategy.

2.8 Savings in the MTFS

2.8.1 With the predominant financial difficulties facing the local authorities, it has been necessary for the Council to undertake savings reviews to meet the financial challenges currently in the Strategy. This Medium Term Financial Strategy recognises the longer-term full year impact of savings agreed in previous years' budgets. These have been reviewed and updated where necessary to ensure deliverability, so that the latest position is reflected in **Table 2.15** below. Following review, these savings identified in prior years total £2.4m over the life of the Strategy, £3.6m of which are Business as Usual savings and -£1.2m relates to net fallout of Service Review measures.

2.8.2 During the planning process for the 2024/25 – 2028/29 Financial Strategy, directorates have identified routine efficiencies that could be made whilst maintaining "Business as Usual", having no impact on service delivery or on the workforce. These reduce the budget gap for 2024/25 by £9.1m, and over the life of the Strategy by £16.2m.

2.8.3 After recognition of these routine efficiencies, there remains a requirement to deliver £251.0m of savings over the life of the Medium Term Financial Strategy. This includes £162.8m of savings over the first three years covered, £59.2m of which is required in 2024/25.

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

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Estimated Budget Gap	**66.623**	**64.539**	**47.746**	**47.824**	**42.861**	**269.592**
Prior Year Directorate Savings						
Business As Usual	0.492	(2.975)	(0.406)	(0.406)	(0.256)	(3.551)
Service Review	1.177	0.000	0.000	0.000	0.000	1.177
Routine Efficiencies	**(9.134)**	**(4.953)**	**(0.323)**	**(0.885)**	**(0.885)**	(16.180)
Total Savings/Efficiencies	**(7.465)**	**(7.928)**	**(0.729)**	**(1.291)**	**(1.141)**	**(18.554)**
Gap after Savings/Efficiencies	**59.158**	**56.611**	**47.017**	**46.533**	**41.720**	**251.038**

2.8.4 Recognising the challenge of bridging the estimated budget gaps for the period 2024/25 to 2028/29, whilst at the same time seeking to ensure that the Council's revenue budget is robust, resilient and sustainable, another savings programme has been established, focusing primarily on the three-year period 2024/25 to 2026/27. This builds on the 'Financial Challenge' savings programmes carried out over the last three years, with the cross-council senior officer group established in 2020 to provide support and ensure a co-ordinated, consistent approach across the programme continuing its role. Further support and challenge to identify new proposals and consider options put forward by officers will again be provided by Scrutiny Board working groups.

2.8.5 Reviews are underway across the Authority to identify opportunities to continue to modernise and improve services, reduce costs and generate additional income. The outcome of this work will lead to a number of savings proposals for consideration by the Executive Board during the Autumn of 2023. 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.

2.8.6 Through the Financial Challenge programme, a range of proposals have, and will continue to be, identified that will contribute towards the delivery of a balanced budget position in each of the financial years covered by the MTFS. As a result of last year's savings programme, which focused on the three-year period 2024/25 to 2026/27, approved savings of £2.4m have been built into the revised position presented in this Medium Term Financial Strategy. A further £16.2m of routine efficiencies have been identified during the 2023/24 financial year to date and are also reflected in this Strategy, £9.1m of which relate to 2024/25.

3. The Capital Programme

3.1 Capital Programme Review

3.1.1 Capital investment needs are assessed on an annual basis under the direction of the Council's Financial Challenge: Strategic Investment Board (SIB) with final approval sought from Executive Board and Full Council in February each year. Capital investment proposals that deliver savings or generate additional income can come forward throughout the year and are subject to a robust business case approval. Schemes funded by external resources can also come forward throughout the year.

3.1.2 As in 2022/23, the Council has undertaken a Capital Programme Review process to identify the priority capital schemes to be recommended to Executive Board for consideration as part of this MTFS and ultimately to Full Council for injection into the Capital Programme as part of the February Budget 2024/25.

3.1.3 A review of the existing capital programme was undertaken to ensure all existing borrowing commitments were still required and to confirm the profile of the necessary borrowing. This provided a clear base position against which to carry out the review process and identified where funds already committed could be freed up to deliver priority schemes identified during the 2023 review process. This exercise resulted in reprofiling of a number of schemes funded by borrowing and a small increase in the level of general contingencies.

3.1.4 Recognising the current revenue financial position and the increased cost of debt, Strategic Investment Board agreed the importance of limiting any new borrowing to the level of budgeted MRP, with a requirement that should the impact of the review on the revenue debt budget go above this headroom the cost of additional new borrowing would be added to that directorate's revenue savings target. Further it was agreed that any capital receipts not required for transformation would be used to reduce corporate borrowing. This 'MRP headroom' provides an estimated £27.8m of funding for the 2023 review, which when added to available capital contingencies funds of £2.2m (after ensuring that sufficient general contingencies remain available to meet in year pressures in 2023/24 and 2024/25) and CIL funds of £1.7m, results in a provisional total funding envelope of £31.7m. It should be noted that this total funding is subject to change, for example if the call on contingency funding in 2023/24 exceeds the level assumed.

3.1.5 Directorates were invited to submit their priority proposals for consideration by a cross-council group of senior officers, including members of the Strategic Investment Board. Review meetings were held during May and June 2023 in which the group considered and challenged these proposals. Each proposal was considered against agreed Capital Programme Review Prioritisation Criteria, to ensure they were in line with the Council's priorities and this involved consideration of both the strategic importance and urgency of the proposals, as shown at **Annexe B.** All of the shortlisted proposals have been classified either as ‘Priority 1’ or as requiring feasibility/viability funding in 2024/25.

3.1.6 Following confirmation of prioritisation, members of the group representing each directorate ranked the proposals and their scores were then collated into overall rankings. Outcomes were reported to the wider Strategic Investment Board in late June 2023 for consideration and recommendation to Cabinet and then to this meeting of Executive Board, as summarised in **Table 3.1**.

Table 3.1 Capital Programme Review Agreed Proposals 2023

Directorate	Scheme Name	Rank	Total Capital	Total Revenue
			£k	£k
Children & Families	Health & Safety Schools Condition	1	1,500.0	
Communities, Housing & Environment	Disabled Facilities Grants	2	1,800.0	
Strategy & Resources	IDS Digital Schemes	3	5,665.0	
LCC Wide	Locality Service Transformation and Building Optimisation	4	2,000.0	
Communities, Housing & Environment	CCTV in Community Hubs	5	80.0	
City Development	Leeds Town Hall Partial Refurbishment	6	1,700.0	
Children & Families	Burley Park Children Centre at Burley Park Primary School	7	-	
Communities, Housing & Environment	Redevelopment of Kirkstall Rd Household Waste Site.	8	1,000.0	
Communities, Housing & Environment	Central Library Phase 3 Works	9	1,422.0	
LCC Wide	Project Viability and Feasibility Budget	10	1,300.0	100
City Development	Grand Theatre Essential Maintenance	11	1,700.0	
City Development	Fearnville Wellbeing Centre	12	7,100.0	(500)
City Development	Holbeck Sports Hub	13	5,427.0	
Communities, Housing & Environment	Parks and Green Space: preventing decline	14	1,000.0	
Strategy & Resources	Underground Fuel Tank Replacement	15	-	
			31,694.0	(400)

3.1.7 The restated 10-year capital programme as set out at **Section 3.2** shows only the Council’s annual programmes so does not reflect the inclusion of these proposed schemes, however the borrowing costs associated with both the restated annual programmes and the Capital Programme Review proposals are reflected in the revenue debt position at Section 2.5 and in Table 2.11.

3.1.8 Alongside the Capital Programme Review, work continues in other areas of the Capital Programme, including the further rationalisation of the Council’s asset base and a review of the Council’s fleet requirements.

3.2 The 10-year Capital Programme

3.2.1 The Council’s 10-year capital programme considers the need for capital investment against affordability within the MTFS. The programme identifies annual programmes across the Council that aim to provide investment in assets to ensure that the Council can continue to operate effectively. The Council also has a number of major programmes that provide investment in line with the Council’s strategic priorities.

3.2.2 The restated 10-year programme is detailed in **Table 3.2**.

Table 3.2 10 Year Capital Programme

Annual Programme Capital Review	2023/24 £000,	2024/25 £000,	2025/26 £000,	2026/27 £000,	2027/28 £000,	2028/29 £000,	2029/30 £000,	2030/31 £000,	2031/32 £000,	2032/33 £000,	Total £000,
Highways Maintenance	13,000.0	13,000.0	13,000.0	10,889.1	13,000.0	13,000.0	13,000.0	13,000.0	13,000.0	13,000.0	127,889.1
Highways Maintenance - supported by external funding	13,262.5	12,506.2	11,028.2	10,005.0	11,369.3	11,369.3	11,369.3	11,369.3	11,369.3	11,369.3	115,017.7
Highways Maintenance Capitalisations	3,700.0	2,800.0	1,800.0	900.0							9,200.0
Highways Bridges & Structures Maintenance	1,273.3	1,600.0	500.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	17,373.3
Highways Bridges & Structures Maintenance - supported by external funding	6,239.6	4,205.1	4,205.1	3,428.9	4,205.1	4,205.1	4,205.1	4,205.1	4,205.1	4,205.1	43,309.3
Highways Section 278	2,800.0	2,100.0	1,400.0	700.0							7,000.0
Highways Section 278 - external contributions / supported by external funding	2,560.2	2,983.9	1,808.5	2,800.0	3,500.0	3,500.0	3,500.0	3,500.0	3,500.0	3,500.0	31,152.6
General Capitalisation	3,300.0	2,700.0	1,800.0	900.0							8,700.0
Childrens Centres	146.4	90.0	50.0	90.0	50.0	50.0	50.0	50.0	50.0	50.0	676.4
Vehicle Programme	9,484.9	19,520.0	13,241.0	39,038.0							81,283.9
Vehicle Programme - supported by external funding	582.9										582.9
Adaptation to Private Homes	558.3	558.3	470.0	470.0	470.0	470.0	470.0	470.0	470.0	470.0	4,876.6
Telecare ASC	858.4	858.3	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	6,516.7
Library Books	450.0	300.0	200.0	100.0							1,050.0
Sports Maintenance	137.2	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	1,037.2
Project Support Fund (Groundwork)	0.0	0.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	560.0
Project Support Fund (Groundwork) - supported by external funding	70.0	70.0		70.0							210.0
Essential Services Programme	7,092.4	2,500.0	1,700.0	800.0							12,092.4
Digital Development	5,250.1	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	27,750.1
Corporate Property Management	11,349.3	9,000.0	6,500.0	11,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	47,349.3
Capital Programme Management	541.4	541.4	541.4	542.8	541.4	541.4	541.4	541.4	541.4	541.4	5,415.4
Demolition Programme	400.9	250.0	250.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	4,400.9
Capitalisation of Interest	700.0	600.0	500.0	350.0	200.0	200.0	200.0	200.0	200.0	200.0	3,350.0
Climate Emergency	258.6	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	5,658.6
Climate Emergency - supported by external funding	795.9	250.0	300.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	3,795.9
Transformational Change to LCC (excl Core Systems Review)	14,505.4	10,623.3	11,607.2	10,471.2	10,471.2	10,471.2	10,471.2	10,471.2	10,471.2	10,471.2	110,034.3
PFI Lifecycle Capitalisations	11,980.0	12,895.0	13,395.0	13,895.0	14,395.0	14,895.0	15,395.0	15,895.0	16,395.0	16,895.0	146,035.0
Total Annual Programmes	111,297.7	103,151.5	88,166.4	113,670.0	66,422.0	66,922.0	67,422.0	67,922.0	68,422.0	68,922.0	822,317.6

3.3 Capital Receipts

3.3.1 Capital receipts are used to fund a number of revenue budgets - transformational change and PFI liabilities - with remaining receipts funding capital expenditure including Future Ways of Working and the District Heating Network. Use of capital receipts to fund revenue transformational costs is permitted under a specific Government Direction allowing 'Flexible Use of Capital Receipts' – this provision currently extends to 2024/25, however the current strategy assumes that, as in previous years, the Direction will be extended. Should this not be the case these costs will revert to being a pressure on the revenue budget.

