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The Medium-Term Financial Strategy 2022/23-2026/27

Date: 22nd September 2021

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

What is this report about?

Including how it contributes to the city's and council's ambitions

- This report provides Executive Board with an update of the Council's Medium-Term Financial Strategy 2022/23 to 2026/27. The attached Medium-Term Financial Strategy (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 MTFS is one of the key strategies of the Council and is a five year strategy which sets out the Council's commitment to provide services that meet the needs of people locally and that represent good value for money.

- The MTFS 2022/23 – 2026/27 identifies an estimated budget gap of £146.5m for the five year period covered by the Strategy, of which £65.4m relates to 2022/23.

- The City ambitions set out in the Best Council Plan are: the Council, working in partnership, will continue to tackle poverty and inequalities through strengthening the economy and doing this in a way that is compassionate and caring. Three pillars underpin this vision: inclusive growth, health and wellbeing, and the climate change emergency, all of which aim to embed sustainability across the Council's decision-making. The Authority's internal 'Best Council' focus remains on becoming a more efficient, enterprising and healthy organisation. Together, these 'Best City' and 'Best Council' ambitions set the strategic context for the Medium Term Financial Strategy.

- The Best Council 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 policies against financial constraints. This is a primary purpose of the Medium Term Financial Strategy, which also provides the financial framework for the annual budget.

Recommendations

Executive Board is recommended to:

a) Note the updated Medium-Term Financial Strategy for 2022/23 to 2026/27.

Why is the proposal being put forward?

1 Executive Board members are required to recommend a balanced Revenue Budget and Capital Programme for 2022/23 to Full Council in February. 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 2022/23 to 2026/27 and the budget assumptions underlying that Strategy for Executive Board to note.

What impact will this proposal have?

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

3 The Medium-Term Financial Strategy informs the annual budget process. The 2022/23 budget proposals will be presented to the Executive Board and to Full Council in February 2022.

What consultation and engagement has taken place?

4 The Authority's Financial Strategy is driven by its ambitions and priorities as set out in the Best Council Plan 2020 to 2025. The Best Council Plan 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.

5 The proposed Medium-Term Financial Strategy has also been informed by the public consultation on the Council's Proposed Budget for 2021/22. Whilst the consultation covered the key 2021/22 proposals, it also incorporated questions around the Council's priorities and the principles that underlie the Authority's financial plans and so the results are relevant to this report. The full results of the consultation are publicly available in the 2021/22 Revenue Budget and Council Tax report considered by Full Council on 24th February 2021.

What are the resource implications?

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

What are the legal implications?

7 There are no legal implications arising from this report. The report recommends that Executive Board note the Financial Strategy itself. Any proposals resulting from ongoing service / policy reviews will be subject to specific decision-making processes in which the legal implications, access to information and call-in will be considered in accordance with the Council's decision-making framework. This includes compliance with the legal requirements around managing staffing reductions.

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

8 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.

9 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.

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

Does this proposal support the council’s three Key Pillars?

☐ Inclusive Growth ☐ Health and Wellbeing ☐ Climate Emergency

11 The Best Council Plan is the Council’s strategic plan which sets out its ambitions, outcomes and priorities for the City of Leeds and for the Local Authority. The Three Pillars of inclusive growth, health and wellbeing and the climate change emergency 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. 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.

Options, timescales and measuring success

What other options were considered?

12 Not applicable.

How will success be measured?

13 Not applicable.

What is the timetable for implementation?

14 Not applicable.

Appendices

15 The Medium-Term Financial Strategy 2022/23-2026/27

Background papers

16 None.

The Medium-Term Financial Strategy 2022/23 – 2026/27

Contents

Introduction

The Medium-Term Financial Strategy (MTFS) is one of the key strategies of the Council and is a five year strategy which sets out the Council's commitment to provide services that meet the needs of people locally and that represent good value for money.

The Medium-Term Financial Strategy links the Council's vision and priorities with its financial budgets and details how the Council's finances will be structured and managed to ensure that this fits with, and supports, the priorities of the Council and its partners.

The MTFS is aligned to the Council's strategic plan, the 'Best Council Plan' and other key Council strategies to ensure that our resources are directed to delivering the priorities for the City.

Medium-term financial planning is critical to ensuring that the Council has a clear understanding of the level of available resources, the costs of delivering existing services and plans for new services. Financial planning facilitates strategic choices around service delivery, efficiency and service reductions.

This Strategy considers:

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

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

Part 1: Executive Summary – Leeds City Council's Medium-Term Financial Strategy

1.1 Introduction - The Purpose and Key Objectives of the MTFS

1.1.1 The Medium-Term Financial Strategy (MTFS) covers a five year period to ensure that the available resources and requirements of Leeds City Council are forecast over this period, identifying the influences which impact on the availability and use of these resources. The priorities of the Council are detailed in the Best Council Plan and provide the direction as to how the resources of the Council are utilised.

1.1.2 There are a number of strategies which underpin the aims of the Best Council Plan and these strategies are referenced in this Medium-Term Financial Strategy.

1.1.3 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 and sustainable 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 2021/22 – 2025/26 and the Annual Revenue Budget report 2021/22 received at September 2020 and February 2021 Executive Boards respectively further embedded the requirement to make the Council's revenue budget affordable and sustainable. This 2022-23 to 2026/27 Strategy also reflects the requirement to make the Council's financial position more resilient with the inclusion of planned budgeted contributions to the General Reserve.

1.1.4 The impact of COVID-19 upon the Council's financial position in both 2020/21 and 2021/22 has been significant. This Medium Term Financial Strategy document does not provide specifically for the ongoing impact of COVID-19 after 2021/22. 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 after 2021/22.

1.1.5 The 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.

1.1.6 The key objectives of the MTFS are as follows:

- To ensure that effective financial planning and management contributes to the Council achieving the priorities in the Best Council Plan
- 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 influences on the resources available to the Council and to plan for the reduction in 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.

1.2 The Best Council Plan

1.2.1 The Best Council Plan is the Council's current strategic plan which sets out its ambitions, outcomes and priorities for the City of Leeds and for the Local Authority. The "Best City" and "Best Council" ambitions set the strategic context for the Medium-Term Financial Strategy. The Best Council 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 policies against financial constraints. This is the primary purpose of the MTFS which also provides the financial framework for the annual budget.

1.2.2 To enable the achievement of this ambition the Council has developed a Medium-Term Financial Strategy covering 5 years to direct the resources of the Council to the priorities identified in the Best Council Plan.

1.2.3 The Best Council Plan will transition to a partner-developed 'city plan' over the next few months, with engagement with partners and other stakeholders taking place over the autumn and winter of 2021/22. The intention is that a revised plan will then be considered by Full Council in February 2022.

1.3 The Influences Affecting The MTFS

International, National and Regional Influences

1.3.1 The funding available to local authorities, and the way this is used, can be affected by factors at an international, national and regional 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.

COVID-19 and a new operating context

1.3.2 COVID-19 has fundamentally affected the way in which the Council works. Elements of this change which relate directly to crisis response will, in time, revert largely back to normal. However, an event of this magnitude has resulted in the Council needing to consider closely how its business and services should operate and any ongoing impact of the pandemic will be one of the elements shaping services in the future. This Medium Term Financial Strategy document does not provide specifically for the ongoing impact of COVID-19 after 2021/22. This is consistent with the Government's current level of financial support which assumes that there will be no ongoing financial impact of COVID after 2021/22.

EU Exit

1.3.3 On January 31st 2020 the UK left the EU. While Leeds is prepared to take advantage of the opportunities the EU exit presents, it is important to recognise the potential impact of the loss of European Structural and Investment Funds (ESIF). To replace it, the Government has announced the establishment of the Shared Prosperity Fund. However there remains significant uncertainty about the detailed operation of the scheme.

National Policy and Economy

1.3.4 The economy is recovering rapidly following the relaxation of lockdown restrictions and the UK's labour market has proved more resilient than was initially expected. However, by the end of Q2 2021 UK GDP was still 4.4 per cent below its Q4 2019 peak. Employment has begun to recover alongside the recovery in economic activity but remains below the position at the start of the pandemic.

1.3.5 The falling costs of Covid-related spending and improved tax receipts nationally point to a rapid fall in Public Sector Net Borrowing (PSNB), as had been forecast in March by the OBR. Nonetheless, high levels of spending will continue for the immediate future. Indeed, the OBR's July 2021 Fiscal Risks report highlights Covid-related 'legacy risks' in the medium term, which are particularly acute in health, education, and transport.

Levelling Up

1.3.6 Government's flagship levelling up policy 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."[1] Government intends to publish a White Paper on its

[1] Prime Minister's Office, Queen's Speech 2021, 11 May 2021

strategy later in the year and to provide further detail on how the Fund will operate from 2022-23 onwards.[2]

NHS integration

1.3.7 The Health & Care Bill was introduced into Parliament on the 6th July 2021. The Bill will ensure each part of England has an Integrated Care Board and an Integrated Care Partnership 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. Details around future funding will become clearer later in the financial year and updates will be provided accordingly.

2021 Comprehensive Spending Review

1.3.8 The upcoming 2021 Comprehensive Spending Review (CSR) will report in the Autumn on the Government's spending plans for this parliament. It is hoped that this will be the first multi-year departmental funding settlement in three years, providing much needed certainty, but it may provide plans for one year only. The March 2021 Budget indicated between £14bn and £17bn of departmental reductions when compared with pre-Covid-19 intentions from 2022-23 onwards, with a particularly severe impact on 'unprotected' departments including Local Government. However, in the view of the Institute of Fiscal Studies and other commentators these planned reductions could be put under pressure.[3] We expect there to be significant focus on finding a sustainable model for social care.

West Yorkshire Devolution

1.3.9 Following the agreement of a devolution deal between the Government and West Yorkshire Leaders in spring 2020, a West Yorkshire metro mayor was elected in May 2021 with devolved powers across adult education, skills and transport, and with access to a range of new funding streams from government. The presence of a new regional body with significant funding will naturally impact on how services are delivered regionally.

1.4 <u>The Demography of Leeds</u>

1.4.1 Leeds is a growing city with a diverse population estimated at 799,000 (ONS Mid-Year Estimate 2020), an increase of about 48,000 since the 2011 Census. Intelligence regarding the demand for services confirms sometimes very rapid demographic changes, particularly in our most deprived communities.

1.4.2 The backdrop to these localised pressures is the wider trend of the city's ageing population, reflecting the UK picture. There are a range of implications for service provision, in particular for health and social care.

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

[3] What does the changing economic outlook mean for the Spending Review, Institute for Fiscal Studies, July 2021

International evidence shows a strong correlation between deprivation, income inequality and a variety of health problems. This correlation has strengthened during the pandemic.

1.4.3 Leeds has one of the youngest age profiles of the Core Cities (the largest cities outside London). Although the birth-rate 'bulge-cohorts' of the 2010s has fallen back since 2017, these cohorts are now beginning to go through secondary school, with potentially significant mid-term implications for post-16 support and opportunities. These past decade has also seen the population profile of children and young people become more diverse and poorer.

1.4.4 It is too early to assess any full impact of Brexit on patterns of immigration and wider population trends, as the pandemic has perhaps masked any more deep-rooted changes.

Deprivation

1.4.5 Leeds' diversity is reflected across all its communities and neighbourhoods, both in the physical identity of our neighbourhoods and in the variety of cultures and ethnic identities of our residents. However, it is the divergence in economic characteristics that is most prominent, and perhaps more so than most other Core Cities. The Index of Multiple Deprivation 2019 shows that almost a quarter of Leeds' Lower Layer Super Output Areas (areas with populations of around 1,500 people) fall within the most deprived 10% nationally, but also that significant areas of the city are relatively affluent.

1.5 Economy and Business Makeup

Economy

1.5.1 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 strong growth in digital and medical technologies, telecommunications and creative industries.

1.5.2 COVID-19 has brought unprecedented changes, accelerating trends around digital transformation, remote working, and the shift from the high street to on-line retail. The extent to which these changes are sustained and continue to develop is still uncertain. However, the relative diversity of the Leeds economy has been a key asset in the city's resilience to economic shocks, with the city being able to retain its manufacturing strength as well as consolidate its position as a major centre for finance and business services, during previous downturns. It is likely that this diversity will be a key factor as we recover from the pandemic.

