
Report of the Chief Officer – Financial Services

Report to Council

Date: 24th February 2021

Subject: Revenue budget 2021/22 – Conservative Amendments

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

1. Introduction

- 1.1. This report provides Members of Council with comments on the robustness of the proposals contained in the amendments to the budget motion in the name of Councillor Andrew Carter.

2. Robustness of the budget

- 2.1 The Local Government Act (Part II) 2003 places a requirement on the Council that when making decisions on the setting of the Council's budget and the council tax, they must consider a report from the council's statutory finance officer (the Chief Officer - Financial Services) on the robustness of the budget and the adequacy of reserves within the proposals. The report of the Chief Officer – Financial Services at item 8(i) on the council summons includes at section 11 comments to this effect in respect of the proposed budget motion.
- 2.2. Given this requirement, in considering any proposed amendment to the budget motion, members must also consider the comments of the Chief Officer – Financial Services on the robustness of the proposals. These comments supplement those contained in the main report.

3. Proposed amendments

- 3.1 Councillor Andrew Carter's amendments to the budget motion set out his proposals showing areas of additional spend and the sources of funding which are largely self-explanatory. In considering these amendments, the Chief Officer Financial Services would wish members of Council to be aware of the following:
- (a) Amendment 1 proposes a reduction in the Council's contribution to Leeds 2023. Whilst the payment to Leeds 2023 can be varied the Council's grant agreement with the Trust does not reasonably allow the Council to do that other than by negotiation and agreement by both parties. Therefore these budget amendments could only be implemented following the successful re-negotiation of the current grant agreement.
 - (b) Amendment 1 also assumes a saving from the Council's Press and Communication service. Further work will be required to determine how these savings would be realised. As no proposals have been provided into how the savings are to be realised the financial resource for the PSCO's will not be available until this has been completed.
 - (c) Amendments 2, 9 and 10 assume a reduction in the budgeted contribution to both the Strategic Contingency reserve and the Investment reserve. Since the contribution to both reserves falls out in 2022/23 it is appropriate that these amendments relate to 2021/22 only. If these amendments were to roll forward into 2022/23 then future budgets will require the identification of further saving proposals. The Strategic Contingency reserve is to provide the Council with resources for unforeseen circumstances and therefore leaves the Council exposed during 2021/22.
 - (d) In Amendments 3 and 6 the proposed cessation of the payment of overtime at double-time rates and the reduction in the contribution to the cost of full time trade union convenors, which form part of employees terms and conditions, can only be achieved either through collective agreement with the Trade Unions or through the dismissal and re-engagement of staff on new contracts of employment. The amendments assume that the reductions can be introduced during the financial year. Any slippage in respect of these assumptions will require the identification of further savings proposals.
 - (e) Amendments 4, 7, 11, 13 and 15 all assume a reduction in Council expenditure with regard to payments to external providers of goods and services. Given that further work is required to determine the incidence of where these savings would be realised, and also take account of any implications targeted procurement savings may have upon service delivery, the risk of non-delivery of these savings should be managed by not committing to the additional spend and contribution to the general reserve until the additional savings have been realised or clearly identified.
 - (f) Amendment 8 seeks a contribution from the 2021/22 Leeds City Region Business Rates Pool. Decisions on how Pool resources are utilised will be taken by the Business Rates Pool Board and any final amount receivable by Leeds won't be known until the end of the financial year when the total amount of business rates income receivable for distribution from the Pool is known. Therefore expenditure funded by a contribution from this Pool should not be incurred until the contribution is secured.

- (g) Amendment 9 assumes the realisation of further savings in respect of casual car user allowances. The 2021/22 budget assumes savings in respect of this budget so the delivery of further savings will require the identification of specific proposals as to how this saving will be delivered. Therefore expenditure funded from this amendment should not be incurred until the proposed saving is being realised.
- (h) Amendment 9 also proposes re-negotiating Section 106 agreements to fund an injection into the Capital Programme. Section 106A (1) of the Town and Country Planning Act specifies that a planning obligation may not be modified except by agreement between the Local Planning Authority and the person or persons against whom the obligation is enforceable. In addition any modification would still need to be considered as necessary to make the relevant development acceptable and accord with planning policies. These requirements would have to be met before the re-negotiation of S106 amendment could be implemented.
- (i) The Amendment 9 proposal to build a 60 bed dementia home will first require the determination of a business case to demonstrate that the proposal will generate sufficient revenue to, as a minimum, re-pay the prudential borrowing costs associated with the scheme.
- (j) Amendment 11 assumes the establishment of outsourced contracts for the collection of food and glass waste on a pilot basis. If the costs of establishing these contracts is greater than the sum identified in this budget amendment then further savings will need to be identified to resource the implementation of this proposal.
- (k) Amendment 12 assumes the receipt of additional Home Office grant for unaccompanied asylum seeking children. Given that the 2021/22 budget already includes an additional net £1m for increasing numbers by a third, an additional net £1.7m of funding cannot readily be achieved next year. Going beyond current budgeted assumptions would be difficult to do in a safe way, and more work is needed to ensure capacity in the city as well as to establish additional partner costs and working arrangements. In addition it was announced in January that there will be restrictions on the numbers of asylum seeking children coming into the country which would therefore make the achievement of numbers of children required for the extra £1.7m challenging. Therefore expenditure funded by a contribution from this grant should not be incurred until the additional funding is secured.
- (l) Amendment 14 assumes the transfer of the management and budget of the Housing Advisory Panels and associated reserves in the Housing Revenue Account to Community Committees. Whilst responsibility can transfer to the Community Committees, expenditure incurred needs to be consistent with Housing Revenue Account ring-fenced arrangements and ultimately will be accounted for in the HRA account.
- (m) Amendment 16 proposes an injection into the Capital Programme of £2.7m to replace funding cut from the Local Centres Programme. This injection will be funded from the realisation of additional capital receipts. Since this amendment assumes that a higher level of capital receipts will be receivable from specific assets sales additional spend should not be incurred until the receipt has been secured.

- (n) Amendment 17 proposes an injection of £7m into the Capital Programme to be funded through commuted sums to invest in a right to buy housing company model. Before the amendment is implemented, work would be required to review the balance sheet to identify affordable housing commuted sums, and subject to these being the required amount contained in the amendment, a check would then be required to ensure that the proposed right to buy model was consistent with the definitions contained within the commuted sum agreement. In addition, detailed governance arrangements underpinning the rent to buy housing company model would need to be in place before implementation.
- (o) Amendment 20 seeks to remove an increase in charges to self-payers for Retirement Life and the Sheltered Warden service through the use of the Sheltered Housing Reserve. Since a reserve, which is one off funding, is being applied to resource revenue expenditure, future year's budgets will require the identification of further saving proposals to fund the ongoing impact of removal of these charges.
- (p) The amendments include savings and spending proposals which are interdependent and which create additional risks to the budget. This risk should be managed by not committing to the additional spend until the additional savings have been realised or clearly identified.

3.2 Should these budget amendments be approved, they will be subject to the council's procedures for further consultation and will need to be informed by equality impact assessments as appropriate.

3.3 These budget amendments propose a £7m contribution to the council's general reserve.

4. Overall conclusion

4.1 In conclusion, whilst the proposals in the amendments will collectively increase the risks associated with the delivery of the council's budget, and these risks are set out in section 15.6 of the 2021/22 Revenue Budget and Council Tax report, the amendments to the budget motion in the name of Councillor Andrew Carter will not materially impact on the overall robustness of the Council's budget for 2021/22 or the adequacy of its general fund reserves as at 31st March 2022.