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

3.3.3 The current forecast capital receipts and associated capital receipts requirement are shown in **Table 3.3**. Over the life of the Strategy the forecast receipts are sufficient to meet all associated revenue and capital commitments. Work continues to identify additional receipts in the later years of the Strategy. The position shown does not reflect receipt or use of the additional £20m of capital receipts which this Strategy assumes will be generated in 2023/24 and used in 2024/25 to smooth the gaps over the years of the Strategy.

Table 3.3: Capital Receipts Requirement

	2023/24	2024/25	2025/26	2026/27
	£	£	£	£
Useable capital receipts	33,899,577	34,000,001	10,959,815	700,000
Ringfenced capital receipts (Capital Programme)	1,915,149	0	0	0
Flexible use of capital receipts (ELI & Digital)	23,837,900	14,830,300	11,607,200	10,471,200
Revenue budget requirement (PFI & Lifecycle)	3,869,000	4,876,000	5,990,000	7,161,000
Total budget requirement	29,622,049	19,706,300	17,597,200	17,632,200
In Year Surplus/(deficit)	4,277,529	14,293,701	(6,637,385)	(16,932,200)
Useable capital receipts surplus b/fwd	12,441,548	9,275,884	23,569,585	16,932,200
Useable capital receipts surplus c/fwd	(9,275,884)	(23,569,585)	(16,932,200)	0
Surplus Capital Receipts	**7,443,193**	**0**	**0**	**0**

4. Ring-Fenced Funding

4.1 Ring-fenced Accounts

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

- Housing Revenue Account
- Dedicated Schools Grant
- Public Health (included within Adults and Health specific grants and noted at **Paragraph 2.4.19**)

4.2 Housing Revenue Account

Background

4.2.1 The Housing Revenue Account (HRA) includes all expenditure and income incurred in managing the Council's housing stock and, in accordance with Government legislation, operates as a ring-fenced account. The total resources available to the HRA is forecast at around £1.5bn over the next 5 years, with 87% of this being derived from rent and service charges to tenants.

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

2024-2029 Deficit

Table 4.1: 5-year summary 2024/25 – 2028/29

	2024/25 £m	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**
Income	(288.90)	(290.30)	(290.40)	(292.60)	(295.90)
Expenditure	290.40	290.30	293.40	297.20	301.40
Appropriations	0.40	0.40	0.50	0.40	0.20
In Year Pressure (Saving)	**1.90**	**0.50**	**3.50**	**5.00**	**5.70**
Cumulative Balance	**1.90**	**2.30**	**5.80**	**10.90**	**16.60**

4.2.3 Over the 5 years of the plan, there is an initial gap, prior to savings proposals, of £1.9m in 2024/25 and a cumulative deficit of £16.6m by 2028/29. This is summarised in **Table 4.1.**

4.2.4 **Key Income Assumptions 2024-2029**

- **Rental Income**. In February 2019 the Government confirmed that a return to a rent formula of CPI+1% for 5 years from 2020/21 and therefore the forecast rental figures are based on this principle. With CPI inflation for September 2023 forecast at around 6%, this would give an allowable rent increase of up to 7% in 2024/25.

  It is worth noting that in 2023/24 Government capped rent increases at the lower of CPI+1% or 7% and consulted upon the same option for 2024/25. Whilst no decision was made at the time, the assumptions contained in this plan are consistent with the consultation.

  The following years increases are based on the Office of Budget Responsibility (OBR)'s long term forecast of CPI plus 1%. Inflation is forecast to fall sharply after 2024/25 thereby limiting the additional income available in the later years.

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

- **Right to Buy Sales**. The current plan assumes 600 sales per year for the rest of the plan. RtB discounts remain a considerable incentive for many people, however the current financial situation and the impact on mortgage rates may result in diminishing RtB sales in the future.

- **Other Income**. The financial plan assumes service charges will rise in line with rental income at 7% for 2024/25 and in line with OBR forecasts after this date.

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

4.2.5 **Key Expenditure Assumptions:**

- **Pay Award and Price Inflation**. The plan provides for a pay award in 2023/24 of £1,925 per employee as per the current offer and a pay award of 4% in 2024/25. The following years assume a 4% pay award. Price inflation is generally assumed at CPI levels in the plan.

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

- **Repairs.** After allowing for a £12m rebase of the repairs budget in 2023/24, the repairs budget is assumed to be inflated by CPI and adjusted to reflect the forecast changes in stock numbers.

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

- **Provision for Bad Debt**. The budget has been kept at £1.1m, the same level as in 2023/24 and it is assumed that this level of provision will remain static in the financial plan. This will be kept under continual review.

- **Capital Programme - (Annual Investment).** The annual capital investment requirement in the HRA is over £120m per annum. However, due to limited resources within the HRA there is a significant affordability gap. The medium-term plan provides for £72.9m in 2024/25, same as current 23/24 budget, reducing to £68m from 25/26 onwards.

  The revenue contribution to the capital programme (RCCO) is approximately 20% of the total HRA budget. This contribution, along with external funding and some limited borrowing for the REEMA decant programme combine to provide the funding for the HRA Capital Programme.

  The fall out of other funding places greater pressure on the revenue account to increase its funding to maintain the total level of investment in the stock. This can be evidenced in the top row of **Table 4.2.**

  Table 4.2 HRA Capital Programme 2023/24 to 2026/27

	2023/24	**2024/25**	**2025/26**	**2026/27**
	£000s	£000s	£000s	£000s
HRA Revenue Contribution(RCCO)	(49,575)	(56,940)	(55,222)	(55,300)
RtB Receipts(Allowable Debt)	(14,582)	(12,778)	(12,778)	(12,778)
Government Grant /EU Grant	(3,832)	0	0	0
Borrowing	(4,792)	(3,134)	0	0
Private Sector	(71)	0	0	0
Capital Programme	(72,852)	(72,852)	(68,000)	(68,078)

- **Additional interest on borrowing charges**. The plan reflects increased costs associated with servicing the HRA's debt to fund the Council's Housing Growth Programme (CHGP). The CHGP has a live budget at £323.2m and at July 2023 £134.7m has been spent.

  Table 4.3 shows the planned spend and the need to borrow circa £86m over the next 3 years. The financing costs associated with the borrowing reflect guidance from LCC's Treasury team with regard to the interest rates.

Whilst there is a risk that interest rates will be higher than assumed and will add further pressures to the current gap within the HRA, the Council is committed to maintain this level of investment to maximise the use of Right to buy receipts and minimise the level of receipts that may need to be returned to Government if they are not spent within the prescribed timescales.

Table 4.3 Council House Growth Programme 2023/24 to 2026/27

	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Government Grant	(6,318.7)			
RtB Receipts	(24,626.6)	(35,701.7)	(16,007.1)	(7,529.1)
Borrowing(additional each year)	(20,161.6)	(52,373.4)	(23,282.0)	(10,563.9)
Total Capital Programme	(51,106.9)	(88,075.1)	(39,289.1)	(18,093.0)

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

- **Contribution to General Reserve**. The level of HRA general reserve is forecast to be £7.9m on 31st March 2024, which is approximately 2.9% of total spend and averages circa £150 per property. Guidance suggests that a figure of £400 per property is the targeted level of reserves. Therefore, to provide a sustainable base going forward the plan assumes that there will now be an annual contribution to the general reserve of £1m. Should there be additional in year savings above this level then these will be added to the general reserve.

- **Major Repairs Reserve** The balance on the major repairs reserve is £3.2m (31st March 2023). As recently as March 2019, this balance was £24m. However, the impact of significant annual investment in the stock (annual spend of over £80m) and more recently the impact of inflation has reduced the reserve to this low level. With little reserve available to provide funding to support annual spend of £80m, the impact is a reduced level of total capital budget available.

4.2.6 The strategy to mitigate this cumulative deficit (£16.6m over the next 5 years) on the Housing Revenue Account is in line with the approach being taken for the rest of the Council. Options for balancing will include savings that can be generated from business-as-usual proposals and those that require more specific service reviews to deliver savings.

4.2.7 All areas of HRA spend and income will be considered when finalising the detail of the 2024/25 budget with appropriate consultation:

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

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

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

- Other capital programmes could be delayed or reduced.

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

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

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

4.3 Dedicated Schools Grant

Background

4.3.1 The Dedicated Schools Grant (DSG) is allocated by the Education and Skills Funding Agency (ESFA) and is the main source of income for local authorities' schools' budgets. It consists of four funding blocks: schools, high needs (special educational needs), early years and central school services (provided by the Council). The Council is forecast to receive DSG Funding of £1,680m over the next 3 years and further details are provided in **Table 4.4.**

4.3.2 Along with many other local authorities, Leeds is currently not receiving the full allocation of DSG due under the national funding formula, as there is a gains limit factor on some of the funding increases and this has contributed to pressures on the DSG account. If the gains limit factor had not been in place, Leeds would have been allocated an additional £34.06m of funding between 2018/19 and 2023/24 across the schools block (£9.5m) and high needs block (£24.56m). A further funding gains limit factor of £2.92m will apply in 2024/25 to the high needs block, based on provisional funding allocations released by the ESFA. Leeds is one of the 32 local authorities out of 151 that will continue to have their funding capped in 2024/25. Further detail is provided in the sections that follow.

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

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

Projections

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

4.3.6 In line with national trends, the key pressure anticipated in the MTFS for DSG relates to the high needs block, which provides funding in relation to pupils with special educational needs. The assumptions and risks associated with the projections for this funding block and plans to address the overspend are set out in further detail in the sections that follow. There is also a small pressure on the central school services block largely due to the phased reduction in DSG for any historical council expenditure no longer deemed eligible for funding.

4.3.7 **Table 4.4** provides details for each funding block and **Table 4.5** shows the projected cumulative DSG deficit at the end of each year. Due to a high level of uncertainty with regards to future national changes in how support for pupils with SEND is delivered and funded the DSG projections are currently just presented for the next three years. These projections will be subject to further review when certainty over the planning horizon improves and we anticipate we will have a full five year DSG projection by the time of the annual budget report for 2024/25.

Table 4.4 – Dedicated Schools Grant projected income and expenditure

	2024/25 £m	2025/26 £m	2026/27 £m
Schools Block			
DSG Income	(362.3)	(368.9)	(375.2)
Individual Schools Budgets	355.2	361.6	367.8
De-delegated budgets	6.1	6.3	6.4
Growth Fund	1.0	1.0	1.0
	(0.0)	**0.0**	**0.0**
Central School Services Block			
DSG Income	(5.1)	(5.1)	(5.3)
CSSB Expenditure	5.3	5.4	5.6
	0.2	**0.3**	**0.3**
Early Years Block			
DSG Income	(63.8)	(62.4)	(61.1)
3 and 4 year old entitlement	49.9	48.5	47.1
2 year old entitlement	10.7	10.9	11.1
Other early years provision	3.2	3.0	2.9
	0.0	**0.0**	**0.0**
High Needs Block			
DSG Income	(120.3)	(123.4)	(127.0)
Funding passported to institutions	124.7	144.1	167.1
Commissioned services	2.8	2.9	3.0
Directly managed by Children & Families	7.0	7.2	7.5
	14.2	**30.8**	**50.6**
Total Dedicated Schools Grant overspend	**14.4**	**31.1**	**50.9**

Table 4.5 – Dedicated Schools Grant projected deficit

	2024/25 £m	2025/26 £m	2026/27 £m
DSG balance brought forward	(7.0)	7.4	38.5
In year deficit (from table above)	14.4	31.1	50.9
Total deficit on General DSG before further actions	**7.4**	**38.5**	**89.4**
Potential additional funding, if Schools Forum continued to agree a transfer 0.5% of schools block funding to the high needs block	(3.5)	(3.6)	(3.6)
Impact of 2024/25 additional funding in later years		(3.5)	(3.5)
Impact of 2025/26 additional funding in later years			(3.6)
Potential revised cumulative deficit	**3.9**	**31.4**	**78.7**

Assumptions and risks

SEND Green Paper

4.3.8 The Government released a SEND Green Paper for consultation in 2022, which could have significant implications for how support for pupils with SEND is delivered and funded. Drawing on the feedback of this consultation the government has now published the Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) Improvement Plan. The Improvement Plan sets out how the Department for Education intends to proceed with the proposed changes in the Green Paper which could have an impact on the projections for the high needs block, but this is too early to quantify.