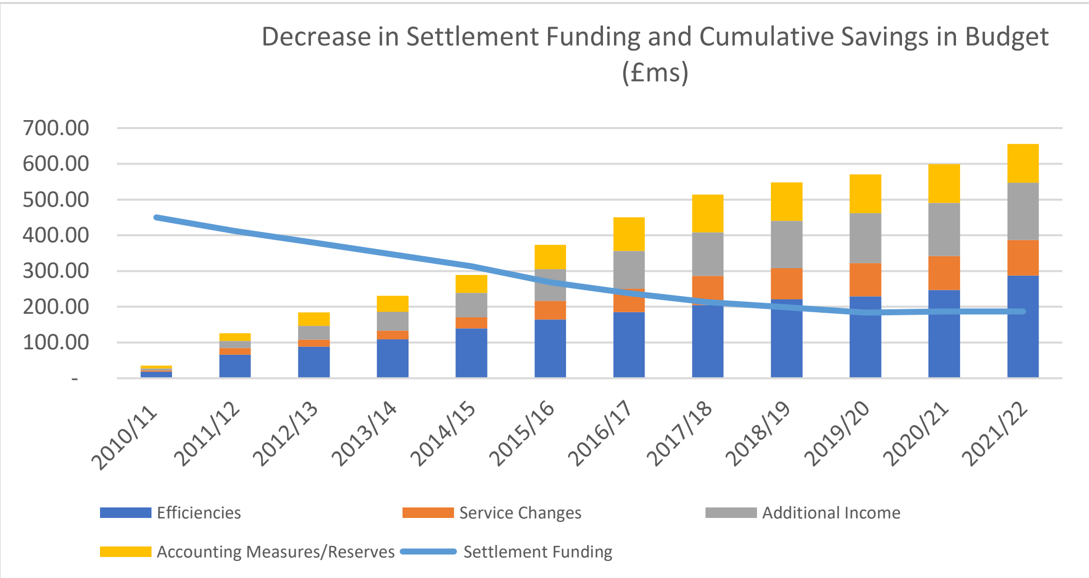
Labour Market

1.5.3 In common with other Core Cities, our economic output growth has only been mid-table in recent years. In March 2020, unemployment in Leeds stood at 17,600 (3%), a decline of 44% over the previous five years. However, the proportion of people claiming unemployment-related benefits rose considerably during the coronavirus crisis, doubling to over 36,000. As restrictions ease, it has fallen back slightly, standing at 32,590 (6.3%) as of June 2021.

1.6 <u>The Financial Challenge</u>

1.6.1 Between the 2010/11 and 2021/22 budgets, the Council's annual core settlement funding from Government has reduced by around £263m, or nearly 60%. Additionally, the Council has faced significant demand-led cost pressures, especially within Adult Social Care and Children's Services. To date, the Council has responded successfully to the challenge since 2010 through a combination of stimulating good economic growth, creatively 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 over 2,800 FTEs.

<u>Table 1.1 Decrease in settlement funding 2010/11 to 2021/22</u>



1.6.2 Inevitably, managing the large reduction in Government funding combined with increasing cost pressures has meant that the Council has had to make some 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. In order to deliver the Council's ambitions of tackling poverty and reducing inequalities, consideration may have 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.

1.6.3 The financial challenge now facing the Council is to manage these pressures alongside the significant impact brought by the current COVID-19 situation. The needs of the communities served by Leeds City Council have already increased and will continue to do so, and the various funding streams that support local government will undoubtedly be affected by the longer term economic scarring as a result of the virus.

1.6.4 This Financial Strategy provides a financial planning framework through to 2026/27 and forecasts the 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.

1.7 The Financial Challenge Programme

1.7.1 In 2020/21, the Council faced a significant projected gap in its revenue budget for 2021/22 and so developed a Financial Challenge programme to identify savings to ensure the budget remained robust, resilient and sustainable. The same approach is being taken again to address the current estimated gap for the three years 2022/23 to 2024/25 of £126.7m, of which £65.4m relates to 2022/23. Savings proposals will be considered by the Executive Board and, following member consideration and appropriate consultation as required, approved savings will contribute towards the authority being able to deliver a balanced budget in each of the years covered by the Medium-Term Financial Strategy.

Service Reviews

1.7.2 Reviews are underway across all council services, some cross-cutting (such as procurement and the next phase of reviewing our business administration functions), whilst others are focused on specific services or activities. The cross-council senior officer group established in 2020 to provide support and ensure a co-ordinated, consistent approach across the Financial Challenge programme, has been reconvened. Further support and challenge to identify new proposals and consider options put forwards by officers is again being provided by Scrutiny Board working groups.

1.8 Risks

1.8.1 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 variations from these assumptions has implications for the level of resources available to the Council. This Medium Term Financial Strategy document does not provide specifically for the ongoing impact of COVID-19 after 2021/22. If COVID-19 continues to have an impact upon the Council's revenue budget, and no additional Government support is forthcoming, then the impact will need to be managed within the Council's approved budget.

1.8.2 The outcome of the Government's future spending plans covering the period from April 1st 2022 won't be known until the Autumn and the spending intentions for Local Government could differ from assumptions contained in this MTFS. Any differences will, in turn, impact upon the level of resources available to the Council.

1.8.3 There remain significant uncertainties with regard to business rates reform, the Government's Fair Funding review, how the Government will support local authorities in dealing with the ongoing financial impact of COVID-19, any impacts of the UK leaving the EU and also the Government's intentions for the future funding of social care.

1.8.4 This Medium-Term Financial Strategy contains a number of inherent risks which include estimating demand and demographic pressures within services such as Adult Social Care and Children's Services, determining key income budgets that rely upon the number of users of a service, inflation being higher than that assumed in the Medium-Term Financial Strategy and that costs associated with managing the Council's debt are higher than budgeted assumptions, for example as a consequence of higher than assumed interest rates.

1.9 Principles of the MTFS

1.9.1 The Best Council Plan sets out the Council's ambitions, outcomes and priorities for the City of Leeds and for the Local Authority. 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 policies 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.

1.9.2 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.

1.9.3 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 independent assurance that value for money is being achieved and the 2019/20 Annual Audit letter from Grant Thornton concluded that " if Covid-19 had not taken place, the Council's financial position would have continued to be sufficiently stable to manage the financial impact of small unforeseen events as in previous years, however, the financial impact of Covid-19 has been significant and highlights the inadequacy of the Council's

General Fund Reserves and balances to cushion the impact of major events, requiring the Council to take a range of unplanned and short term measures to manage the additional costs. This situation indicates weaknesses in the level of General Fund Reserves to deal with significant unforeseen circumstances resulting from the Council's arrangements for financial management. Except for this matter, the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources."

1.9.4 Whilst the Government's spending plans for the forthcoming financial period will not be known until the outcome of the Comprehensive Spending Review is announced in the Chancellor's Autumn speech, with full details being contained in the Provisional Local Government Finance Settlement in December, this Medium-Term Financial Strategy assumes no growth in the Settlement Funding Assessment (Business Rates baseline plus Revenue Support Grant) for the period 2022/23 to 2026/27. It is assumed that 75% Business Rates retention applies nationally from 2024/25 onwards.

1.9.5 Business Rates receivable over and above the Business Rates baseline have been projected forward with account being taken of the ongoing impact of COVID-19 upon the forecast level of business rates receivable. In respect of Council Tax, a 1.99% per annum increase is forecast each year with the Council Tax base growing by 1.36% in 2022/23 rising to 1.58% by 2025/26.

1.9.6 The purpose of the general reserve policy is to aid 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.

1.9.7 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 "Annual Audit Letter" for the year ended 31st March 2020 noted "that the Council should consider the adequacy of its reserves going forward and the appropriate level of balances which should be linked to the approved MTFS and which should be reviewed each year." 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 £43.7m by 2026/27.

1.9.8 In addition, as detailed in the 2020/21 revenue budget outturn report, there is a balance of £24.3m in the Strategic Contingency reserve which has been established to provide for any unforeseen events requiring additional resources in 2021/22. The 2021/22 provides for a further net contribution of £6.2m.

1.9.9 The 2021/22 budget also provides for the creation of three new reserves which contribute towards ensuring that the Council's financial position becomes increasingly more sustainable and resilient. Specifically, a COVID Reserve (£16.7m) which can be applied to any pressures arising which exceed the initial estimate of COVID impact in 2021/22; an Energy Contingency Reserve to provide contingency funding should energy costs exceed provision in the budget (£1.1m) and a Merrion House Reserve (£1.1m) to resource annual lease payments for Merrion.

1.9.10 All of the above contribute towards the Council's revenue budget becoming more financially sustainable and resilient in the short term and under the current level of uncertainty than it was before the pandemic.

1.9.11 The Strategy assumes a 2% pay award each year for employees and inflation has been provided for where there is a contractual commitment but anticipates that the majority of other spending budgets are cash limited. An anticipated 3% rise in fees and charges, where they can be borne by the market, has also been built into the Financial Strategy.

1.9.12 This Medium-Term Financial Strategy document does not provide specifically for the ongoing impact of COVID-19 after 2021/22. It is assumed that there will be 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 after 2021/22.

1.9.13 Whilst funding for Devolution will in the first instance be devolved to WYCA, 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 over the coming years and this will influence the Medium-Term Financial Strategy in future years.

1.9.14 The Council's and City's economic and fiscal position is clearly impacted upon by the wider national economic context. The UK's withdrawal from the EU could potentially weaken the pound, increase inflation, reduce domestic and foreign direct investment and impact upon borrowing costs. Conversely the UK's exit could have the opposite effect on the economy. What is also unclear is to what extent the UK's exit from the EU will impact upon the level of resources available to the Council and the level of demand for the services that it provides.

1.9.15 The approach to the determination of the Capital Programme considers the affordability 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 within the Medium-Term Financial Strategy.

1.10 <u>Summary / Conclusion</u>

1.10.1 This Medium-Term Financial Strategy needs to be seen in the context of significant inherent uncertainty for the Council in respect of future funding and spending assumptions. Specifically, the implications of the Government's future spending plans with regard to local government, and other areas of the public sector from 2022/23 onwards, remain unknown and the level of resources available to the Council will be heavily influenced by the Government's response to the significant increase in borrowing that has been undertaken in response to the COVID-19 pandemic.

1.10.2 As a result of the pandemic the Council has incurred additional expenditure, whilst at the same time seeing reductions in the level of resources available through a combination of lower forecast income levels for both Business Rates and Council Tax and a reduction in the level of income receivable from sales, fees and charges. This MTFS does not provide specifically for the ongoing impact of COVID-19 after 2021/22. If COVID-19 continues to have an impact upon the Council's revenue budget, and no additional Government support is forthcoming, then the impact will need to be managed within the Council's approved budget.

1.10.3 In addition, and to compound the uncertainty over the period covered by the Medium-Term Financial Strategy, the Government has re-stated its intention to move to 75% business rates retention nationally, to reset business rates baselines and to implement the outcome of the Government's Fair Funding review of the methodology, which determines current funding baselines and is based on an assessment of relative needs and resources. However, the timing of all these changes to the local government finance system is uncertain. An assumption has been made for this Strategy that they will all be introduced in 2024/25, a year after the business rates revaluation, which also requires significant adjustments to be made to the system and which the Government has confirmed will take place in 2023/24. Adding to this uncertainty is the continued delay in the publication of the Government's Green Paper on adult social care, which will hopefully provide greater certainty around future funding intentions.

1.10.4 The Council's Medium-Term Financial Strategy covers a five year period, an appropriate timescale for financial planning. The principle underpinning the Strategy, over the five years, is to ensure that the Leeds City Council budget is robust, financially sustainable, resilient and affordable with less reliance upon short term solutions to fund recurring expenditure.

1.10.5 In addition, this MTFS recognises the requirement to closely align the determination of both revenue and capital budgets.

1.10.6 In the determination of this Medium-Term Financial Strategy a number of assumptions have therefore had to be made in respect of the level of resources that are available to the Council to fund the services that it provides and these are detailed within the body of this Strategy. However, it is acknowledged that the assumptions contained in this Strategy are under constant review to reflect any changes in circumstances or if further information emerges in respect of known risks.

1.10.7 In response to the estimated budget gap of £146.5m over the life of the Strategy, of which £65.4m relates to 2022/23, the Council will again embark on a number of service reviews through its ongoing Financial Challenge programme. These reviews comprise several that are cross-council and others that relate to individual services and they will contribute towards closing the estimated budget gap for 2022/23 but are also focussing on the estimated positions in 2023/24 and 2024/25. The outcomes of these reviews to date have been incorporated into a number of budget savings proposals which can be found in a separate report elsewhere on this Executive Board agenda.

1.10.8 The outcome of any required consultation on these service review proposals will be reported back to Executive Board. The value of proposals to date are insufficient to bridge the estimated budget gap for 2022/23. Consequently, further budget savings proposals will need to be identified and brought before this Board.

1.10.9 The Council's Proposed Budget will be received at Executive Board in December 2021 prior to a period of consultation, before final proposals are considered for approval in February 2022. The Council is required to present a balanced budget to Full Council for approval in advance of the financial year.

Part 2: Introduction and Background to Leeds City Council

2.1 Leeds City Council and WYCA Mayoral changes

2.1.1 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.

2.1.2 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 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.

2.2 Leeds City

2.2.1 Leeds is a growing city with a population estimated at 799,000 (ONS Mid-Year Estimate 2020), an increase of about 48,000 since the 2011 Census. Accompanying this growth, the population has continued 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.

2.2.2 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 had established itself as a vibrant, diverse and dynamic city, with a strong knowledge-based economy. More recently, Leeds has returned to economic growth faster than many of its neighbours, and, prior to COVID-19, workplace-based employment in the city was estimated to have recovered beyond pre-recession levels.

2.2.3 However, even before the pandemic, not everyone was benefitting from this economic success. Poverty and deprivation remain significant challenges. Despite very strong performance in job creation in recent years, low pay is an increasing 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, they hold back the economy, affect productivity, cause skills' shortages, and create additional costs for businesses and the public sector.

Evidence also suggests that those in low pay / low skill occupations have been amongst those most affected by the economic consequences of COVID-19.

2.3 Influences

2.3.1 COVID-19 has also severely impacted the Council's operating environment both in terms of the demand for services and our financial framework. Recognising our response to the crisis is likely to be complex and long lasting, maintaining clarity of focus will be crucial. We will continue to be guided by our Best City ambition for a strong economy that is compassionate, with the overriding priority of tackling poverty and inequalities, and our Best Council ambition to be an efficient, enterprising and healthy organisation. These ambitions and priorities are set out in the Best Council Plan which provides the strategic context and direction against with the authority's resources are utilised, and thus the basis for this Medium-Term Financial Strategy.

2.3.2 The Medium-Term Financial Strategy covers a five-year period to ensure that the resources available to Leeds City Council are forecast over this period, identifying the influences which impact on the availability and use of these resources. These influences include international, national, regional and more local population and demographic effects. Further detail is provided at Section 3.

2.3.3 The Medium-Term Financial Strategy brings together the key issues affecting the Revenue Budget, the Housing Revenue Account, Dedicated Schools Grant and the Capital Programme. A key part of the Strategy is to highlight the budget issues that need to be addressed by the Council over the coming financial years, by forecasting the level of resources from all sources and budget pressures relating to both Capital and Revenue Budgets. The Strategy highlights the measures being taken by the Council to reach its aim of being financially robust, sustainable and resilient for the future.

Part 3 - The Influences, Strategies, Best Council Plan and Priorities affecting the Medium-Term Financial Strategy

3.1 International, national and regional influences

3.1.1 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.

3.2 COVID-19 and a new operating context

3.2.1 COVID-19 has fundamentally affected the way in which the Council works. Elements of this change which relate directly to crisis response will, in time, revert largely back to normal. However, an event of this magnitude undoubtedly means the Council will need to consider closely how its business and services should operate in the future. Measures introduced nationally to combat the virus have had direct and indirect negative impacts on council finances which will need to be managed over future years. There remains potential longstanding impact on council income if behaviour, working practices and spending patterns in the city continue to change and this will need to be monitored and managed moving forward.

3.2.2 However, the longer term impact remains unclear. The economy is recovering significantly following the relaxation of lockdown restrictions and the country's labour market has proved more resilient than expected, with employment rates also recovering.[4] Reflecting this recovery, this Medium Term Financial Strategy document does not provide specifically for the ongoing impact of COVID-19 after 2021/22.

3.3 National policy direction and international relationships

EU Exit

3.3.1 On January 31st 2020 the UK left the EU. While Leeds is prepared to take advantage of the opportunities the EU exit presents, it is important to recognise the potential impact of the loss of European Structural and Investment Funds (ESIF). As a member of the European Union, the UK received structural funding worth about £2.1 billion per year, used for boosting aspects of economic development, including support for businesses, employment and agriculture. To replace it, the Government has announced the establishment of the Shared Prosperity Fund, to "reduce inequalities between communities"[5], which is expected to be launched in

[4] The economic consequences of Covid-19, Local Government Information Unit, September 2021
[5] Conservative Party, Forward, Together: Our Plan for a Stronger Britain and a Prosperous Future, 18 May 2017

April 2022. £220 million has been allocated to pilot schemes for the new fund in 2021/22, with Government indicating that funding will ramp up to £1.5 billion a year. There remains uncertainty about the detailed operation of the scheme and how funds will be allocated. Clarity on these issues is expected to be announced at the 2021 Comprehensive Spending Review.

National Policy and Economy

3.3.2 Analysis of data provided by the Office for Budget Responsibility (OBR) shows that the economy is recovering rapidly following the relaxation of lockdown restrictions and the UK's labour market has proved more resilient than was initially expected. There was an unprecedented drop in GDP between Q4 2019 and Q2 2020 of 21.8 per cent, before a strong recovery in Q3 2020 as lockdown restrictions were eased. However, it should be noted that by the end of Q2 2021 UK GDP was still 4.4 per cent below its Q4 2019 peak.

3.3.3 The recovery has been even across all industrial sectors and especially strong in services where output increased by 5.7 per cent in Q2 2021 (April to June). Employment has begun to recover alongside the recovery in economic activity. In Q2 2021 the estimated employment rate (the percentage of working-age people in work) was 75.1 per cent – up by 0.3 percentage points over the quarter but still down by 0.7 percentage points over the year and by 1.5 percentage points since the start of the pandemic.

3.3.4 The falling costs of Covid-related spending and improved tax receipts nationally point to a rapid fall in Public Sector Net Borrowing (PSNB), as had been forecast in March by the OBR. Nonetheless, high levels of spending will continue for the immediate future. Indeed, the OBR's July 2021 Fiscal Risks report[6] highlights Covid-related 'legacy risks' in the medium term, which are particularly acute in health, education, and transport and notes that no provision has been made for virus-related spending in 2022/23 and beyond.

Levelling Up

3.3.5 One of Government's flagship policies, levelling up 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."[7] A Levelling Up Fund was announced at the 2020 Spending Review and has now been established, initially making £4.8bn available for UK local infrastructure through a competitive bidding process, with this funding to be delivered through local authorities. Government intends to publish a White Paper on its 'levelling up' strategy later in the year and to provide further detail on how the Fund will operate from 2022-23 onwards. In the view of the Local Government Association, "The White Paper presents an opportunity to reset the relationship between central and local

[6] Fiscal Risks Report – July 2021, Office for Budget Responsibility, 6th July 2021
[7] Prime Minister's Office, Queen's Speech 2021, 11 May 2021

government and put councils at the heart of delivering the Government's ambitious programme to improve opportunities in all parts of the country."[8]

NHS integration

3.3.6 The Health & Care Bill was introduced into Parliament on the 6th July 2021. The Bill will ensure each part of England has an Integrated Care Board and an Integrated Care Partnership 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. Details around future funding will become clearer later in the financial year and updates provided accordingly.

2021 Comprehensive Spending Review

3.3.7 As a part of the Comprehensive Spending Review process the Government asks for representations to inform policy development and these representations should contain policy suggestions which should explain the desired outcome, policy rationale, costs, benefits and deliverability of proposals. Once again, we expect there to be focus on local government services, with finding a sustainable model for social care perhaps expected to draw the most attention.

3.3.8 The upcoming 2021 Comprehensive Spending Review (CSR), which will report in the Autumn on the Government's spending plans for this parliament, is hoped to be the first multi-year departmental funding settlement in three years, providing much needed certainty after Brexit and Covid-19 led to single-year departmental allocations. The March 2021 Budget indicated between £14bn and £17bn of departmental reductions when compared with pre-Covid-19 intentions from 2022-23 onwards, with a particularly severe impact on 'unprotected' departments including Local Government. However, in the view of the Institute of Fiscal Studies and other commentators these planned reductions could be put under pressure: "The extent, speed and nature of the UK's economic recovery from the pandemic will have important ramifications for the public finances – and in turn for the Spending Review due to be held this autumn. The Chancellor is facing myriad demands for additional spending, not least on the public services put under huge pressure by the pandemic."[9]

3.4 <u>West Yorkshire Devolution</u>

3.4.1 Following the agreement of a devolution deal between the Government and West Yorkshire Leaders in spring 2020, Tracy Brabin became West Yorkshire's first directly elected metro mayor in May 2021. The new mayor and combined authority hold devolved powers across adult education, skills and transport, and have access to a range of new funding streams from government including the Transforming Cities Fund, the Brownfield

[8] The Levelling Up agenda, House of Commons, LGA Briefing, 15 June 2021
[9] What does the changing economic outlook mean for the Spending Review, Institute for Fiscal Studies, July 2021

Regeneration Fund and the West Yorkshire Heritage Fund which will support delivery of a new British Library North facility in Leeds. The devolution deal also provides £38m of gainshare funding per year for the next 30 years to be spent flexibly in line with local priorities.

3.4.2 Most of the new funding unlocked as a result of devolution will be 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. The presence of a regional body with significantly more funding than previously will naturally impact on the council, and in slightly different ways depending on the circumstances. 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 will also be 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).

3.4.3 This is the first West Yorkshire devolution deal and, pending the Government's Devolution / Levelling Up White Paper, there may be opportunities to expand the scope of devolved powers and funding in future deals. 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 to both further strengthen collaboration and to explore re-organising services to maximise use of the limited resources for all partners involved.

3.5 About Leeds: Socio-economic context

Population

3.5.1 The city's population has continued to become more diverse since the 2011 Census, in terms of age, countries of origin and ethnicity. International immigration has been an important factor behind this change, EU countries such as Romania, Poland, Italy and Spain make up a significant proportion of new arrivals, as do countries from better-established migration routes from south Asia and parts of Africa. It is still uncertain what the impact of Brexit will be on patterns of international migration.

3.5.2 Drawing on GP records for insights in to how our city is increasingly diverse, the BAME population represents almost a third of all those registered in 2020, whilst accounting for 19% of the city's population in the 2011 Census. The most notable difference is in the Other White ethnic group, which in the 2011 Census had a population of 23,000, but in the 2020 GP register stands at 78,000, pointing to the growth in economic immigration primarily from the EU over the last decade.

3.5.3 The Leeds birth rate increased rapidly from the early 2000s and plateaued at around 10,000 per annum for eight years until 2016. However, the number of births have now fallen consecutively for four years and was 12% lower than 2016 in 2020. Latest intelligence shows that the number of births will be lower still in 2021 (circa 8,400). However, the child population is still growing at a faster rate than the population of Leeds as a whole, but the growth is now concentrated in Secondary school-age groups.

3.5.4 Data from the city's schools show major change over the last few years. The proportion of pupils that are BAME has continued to grow to 36% in 2021. And while, other than White British, the largest broad ethnic groups are Asian, Black, Mixed and White Other; proportional growth has been highest in White Other, mirroring the wider trends driven by economic migration. Between 2010 and 2020, growth has been particularly high within White Eastern European and Gypsy Roma ethnicities. The number of children and young people with English as an additional language (EAL) has increased from 13% in 2010 to 20% in 2021. After English, the main languages spoken are Urdu, followed by Romanian and Polish. Altogether nearly 200 languages are spoken by children studying in Leeds schools. The proportion of school pupils who are eligible for, and claim, Free School Meals has significantly increased since 2018, from 16% to 25% in 2021. Meanwhile the number of pupils who have an Education Health and Care Plan has more than tripled from 824 in 2016 to 3,013 in 2021.

3.5.5 All this shows that while rapidly growing, our teenage population are also becoming more diverse, and the indicators suggest growing more quickly in our more deprived communities. With a backdrop of BREXIT, the COVID-19 pandemic, and pressure on resources, this means that our teenage population in particular potentially face significantly growing challenges into the medium-term.

3.5.6 The overriding backdrop to these localised pressures is the wider trend of the city's ageing population. As the baby-boomer generation grows older there will be a range of implications for service provision. The 65+ age group is projected to grow by over 15,000 (+13%) between 2016 and 2026. 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.

Economy

3.5.7 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 strong growth in digital and medical technologies, telecoms and creative industries.