Funding Increases

4.3.9 Local authority allocations are currently released on an annual basis and it is not yet known what increases may be available beyond 2024/25. In 2022/23 and 2023/24 supplementary funding for schools and the high needs block was announced in the preceding December. Those allocations have been included in the base funding for 2024/25. There is no indication that there will be further supplementary allocations for 2024/25.

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

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

4.3.12 In relation to high needs, in the past Leeds was significantly underfunded and in 2017/18 the high needs block funding for Leeds was 25% lower per pupil than the national average. Since 2018/19 the Government has implemented a national funding formula to address historical funding differences. In recent years Leeds received a funding increase of at least 8%, however this will reduce to 5% in 2024/25 and beyond this the DfE has advised local authorities should assume a 3% increase.

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

Cap on gains

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

4.3.15 Although Leeds has been receiving the maximum increases allowed under the gains limit factor, it is less than the national funding formula entitlement. If this had not been in place, Leeds would have been allocated an additional £34.06m of funding between 2018/19 and 2023/24 across the schools block (£9.5m) and high needs block (£24.56m). A further funding cap of £2.92m will apply in 2024/25 to the high needs block, based on provisional funding allocations released by the ESFA. Leeds is one of the 32 local authorities out of 151 that will continue to have their funding capped in 2024/25.

High needs demand and complexity

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

4.3.17 The projections in **Tables 4.4 and 4.5** are based on the current data for forecast population changes in special educational needs in Leeds, combined with trend analysis over the past three years. The projected increases in demand exceed the 3% increase in funding forecast beyond 2024/25. However, there are risks that increases in demand and complexity could be higher than projected.

Funding paid to high needs settings

4.3.18 The ESFA introduced a requirement for local authorities to increase funding for high needs settings by a minimum of 3% per pupil compared to 2021/22 baselines and a requirement to pay additional funding equivalent to 3.4% per pupil compared to 2022/23 funding levels. For 2024/25, each local authority is required to set a minimum funding guarantee of between 0.0% and 0.05%.

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

Inflationary pressures

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

Funding transfers between DSG blocks

4.3.21 Since 2017/18 a total of £19.15m has been transferred to the high needs block from other funding blocks of the DSG, in order to redirect funding to settings to support special educational needs pressures (£17.50m from the schools block and £1.65m from the central school services block).

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

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

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

DSG savings plan

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

4.3.26 Under the current regulations any local authority with a current overall deficit on its DSG account, or whose DSG surplus has substantially reduced during the year, must co-operate with the Department for Education (DfE) in managing that situation. This includes providing information on plans for managing the DSG account and meeting with officials from the DfE as and when requested. The Secretary of State may also impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where they believe that they are not taking sufficient action to address the situation. As the council is not currently in deficit the DfE does not require Leeds to prepare a plan for financial sustainability, however as part of good financial management the council will still develop plans to mitigate expected future pressures.

5. The Financial Risks

5.1 The Council's current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way, in that the Council cannot balance its Revenue Budget, is identified as one of the Council's corporate risks as is the Council's financial position going into significant deficit in any one year resulting in reserves (actual or projected) being less than the minimum specified by the Council's risk-based reserves strategy. Both of these risks are subject to regular review and reporting. The Annual Corporate Risk and Resilience report can be found elsewhere on this agenda.

5.2 Failure to address these issues will ultimately require the Council to consider even more difficult decisions that will have a far greater impact on front-line services including those that support the most vulnerable and thus on our Best City ambition in respect of Health and Wellbeing, Inclusive Growth and meeting our Zero Carbon target.

The Economy

5.3 The Council's and City's economic and fiscal position is clearly impacted upon by the wider national and international economic context. The performance of the UK economy in a global context will have implications for the level of resources available to the government. Any change in forecast assumptions will have implications for the government's spending plans and this in turn will impact upon the level of resources available to the public sector. Similarly changes in the government's national spending priorities or responding to particular economic pressures such as inflation may have implications for the level of resources available to local government. The Leeds Inclusive Growth Strategy 2023-2030 can be found elsewhere on this agenda.

Risks to funding

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

5.5 The impact of COVID-19 upon the Council's revenue budget in 2020/21 and 2021/22 was significant and the receipt of specific financial support from the Government was necessary to deliver a balanced budget position in both of those years. This Medium Term Financial Strategy does not provide for the ongoing impact of COVID-19 and any variation to this assumption will require contingency actions to be identified and implemented.

5.6 The 2021 Spending Review was published in early Autumn 2021 and covered the Government's spending plans for the years 2022/23 to 2024/25. Whilst the Autumn Statement on 17th November 2022 and a Government statement on local government finance policy for 2024/25 published in December provided assurance with regard to the Spending Plans in the Spending Review these will have to be ratified by the Government through the annual budget process.

5.7 The Provisional Local Government Finance Settlement for 2024/25 is expected in December 2023. This will be the final year of the current spending review and with the requirement for a general election at the end of this period, it is currently unclear what the spending plans and policy priorities would be for any new government. Therefore, the assumptions made in this Strategy are subject to change and any variations will impact upon the level of resources available to the Council either positively or negatively.

5.8 Over the period up to 2028/29 there remain uncertainties with regard to Business Rates reform, the Fair Funding Review, reforms to the New Homes Bonus Scheme and also the Government's intentions for the future funding of both adult and children's social care and these could impact upon the assumptions contained in this document.

Key Risks to cost and income assumptions

5.9 The Medium Term Financial Strategy contains a number of inherent risks which include the requirement to implement budget plans, budgets which are subject to both fluctuating demand and demographic pressures, inflation being higher than forecast and key income budgets that rely upon the number of users of a service.

5.10 In particular the war in the Ukraine has already had a significant impact upon the global price of fuel, energy and commodities and this has contributed towards the significant inflationary pressures in the economy. The uncertain nature and length of this conflict may yet have further implications for inflation and the pay and price assumptions contained in this financial strategy.

5.11 Cost of living pressures on our residents and businesses have a wider inflationary impact on the Council. In addition to the risks associated with increases in costs to the Council for the goods and services that we procure, there is increased demand for support and welfare services, and reduced income across a range of services as Leeds residents and visitors choose to spend differently as a consequence of rising inflation.

5.12 There are risks that demographic and demand pressures in Adult Social Care and Children's Services could be greater than anticipated, that inflation is higher than that assumed in the Medium Term Financial Strategy and that the costs associated with managing the Council's debt is higher than budgeted assumptions. 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.

5.13 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.

5.14 There are a number of risks that are specific to the Housing Revenue Account. These include CPI being lower than the percentage figure assumed in the calculation of the rent increase in each of the years covered by this Medium Term Financial Strategy. Every 0.1% variation equates to a reduction of £0.23m in the level of resources available to support the services provided to Leeds tenants.

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

Capital risk

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

- Monthly updates of capital receipt forecasts prepared, using a risk based approach, by the Director of City Development;
- Monthly monitoring of overall capital expenditure and resources forecasts alongside actual contractual commitments;
- Quarterly monitoring of the Council's VAT partial exemption position to ensure that full eligibility to VAT reclaimed can be maintained;

- Ensuring written confirmation of external funding is received prior to contractual commitments being entered into;

- The capital programme includes a central contingency to cater for any unforeseen circumstances. In addition, individual programmes and schemes contain a risk provision for unexpected circumstances; and

- Compliance with Financial Procedure rules, Financial Regulations and Contract Procedure Rules to ensure the Council's position is protected.

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

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

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

5.20 The Council's capital programme faces significant inflationary pressures as the result of a range of factors – not least the impacts of EU exit, the COVID-19 pandemic and the subsequent Cost of Living crisis on supply chains, increased labour costs and energy price pressures affecting the availability and cost of key construction materials such as steel, cement and bricks which require high energy use for their production. The annual reviews include consideration of the impact of inflation on schemes currently being delivered and those planned. In year pressures arising will continue to be reported to SIB who will prioritise these, consider how scheme costs might be reduced and identify appropriate additional funding measures where required.

5.21 Use of capital receipts to fund revenue transformational costs is permitted under a specific Government Direction allowing 'Flexible Use of Capital Receipts'. This provision was renewed in 2022/23 and currently extends to 2024/25, however the current strategy assumes that, as in previous years, the Direction will be extended and will cover the life of this Strategy. Should this not be the case these costs will revert to being a pressure on the revenue budget.

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

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

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

6. Financial Assurance

6.1 Assurance

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

6.2 Governance Structure

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

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

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

6.2.4 The revenue budget principles, approved by Executive Board in July 2019, support the budget process and need to be complied with in conjunction with compliance with the Council's Budget and Policy Framework, the Budget Management Accountability Framework and detailed guidelines provided for setting budgets. The capital programme principles have been developed to enable focus on the purposes of the Capital Programme and to seek agreement for the use of limited resources.

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

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

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

6.2.8 The Council has tried and trusted arrangements for treasury management which comply with CIPFA's Code of Practice on Treasury Management and Prudential Code. An annual Treasury Management Governance Report which reports on the robustness of these arrangements is received at the Council's Corporate Governance and Audit Committee.

6.3 **Internal Audit and Systems of Control**

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

6.3.2 Each financial year, a risk based Internal Audit Plan is put together incorporating a review of information from a range of sources including strategic plans and risk registers. The Internal Audit Plan is designed to promote the effective and efficient use of resources across the organisation and is subject to constant review throughout the financial year to ensure that coverage is prioritised and directed towards the areas of highest risk. This ensures that audit and consultancy work is aligned with new projects, emerging risks and shifting priorities.

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

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

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

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

6.4 Financial Assurance and Resilience

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

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

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

6.4.4 A combination of CIPFA's code and Government guidance require a local authority to produce a Capital and Investment Strategy. The capital element of the Strategy sets out the principles that underpin the Council's Capital Programme and as such how it supports the corporate priorities and objectives. The Strategy sets the framework for all aspects of the Council's capital expenditure and investment decisions. It supports strategic planning, asset management and robust option appraisal. The Investment Strategy covers the Council's approach to non-treasury investment decisions. Treasury investment decisions are already contained within the Treasury Management Policy Statement that is presented as part of the annual Treasury Management report.

6.4.5 External Audit provides independent assurance on the Council's accounts and accounting practice and that there are appropriate controls around the key financial systems. In addition, they provide independent assurance to ensure value for money is being achieved. In March 2023 Grant Thornton presented their 2021/22 Auditor's Annual Report on Leeds City Council to Corporate Governance and Audit Committee. This detailed the outcome of their review of the value for money arrangements in the Council. Across the key criteria of financial sustainability, governance and improving economy, efficiency and effectiveness Grant Thornton did not make any statutory or key recommendations and instead made a number of lower priority recommendations for improvement.

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

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

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

6.4.9 The Office for Local Government (Oflog) was launched during the LGA Conference in Bournemouth in July 2023. The aim of Oflog is to provide authoritative and accessible data and analysis about the performance of local government. Initially the data published relates to four thematic areas one of which is Finance which has eight indicators. The Oflog indicators are a benchmarking tool, similar to the CIPFA Resilience Index indicators and other benchmarking indicators that we update and monitor as a Council. As such, the outcome of the Oflog exercise has not provided new information, merely highlighting existing available information.