3.5.8 The pandemic has brought unprecedented changes, accelerating trends around digital transformation, remote working, and the shift from the high street to on-line retail. The extent to which these changes are sustained and develop remain uncertain. The initial impacts of COVID-19 restrictions were immediate and significant, with home-working, furlough and the changes in consumer patterns resulting in a major drop-off in economic activity in the city centre. Leeds was particularly affected in comparison with our neighbouring economic centres across the city-region, though in-line with other Core Cities. However, although still early days, economic activity is increasing significantly as restrictions ease, with data suggesting that Leeds' bounce-back is faster than neighbouring localities.

3.5.9 The relative diversity of the Leeds economy has been a key asset in the city's resilience to economic shocks, with Leeds being able to retain its manufacturing strength as well as consolidate its position as a major centre for finance and business services. It is likely that this diversity will be a key factor as we recover from the pandemic.

3.5.10 However, pre-COVID-19 there were some concerns around slowing growth and low productivity, with a key source of many of new employment being relatively low-skilled, low-paid work in consumer services. Leeds is not alone in these trends, although Leeds does relatively well in terms of productivity per worker (GVA per head), perhaps a reflection of our significant knowledge-based economy, consistently being the strongest performing core city after Bristol. Our economic output growth has only been mid-table in relation to Core Cities in recent years, perhaps a hangover from the 'great recession', since when key sectors - particularly in financial and business services - have faced prolonged challenges.

Labour Market

3.5.11 Latest ONS data from the 2020 Annual Population Survey suggest that 430,000 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, which in turn has maintained the city's employment rate, with over 80% of the working age population in employment, well above regional and core city averages (ONS, 2020). This strong employment performance is mirrored in the city's pre-Covid-19 unemployment rate which was consistently below regional and national rates.

3.5.12 Unemployment-related claimant counts show claimants in Leeds doubled from 18,000 to 36,000 between March 2020 and April 2021, taking the claimant rate from 3% to over 7%. Although the claimant rate is only slightly higher than regional and national rates and lower than most Core Cities, Leeds has experienced higher growth compared to regional and most core city counterparts since COVID-19, perhaps reflecting the harder hit on larger, city economies. However, as restrictions ease, unemployment has fallen back slightly, now standing at 32,590 (6.3%) as of June 2021.

3.5.13 The growth in the claimant count, i.e. those in receipt of unemployment-related benefits, appears to be evenly spread by age and gender. This contrasts with other intelligence, which suggests younger people and women in the labour market have been hardest hit by the lockdown. This might be explained by the implementation of the furlough scheme which has seen a steady decline in uptake as the economy recovers. The scheme will be phased out entirely by the end of September 2021.

3.5.14 Leeds has also been perhaps insulated from the worst impacts of lockdown on the labour market, as a relatively high proportion of the city's workforce have been able to work from home. Leeds has had a higher incidence of homeworking and low furlough than many other towns and cities – although this may be a potential issue if homeworking becomes pre-dominant going forward.

Deprivation

3.5.15 Leeds' diversity is reflected across all its communities and neighbourhoods, both in the physical identity of our neighbourhoods and in the variety of cultures and ethnic identities of our residents. However, it is the divergence in economic characteristics that is most prominent, and perhaps more so than most other Core Cities.

3.5.16 The Index of Multiple Deprivation (IMD[10]) 2019 confirms this divergence, with almost a quarter of Leeds' Lower Layer Super Output Areas (LSOAs – areas with populations of around 1,500 people) mainly in the inner east and inner south of the city, falling within the most deprived 10% nationally; but also showing significant areas of the city which are relatively affluent.

3.5.17 COVID-19 has compounded these deep-rooted inequalities, with young people and low earners being primarily affected to date as they are most prevalent in the hardest hit sectors. Many families are struggling with uncertainty and the potential of mounting debt. The longer-term economic fallout is likely to have an adverse impact on already significant health inequalities, with those individuals and communities at most disadvantage hit hardest.

3.5.18 Please visit the Leeds Observatory online here for more data about the Leeds population and Leeds economy, including for further information and analysis on the IMD 2019.

3.6 Leeds City Council's strategic priorities

3.6.1 The socio-economic context and the influences explained above inform our strategic ambitions and priorities for the city and for Leeds City Council. These are set out in our current corporate strategy, the 'Best Council Plan' 2020 to 2025 (available here with the Plan on a Page included at Annexe A)

[10] The IMD 2019 measures relative deprivation in England across 32,844 neighbourhoods or Lower Super Output Areas (LSOAs), based on 39 indicators across seven domains. It ranks each neighbourhood from most deprived to least deprived.

which provides the basis for how and where we allocate our resources and thus for this Medium-Term Financial Strategy.

3.6.2 The Best Council Plan will transition to a partner-developed ‘city plan’ over the next few months, with engagement with partners and other stakeholders taking place over the autumn and winter of 2021/22. The intention is that a revised plan will then be considered by Full Council in February 2022.

3.7 Best City

3.7.1 The Best Council Plan describes our ambition for Leeds to be the best city in the UK: compassionate and caring with a strong economy; which tackles poverty and reduces inequalities; working towards being a net zero carbon city by 2030. We want Leeds to be a city that is distinctive, sustainable, ambitious, fun and creative for all. But most of all, in light of the impacts of the Coronavirus pandemic, we want Leeds to be a safe city.

3.7.2 Building on a range of key council and partnership strategies in place and in development, the Best Council Plan sets out a number of interconnected priority areas of work. These flow in particular from our two long-standing main strategies – Inclusive Growth and Health and Wellbeing – as well as a third, new for 2020, strategic key pillar for the organisation: the Climate Emergency. This addition recognises the scale of the challenge facing the city – and indeed the world – to make the changes needed to combat climate change effectively.

3.7.3 Taken together, a focus on eight ‘Best City’ priorities will deliver improved outcomes for everyone in Leeds:

- **Inclusive growth** – supporting the city’s economic recovery from COVID-19, tackling poverty and helping everyone benefit from the economy to their full potential
- **Health and wellbeing** – ensuring support for the health and social care sector to respond to and recover from COVID-19, reducing health inequalities and supporting active lifestyles
- **Sustainable infrastructure** – tackling climate change risks, improving air quality and improving the city's transport and digital infrastructure
- **Child-friendly city** - making Leeds the best city for children and young people to grow up in
- **Age-friendly Leeds** - making Leeds the best city to grow old in
- **Culture** - improving the quality of lives and enhancing the image of Leeds through cultural and creative activities
- **Housing** - providing homes of the right quality, type and affordability in the right places and minimising homelessness

- **Safe, strong communities** - keeping people safe from harm and prioritising community respect and resilience.

3.7.4 Our emphasis on these priorities is crucial in establishing a 'new normal' for life in Leeds after the COVID-19 pandemic. Our longstanding commitment to them is now more important than ever as we continue to focus our support on those in most need, while enabling everyone to reach their full potential.

3.8 Best Council

3.8.1 The Best Council Plan 2020 to 2025 also maintains our long-established 'Best Council' strategic focus on being an efficient, enterprising and healthy organisation, all of which are particularly relevant in the context of COVID-19. This reflects our wider positive outlook for the role of local government in working with our communities to shape and strengthen the prospects of the city and its residents.

3.8.2 Despite growing demand and an unprecedented period of budget reductions for local government, the Council has continued to deliver high quality, improved public services and value for money for the Leeds public. We use our resources, influence and convening capacity to drive inclusive economic growth and promote health and wellbeing, tackling deprivation and other deep-rooted challenges to improve the quality of life for our residents.

3.8.3 As we understand the longer-term implications of COVID-19 on the city and the Council, the Best Council framework will provide the basis for the decisions we make in the coming months and years on the services we provide and how best to allocate our resources.

3.8.4 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

3.8.5 Our Best Council framework draws on our core strengths:

- Strong leadership of place
- Effective partnership working and commissioning
- Maintaining a clear focus on delivering high quality public services
- Using need-led, asset-based approaches based on early intervention and prevention
- Ongoing engagement with communities and individuals
- Making the best use of our resources

3.8.6 These resources include:

- Our **budgets**: our *Financial Strategy* (a one-page summary is available here and included at Annexe B**)** is helping us become more financially sustainable and resilient, safeguarding public funds while achieving value for money. This will ensure we are well placed to respond to the significant funding uncertainties and pressures we face – exacerbated to an unprecedented level as a direct result of coronavirus – and to target our money to where it can make the most difference
- Our **people**: our *People Strategy* (available online here and included at Annexe C) sets out our ambition to be the best place to work, through exceptional employee experience, talented managers and leaders, and a culture underpinned by fairness, diversity and collaboration. In line with our overall ambition to keep the city safe, the Strategy also includes a focus on keeping our staff safe whilst building in flexibility across the workforce in response to the pandemic
- Our **digital capabilities** play a central role in maximising the use of tools and technology to improve and transform the way the council works, provides services and engages with citizens.
- Our **land and buildings**: our Estate Management Strategy explains our vision and approach to managing the Council's land and buildings across the city, helping us deliver a modern, efficient, sustainable estate and workplaces that remain fit for purpose as the world adapts to new ways – and places – of working.
- Our **evidence and insights**, drawn from listening to our citizens and effective use of data, help us identify and understand the challenges and opportunities we face, assess progress in delivering our Best City and Best Council ambitions and drive improvement.
- Our **communications** enable us to clearly explain the challenges and opportunities to our citizens, partners and other key stakeholders, and to engage them in being a part of the solutions, further strengthening these vital relationships and collaborative working.

Part 4: The Five Year Financial Plan

4.1 Introduction

4.1.1 The Five Year Plan needs 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 both Parts 1 and 3 of this document.

4.1.2 This Five Year Financial Plan takes account of the range of socio-economic conditions and the policy drivers that shape our Medium-Term Financial Strategy. These include taking account of international, national and regional influences which include the UK exiting the European Union, implementation of devolution across West Yorkshire, the demography of the city, the national and local economy, the local labour market and impact of deprivation across the city. In addition, the Five Year Financial Plan also incorporates the ambitions and priorities of the Council as set out in its Best City and Best Council strategies. The socio-economic conditions and the policy drivers that shape our Medium-Term Financial Strategy have clearly been affected by COVID-19 which continues to have 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.

4.1.3 The Five Year Financial Plan has also been shaped by the financial challenges it has had to overcome in the past, whereby the Council's core funding from Government has reduced by £263m or nearly 60% since 2010, and the financial challenge that is detailed in this document.

4.1.4 Part 4 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.

4.2 Financial Resources

Settlement Funding Assessment (SFA) and Changes in Local Funding

4.2.1 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 November/December and confirmed in the Final LGFS in February.

4.2.2 The first SFA was set in 2013/14 when the Business Rates Retention Scheme was introduced and formed the starting point for setting the

Revenue Support Grant. This first SFA was allocated through a funding formula using estimates of the relative local needs and resources of all local authorities across England, such as the ability to raise Council Tax, and the relative demand for local services.

4.2.3 The business rates baseline and the tariff were also first set in 2013/14 based on the level of business rates collectable in an area and both are increased annually by CPI in line with the Small Business Rates Multiplier. The difference between total SFA and the sum of the business rates baseline and the tariff (known as baseline funding) is the amount the Council receives as Revenue Support Grant. Between 2013/14 and 2019/20 SFA was reduced every year and therefore, as the business rates baseline and tariff are fixed in real terms, this has meant that all these reductions in SFA have disproportionately reduced Revenue Support Grant. In 2020/21 both RSG and the business rates baseline increased by CPI (1.7%), however in 2021/22 only RSG was increased by CPI (0.6%), with the business rates baseline frozen because the Small Business Rates Multiplier was frozen to assist businesses during the COVID-19 crisis. Local authorities were compensated for any losses in income caused by the freezing of the business rates baseline separately by a specific grant.

4.2.4 Table 4.1 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 paragraph 4.3.

4.2.5 Additionally, the Council receives specific grants from Government. These can be announced alongside the LGFS, although they do not form part of the SFA. Changes in the levels of specific grants receivable are also discussed in more detail at paragraph 4.3.

4.2.6 Table 4.1 Estimated Level of Financial Resources

	2021/22 Final £m	2022/23 Indicative £m	2023/24 Indicative £m	2024/25 Indicative £m	2025/26 Indicative £m	2026/27 Indicative £m
Revenue Support Grant	28.4	24.6	21.3	0.0	0.0	0.0
Business Rates Baseline	158.4	162.2	165.5	186.8	186.8	186.8
Settlement Funding Assessment	**186.8**	**186.8**	**186.8**	**186.8**	**186.8**	**186.8**
Net Cumulative Business Rates Growth	(4.6)	(2.3)	1.1	7.7	14.7	19.0
Business Rates Surplus/(Deficit)	(91.9)	(27.8)	(12.2)	0.0	0.0	0.0
Council Tax: Core	310.7	327.4	341.3	355.5	369.7	384.5
Council Tax: Adult Social Care Precept	38.4	38.4	38.4	38.4	38.4	38.4
Council Tax Surplus/(Deficit)	(4.2)	(3.8)	(4.5)	0.0	0.0	0.0
Net Revenue Budget	**435.3**	**518.7**	**550.8**	**588.4**	**609.6**	**628.7**
Change in Resources		**83.4**	**32.1**	**37.6**	**21.2**	**19.0**

4.2.7 The Council's Net Revenue Budget, as shown in Table 4.1, 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 paragraph 4.3.