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

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

6.5 <u>Robustness of the Budget</u>

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

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

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

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

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

- Detailed estimates were prepared by directorates in accordance with principles laid down by the Chief Officer – Financial Services based upon the current agreed level of service. Service changes are separately identified, and plans are in place for them to be managed.
- The estimate submission has been subject to rigorous review throughout the budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council.
- Financial pressures experienced in the previous financial year are recognised in the following year's budget.
- As part of the budget process, directorates undertook a risk assessment of their key budgets, and provided a summary of major risks within the directorate budget documents. All directorate budgets contain efficiencies, income generation and service reviews which will require actions to deliver and any delay in taking decisions may have significant financial implications. Whilst the level of risk within the budget was considered manageable on the

understanding that key decisions are taken and that where identified savings are not delivered alternative savings options will be needed.

- To address the estimated budget gaps identified in the Medium Term Financial Strategy the Council has established a “Financial Challenge” savings programme. A cross-council group of senior officers provides a high support, co-ordinated and consistent approach to the identification of robust, realistic and deliverable budget savings proposals.
- The same group has oversight over the budget savings programme. Through this robust and accountable approach any variations to budgeted assumptions can be readily identified and addressed. Where appropriate, and in accordance with the Council’s adopted budget principles, alternative proposals will be identified to ensure that a balanced budget position can be delivered over the period covered by this Medium Term Financial Strategy. Progress against the delivery of these targeted savings will be included in the monthly Financial Health reporting to this Board.
- In recognition of the financial challenge the Council faced in 2021/22 from an unprecedented event the Council established a Strategic Contingency Reserve in 2020/21 which will be used to fund future unforeseen budget pressures and to ensure the Council becoming more financially resilient. In April 2023 Executive Board agreed to apply the remaining balance of the Merrion House capital receipt to redeem debt in 2022/23, to reduce MRP by the same amount and to contribute the resulting revenue saving to an earmarked revenue reserve. This reserve is available to fund future unforeseen budget pressures and to ensure the Council continues to become more financially resilient.
- In addition to specific directorate/service risks, the collection of council tax and the generation of business rate yields are two key risks which need to be closely monitored.
- Where the budget assumes the generation of additional capital receipts from property and land sales which are utilised to offset PFI liabilities and fund transformational programmes using the government’s capital receipts flexibilities, the timing of the delivery of these receipts needs to be closely monitored and contingency actions identified should there be any slippage to budgeted assumptions.
- Under the Business Rates Retention Scheme, the Council’s local share of business rates is exposed to risks both from collection and from reductions in rateable values.
- Business rates income continues to be a significant risk, however, as is also the case for council tax, any losses greater than those assumed in setting the budget will materialise through a collection fund and will not impact in the current financial year, although this will be an issue in future financial years.

- The Council's financial controls are set out in the Council's financial regulations as described in the previous section. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the Council. The Council has a well-established framework for financial reporting at directorate and corporate levels. Each month Executive Board receives a risk-based financial health report from each directorate and action plans are utilised to manage and minimise any significant variations to approved budgets.
- In July 2019 Executive Board agreed the adoption of principles which were developed to support both the determination and management of the revenue budget. Adoption of these principles results in a more robust and accountable approach to budget management which closely aligns itself with the principles set out in CIPFA's Financial Management Code which was fully implemented by the start of the 2021/22 financial year. These principles have been updated since July 2019 and this update was agreed at Executive Board in February 2023.
- Adherence to these principles and the requirement to comply with CIPFA's Financial Management Code has been reinforced in 2023/24 with the introduction of formal budget sign off arrangements for Chief Officers. These arrangements combined with the standardisation of budget roll out packs complements the current budget management framework.

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

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

- There is a clear understanding of the duties of the Council's statutory financial officer and that the service implications of these being exercised are fully understood by Members and senior management alike.

6.5.6 Any ongoing impact of COVID-19 has not been factored into the Council's financial assumptions for the period covered by this Medium Term Financial Strategy. It is assumed that there will not be a requirement for further lockdowns and therefore the Council will not be required to incur specific additional expenditure relating to COVID-19. In addition, it is assumed that income realisable from sales, fees and charges returns to pre-COVID levels. These assumptions are consistent with the Government's current level of financial support which assumes that there will be no ongoing financial impact of COVID and that any impact will need to be managed within the Council's approved budgets.

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

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

6.6 Level of Reserves and Balances

6.6.1 Section 25 of the Local Government Act (Part II) 2003 requires the Council's Statutory Financial Officer to make a statement to Council on the adequacy of reserves as a part of the annual budget setting process. It is also good practice for the Authority to have a policy on the level of its general reserve and to ensure that it is monitored and maintained.

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

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

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

6.6.5 The Medium Term Financial Strategy recognises the requirement to keep the level of the Council’s reserves under review to ensure that they are adequate to meet the identified risks. Grant Thornton’s Auditor’s Annual Report 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.”

6.6.6 In accordance with this recommendation this Medium Term Financial Strategy assumes that reserves will be at £36.2m in 2023/24 and will rise to £51.2m by 2028/29. The indicative general reserve levels from 2023/24 to 2028/29 are set out in **Table 6.1.** This position assumes that a balanced budget position is delivered in 2023/24 without the use of a contribution from the Council’s General Reserve.

Table 6.1 Level of General Reserve

General Reserve	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £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)**

6.6.7 Whilst the Council continues to maintain a robust approach towards its management of risk and especially in the determination of the level of reserves that it maintains, it is recognised that levels of reserves are lower than those of other comparable local authorities. In addition, whilst the funding position continues to remain challenging and the impact of factors such as pay and price increases continues to impact upon the Council’s financial position, we will continue to keep the Council's reserves under review to ensure that they are adequate to deal with the identified level of risks.

6.7 Revenue and Capital Principles

6.7.1 The revenue budget principles, which were originally agreed by Executive Board in July 2019, and with an amended version subsequently being agreed at Executive Board in February 2023, have been developed to support the budget process and need to be complied with in conjunction with compliance with the Council's Budget and Policy Framework, the Budget Management Accountability Framework and detailed guidelines provided for setting the budget. The budget position is based on a number of significant subjective assumptions. To enable the Council to react to changes in these assumptions in a timely fashion, these principles should be adhered to, which should support a balanced budget being set. The current financial year will also have a significant impact on future years budgets being set and therefore a number of the principles relate to the current financial year.

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

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

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

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

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

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

6.8 Assurance Statement

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

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

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

7. Part 7: Financial and other Council Strategies

7.1 Financial Strategies

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

7.2 Capital Strategies

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

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

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

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

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

7.2.6 The keys aims of the Strategy are to:

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

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

7.2.7 Capital investment decisions should be undertaken with regard to:

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

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

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

7.3 Procurement Strategy

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

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

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

7.4 Treasury Management Strategy

7.4.1 The Treasury Management Strategy seeks to manage the long-term borrowings of the Council and the short-term cash flow resources of the council consistent with maximising opportunities for delivering value subject to the low risk appetite of the Council. The strategy also sets out how it will fund the requirements of the capital programme.

7.4.2 Specific objectives are to:

- Reduce the cost of debt management;
- Ensure that the management of the HRA and general fund is treated equally, and new accounting principles are examined to provide benefits where possible;
- Effect funding at the lowest point of the interest rate cycle;
- Maintain a flexible approach regarding any financial matters that may affect the Authority;
- Keep under constant review advice on investment/repayment of debt policy;
- Maintain a prudent level of volatility dependent upon interest rates;
- Set upper and lower limits for the maturity structure of the Authority's borrowings and to maintain a reasonable debt maturity profile;
- Specifically ensure that Leeds City Council does not breach the approved Prudential Limits;
- Ensure that the Treasury Management Policy Statement is fully adhered to in every aspect.

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

- This Authority will create and maintain, as the cornerstones of effective treasury management:
    - A Treasury Management Policy Statement (TMPS), stating the policies and approach to risk management of its treasury management activities
    - Suitable Treasury Management Practices (TMP's), setting out the way the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities. A full set of TMP's are maintained on the Treasury Section
- The Executive Board will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a half year update and an annual report after its close, in

the form prescribed in its TMP's.

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

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

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

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

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

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

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

7.5 Other Council Strategies

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

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

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

7.5.4 For further information on both Council and City Strategies and Plans, please click here.

1. BUSINESS RATES RETENTION SCHEME

2. Business rates as a tax

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

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

3. Rateable Value (RV)

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

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

4. Rating Lists

4.1. Rateable properties fall either into a local rating list or the central rating list. There is a single local rating list for each billing authority in England and Wales, and two central rating lists, one for England and one for Wales. Over 95 per cent of the total aggregate Rateable Value is contained in local rating lists across England and Wales. The total Rateable Value in Leeds as at 30th August 2023 is £952.6 million.

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

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

5. The Multipliers

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

5.2. Every April the small business rates multiplier can be increased by RPI although the Government has the power to limit these increases, which it has done from 2020/21 to 2023/24, freezing the multiplier. Authorities received compensation for the loss of income experienced as a result of this capping of the multiplier. In 2017-18 the Government announced that from 1st April 2018 the multiplier would only increase by CPI and there is currently a Non-Domestic Rating Bill being considered in the House of Lords which will statutorily limit increases in the multiplier to CPI instead of RPI. In 2023/24 the Government limited the compensation made to local authorities for the resulting loss of income from capping the multiplier to CPI rather than RPI. Billing authorities have no control over the level of the small business rates multiplier. Since 2020-21 the small business rates multiplier has been 49.9p.

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

6. Reliefs

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

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

6.3. In recent years there has been concern about the use of mandatory reliefs by ratepayers to evade or avoid taxation, especially relating to Small Business Rates Relief, Mandatory Charity Relief and Empty Rate Relief. In July 2023 the Government published a consultation on reforms to these reliefs which, it is proposed, will reduce levels of evasion and avoidance of business rates liability.

7. Revaluations

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

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

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

8. Checks, Challenges and Appeals

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

8.2. The Government announced a Fundamental Review of Business Rates in September 2020. The Government decided that the appeals system required further reform in the light of its decision to introduce three-yearly Revaluations alongside a duty on ratepayers to provide the Valuation Office Agency with relevant information on an annual basis, and proposed that the first Check stage of the current appeals process now be abolished and that a time limit be set for ratepayers to make appeals of eighteen months into the lifetime of a new Ratings List. The Government also proposed that the Valuation Office Agency be placed under a duty to determine all appeals by the end of the lifetime of a Ratings List. The aim is to give certainty to ratepayers and reduce the volatility caused to local authority funding caused by the current appeals system. It is the Government’s intention to introduce these further reforms by the end of 2026.

9. The role of the billing authority

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

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

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

10. The 50% Business Rates Retention Scheme

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

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

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

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

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

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

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

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

10.9. Authorities experiencing business rates growth will pay a levy on the 50 per cent of growth income they retain. Government use this levy income towards funding a safety net which guarantees that, each year, all local authorities will receive at least 92.5 per cent of their original baseline funding. Currently the Council's levy rate is 5.4% of growth above the baseline.

11. Fair Funding Review

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

11.2. The FFR was initially intended to be implemented in 2019-20 but was delayed first by the political turmoil surrounding Brexit, and then by the COVID-19 pandemic. Ministers have now confirmed that the FFR and other funding reforms will not be introduced during the current parliament. The earliest date for implementation is now 2025-26 – but 2026-27 or even later is more likely.

11.3. Leeds City Council has been in receipt of research from Pixel Consulting, which, using the proposals consulted on by the Government about the FFR from 2020, estimated that Leeds would have received additional funding of £45.3m in 2023/24 if the FFR had been introduced as scheduled, mainly from changes in the formulae and updated data from the 2021 Census.

12. Business Rates Retention Reset

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

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

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

13. Business Rates Pools

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

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

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

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

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

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

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

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

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

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

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

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

1. COUNCIL TAX

2. Council Tax as a tax

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

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

3. The Band D Council Tax

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

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

4. Council Tax Bands

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

Table 1: Property Values for each Council Tax Band

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

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

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

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

4.3. Although nationally the Government deems band D properties to be the average value property, the proportion and number of properties in each band varies greatly between local authorities. Those local authorities with a large number of properties in bands A to C will have a lower ability to raise Council Tax revenue from a given band D Council Tax charge. In Leeds 79% of households live in a house that is in a Council Tax below band D.

5. Discounts, Exemptions and Premiums

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

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

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

5.3. Another widely claimed exemption against Council Tax liability claimed is the Student Exemption. Any residence wholly occupied by students is exempt from Council Tax liability. If there are two residents in a dwelling, but one of them is a student, then the dwelling will be treated as if it is a single person dwelling and will receive the 25% discount. The aim of this exemption is that students are generally on low fixed incomes and if landlords, for example, were to be made liable for the applicable council tax then rents would rise. Thus, the only fair way to treat students is to exempt them from Council Tax altogether. Prior to 2013/14 Councils received compensation for the loss of income through formula grant, which was reassessed every year. However, the formula ceased to be used on an annual basis in 2013/14 and the amount of compensation received within Settlement Funding Assessment (SFA) has reduced significantly since then in line with the wider cuts to SFA. Conversely, the number of student properties has increased significantly since 2013/14 from 10,955 on 1st October 2012 to 16,225 on 1st October 2022.

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

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

6. Council Tax lists and the Taxbase

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

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

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

7. Local Council Tax Support

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

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

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

7.4. Government rolled the funding for Local Council Tax Support into general Settlement Funding Assessment (SFA) in 2014/15, so that it is no longer a separately identifiable amount. Since 2014/15, SFA has reduced from £313.4m to £197.8m in 2023/24 for Leeds City Council. The Council has therefore had to introduce reduced support for working age claimants of Local Council Tax Support. The maximum reduction a working age claimant can now receive in Leeds is 75%, meaning a claimant with a maximum reduction has to pay 25% of their Council Tax, unless they fall into certain protected groups such as lone parents with a child under 5, the severely disabled and carers who can still receive 100% reductions to their liability. As at 5th September 2023 there are 13,428 protected recipients of working age Local Council Tax Support.

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

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

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

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

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

Annexe B:

Prioritisation Criteria

Urgency

Strategic Importance

Priority 1	Priority 2
Strategic Importance:	**As 1 on Strategic Importance but flexibility on Urgency:**
1. Essential: Health and Safety	1. Essential: Health and Safety
2. Essential: Statutory - Legislative (inc Contractual) / Compliance / Discharge of Statutory Duties	2. Essential: Statutory - Legislative (inc Contractual) / Compliance / Discharge of Statutory Duties
3.Significant revenue impact	3.Significant revenue impact
4. Leverages significant external funding for the Council (proposal should meet Council priorities)	4. Leverages significant external funding for the Council (proposal should meet Council priorities)
5. Critical Service Failure	5. Critical Service Failure
6. High deliverability	6. High deliverability
7. Major Reputational Damage	7. Major Reputational Damage
8. Brings significant investment into the city	8. Brings significant investment into the city
9. Ensures resilience of existing annual programmes	9. Ensures resilience of existing annual programmes
Urgency:	**Urgency:**
Delivery in 2024/25	**Delivery timeframe has scope for further slippage beyond 24/25**
Priority 3	**Priority 4**
As 1 on Urgency but flexibility on Strategic Importance:	**As Priority 3 but flexibility on both Strategic Importance and Urgency**
1. Mitigate or accept Health & Safety	1. Mitigate or accept Health & Safety
2. Mitigate or accept Legislative / Compliance driver	2. Mitigate or accept Legislative / Compliance driver
3. Low revenue impact	3. Low revenue impact
4. Leverages low value of external funding for the Council (proposal should meet Council priorities)	4. Leverages low value of external funding for the Council (proposal should meet Council priorities)
5. Critical Service Failure - alternative options available	5. Critical Service Failure - alternative options available
6. Low deliverability	6. Low deliverability
7. Limited / Low Reputational Damage	7. Limited / Low Reputational Damage
8. Brings some investment into the city	8. Brings some investment into the city
9. Some contirbution to resilience of existing annual programmes	9. Some contirbution to resilience of existing annual programmes
Urgency:	**Urgency:**
Delivery in 2024/25	**Delivery timeframe has scope for further slippage beyond 24/25**

Annexe C

FINANCIAL STRATEGY 2020 – 2025

HELPING DELIVER THE BEST COUNCIL PLAN

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

Leeds Best Council Ambition

An Efficient, Enterprising and Healthy Organisation

Leeds Best City Ambition

A Strong Economy and a Compassionate City

OUR AIMS

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

How we are delivering our Financial Strategy to achieve our aims

MEDIUM TERM FINANCIAL STRATEGY

5 YEAR ROLLING STRATEGY

3 YEAR BUDGET INCLUDING REVENUE AND CAPITAL PROGRAMME SCHEMES

BUSINESS CASE DEVELOPMENT

BUDGET MONITORING AND CAPITAL

BUSINESS CASE MONITORING

CLOSURE OF ACCOUNTS

Financial Strategies

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

Leadership

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

Assurances

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

Statute and Governance

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

Digital and Data

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

Highly Skilled Workforce

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

OUR VALUES

Underpinning everything we do and how we work

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

Leeds CITY COUNCIL

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Agenda Item 10

Report author: Mike Eakins

Tel: 0113 37 88646

Best City Ambition Update

Date: 16 October 2023

Report of: Director of Strategy and Resources

Report to: Strategy & Resources Scrutiny Board

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

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

Brief summary

In 2022, Full Council adopted the Best City Ambition as a replacement for the previous Best Council Plan, marking a shift in how the council sets out its overall strategic vision and intent from one focused on the organisation itself to one focused more on outcomes in the city.

Building on the work that has taken place since its adoption, including development of new strategies for two of the three pillars, feedback from last year's LGA Peer Challenge, and continued progress embedding the Ambition, Executive Board has endorsed the first update of the Best City Ambition. The update will not bring major change but is instead focused on refining the Ambition and evolving the ideas it contains to be certain the council, alongside its partners, is striving for continuous improvement even in an increasingly challenging financial context.

This report outlines the scope of the Best City Ambition update to enable Scrutiny to have early influence over the process and content. More detailed proposals will come back to the Board early in 2024 as normal, before Full Council is asked to make a final decision to adopt and updated version.

Recommendations

The Board is asked to:

a) Note the scope of the update of the Best City Ambition set out in this report.

What is this report about?

1 This report outlines the proposed update of the Best City Ambition that was adopted by Full Council in February 2022.

2 The update is an opportunity to further embed the Ambition across the city so that everyone can help tackle inequality and poverty and be a part of Team Leeds. In particular, the Ambition helps with those areas where the three pillars of health and wellbeing, inclusive growth, and zero carbon intersect.

3 The Best City Ambition update will expand upon the existing version, remaining consistent with the principles that drove the change from the Best Council Plan to a Best City Ambition i.e., about the city and all the partners rather than just the council. It will respond to the updated picture of the city provided by Census 2021 and be informed by the early findings of the next Leeds Joint Strategic Assessment which will be produced in parallel and is due to be published shortly after the updated Ambition in spring/summer 2024. The update will aim to broaden and deepen the impact of the Team Leeds approach, more clearly articulating the value of partnership working to generate a shared ownership and commitment to the city's shared priorities, for example by influencing what this means for the design and delivery of services, how we communicate and engage residents, and how partner organisations including the council can better align their efforts to maximise the use of the resources we have in the city in the face of ever-increasing pressures people are facing in their daily lives. The Ambition also presents us with the opportunity to tell the positive story of what is being achieved in the city despite the challenges and showcase the huge opportunities the city can provide when we get the relationship right between key policy areas – articulated here through our three pillars.

4 The Ambition will continue to provide a high-level summary of the strategic intent for Leeds, with the detail sitting in supporting strategies and delivery plans. The Ambition sets out our direction of travel, our ways of working together as a city so that communities and organisations feel ownership and can align their efforts and work in a Team Leeds way to make a difference to the outcomes.

What impact will this proposal have?

5 The Best City Ambition update will reflect on the successes to date and apply this knowledge to advance its overall impact moving forward. The Ambition helps everyone understand the direction of travel for the city, to enable organisations, communities, and individuals to make their best contribution and best use of our collective resources, as well as potentially increase the likelihood of investment opportunities.

6 The overarching aim set out in the Best City Ambition is to improve the lives of everyone who calls Leeds home or works in the city. Through this update a suitable approach to measuring progress, which matches the long-term nature of the Ambition, will be further developed and embedded – the direction of which is set out later in this report.. The key areas of focus for the update are as follows:

a) **Strengthening Team Leeds –** We know from feedback to date, including from the LGA Peer Challenge in late-2022, that city partners have embraced the powerful idea of Team Leeds. The principles of this partnership-first approach are well set out in the Ambition but will be revisited through the update to reflect on any areas for further improvement. There is now the opportunity to take this further and more effectively embed the approach by demonstrating what it looks like in action - including by sharing good examples and case studies. Further developing the Team Leeds concept can help continue to drive actions which will overcome barriers, bring people together, and deliver impact not least through efforts to continuously improve how we work in neighbourhoods and communities and embrace the idea of community power (including strengths-based and asset-based working).

b) **Refreshing the Three Pillars -** It is important that this update reflects the revised supporting strategies, including Health & Wellbeing, Inclusive Growth, and the Net Zero action plan, as well as wider initiatives including the Children and Young People's Plan (CYPP) and Child Friendly Leeds Wishes, regeneration and place-based priorities, and partner-led initiatives like the new Third Sector Strategy. Updated Ambition statements and accompanying priorities will be developed for each pillar, drawing on the sources above, and tested through engagement. Currently it is intended to maintain the clear structure of our strategic intent with each pillar being summarised in an Ambition statement underpinned by five priorities for Team Leeds, all shaped by and in direct response to the evidence base we continue to develop alongside partners.

c) **Sharing best practice through Spotlighting -** To support efforts to share successful examples of Team Leeds in action, re-energising the previous approach to developing Spotlights – i.e. short, sharp case studies which champion the impact of work ongoing in the city and share best practice. While further consideration is needed, early thinking is to link from the Ambition to an online space where the best examples of Team Leeds partnership working will be captured and promoted. Providing diverse case studies of how partnership working occurs in different contexts can motivate and support people to think in a more collaborative way, and offers another route to highlight the importance of targeting the intersection between the three pillars where the biggest positive difference can be made to the lives of local people.

d) **Measuring success -** To support a culture of research and evidence driven approaches to decision making and strategic planning, this update will aim to enhance, and better communicate a progress framework for measuring success. Recognising that the current version of the Ambition does not provide detailed KPIs, it is our intention to develop a framework of success metrics that capture the size and diversity of the visions outlined within the Best City Ambition. Whilst the exact tools informing the reporting cycle are yet to be finalised, paragraphs 18 and 19 provide a more detailed insight into current proposals, including:

    a) Leeds Joint Strategic Assessment (JSA)

    b) Leeds Social Progress Index (SPI)

    c) Key Performance Indicators (KPIs) in Strategies and Plans

    This framework will enable a deeper analysis of the city's progress, empowering partners to align their success metrics with the Ambition and improve the allocation of resources to maximise impact. Further consideration is also being given to incorporating wider city research priorities into the Best City Ambition, potentially through development of a light-touch city research strategy/framework shared with partners, as well as building on bilateral work the council has been pursuing with the city's universities.

e) **Clearer strategic planning for the city –** With the Best City Ambition now better understood than when it was first adopted, this update can be used to set out the strategic planning framework in place for the city more clearly. In short, the Ambition provides an overall vision – our strategic intent – around which partners can convene, and we can tell the city's story. Much of the detail and delivery plans is embedded in supporting strategies and the various organisational plans of key stakeholders. Connections through to the community are crucial too, with new local area partnership plans being developed for priority wards and the community anchors network continuing to establish itself across the third sector and beyond. The Ambition update will seek to set out this framework in a clear and understandable way, supporting partners and citizens - and where relevant other stakeholders including Government - to see how we are working together in pursuit of shared goals.