4.2.8 Table 4.1 shows that the Net Revenue Budget for the Council is forecast to increase over the life of the Strategy, from £435.3m in 2021/22 to an estimated £628.7m in 2026/27. However, this overall increase includes a significant decline in the Net Revenue Budget in 2021/22 that happened as a consequence of the impact of the COVID19 pandemic on local funding – Council Tax and Business Rates income. As discussed in paragraph 4.3 below, it is assumed that local funding will not return to pre-COVID levels until 2023/24.

4.2.9 Government can award additional grant funding to local authorities using ministerial discretion under Section 31 of the Local Government Act 2003. This mechanism has been used in 2021/22 to mitigate the impact of COVID-19 on local funding: £28.1m of additional grant funding has been received in regard to business rates, primarily compensating the Council for the cost of Government mandated reliefs given to retail and leisure businesses and children's nursery schools. The Council will carry forward these grants in reserves to apply in 2022/23, thereby increasing gross income in that year which correspondingly reduces the Net Revenue Budget. This will offset the impact of the £27.8m deficit for business rates shown in Table 4.1 caused in the main by the cost of these additional reliefs.

4.3 Budget Assumptions

4.3.1 The Government's previous four-year funding settlement period ended in 2019/20 and was replaced by single-year settlements in 2020/21 and 2021/22. For 2022/23 and beyond, there is little clarity about the future of local government funding. Government has indicated that Spending Review 2021, expected in the Autumn, will allocate funding to local government for the three year period 2022/23 - 2024/25. There will be a Revaluation of all non-domestic properties for the purposes of business rates implemented in 2023/24. However, there are indications that both the Fair Funding Review and the introduction of 75% Business Rates Retention cannot now be implemented in 2023/24 and for this reason this Strategy assumes the reforms will be delayed until 2024/25.

4.3.2 Further to this, it was assumed previously that there would be a reset of the Business Rates Retention Scheme in 2023/24, whereby accumulated growth in business rates income since 2013/14 would be redistributed between authorities according to their relative needs. However, as a consequence of the Coronavirus crisis it is becoming increasingly apparent that there will be a significant reduction in this accumulated growth, although the extent of this reduction is difficult to quantify. Therefore, no redistribution has been assumed in this Strategy. It is further assumed that any reset will take place alongside the implementation of the Fair Funding Review and the introduction of 75% Business Rates Retention in 2024/25.

4.3.3 No separate figures for Revenue Support Grant (RSG) are shown in Table 4.1 after 2023/24 as it is anticipated that 75% Business Rates Retention will be introduced from 2024/25. The value of the grant foregone will be taken into account in setting the Council's new tariff (the amount of business rates income the Council is expected to return to Government), decreasing it to the level of SFA (the overall level of Government funding), which remains unchanged. Although this Strategy assumes that SFA will remain unchanged for the forecast period, this will become clearer at the Autumn Comprehensive Spending Review and in the local government finance settlement in December 2021.

4.3.4 Changes in local funding, i.e. Business Rates Retention and Council Tax, are discussed in paragraphs 4.3.5 to 4.3.22.

Business Rates Retention

4.3.5 At the end of 2020/21 the North and West Yorkshire Business Rates Pool, of which Leeds City Council was a member, came to an end. This followed a risk assessment of the likelihood of member authorities requiring safety net payments from the Pool that otherwise would have been paid by central Government. However, the five West Yorkshire authorities, including Leeds, plus Harrogate and York, assessed to be at relatively lower risk of requiring safety net payments, reformed the Leeds City Region Business Rates Pool. Under 50% retention pooling arrangements, the Pool retains levy payments on growth which member authorities would, outside the Pool, have paid to Government. These pooled funds 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 £0.7m in 2022/23 and £1.0m in 2023/24 based on current projections of income from the Business Rates Retention Scheme. It is expected that, with the assumed introduction of 75% Business Rates Retention in 2024/25, the system of levy payments on growth will be abolished in line with the 2019/20 75% pilot and therefore no levy payments are assumed from that year onwards.

4.3.6 Previously the Council expected that 75% Business Rates Retention would be introduced across England in 2023/24, in line with the delayed 2023 Revaluation. However, the joint working groups between the Local Government Association and MHCLG on the reforms that were to be implemented to the Business Rates Retention Scheme alongside 75% retention, have not met since the end of 2019 due to the pandemic. There remains significant further work before these reforms can be introduced and therefore this Medium-Term Financial Strategy has revised the expectation of when 75% retention will be introduced to 2024/25 given the lack of any other indication from the Government. In the interim the Strategy assumes that the Council will continue with 50% Business Rates Retention until 2023/24. In addition, the COVID-19 crisis has placed considerable strain on the Business Rates system and on the income that local authorities retain through the Business Rates Retention Scheme. Areas of particularly high risk for the Council reflected in this Strategy include increases in provisions for non-collection (bad debts), increased levels of Empty Rate Relief, the continuing shock to businesses resulting in a reduction in the tax base in the city and likely reduced growth in Gross Rates payable in future years.

4.3.7 The assumptions used to forecast business rates income in the Strategy are shown in Table 4.2.

Table 4.2 Assumptions used to forecast business rates income

	2022/23 Indicative	2023/24 Indicative	2024/25 Indicative	2025/26 Indicative	2026/27 Indicative
Estimated immediate reduction in taxbase	-1.3%	-	-	-	-
In-year growth in taxbase	0.4%	0.7%	1.1%	1.4%	1.3%
Level of bad debts	-2.9%	-2.2%	-1.6%	-0.9%	-0.9%
Level of Empty Rates relief	-5.7%	-5.2%	-4.8%	-4.5%	-4.5%
CPI	2.4%	2.0%	2.0%	2.0%	2.0%
Level of retention	50%	50%	75%	75%	75%

All assumptions are expressed as percentage of Gross Rates Payable in Leeds

4.3.8 Since the Council set its budget for 2021/22, the Government has introduced further reliefs from business rates to all retail and leisure establishments and to children’s nurseries in response to the impact of COVID-19 on these business sectors. Unlike the 100% reliefs in 2020/21, the 2021/22 reliefs are at 100% of liability for the first three months of the financial year with 66% relief thereafter. Furthermore, the Government introduced a maximum cap to these reliefs, with each business (rather than property) only able to receive £2.0m if they were forced to close during 2021/22 and only £0.1m if the business could open. The Strategy assumes these new reliefs are for one year only.

4.3.9 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. In addition to this the Council will have to fund one third of the declared business rates deficit from 2020/21, estimated in January 2021, not funded by section 31 compensation grants for reliefs introduced in that year. This one third is £12.2m. However this estimated deficit was made in the middle of a national lockdown and a number of risks were included in the declared deficit position, including continued reduction in the city’s tax base, a lack of clarity about the applicability of Empty Rate Relief during a lockdown and a high number of appeals citing the lockdowns as a ‘Material Change of Circumstance’. After the declaration of the estimated deficit these risks did not materialise as the economy began to reopen and as a result of later legislation excluding the pandemic as a valid cause for an appeal against liability for business rates. Therefore, the actual deficit was significantly better than expected, generating a surplus to be carried forward into 2022/23 to be set against the one third of the estimated deficit from 2020/21. This resulted in the opening deficit to be carried forward into 2022/23, becoming a marginal surplus of £0.1m. There will, however, be an in-year deficit generated in 2021/22 to add to this small surplus. This is projected to be £27.8m, largely caused by the reliefs described in paragraph 4.3.8 above and which were introduced after 2021/22 budget was approved, for which the Council will receive full compensation estimated at £28.1m. This will be held in reserve to offset against the total deficit carried forward from 2021/22 of £27.8m.

4.3.10 In 2023/24 this Strategy assumes the final one-third of the unfunded declared deficit of £12.2m carried forward from 2020/21 will have to be repaid. It is assumed that the in-year business rates income retained in 2023/24, 2024/25 and 2025/26 will be as budgeted and that therefore the Collection Fund will return to balance with no further deficit. At the time of writing the Council is not aware of any additional Government support in response to the impact of COVID-19 on business rates income, thus no further support is assumed in the Strategy.

4.3.11 Based on the above assumptions, the Strategy assumes that budgeted in-year Business Rates income retained by the Authority in 2021/22 (£153.8m) will increase to £160.0m in 2022/23 (excluding the repayment of the 2020/21 deficit on the Collection Fund) as increased costs against this income caused by the pandemic, particularly bad debts and Empty Rate Relief, begin to reduce. In 2023/24 this recovery is assumed to continue with in-year retained Business Rates income rising to £166.5m. With the expected introduction of 75% retention in 2024/25 in-year retained Business Rates income is expected to increase sharply to £194.5m, but this increase will be partially offset by the assumed loss of Revenue Support Grant of £21.3m between 2023/24 and 2024/25. In 2025/26 and 2026/27 the recovery in Business Rates income is expected to continue but slow with retained income expected to rise to £201.5m and £205.8m respectively.

4.3.12 Taking account of the impact of the deficit carried forward and the three year spread, the total budgeted income retained from the Business Rates Retention Scheme will increase from £62.0m in 2021/22 (supplemented by £75.5m of Section 31 grant funding for reliefs from 2020/21 held in reserve) to £132.2m in 2022/23, supplemented by £28.1m compensation for reliefs brought forward in reserve from 2021/22 (as detailed in paragraph 4.3.9) making a total of £150.3m of resources for 2022/23. In 2023/24 this is expected to rise to £154.3m before increasing significantly to £194.5m in 2024/25 with the dropping out of the £12.2m deficit from 2020/21 and the introduction of 75% retention, £201.5m in 2025/26 and £205.8m in 2026/27.

4.3.13 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’. This was first delayed until 2021/22 and, as explained above, this Strategy now expects the reforms to Business Rates

Retention Scheme, the reset and the introduction of the Fair Funding formula to be further delayed until 2024/25. However, the COVID-19 crisis makes any estimation of the amount of growth to be distributed by any reset almost impossible to estimate. Therefore, this Strategy assumes that any effects of these processes will be revenue neutral.

4.3.14 The MTFS has estimated that increased risks around bad debts, Empty Rates Relief, continued reductions to the current tax base and reduced in-year growth in future years due to the pandemic in 2020/21 will more than reverse all the accumulated growth above the baseline achieved between 2013/14 and 2020/21 and it assumes growth will not be restored until 2023/24. Details of the underlying assumptions for each of these elements are given in Table 4.2. The net effect of these assumptions on growth above the baseline is detailed in Table 4.3.

Table 4.3: The net effect of losses on business rates growth above the baseline

	2022/23 Indicative	2023/24 Indicative	2024/25 Indicative	2025/26 Indicative	2026/27 Indicative
Leeds share of growth above the baseline	49%	49%	74%	74%	74%
Growth above baseline assumed in previous year (£m)	**-4.6**	**-2.3**	**1.1**	**7.7**	**14.7**
Adjustment due to introduction of 75% retention	0.0	0.0	0.5	0.0	0.0
Reduction in current taxbase in 2021/22 (£m)	-2.9	0.0	0.0	0.0	0.0
Change in cost of bad debt provisions (£m)	1.0	1.1	1.9	1.8	0.0
Change in cost of empty rate relief (£m)	-0.3	1.0	1.3	1.2	0.0
Change in cost of Small Business Rates Relief (£m)	0.5	0.0	0.0	0.0	0.0
In-year growth of business rates yield (£m)	0.6	1.3	3.0	3.9	3.9
Reduction in cost of appeals provisions (£m)	1.3	0.0	0.0	0.0	0.0
Other changes in the tax base (£m)	2.2	0.0	0.0	0.1	0.4
Growth above baseline assumed in current year (£m)	**-2.3**	**1.1**	**7.7**	**14.7**	**19.0**

4.3.15 The risks posed by appeals against the 2010 ratings list continue to reduce as the number of outstanding appeals is anticipated to reduce over the forthcoming months. The 2017 ratings list was introduced alongside a new appeals process and, before COVID-19, the number of appeals against this list has been much lower than the 2010 ratings list. However, in the latter half of 2020/21 a large number of appeals have been received by the Valuation Office Agency claiming a Material Change of Circumstance due to the COVID-19 situation. Provisions were made for these appeals and included in the declared deficit for 2020/21 but the Government announced subsequently that it would legislate to ensure these appeals were not successful. The Government has passed Regulations and primary legislation to implement this and therefore the provisions made were released back into income.