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

☒ Health and Wellbeing ☒ Inclusive Growth ☒ Zero Carbon

7 The update will reflect the latest versions of the key supporting strategies through refreshing the series of priority statements. The new Inclusive Growth strategy was launched in mid-September and the Health and Wellbeing strategy will be launched in the autumn. The intention is to use the Ambition to create stronger shared ownership over these priorities, thus building on the Team Leeds approach.

8 Zero Carbon remains a more emerging pillar which is less established over the long term than the two noted above, with its scope continuing to adapt and widen due to the fast-moving agenda it covers. The update provides an opportunity to further strengthen the Zero Carbon pillar, and this is likely to be a major focus through consultation and engagement. At this stage, widening the focus of the Ambition to better reflect the importance of enhancing biodiversity alongside reducing carbon emissions is a clear and important priority.

9 The intersection between the three pillars will be emphasised further in this update, encouraging organisations and communities to consider the wider impact of their efforts.

What consultation and engagement has taken place?

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

10 During the development of the Best City Ambition update, insights will be drawn from a range of key stakeholders through the engagement that will take place. Where possible, following the approach which was successfully used to develop the Ambition in 2021/22, discussions will take place at existing boards and forums to maximise reach, help embed within wider context, and reduce the additional organisational capacity needed to undertake the work.

11 In addition to discussion with Scrutiny, a range of consultation and engagement is being undertaken to capture insights across the public, private and third sector. This includes attending all ten community committees, the Leeds Youth Council, Inclusive Anchors Network, Health and Wellbeing Board, Staff Network Chairs, Leeds Community Anchors, and a range of other partnership forums such as the Third Sector Leadership Group. This will be supported by a range of engagement across the council itself, and the potential to host a roundtable discussion(s) to hear from key partners not reached by through the channels outlined above.

12 To supplement this activity insights and content will be drawn from the strategic plans of key partners in the city, fully recognising the importance of the Best City Ambition being owned by a broader group. The Ambition offers a strengthened opportunity to influence these partner plans and strategies, taking the shared position it will establish as a basis in future years. We will also continue to draw on feedback received through other engagement the council undertakes and the regular discussions that take place in city forums, as well as the helpful reflections on the early successes and further growth opportunities for the Ambition from the LGA Peer Challenge.

What are the resource implications?

13 There will be no additional or specific resource implications from this report, all engagement and consultation will be carried out within current staff resource and budget. It is anticipated that the Best City Ambition will influence organisational plans in the city and potentially the use of resources to deliver priorities according to need and in line with shared priorities.

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

14 There are very minimal risks that will arise from updating the Best City Ambition. Most notably, is minor potential for communication challenges, where the update of the Best City Ambition has not been fully communicated across the city. The impact of this could be a lack of awareness surrounding the change in priorities. That said, as this ambition is set out to be a high-level overview, it is reasonable to believe that each of the supporting strategies will have been effectively communicated with relevant partners, thus mitigating risk.

What are the legal implications?

15 In accordance with the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 the council has determined that the Best City Ambition is of such significance that it should be included in the Budget and Policy Framework (B&PF) and be subject to adoption by Full Council. In November 2021, Full Council resolved to approve the necessary constitutional amendments to facilitate this.

16 The Best City Ambition update will therefore be prepared in accordance with the B&PF procedure rules, including referral of the initial proposals to Scrutiny, with those considerations scheduled to be made in January 2024. In light of these reasons, this report is not eligible for Call In in line with Executive and Decision Making Procedure Rule 5.1.2.

Options, timescales and measuring success

What other options were considered?

17 The alternative to this update of the Ambition would be to continue with the current edition. However, this would constrain the potential impact of the Ambition and due to reasons highlighted in paragraphs 5-6, this is not the preferred option.

How will success be measured?

18 There are lots of existing routes through which progress towards the Best City Ambition is regularly monitored and reported. These include a range of annual reports, updates on health and wellbeing, inclusive growth and climate change, Equality Improvement Priorities, strategy updates and monitoring such as the regular Thriving child poverty strategy reports to Executive Board, and over the last two years has also included regular updates on work to respond to the cost-of-living crisis. This list is not exhaustive and while there is a huge amount of activity undertaken, currently this is not suitably reflected in the Best City Ambition itself.

19 Therefore, one of the key objectives for this update of the Ambition is to set out more clearly the progress framework which will underpin it. While further details and specific reporting cycles are still to be determined, early proposals are for the progress framework to consist of three main parts (alongside clarifying what is described above):

a) **Leeds Joint Strategic Assessment (JSA)** – statutory city analysis undertaken every three years and covering the widest set of health determinants. The JSA provides an opportunity to look in details and areas of progress and challenge covering themes including the economy, health and wellbeing, environment and climate change, housing, transport and mobility, early start and education, and more.

b) **Leeds Social Progress Index (SPI)** – adopted earlier this year the Leeds SPI, developed alongside the global non-profit Social Progress Imperative, was created to help the city measure progress on Inclusive Growth and a broad view of factors affecting this. The SPI can help us to understand progress at a local ward level across its three domains: basic human needs, foundations of wellbeing, and opportunity.

c) **Key Performance Indicators (KPIs) in supporting strategies and plans** – detailed delivery plans and key performance indicators are in place for the range of supporting plans and strategies that will continue to sit beneath the City Ambition and accountability for monitoring and managing these falls within existing governance arrangements which are often already rooted in partnership. Executive Board, scrutiny boards and Corporate Governance and Audit Committee also receive regular updates on the council's performance against the agreed KPIs.

20 These arrangements will be refined further and tested through consultation and engagement, before being presented as part of the initial proposals to Executive Board and then Scrutiny later this year.

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

21 Engagement on the update will happen through the rest of Summer and into the Autumn, with the intention being to bring initial proposals forward to Executive Board in November 2023. Following public consultation and further consideration of those proposals by Scrutiny, as required by the council's Budget and Policy Framework procedure rules, the final update proposals will be received by Executive Board and Full Council in February 2024 for consideration and approval.

22 The Director of Strategy and Resources will have overall responsibility for implementation of the Best City Ambition update.

Appendices

None.

Background papers

None.

LEEDS CITY COUNCIL

Report author: Rob Clayton

Tel: 0113 378 8790

Work Programme

Date: 16 October 2023

Report of: Head of Democratic Services

Report to: Scrutiny Board (Strategy & Resources)

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

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

Brief summary

The report sets out the draft 2023/24 work programme for the Scrutiny Board (Strategy & Resources) and reflecting initial views from Board members at the June and July Board meetings.

All Scrutiny Boards are required to determine and manage their own work programme for the municipal year. In doing so, the work programme should not be considered a fixed and rigid schedule, it should be recognised as a document that can be adapted and changed to reflect any new and emerging issues throughout the year.

The Scrutiny Board Procedure Rules also state that, where appropriate, all terms of reference for work undertaken by Scrutiny Boards will include 'to review how and to what effect consideration has been given to the impact of a service or policy on all equality areas, as set out in the Council's Equality and Diversity Scheme.'

Members will be invited to review and discuss the work programme at each public Scrutiny Board meeting that takes place during the 2023/24 municipal year.

Recommendations

a) Members are requested to consider and discuss the Scrutiny Board's work programme for the 2023/24 municipal year.

What is this report about?

1 A draft work programme for the Strategy & Resources Scrutiny Board is presented at Appendix 1 for consideration and discussion. Reflected in the programme are known items of scrutiny activity, including performance and budget monitoring and identified Budget and Policy Framework items.

2 The latest Executive Board minutes from the meeting held on 20 September 2023 are also provided at Appendix 2. The Scrutiny Board is asked to consider and note the Executive Board minutes, insofar as they relate to the remit of the Scrutiny Board; and consider any matter where specific scrutiny activity may also be warranted.

3 Under the Sources of Work agenda item considered at the 19 June meeting of the Board initial views on work programming were put forward by Board Members, Executive Board Members and comments were also heard from senior officers. In addition, discussion at the July and September meetings under this item are also reflected in Appendix 1.

4 Board members may note some slight adjustments to the timing of agenda items. The LGA Peer Challenge item which will focus on the recent return visit of the LGA Peer Challenge team will be brought forward in December due problems with scheduling. Members will also note the item on today’s agenda on employee mental health which reflects discussion at the Board in June and July.

5 The Board will recall discussion of a possible item to set out plans for the forthcoming Elections in 2024 linked to consideration of the Elections Update report at the September Board meeting. This will be picked up in discussion with the Chair and potentially scheduled for later in the municipal year.

What impact will this proposal have?

6 All Scrutiny Boards are required to determine and manage their own work programme for the municipal year.

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

☒ Health and Wellbeing ☒ Inclusive Growth ☒ Zero Carbon

7 The terms of reference of the Scrutiny Boards promote a strategic and outward looking Scrutiny function that focuses on the best council objectives.

What consultation and engagement has taken place?

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

8 To enable Scrutiny to focus on strategic areas of priority, it is recognised that each Scrutiny Board needs to establish and maintain an effective, early dialogue with relevant Directors, senior officers and Executive Board Members.

9 The Vision for Scrutiny also states that Scrutiny Boards should seek the advice of the Scrutiny officer, the relevant Director and Executive Member about available resources prior to agreeing items of work.

What are the resource implications?

10 Experience has shown that the Scrutiny process is more effective and adds greater value if the Board seeks to minimise the number of substantial inquiries running at one time.

11 The Vision for Scrutiny, agreed by full Council also recognises that like all other Council functions, resources to support the Scrutiny function are under considerable pressure and that requests from Scrutiny Boards cannot always be met.

12 Consequently, when establishing their work programmes Scrutiny Boards should:
- Seek the advice of the Scrutiny officer, the relevant Director and Executive Member about available resources;
- Avoid duplication by having a full appreciation of any existing forums already having oversight of, or monitoring a particular issue;
- Ensure any Scrutiny undertaken has clarity and focus of purpose and will add value and can be delivered within an agreed time frame.

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

13 This report has no specific risk management implications.

What are the legal implications?

14 This report has no specific legal implications.

Appendices

- Appendix 1: Draft work programme 2023/24
- Appendix 2: Minutes of the Executive Board meeting on 20 September 2023.

Background papers

- None

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Appendix 1
Scrutiny Board (Strategy & Resources)
Work Schedule for 2023/24 Municipal Year

June	July	August
Meeting Agenda for 19 June 2023	**Meeting Agenda for 17 July 2023**	**No Scrutiny Board meeting scheduled.**
Scrutiny Board Terms of Reference / Sources of Work / Co-opted members reports (Development Briefings) Performance Update (Performance Monitoring) Organisation Plan (Pre-decision Scrutiny)	Leeds 2023 Progress Update (Performance Monitoring) People Management Update (Policy/Service Review) Financial and Treasury Management Outturn (Performance Monitoring)	
Working Group Meetings		
Site Visits		

Appendix 1
Scrutiny Board (Strategy & Resources)
Work Schedule for 2023/24 Municipal Year

September	October	November
Meeting Agenda for 18 September 2023	**Meeting Agenda for 16 October 2023**	**No meeting**
Electoral Services Update – 2023 Election Review/Postal Voter Validation (Performance Monitoring) Staff Survey Analysis (Performance Monitoring) Office for Local Government (OFLOG) (Pre-decision Scrutiny)	Medium Term Financial Strategy (Performance Monitoring) Financial Health Monitoring (Performance Monitoring) Best City Ambition (Pre-decision Scrutiny)	
Working Group Meetings		
	EDI S&R Board Training Session - TBC	
Site Visits		
	Contact Centre Site Visit - TBC	

Appendix 1
Scrutiny Board (Strategy & Resources)
Work Schedule for 2023/24 Municipal Year

December	January	February
Meeting Agenda 11 December 2023	**Meeting Agenda for 15 January 2024**	**Meeting Agenda for 19 February 2024**
Equality, Diversity and Inclusion – Progress Update and Corporate Approach to include Staff Networks Feedback (Policy/Service Review) Annual Corporate Risk Management Report (Performance Monitoring) Customer Contact – Performance Update (Performance Monitoring) LGA Corporate Peer Challenge (Performance Monitoring)	Performance Report (Policy/Service Review / Performance Monitoring) Financial Health Monitoring (Performance Monitoring) 2023/24 Initial Budget Proposals (Pre-decision Scrutiny) Procurement and Commissioning Update (Performance Monitoring)	Leeds 2023 Evaluation and Legacy (Performance Monitoring) Digital Strategy Update – Impact on Leeds Residents (Performance Monitoring) DIS Helpdesk Update (Performance Monitoring) LCC Approach to AI (Pre-decision Scrutiny)
Working Group Meetings		
Budget Working Group – date to be confirmed		
Site Visits		

Appendix 1
Scrutiny Board (Strategy & Resources)
Work Schedule for 2023/24 Municipal Year

March	April	Notes
Meeting Agenda for 25 March 2024	**No Scrutiny Board meeting scheduled.**	**Items to be scheduled**
LCC Apprenticeships Update (Policy/Service Review)		
Working Group Meetings		
Site Visits		

EXECUTIVE BOARD

WEDNESDAY, 20TH SEPTEMBER, 2023

PRESENT: Councillor J Lewis in the Chair

Councillors S Arif, D Coupar, M Harland, H Hayden, A Lamb, J Lennox, J Pryor, M Rafique and F Venner

31 Exempt Information - Possible Exclusion of the Press and Public

RESOLVED – That, in accordance with Regulation 4 of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the public be excluded from the meeting during consideration of the following parts of the agenda designated as exempt from publication on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present there would be disclosure to them of exempt information so designated as follows:-

(A) That appendices 1 - 3 to the report entitled, 'Provision of a Loan to Leeds Culture Trust to cover Culture Sector Tax Relief', referred to in Minute No. 44 be designated as being exempt from publication in accordance with paragraph 10.4(3) of Schedule 12A(3) of the Local Government Act 1972 and be considered in private. This is on the grounds that appendices 1 – 2 present advice provided by Moore Kingston Smith which refer to the financial and business affairs of Leeds Culture Trust (LCT) and as such, it is considered that the public interest in maintaining the exemption from publication outweighs the public interest in disclosing this information. Regarding appendix 3, this appendix presents the findings of the related due diligence exercise which also refers to the financial and business affairs of LCT, and as such, it is considered that the public interest in maintaining the exemption from publication outweighs the public interest in disclosing this information.

32 Late Items

Supplementary Information – Leeds Inclusive Growth Strategy 2023 - 2030

With the agreement of the Chair, supplementary information was circulated to Board Members and published ahead of the meeting in relation to agenda item 13, 'Leeds Inclusive Growth Strategy 2023 – 2030' in the form of Appendix 2 which was the proposed strategy document. (Minute No. 42 refers).

33 Declaration of Interests

With regard to agenda item 15, 'Provision of a Loan to Leeds Culture Trust (LCT) to cover Culture Sector Tax Relief', Councillor Pryor drew the Board's attention to the fact that he is a Trustee of the Leeds Culture Trust, a role appointed to by the Council. Councillor Pryor confirmed that whilst this was not a Disclosable Pecuniary Interest and he was not required to declare an interest in relation to this under the Council's Code of Conduct, he wished to take the opportunity to clarify that in terms of his consideration of the submitted report as a member of the Executive Board, he would approach this based upon what he believed to be the best outcomes for the Council, notwithstanding his position as a Trustee of LCT. (Minute No. 44 refers).

34 Minutes

Further to Minute No. 20 (26 July 2023), the Chair highlighted that at the July meeting the Board had approved the minutes from the 21 June 2023 meeting as a correct record, subject to a matter of accuracy raised by Cllr Lamb (regarding Minute No. 6, '*Leeds Safeguarding Children Partnership Annual Report 2021/23*'), being noted and looked into. The Chair confirmed that the matter of accuracy had been considered and that in his position as Chair, he was satisfied that the 21 June Executive Board minutes were a correct record, as previously agreed by the Board.

Following this, the Board considered the draft minutes from the previous meeting (26 July 2023) and it was

RESOLVED – That the minutes of the previous meeting held on 26th July 2023 be approved as a correct record.

<u>SUSTAINABLE DEVELOPMENT AND INFRASTRUCTURE</u>

35 Leeds Rail Infrastructure - Integrated Rail Plan for the North and Midlands

The Director of City Development submitted a report which provided an update on the Government's delivery of the Integrated Rail Plan and which sought endorsement of the SLCRail recommendation for a phased approach towards the delivery of rail capacity, frequency and connectivity for the eastern regions and in particular the initial delivery of a 'T' shaped station in Leeds and line to connect into an upgraded and electrified route from Sheffield to Moorthorpe.

Responding to an enquiry, the Board received information regarding the extent of potential impact upon existing site allocations within the city centre and its vicinity arising from the recommended approach of SLCRail and also in terms of the Government's proposals following its recent publication of Terms of Reference for the study into how to bring HS2 trains to Leeds. In terms of the latter, it was noted that specific impact would not be known until further detail on the Government's proposals was brought forward.

Further to this, an update was provided on the depth of the partnership working which continued in this area with other Authorities and key agencies including the Department for Transport.

Emphasis was placed upon the need to continue to be mindful of the strategic approach required to ensure that any proposals which were brought forward delivered sufficiency of capacity and effective integration across rail and other public transport networks, including the bus network. Those comments were acknowledged, with an update being provided on how such matters were being taken into consideration.

RESOLVED –

(a) That the update on the Integrated Rail Plan for the North and Midlands, as detailed within the submitted report, be noted;

(b) That the Board's endorsement be given to the SLCRail recommendation, as detailed within the submitted report and appendices, for a phased approach to delivering rail capacity, frequency and connectivity for the eastern regions and in particular the initial delivery of a 'T' shaped station in Leeds and line to connect into an upgraded and electrified route from Sheffield to Moorthorpe.

CHILDREN'S SOCIAL CARE AND HEALTH PARTNERSHIPS

36 Outcome of consultation on a proposal to change the age range of Rothwell Primary School from 3-11 years to 4-11 years and permanently close the school nursery

The Director of Children and Families submitted a report presenting details of a proposal brought forward to change the age range of Rothwell Primary School from 3-11 years to 4-11 years and permanently close the school nursery. The report noted that a public consultation on the proposal took place between 30 June 2023 and 21 July 2023, with the report summarising the responses received. Finally, the report sought approval to publish a Statutory Notice on the proposal.

In presenting the report, the Executive Member provided details of the proposal and an overview of the consultation responses, as detailed within the report, with it being noted that relevant Ward Councillors had not expressed any concerns in relation to the proposal.

RESOLVED –

(a) That the outcome of the public consultation for this proposal, as detailed within the submitted report, be noted;

(b) That the publication of a Statutory Notice on the proposal to change the age range of Rothwell Primary School from 3-11 years to 4-11 years and to permanently close the school nursery, be approved;

(c) That it be noted that the implementation of the proposal would be subject to the outcome of the Statutory Notice;

(d) That the intention for a further report to be presented to the December 2023 Executive Board meeting, be noted;

(e) That it be noted that the responsible officer for the implementation of such matters is the Head of Learning Systems.

LEADER'S PORTFOLIO

37 Best City Ambition Update - Scoping

The Director of Strategy and Resources submitted a report which sought the Board's endorsement for the scope of the proposed Best City Ambition update and which recommended the submission of a further report to Executive Board in November 2023 presenting the initial proposals.

Whilst welcoming the consideration being given to measuring the Best City Ambition's performance, a Member made enquiries about how the success of the updated strategy would be defined. In response, the Board received further information on the factors being taken into consideration in this area, including the central role which would be played by data from the Leeds Social Progress Index. Also, it was undertaken that the comments made during the discussion would be noted and taken into consideration as part of the process in submitting the initial proposals to the Board in November 2023.

RESOLVED –

(a) That the scope of the update of the Best City Ambition, as set out within the submitted report, be endorsed;

(b) That a further report presenting initial proposals for a draft update of the Best City Ambition be submitted to Executive Board in November 2023 ready for further consultation and engagement.

(The resolutions referred to within this Minute, given that they were decisions being made in accordance with the Budget and Policy Framework Procedure Rules, were not eligible for Call In, as Executive and Decision Making Procedure Rule 5.1.2 states that the power to Call In decisions does not extend to those decisions made in accordance with the Budget and Policy Framework Procedure Rules)

38 Annual Corporate Risk and Resilience Report

The Director of Strategy and Resources submitted a report presenting the Council's Annual Corporate Risk and Resilience report. The report provided an update on the risk and resilience activities undertaken by the Council, detailed the most significant risks currently on the Council's corporate risk register and provided details of summary assurances describing the key controls established and further actions planned to manage those risks.

In presenting the report, the Leader highlighted the importance of receiving this annual report to ensure that the Executive Board was aware of the key risks being faced by the Council and the actions being taken to monitor and mitigate those risks.

Members acknowledged that managing the Council's budgetary pressures remained key in terms of risk and resilience, however it was acknowledged that such matters would be considered in detail later in the agenda as part of the dedicated financial reports.

Responding to a Member's specific enquiry regarding the work which continued to mitigate the key risks around safeguarding children and the provision of services in that area, the Board received a detailed update on the challenges which continued to be faced both locally and nationally and the range of ongoing cross-directorate work and partnership working with other agencies that was being undertaken.

RESOLVED – That the annual risk and resilience report together with the assurances given on the most significant corporate risks which are in line with the Council's Risk Management Policy and Strategy, as detailed within the submitted cover report and appendix, be noted, with the Board's overarching responsibility for their management also being noted.

<u>RESOURCES</u>

39 Annual Corporate Performance Report 2022/23

The Director of Strategy and Resources submitted a report which provided an overall update on the Council's performance in 2022/23. Specifically, the report highlighted performance against the range of Key Performance Indicators (KPIs) monitored, covering all five directorates.

In presenting the report the Executive Member highlighted the regular performance reporting which continued to take place via Scrutiny Boards and other committees as appropriate. Updates were also provided on the consideration being given to the metrics recently adopted by the Office for Local Government and how they would be reflected in the Council's performance monitoring moving forward, and also in relation to the most recent visit of the Local Government Association Corporate Peer Challenge, with it being noted that whilst the accompanying report from the visit was awaited, the feedback received had been positive.

Responding to an enquiry regarding Council employee sickness rates, the Board received an update on the actions being taken in this area, with an undertaking that a separate briefing would be provided to the Member in question regarding the implications arising from the Council's sickness rate in terms of the impact upon the budget, service delivery and other staff.

Again in response to a Member's enquiry, the Board received an update on the trajectory of the data regarding those killed or seriously injured in road traffic collisions. In terms of the actions being taken in this area, the partnership approach being undertaken as part of the 'Vision Zero' initiative was highlighted as a key programme with the ambition that by 2040 no one will be killed or suffer serious injuries on roads in Leeds. As part of this discussion, the importance of encouraging the wider behavioural change of road users was highlighted.

RESOLVED – That the Annual Performance Report for 2022/23, as appended to the submitted report, be noted, together with the progress which has been made during that period.