4.3.16 There remain many uncertainties around the future of business rates retention within the local government finance system. The timing and nature of changes to the Business Rates Retention Scheme in anticipation of the move to 75% retention nationally are unclear. The timing and mechanism of any baseline reset remains uncertain, as does whether the Government will centralise any of the growth to be redistributed to local government to fund other initiatives. The Government launched a ‘Call for Evidence’ on a fundamental review of the business rates system itself in 2020/21, the results of which are as yet unclear, with the Government’s intentions being delayed until the autumn of 2021. This Financial Strategy assumes that 50% retention in its current form will continue until the introduction of 75% retention in 2024/25 and that the current retention scheme mechanism will continue during the period of this Strategy when 75% retention is introduced. However, the underlying uncertainties persist throughout this period.

Council Tax

4.3.17 This Medium-Term Financial Strategy is written in the context of the current coronavirus situation and assumptions regarding the subsequent economic recovery. As such, the Strategy assumes a lower than average underlying growth in the taxbase (excluding the impact of Local Council Tax Support) in 2022/23 of 1.36% which will not recover to pre-pandemic levels until 2025/26 at a growth of 1.58%, as shown in table 4.4 below.

4.3.18 The Strategy further assumes that the number of Local Council Tax Support claimants will remain above average until 2025/26 in line with the forecast unemployment rate from the Office for Budget Responsibility. Table 4.4 projects that unemployment, the main driver of working age claims for Council Tax Support, is expected to gradually fall from 6.5% in 2022/23 to 4.4% by 2025/26. The Strategy further assumes there will be a return to normal collection rates of 99% in 2022/23.

4.3.19 The Strategy projects that councils will be able to raise core Council Tax by 1.99% in 2022/23 and in future years. It is assumed there will be no further additional precept for Adult Social Care, but also that no additional funding will be provided through government grant, as discussed at paragraph 4.3.28.

4.3.20 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 2020/21 Government made it mandatory for billing authorities to spread the cost of the declared deficit not funded by grant over three years. One third of that deficit will therefore have to be funded from the 2022/23 Budget. For Leeds City Council this amounts to £4.5m, however, this can be offset by a small improvement in the position between declaration and year-end in 2020/21 of £0.7m resulting in a total deficit to be repaid to the Collection Fund in 2022/23 of £3.8m.

4.3.21 In 2023/24 the final instalment of the 2020/21 deficit (£4.5m) will become due and this Medium-Term Financial Strategy reflects this. After 2023/24 it is assumed that actual income will be as budgeted and therefore no surplus or deficit is included.

4.3.22 Table 4.4 Assumptions used to forecast council tax income

	2022/23 %	2023/24 %	2024/25 %	2025/26 %	2026/27 %
Core increase to LCC precept	1.99%	1.99%	1.99%	1.99%	1.99%
Underlying taxbase growth from previous year	1.36%	1.48%	1.53%	1.58%	1.58%
Levels of Bad Debt	1.00%	1.00%	1.00%	1.00%	1.00%
Unemployment assumptions impacting on levels of LCTS	6.50%	5.70%	4.90%	4.40%	4.40%

Other Funding Changes

4.3.23 The paragraphs below outline the key changes to other funding that the Council receives, which are detailed in Table 4.9 in addition to changes to the Settlement Funding Assessment and to local funding outlined above.

Specific Grant Funding Changes - New Homes Bonus

4.3.24 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 in 2020/21 and 2021/22. Consequently, this Strategy assumes that the one remaining legacy payment will continue into 2022/23 and that the Scheme will then end. It is also assumed that the funding top-sliced for New Homes Bonus will be returned to local government in some form, although this will not be known until the provisional Local Government Finance Settlement, expected in December 2021. Since Leeds accounts for receipt of New Homes Bonus grant in the year in which the housing growth takes place, with grant actually received in the following year, the Council would not receive any such returned funding in 2022/23, creating a funding shortfall in that year.

4.3.25 The income from New Homes Bonus in 2022/23 is currently projected to be zero, £2.2m below the level budgeted for in 2021/22 as the final year of legacy payments drops out of the system.

Specific Grant Funding Changes - Adult Social Care

4.3.26 The final 2021/22 Local Government Finance Settlement confirmed Government's intention to roll forward all social care grants that had been receivable in 2020/21, with an additional injection of £300 million of new Social Care grant funding in 2021/22 for adults and children's services. Leeds received an allocation of £4.5m of this.

4.3.27 In the absence of either the Government's Green Paper, which was expected to provide greater certainty about the Government's future funding intentions in respect of adult social care, or of any details regarding increased future financial support, this Strategy assumes that all existing social care grants continue to be protected, including the new 2020/21 Social Care grant allocation and these allocations have been rolled forward in 2022/23 and beyond.

4.3.28 There is significant uncertainty as to what extent the demand pressures facing Adult Social Care services will be recognised in the future. Until such a time as this is known this MTFS assumes there will be no uplift in the level of Social Care grant receivable.

4.3.29 The Strategy assumes 2021/22 to be the final year of the Adult Social Care Precept increases in Council Tax, reflecting concerns about the local tax burden, particularly post-COVID-19, and the inequitable resource impact of the precept nationally. Current Precept income provides funding for Adult Social Care services of over £9.9m in Leeds in 2021/22. Should an additional precept be confirmed, this would generate around £3.5m for each increase of 1%.

Specific Grant Funding Changes – Children and Families

4.3.30 As discussed at paragraph 4.3.26, the final 2021/22 Local Government Finance Settlement confirmed the Government's intention to roll forward all social care grants receivable in 2020/21. This Strategy assumes continuation of all existing Children's Social Care grants, including the new 2020/21 Social Care grant allocation, the School Improvement Monitoring and Brokerage Grant and the Troubled Families Programme: Earned Autonomy grant. If the assumed levels of grant funding are not realised, the directorate will be required to reduce their expenditure budget accordingly.

4.3.31 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. The 2021/22 budget for the Children and Families Directorate included the second tranche of additional grant of £1.6m. The remaining two years of funding and the fallout of this grant in 2024/25 are reflected in the Strategy.

4.3.32 As such, the Medium-Term Financial Strategy assumes no increase in Children's Social Care resources over the period 2022/23 to 2026/27 and reflects the fallout of the £1.6m per annum Strengthening Families grant in 2024/25.

Specific Grant Funding Changes – Communities, Housing and Environment

4.3.33 The Housing Benefit and Local Council Tax Support Administration Subsidy grants are anticipated to continue to reduce by a further £0.6m over the period of the Strategy up to 2024/25. This reflects the continuing reductions in the national quantum of funding allocated to Local Authorities. These are indicative assessments at this stage as the final allocations for 2022/23 will not be made until late 2021/early 2022. No other grant funding changes are assumed.

Specific Grant Funding Changes – Section 31 grants

4.3.34 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.

4.3.35 Government has awarded local authorities funding to meet the cost of the increased Business Rates reliefs, as discussed at paragraph 4.2.9. Section 31 grant of £28.1m will be held in reserve by the Council and carried forward to be applied to the Business Rates deficit in 2022/23. It has been assumed that this is a one-off grant, falling out in 2023/24.

4.3.36 Although in August the rate of inflation fell the recent trend for increased inflation is forecast to continue. It is therefore currently projected that section 31 grants will increase in 2022/23, principally because of an increase in the multiplier cap compensation. The Strategy then assumes that the grants will increase in line with the Small Business Rates multiplier, with a £0.7m increase in 2023/24. In 2024/25 it is assumed that 75% business rates retention will be implemented, so it forecast that section 31 grants will increase by £6.6m to reflect the Council's increased share, then £0.4m in 2025/26 and £0.4m in 2026/27. The uncertainty over the actual implementation date of the 75% retention scheme continues to pose a significant risk to the Financial Strategy in the medium term.

Other Funding Changes – Strategic Accounts

4.3.37 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 4.3.5. Levy payments are projected to save £0.5m over the life of this strategy, when compared to the budgeted levy for 2021/22, reflecting assumptions about the impact of COVID-19 on business rates growth. It is estimated that levy payments will increase from £0.7m in 2022/23 to £1.0m in 2022/23 and £0 in subsequent years once 75% Business Rates Retention has been introduced nationally.

Movement on the use of reserves

4.3.38 The opening General Reserve position in 2021/22 stood at £27.8m with the opening position for 2022/23 estimated to be £31.7m, reflecting a budgeted contribution of £4.0m. The Medium-Term Financial Strategy reflects no planned contribution to the General Reserve in 2022/23 but incorporates a base budget increase of £3.0m in 2023/24. As such the Strategy assumes a £3m contribution in every subsequent year of the Strategy giving a General Reserves position of £43.7m at 31st March 2027. The impact of these assumptions on the level of General Reserve over the life of the Strategy is discussed in Part 5 of this Strategy document.

4.3.39 Opening earmarked reserves for 2021/22 stood at £153.6m. This total includes £24.3m of Strategic Contingency Reserve, which was established in 2020/21 to fund future unforeseen budget pressures and to ensure the Council becoming more financially resilient. The 21/22 budget provides a further net contribution of £6.2m to this reserve, so that £30.5m will be available in total.

4.3.40 The 2021/22 approved budget allowed for the creation of an earmarked reserve for COVID pressures. £16.7m was placed in a reserve to manage the ongoing financial impact of COVID and is to be applied to any pressures arising which exceeds the initial estimated costs of COVID in 2021/22. This reserve is nearing full commitment and in 2022/23 the MTFS reflects this one-off funding falling out.

4.3.41 Movements across a range of other earmarked reserves provide for a net increased pressure of £1.5m on the General Fund over the life of the Strategy. The increased pressure includes £7m relating to Financial Sustainability measures: provision for Business Rates (£4m) and provisions for Insurance and MMI (£3m), which are discussed in more detail in paragraph 4.5. This is largely offset by the fallout of contributions to ring-fenced reserves budgeted in 2021/22 but removed in 2022/23.

4.4 Budget Pressures

Inflation

4.4.1 The Financial Strategy makes allowance for £35.5m of net inflation from 2022/23 to 2026/27. It provides inflation where there is a contractual commitment but anticipates the majority of other spending budgets are cash limited. The Strategy assumes an inflationary uplift on fees and charges where they can be borne by the market.

Employers Local Government Pensions Contributions

4.4.2 The most recent actuarial valuation showed that the West Yorkshire Pension Fund is in a surplus position. As a result, the Council was notified that the employer’s contribution would reduce from 16.2% to 15.9% from the 1st April 2020 and remain unchanged for three years. This Strategy reflects concerns that the current COVID-19 pandemic may impact the Pension Fund adversely both by affecting return on investments and by changing the profile of membership of the Fund. Therefore, it is assumed that there will be a short term increase in the employer’s contribution to 16.1% in 2022/23 and a return to 15.9% in 2023/24. This increase results in additional costs of £2.1m in 2022/23, which then falls out in the following year.

Pay Award and the Leeds Living Wage

4.4.3 Provision of £53.8m has been made for the costs of anticipated pay awards for the period covered by the Medium-Term Financial Strategy. The Strategy provides for a pay award of 2.75% for staff on SCP1, 1.75% for NJC staff and 1.5% for JNC in 2021/22, reflecting the latest pay offer at the time of writing, and then an annual 2% pay award for the period from 2022/23 onwards. The Strategy also provides for annual increases in the Council's minimum pay rate which takes account of the £10.50 per hour National Minimum Wage to be achieved by 2024 announced in the September 2019 Chancellor's 2020 budget speech. The Strategy also assumes increases in the Real Living Wage will remain 59 pence above National Minimum Wage levels, hence the assumed Real Living Wage in 2024/25 is £11.09.

Fall-out of capitalised pension costs

4.4.4 The fall-out of capitalised pension costs associated with staff who have left the Council under the previous Early Leavers Initiative (ELI) will save an estimated £1.6m in 2022/23, reducing over the life of the Strategy to £0.02m in 2026/27.

Early Leavers Initiative 2020

4.4.5 The Council relaunched its ELI scheme and a range of other voluntary options to reduce the wage bill in July 2020. In 2022/23 the net costs of this relaunched scheme will reduce by an estimated £0.7m, with further net savings in the latter years of the strategy of £1.5m in 2025/26 and £3.3m in 2026/27 as pension strain costs fall out.

Future Early Leavers Scheme

4.4.6 Future updates of this Strategy will consider the costs associated with the payments of severance and pension strain reflecting the extent to which further savings required during the lifetime of this strategy are realised through staffing reductions.

National Living Wage for Commissioned Services and the Ethical Care Charter

4.4.7 In respect of services commissioned from external providers, provision of £7.6m in 2022/23 and £6.9m per annum in subsequent years (£35.1m in total) has been included in the Strategy. In 2022/23, this £7.6m is comprised of £7.0m in the Adults and Health Directorate, which includes £2.1m for Ethical Care Charter, and £0.6m in the Children and Families Directorate. In 2023/24 and subsequent years, the £6.9m in the Strategy reflects Adults and Health Directorate £6.3m, including £1.4m for the Ethical Care Charter, and £0.6m in the Children and Families Directorate. This is consistent with the National Living Wage assumptions. Elements of the Ethical Care Charter, particularly in respect of better terms and conditions including improved rates of pay for care staff were implemented in 2019/20 and the provision required for the period consolidates this position.

4.4.8 The increased costs associated with both paying our staff the Real Living Wage (£11.4m over the life of the Strategy, included in the total cost of the pay award at paragraph 4.4.3 above) and encouraging the services we commission to pay their staff the National Minimum Wage, detailed in paragraph 4.4.7, have been resourced by the Council without any additional funding from the Government.

Demand and Demography

4.4.9 The Medium-Term Financial Strategy recognises the increasing demography and consequential demand pressures for services in Adult Social Care, Children and Families services and Waste services, with £52.2m being provided over the five years up to 2026/27 as shown in Table 4.5.

Table 4.5 Demand & Demography

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Adults & Health	7.18	7.18	7.18	7.18	7.18	35.90
Children & Families	6.10	2.07	2.13	2.76	2.19	15.24
Communities, Housing & Environment	0.20	0.21	0.21	0.22	0.22	1.06
	13.48	**9.46**	**9.52**	**10.15**	**9.59**	**52.20**

4.4.10 Within Adults and Health, the population growth forecast assumes a steady increase from 2019 in the number of people aged 85+ between 2020 and 2025. These increases of 2.0%, 2.2%, 2.4%, 2.2% and 1.8% 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 2025. The Learning Disability demography is expected to grow by 2.1% (based on ONS 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 costs of the increasing need for existing clients whose packages may last a lifetime. The Strategy provides £7.2m each year to deal with this demand and demographic growth, £35.9m in total across the years of the Strategy.

4.4.11 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 within 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. In addition, demographic pressures are also driven by ongoing inward migration into the city (particularly from BAME groups from outside the UK). The main drivers of demand pressures are well documented nationally and locally. Specific examples 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. All these factors result in increases in referral rates. There are growing expectations of families and carers in terms of services offered and the impact of Government legislation, including ‘staying put’ arrangements that enable young people to remain with their carers up to the age of 21.

4.4.12 Consequently, the Medium-Term Financial Strategy provides £15.2m in total for the projected demand in the 0-19 year old population and the impact this will have on transport costs (£3.5m) and the Children Looked After (CLA) and financially supported non-CLA budgets (£11.8m, excluding inflation). Financially supported non-CLA budgets include arrangements that prevent children from becoming looked after, such as special guardianship orders.

4.4.13 CLA numbers in Leeds have increased by 10% over the last five years in line with the national trend. This trend is expected to continue and has been built into the Strategy, with adjustments for the demography changes noted above. £5.4m of the CLA increase is in 2022/23, and while some of this is due to demand increases, it also includes an adjustment to reset the Strategy at a level reflecting actual demand, which has exceeded the available budget in recent years. In subsequent years, the increase for the CLA and financially supported non-CLA budget each year is between £1.4m and £2.1m, excluding inflation.

4.4.14 As a result of further 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).

Income Pressures

4.4.15 Over its life, the Strategy provides for additional pressures relating to the following: local land charges (£0.3m); car parking income (£0.2m) including income lost through the sale of land used for parking; and income related to services provided by HR (£0.1m).

COVID-19 Pressures

4.4.16 The Council’s 2020/21 budget bore the brunt of financial impact of the COVID-19 pandemic, and the Council received £72.2m of Government funding towards the costs of COVID-19 in 2020/21, of which £2.6m was applied in 2019/20, leaving £69.5m of available funding. A £27.0m Government contribution to lost income was also reflected. In total grant of £96.6m was utilised to reduce the Council’s financial pressures in 2020/21, directly contributing to the Council’s bottom line.

4.4.17 At Spending Review 2020, Government announced a further £1.55bn of national funding for additional COVID related expenditure pressures in 2021/22. The expectation is that the Leeds allocation was £24.6m will be used to offset additional COVID expenditure pressures as they occur in 2021/22. Of this, £16.7m was placed in a COVID reserve, with the remainder utilised for COVID pressures in the 2021/22 approved budget. Both are now close to being fully utilised and no additional funding from Government has so far been indicated. As such the MTFS reflects the fallout of £8.1m of funding applied to COVID in the 2021/22 budget.

4.4.18 This MTFS does not provide specifically for the ongoing impact of COVID-19 after 2021/22. It is assumed that there will be 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 after 2021/22.

4.4.19 It is currently unclear whether the Chancellor's Autumn budget statement will provide additional support to local authorities regarding any ongoing financial impact of COVID after 2021/22. If any further support is announced, then this will be incorporated into future years revenue budgets.

4.4.20 If COVID-19 continues to have an impact upon the Council's revenue budget, and no additional Government support is forthcoming, then the impact will need to be managed within the Council's approved budget.

Other pressures

4.4.21 Over the life of the Medium-Term Financial Strategy 2022/23-2026/27 other cost pressures amount to £41.8m, £32m of which relates to reducing the Council's reliance on capitalisation and internal charging arrangements, two further measures introduced to improve future financial sustainability and resilience in 2022/23 and later years, discussed in paragraph 4.5 and shown within the Strategic Accounts figures at Table 4.6.

Table 4.6 Other Pressures

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Adults & Health	0.01	0.01	0.01	0.01	0.01	0.03
Children & Families	0.49	0.56	0.06	(0.99)	0.01	0.13
City Development	1.29	0.38	(3.77)	0.01	0.01	(2.10)
Communities, Housing & Environment	1.62	1.15	0.77	0.01	0.01	3.57
Resources	3.60	0.11	0.16	0.02	0.02	3.90
Strategic Accounts	11.47	9.78	15.00	0.00	0.00	36.25
	18.48	**11.98**	**12.22**	**(0.95)**	**0.05**	**41.78**

Debt

4.4.22 Over the life of the Strategy, provision of £47.68m is required to service debt. Of this, £49.37m relates to the net requirement to increase the level of budgetary provision for MRP. Changes approved at Full Council in February 2017 in relation to the MRP policy recognised that MRP had been overprovided for between 2008/09 and 2014/15. This enabled the Council to benefit from reduced MRP payments in 2017/18, 2018/19 and 2019/20. In 2020/21 this reduction in payments came to an end, increasing the requirement for the revenue budget, gross of any use of capital receipts, to £59.8m in 2022/23.

Table 4.7 Provision for Debt

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Minimum Revenue Provision	5.66	6.50	4.50	4.50	0.00	21.16
Capital Receipts	23.21	5.00	0.00	0.00	0.00	28.21
Net Chargable MRP	**28.87**	**11.50**	**4.50**	**4.50**	**0.00**	**49.37**
Core Treasury	(5.61)	(4.06)	(5.49)	0.00	0.00	(15.17)
PFI	1.82	(1.25)	2.03	0.89	0.00	3.48
Reduced Reliance on Capital Receipts (Financial Sustainability)	5.00	5.00	0.00	0.00	0.00	10.00
Total Provision of Debt	**30.08**	**11.19**	**1.04**	**5.39**	**0.00**	**47.68**

Table 4.8 Minimum Revenue Provision

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Gross MRP Debt	61.26	67.76	72.26	76.76	76.76
Therefore:					
Impact on MTFS (Increase in Provision)	**5.66**	**6.50**	**4.50**	**4.50**	**0.00**

4.4.23 The Council used significant capital receipts to contribute to the MRP requirement in 2021/22, one off use of £23.2m which falls out in 2022/23, with a further £5m falling out in 2023/24. No capital receipts are applied in later years of the Strategy. Indeed, to enable the Council to utilise capital receipts for investment in the Council's Assets, thereby reducing the need to borrow, the MTFS has further reduced the Authority's reliance on capital receipts by increasing the revenue resources available to cover the cost of MRP payments. This Financial Sustainability measure is shown in Table 4.7 and is considered in more detail in paragraph 4.5.

4.4.24 After taking account of changes to the Settlement Funding Assessment, changes in local funding plus other cost and funding changes as outlined above, there is a requirement to deliver £151.3m of savings over the 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: gross General Fund budget of £1,342m and net budget of £435.3m in 2021/22.

4.4.25 Table 4.9 Estimated Budget Gap (including Financial Sustainability Measures)

2022/23 TO 2026/27 PROJECTIONS	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Settlement Funding Assessment	0.0	0.0	0.0	0.0	0.0	0.0
Changes in Local Funding	(83.4)	(32.1)	(37.6)	(21.2)	(19.0)	(193.4)
Change in contribution to/(from) General Reserve	(4.0)	3.0	0.0	0.0	0.0	(1.0)
Change in contribution to/(from) Earmarked Reserves	(22.7)	4.6	3.1	(0.2)	0.0	(15.2)
COVID-19 Grants	47.5	28.1	0.0	0.0	0.0	75.5
Other Changes in Specific Grant	44.5	(8.2)	9.5	0.0	0.0	45.8
Changes in S31 grants	(2.4)	(0.7)	(6.6)	(0.4)	(0.4)	(10.3)
Other Funding Changes	0.0	0.0	0.0	0.0	0.0	0.0
Decrease/(Increase) in Funding	**(20.5)**	**(5.2)**	**(31.6)**	**(21.8)**	**(19.4)**	**(98.5)**
Inflation	8.7	7.7	8.0	8.2	2.9	35.5
Employer's LGPS contribution	2.1	(2.1)	0.0	0.0	0.0	0.0
Pay Award including Living Wage	15.6	8.8	9.6	9.4	10.3	53.8
Severance & Capitalised Pension costs	(2.3)	(0.8)	(0.6)	(1.7)	(3.3)	(8.7)
NLW Commissioned Services and Ethical Care Charter	7.6	6.9	6.9	6.9	6.9	35.1
Demand and Demography	13.5	9.5	9.5	10.2	9.6	52.2
Income pressures	0.4	(0.1)	0.2	0.0	0.0	0.5
COVID-19 Pressures in 2021/22 (fall out)	(8.1)	0.0	0.0	0.0	0.0	(8.1)
Other pressures/savings	18.5	12.0	12.2	(1.0)	0.1	41.8
Debt - external interest/Minimum Revenue Provision	30.1	11.2	1.0	5.4	0.0	47.7
Projected Cost Increases	**86.0**	**53.1**	**46.8**	**37.4**	**26.5**	**249.8**
Total Cost and Funding Changes	**65.5**	**47.8**	**15.3**	**15.6**	**7.0**	**151.3**

4.5 Medium Term Financial Sustainability Measures

4.5.1 The financial position of the Council has been reviewed over the longer term with the intention of increasing financial sustainability and resilience. Table 4.10 shows the latest position assumed for a range of financial sustainability measures and each is then discussed in more detail.

Table 4.10 Financial Sustainability Measures

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Included in Funding Changes (Table 4.9):					
General Fund Balances	0.0	3.0	0.0	0.0	0.0
Provision for Business Rates	0.0	2.0	2.0	0.0	0.0
Provision for Insurance	0.0	0.0	2.0	0.0	0.0
Provision for MMI	0.0	0.0	1.0	0.0	0.0
Repayment of Borrowing from Ring Fenced Resources	0.0	1.0	1.0	0.0	0.0
Included in Cost Increases (Table 4.9):					
Capitalisation	5.0	5.0	10.0	0.0	0.0
Capital Receipts Funding Revenue Budget	5.0	5.0	0.0	0.0	0.0
Internal Charging	4.0	4.0	4.0	0.0	0.0
Total Financial Sustainability Measures	**14.0**	**20.0**	**20.0**	**0.0**	**0.0**

4.5.2 Previous years' budgets have utilised both the capitalisation of revenue expenditure and capital receipts to resource MRP payments 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 through a requirement to generate capital receipts, this Strategy contains provision to unwind the extent to which the Revenue Budget is supported by these mechanisms. Consequently, as detailed in Table 4.10, the base budget provision has increased by £30m per annum over the life of the Strategy.