40 Medium Term Financial Strategy 2024/25 - 2028/29

The Chief Officer Financial Services submitted a report presenting the Council's Medium Term Financial Strategy (2024/25 – 2028/29) which is a five-year rolling strategy used to inform the Council's annual budget process. Included within the strategy was information providing wider context and details of the range of factors which influence the shape of this financial plan.

By way of introduction to the report, the Executive Member provided an overview of the key points within it, highlighting that the report noted that the estimated revenue budget gap over the period 2024/25 to 2028/29 was currently £251m.

In considering the challenges highlighted within the report, a Member made comments regarding the need to consider reviewing the approach taken so as to work more collaboratively with other partner organisations around areas such service delivery. In response, the Board was advised that work in this area was ongoing both on a cross-directorate basis within the Council and also with external partners. It was acknowledged that difficult decisions would continue to be required, with it being noted that savings proposals would be received at future Board meetings as appropriate.

Members also considered the Government's model for funding in areas such as regeneration and transport and infrastructure, with emphasis being placed upon the importance of ensuring that the benefits of devolution were maximised. In considering such matters, the importance of collaborative working with partners such as WYCA was highlighted.

RESOLVED –

(a) That the updated Medium Term Financial Strategy for 2024/25 to 2028/29, as presented in the submitted report and appendices, be noted;

(b) That it be noted that savings proposals will be received at future meetings of Executive Board in advance of the Proposed Budget for 2024/25 being received at this Board in December 2023.

41 Financial Reporting 2023/24 – Month 4

The Chief Officer Financial Services submitted a report presenting the Council's projected financial health position as at month 4 of the 2023/24 financial year in respect of both the General Fund revenue budget and the Housing Revenue Account.

In introducing the report, the Executive Member extended her thanks to the work that the Chief Officer Financial Services and her team continued to undertake in very challenging circumstances. The Board received an overview of the key points within the submitted report and noted the forecasted overspend of £33.9m on the Authority's General Fund as at Month 4 of the financial year.

Responding to a Member's comments and concerns around the level of projected overspend at this point in the financial year and how this linked to the budget setting process, the Board received further details and assurance regarding the timeframe for the budget setting process and its robustness, and the work which continued to monitor and mitigate the pressures faced, with clarification also being provided around the key messages which continued to be communicated across the Authority to support ongoing actions.

In addition, the Board specifically considered the challenges that continued to be faced around the delivery of services for Children Looked After, which reflected the position nationally. In considering this, Members specifically referenced increasing levels of demand and also the significant increase in costs for external placements. Responding to an enquiry, the Board received an update on the actions which continued to be taken in this area around mitigating the challenges faced, how Leeds was performing when considering the performance of other comparable Authorities and how such pressures were being monitored and responded to in terms of the budget setting process.

Further context was provided on a number of areas and processes which challenged the Council's ability to take a medium term approach towards its budgetary process, with it being highlighted that these were areas where Local Government needed to continue to work with national Government, in order to make those planning processes easier.

RESOLVED –

(a) That it be noted that at Month 4 of the 2023/24 financial year the Authority's General Fund revenue budget is forecasting an overspend of £33.9m for 2023/24 within a challenging national context, and that a range of actions are being undertaken, or are proposed to achieve a balanced budget position;

(b) That the virement of identified non-essential spend budgets out of respective Chief Officer budgets and into specific strategic cost centres within each directorate, be approved, as a measure to prevent further spend against these budgets where it has been identified that this spend is not required;

(c) That the release of £1.3m from the Strategic Contingency Reserve to fund budgeted fleet savings which are not deliverable across the Council in year due to the impact of inflation, costs of maintaining an ageing fleet and increased demand for services, be approved;

(d) That it be noted that where an overspend is projected, directorates, including the Housing Revenue Account, are required to present action plans to mitigate their reported pressures and those of the Council's wider financial challenge where possible, in line with the Revenue Principles agreed by Executive Board in 2019;

(e) That it be noted that known inflationary increases including demand and demographic pressures in Social Care and known impacts of the rising cost of living, including the employer's 2023/24 NJC pay offer of £1,925 and the JNC pay settlement of 3.5%, have been incorporated into this reported financial position, with it also being noted that these pressures will continue to be reviewed during the year and reported to future Executive Boards as more information becomes available. That it also be noted that proposals would need to be identified to absorb any additional pressures;

(f) That the Month 4 positions regarding the use of Invest to Save, Covid Backlog and Flexible Capital Receipt resources, be noted, with the additional planned use of £5.3m of Capital Receipts in 2023/24 also being noted which will support transformation projects and deliver savings in addition to the budgeted use;

(g) That it be noted that at Month 4, the Authority's Housing Revenue Account is forecasting an overspend of £3.2m for 2023/24.

ECONOMY, CULTURE AND EDUCATION

42 Leeds Inclusive Growth Strategy 2023 - 2030

The Director of City Development submitted a report presenting the updated Leeds Inclusive Growth Strategy for the period 2023- 2030, with the updated strategy setting out nine refreshed 'Big Ideas' for how best to deliver growth that benefits all citizens and communities and which is set within the three themes of 'People', 'Place' and 'Productivity'.

Further to Minute No. 32, with the agreement of the Chair, supplementary information was circulated to Board Members ahead of the meeting in relation to this item in the form of Appendix 2, which was the proposed strategy document.

In presenting the report, the Executive Member provided an overview of the strategy's achievements to date together with a summary of the key proposals for the strategy moving forward.

Responding to an enquiry regarding how the success of the updated strategy would be defined, the Board received further details on how the progress being made by the strategy would be monitored and measured, with the Board also receiving further context on the range of factors which would need to be taken into consideration when judging the success of the strategy, with the Social Progress Index being highlighted as a key resource combined with other measures including the proposed submission of an annual progress report.

RESOLVED –

(a) That the new Leeds Inclusive Growth Strategy 2023 - 2030, as appended to the submitted report, be agreed, and that approval also be given for the strategy's publication;

(b) That approval be given for the Director of City Development to lead on implementing the delivery of the Leeds Inclusive Growth Strategy 2023 – 2030;

(c) That approval be given to the proposed approach towards stakeholder engagement in order to support the implementation of the strategy;

(d) That moving forward, approval be given for an annual progress report to be submitted to Executive Board.

43 Learning Places Programme and School Condition Update Report

The Director of Children and Families and the Director of City Development submitted a joint report which presented an update on the current Learning Places Programme delivery including places across the school estate delivered over the last 18 months, schemes currently in delivery and the potential future work programme. In addition, the report provided information on managing the condition of the school estate, the challenges faced, potential solutions and the financial implications to effectively meet the Council's statutory duties.

In presenting the report, the Executive Member provided the Board with an overview of the key points including the number of places which had been delivered across the school estate, the response to the decline in the birth rate across the city and the actions being taken in response to the increased demand for Special Educational Needs learning places. An update was also provided regarding the annual school condition funding allocation and the current position with regard to backlog maintenance in the school estate.

The investment into Wetherby High School, as referenced within the report was specifically welcomed, with thanks extended to all those involved in securing that investment.

Regarding the issue of RAAC (reinforced autoclaved aerated concrete) in relation to schools. Further to the details within the submitted report, Members' attention was drawn to the update provided at the full Council meeting of 13th September 2023. Responding to comments about the potential for this to impact upon buildings other than schools, the Board received an update about the wider Council estate outside of school sites which confirmed that to date there have been no cases of RAAC identified in buildings that the Council is responsible for and that an audit into appropriate Council buildings continued.

From a wider perspective, it was suggested that it may be beneficial for further detail to be provided to Board Members in due course which covered the potential for structural issues more generally across the Council estate.

RESOLVED –

(a) That the progress made to date with the Learning Places Programme delivery, as detailed within the submitted report, be noted, together with the current schemes in development and delivery across primary, secondary and SEN provision and the forward programme;

(b) That the progress made regarding the Planned Maintenance Programme delivery, as detailed within the submitted report, be noted;

(c) That the challenges and issues being experienced across the programme, together with the measures in place where possible to mitigate for these, be noted.

44 Provision of a Loan for Leeds Culture Trust to cover Culture Sector Tax Relief claims

The Director of City Development submitted a report which sought the Board's approval for Leeds City Council to provide a loan to Leeds Culture Trust (LCT) for the purposes of providing cash flow assistance to cover claims to HMRC for both Theatre Tax Relief and Museums and Galleries Exhibition Tax Relief for financial years 2022-23 and 2023-24, with the report noting that any loan provided would be repaid by LCT upon their receipt of Cultural Sector Tax Relief.

In presenting the report, the Executive Member highlighted that the provision of such a loan would allow LCT to maximise the amount of funding it could invest in LEEDS2023 in-year. In addition, it was emphasised that both LCT and the Council had respectively sought their own legal and financial advice in relation to this matter.

A Member raised concerns and confirmed their disagreement with the proposal, highlighting the risk involved for the Council, in the event that the proposed loan was not repaid.

Members discussed a number of areas relating to this matter including the level of funding which had been provided by the Council towards LEEDS2023 and the impact of national financial challenges upon the delivery of the initiative. As part of the discussion the provision of respective legal and financial advice to both the Council and LCT was reiterated. It was also further emphasised that the loan would allow LCT to maximise the amount of in-year funding it could invest in the programme.

Responding to a Member's specific enquiry regarding the risk involved, it was acknowledged that there were almost certain risks arising from the Council not providing the loan in terms of the potential impact upon the remainder of the LEEDS2023 programme. Conversely, with respect to the loan, it was confirmed that, although the level of risk to the Council is considered to be low, should the tax relief not be received by LCT, then the return of the monies advanced by the Council would be at risk.

Following consideration of appendices 1 - 3 to the submitted report designated as being exempt from publication under the provisions of Access to Information Procedure Rule 10.4(3), which were considered in private at the conclusion of the public part of the meeting, it was

RESOLVED –

(a) That approval be given for Leeds City Council to provide an unsecured interest free loan to Leeds Culture Trust to a maximum value of £1,845,407 which would, subject to the resolutions below, be payable in 3 instalments;

(b) That approval be given for Leeds City Council to pay a first instalment of £960,831 to Leeds Culture Trust in October 2023 for a term of up to 6 months, in order to cash flow the Trust's Theatre Tax Relief claim for the financial year 2022-23;

(c) That in principle approval, which is subject to further due diligence on LCT's financial position in November, be given for Leeds City Council to pay a second instalment of £366,571 to Leeds Culture Trust in November 2023 for a term of up to 13 months, in order to cash flow the Trust's Theatre Tax Relief claim for the financial year 2023-24, and a third instalment of up to £518,005 to cash flow Museum Galleries and Exhibition Tax Relief (MGETR) for the financial year 2023-24 for a term of up to 13 months; with the payment of the third instalment being subject to a further assessment by independent advisors;

(d) That approval be given for the necessary authority to be delegated to the Director of City Development, to enable the Director, in consultation with the Chief Officer Financial Services, to enter into a loan agreement with Leeds Culture Trust on the terms as set out within the submitted report / resolutions above;

(e) That the decisions taken in relation to this report be exempted from the Call In process, due to matters of urgency and for the reasons as set out in section 47 of the submitted report, as any delay would impact upon the Year of Culture programme and seriously prejudice the public's interests.

(The Council's Executive and Decision Making Procedure Rules state that a decision may be declared as being exempt from the Call In process by the decision taker if it is considered that the matter is urgent and any delay would seriously prejudice the Council's, or the public's interests. In line with this, the resolutions contained within this minute were exempted from the Call In process, as per resolution (e) above, and for the reasons as detailed above and as set out within section 47 of the submitted report)

(Under the provisions of Council Procedure Rule 16.5, Councillor Lamb required it to be recorded that he voted against the decisions referred to within this minute)

DATE OF PUBLICATION:	FRIDAY, 22 SEPTEMBER 2023
LAST DATE FOR CALL IN OF ELIGIBLE DECISIONS:	5.00PM, FRIDAY, 29 SEPTEMBER 2023