4.5.3 Of this £12m 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.

4.5.4 The level of business rates appeals continues to be a risk. Whilst there is now little scope for new appeals against the 2010 ratings list, there continues to be very limited information available on which to base an assessment of appeals against the 2017 list. The ongoing impact of the COVID19 pandemic on business and the direct impact this has on the level of resources that the Council has to fund services, has reinforced that it is prudent to increase the contribution to the business rates appeals provision (£4m increase in base budget provision by 2024/25).

4.5.5 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 "Annual Audit Letter" for the year ended 31st March 2020 noted "that the Council should consider the adequacy of its reserves going forward and the appropriate level of balances which should be linked to the approved MTFS and which should be reviewed each year." The MTFS provides for a £3m base budget contribution to the General Reserve each year from 2023/24 to 2026/27. The impact is to provide General Reserves of 31.7m in 2022/23, £34.7m in 2023/24, £37.7m in 2024/25, £40.7m in 2025/26 and £43.7m in 2026/27.

4.5.6 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.

4.5.7 Against a background of reductions in Government funding the Council has used its balance sheet to support its Revenue Budget. In the context of making the Revenue Budget financially sustainable a planned reduction in the reliance on ringfenced resources on the balance sheet, as detailed in

Table 4.7, has been provided for in the revised budget position (£2m increase in base budget provision by 2024/25).

4.5.8 The impact of these variations on the estimated budget gaps each year shown in Table 4.9 are summarised in Table 4.10, which shows that the measures agreed increase the base budget by £54.0m in total over the life of this Financial Strategy.

4.6 Savings and the Efficiency Programme

4.6.1 In 2020 the Council undertook savings reviews to meet the financial challenges in the Strategy at that time. As a result of these reviews, the 2021/22 approved Budget included over £56m of budgeted savings. The Medium-Term Financial Strategy recognises the longer term full year impact of these savings, totalling £2.5m over the life of the Strategy. This includes the fall-out of 2021/22 savings plans in 2022/23 (£0.8m) and 2023/24 (£0.9m). Over the life of the Strategy £0.4m of savings proposed are categorised as Business as Usual and have no impact on service delivery or on the Workforce. Savings proposals totalling £2.2m are considered to have service delivery or workforce implications. In all cases these are the later year impacts of proposals that were agreed as part of the 2020/21 savings review process, with the first year incorporated into the 2021/22 budget.

4.6.2 After recognition of these savings proposals, there remains a requirement to deliver £146.5m of savings over the life of the Medium-Term Financial Strategy. This includes £126.7m of savings over the first three years covered, £65.4m of which is required in 2022/23.

Table 4.11 Estimated Budget Gap less Savings Options

2022/23 TO 2026/27 PROJECTIONS	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Estimated Budget Gap	**65.5**	**47.8**	**15.3**	**15.6**	**7.0**	**151.3**
Directorate Budget Savings Proposals To Date						
Business As Usual	1.0	0.2	(1.5)	(2.3)	0.0	(2.6)
Service Review	(1.1)	0.0	(0.5)	(0.5)	0.0	(2.2)
Service Delivery	0.0	0.0	0.0	0.0	0.0	0.0
Workforce	0.0	0.0	0.0	0.0	0.0	0.0
Service Delivery/Workforce	0.0	0.0	0.0	0.0	0.0	0.0
Total Budget Savings Proposals	**(0.2)**	**0.2**	**(2.0)**	**(2.9)**	**0.0**	(4.8)
Gap after Savings Proposals To Date	**65.4**	**48.1**	**13.3**	**12.8**	**7.0**	**146.5**

Bridging the Revised Gap – the Savings Programme

4.6.3 Recognising the financial challenge of bridging the estimated budget gaps for the period 2022/23 to 2026/27 whilst at the same time seeking to ensure that the Council's revenue budget is robust, resilient and sustainable, a savings programme has been established, focusing primarily on the three-year period

2022/23 to 2024/25. Through this programme, a range of savings 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.

4.6.4 Reviews are underway across all council services, some cross-cutting (such as procurement and the next phase of reviewing our business administration functions), whilst others are focused on specific services or activities. Key themes being explored include Prevention (e.g. managing demand and reviewing pressures); Income & Investment; Commissioning & Procurement; and Value for Money (e.g. greater digitalisation). The cross-council senior officer group established in 2020 to provide support and ensure a co-ordinated, consistent approach across the Financial Challenge programme, has been reconvened. Further support and challenge to identify new proposals and consider options put forwards by officers is again being provided by Scrutiny Board working groups. The outcome of this work has provided a number of savings proposals for consideration by the Executive Board during the Autumn of 2021. Those approved for implementation, or consultation as required, will subsequently be built into the 2022/23 Budget and Provisional Budget for 2023/24 and 2024/25.

4.7 The Capital Programme

4.7.1 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 best plan objectives.

4.7.2 Capital investment needs are assessed on an annual basis under the direction of the Council's Strategic Investment Board 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.

4.7.3 A detailed review of the whole capital programme was undertaken in the lead up to the Capital Programme being approved by Executive Board and Full Council in February 2021. A key principle of that review was to replace borrowing with external funding sources where possible and that principle continues, for example in the Council's recent bids to the Government's Levelling Up Fund. Savings proposals to address the current Financial Challenge are reviewed to ensure that any interdependencies between capital and revenue are given due consideration.

4.7.4 The restated 10 year programme is detailed in Table 4.12.

Table 4.12 10 Year Capital Programme

Annual Programme Capital Review	2021/22 £000,	2022/23 £000,	2023/24 £000,	2024/25 £000,	2025/26 £000,	2026/27 £000,	2027/28 £000,	2028/29 £000,	2029/30 £000,	2030/31 £000,	Total £000,
Highways Maintenance	12,139.2	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	102,139.2
Highways Maintenance - supported by external funding	5,157.8										5,157.8
Highways Maintenance Capitalisations	4,600.0	4,600.0	4,035.8	2,800.0	1,800.0	900.0					18,735.8
Highways Section 278	3,500.0	3,500.0	2,800.0	2,100.0	1,400.0	700.0					14,000.0
Highways Section 278 - external contributions / supported by external funding	1,269.8	511.8	1,816.1	1,900.0	2,100.0	2,800.0	3,500.0	3,500.0	3,500.0	3,500.0	24,397.7
General Capitalisation	3,900.0	3,900.0	3,300.0	2,700.0	1,800.0	900.0					16,500.0
Schools Capital Expenditure	3,500.0	3,500.0	2,800.0	2,100.0	1,400.0	700.0					14,000.0
Childrens Centres	51.4	50.0	100.0	75.0	50.0	50.0	50.0	50.0	50.0	50.0	576.4
Adaptations - Disabled Facilities Grants	2,982.1	1,069.0	1,069.0	1,069.0	1,069.0	1,069.0	1,069.0	1,069.0	1,069.0	1,069.0	12,603.1
Adaptations - supported by external funding	7,818.5	7,602.7	7,602.7	7,602.7	7,602.7	7,602.7	7,602.7	7,602.7	7,602.7	7,602.7	76,242.8
Vehicle Programme	3,982.9	1,552.0	2,000.0	1,200.0	800.0	400.0					9,934.9
Vehicle Programme - supported by external funding	781.6										781.6
Adaptation to Private Homes	638.5	470.0	470.0	470.0	470.0	470.0	470.0	470.0	470.0	470.0	4,868.5
Telecare ASC	640.1	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	6,040.1
Library Books	525.0	525.0	450.0	300.0	200.0	100.0					2,100.0
Sports Maintenance	15.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	915.0
Project Support Fund (Groundwork)	65.9	0.0	0.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	555.9
Project Support Fund (Groundwork) - supported by external funding	70.0	70.0	70.0								210.0
Essential Services Programme	4,802.8	4,210.0	2,900.0	2,772.9	1,700.0	800.0					17,185.7
Digital Development	5,778.9	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	28,278.9
Corporate Property Management	7,944.7	2,250.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	22,194.7
Capital Programme Management	541.4	541.4	541.4	541.4	541.4	541.4	541.4	541.4	541.4	541.4	5,414.0
Demolition Programme	1,293.7	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	5,793.7
Heritage Assets	5,725.8	9,368.5									15,094.3
Capitalisation of Interest	312.5	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	2,112.5
Climate Emergency	369.7	165.0	100.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	4,834.7
Climate Emergency - supported by external funding	600.0	700.0	700.0	250.0	300.0	350.0	350.0	350.0	350.0	350.0	4,300.0
Transformational Change to LCC (excl Core Systems Review)	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	15,000.0
PFI Lifecycle Capitalisations	8,677.9	11,462.0	11,980.0	12,895.0	13,395.0	13,895.0	14,395.0	14,895.0	15,395.0	15,895.0	132,384.9
Total Annual Programmes	89,185.2	71,447.4	59,635.0	56,346.0	52,198.1	48,848.1	45,548.1	46,048.1	46,548.1	46,548.1	562,352.2

4.8 Capital Receipts

4.8.1 The main sources of capital receipts include property sales, the proceeds from right to buy sales, and the repayment of capital loans from external organisations.

4.8.2 Capital receipts are used to fund a number of revenue budgets: MRP, transformational change, and PFI liabilities, with remaining receipts funding capital expenditure.

4.8.3 The MTFS recognises the intention to use future generation of capital receipts primarily to invest in capital infrastructure and therefore reduce the Council's future borrowing requirement rather than to continue to fund MRP. The revenue resource requirements have been increased to reflect this change in strategy.

4.8.4 The current forecast and requirement of capital receipts is shown in Table 4.13.

Table 4.13: Capital Receipts Requirement

	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Useable capital receipts	76,952,075	30,369,132	10,749,056	21,995,477	2,511,000
Revenue budget requirement (MRP)	29,545,000	0	0	0	0
Flexible use of capital receipts (ELI & Digital)	2,019,000	7,880,000	4,365,500	1,500,000	1,097,700
Revenue budget requirement (PFI & Lifecycle)	24,731,000	25,666,000	28,293,000	30,720,000	34,095,000
Charging PFI over asset life	(18,152,000)	(18,155,000)	(19,766,000)	(21,016,000)	(23,097,000)
Total Revenue budget requirement	38,143,000	15,391,000	12,892,500	11,204,000	12,095,700
In Year Surplus/(deficit)	38,809,075	14,978,132	(2,143,444)	10,791,477	(9,584,700)
Useable capital receipts surplus b/fwd	915	0	2,143,444	0	9,584,700
Useable capital receipts surplus c/fwd	0	(2,143,444)	0	(9,584,700)	0
Used to fund Capital Spend	**38,809,990**	**12,834,688**	**0**	**1,206,777**	**0**

4.9 Housing Revenue Account

Background

4.9.1 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 £1.4bn over the next 5 years, with 86% of this being derived from rent and service charges to tenants.

4.9.2 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.

2022-2027 Deficit

4.9.3 Over the 5 years of the plan, there is an initial gap, prior to savings proposals, of £1.4m in 2022/23 and a cumulative deficit of £22.8m by 2026/27. This is summarised in Table 4.14.

Table 4.14: 5 year summary 2022/23 – 2026/27

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Income	(261.52)	(269.11)	(274.89)	(279.58)	(284.55)
Expenditure	262.25	268.91	274.22	285.62	296.47
Appropriations	0.67	0.53	1.39	1.25	1.11
In Year Pressure (Saving)	**1.40**	**0.33**	**0.72**	**7.29**	**13.03**
Cumulative Balance	**1.40**	**1.73**	**2.45**	**9.74**	**22.77**

4.9.4 **Key Income Assumptions 2022-2027**

- **Rental Income**. In February 2019 the Government confirmed that there will be a return to a rent formula of CPI+1% for 5 years from 2020/2021 and therefore forecast rental figures are based on this principle.

  Increases are based on the CPI Inflation rate as at September each year. The current plan is based on the Office of Budget Responsibility (OBR)'s long term target of 2%, which would result in a rental increase level of 3% (CPI+1%).

  Every 0.1% point change in the CPI rate results in an approximate £210k change to rental income per year.

  Total forecast rental income is also adjusted for the net difference between forecast Right to Buy (RtB) sales and new build properties from the Housing growth programme.

- **Right to Buy Sales**. The current plan assumes 610 sales per year for next year, reducing by 50 a year in 2023-24 and later years until reaching 400 a year. Whilst this reflects the expectation that the recent increase in sales will diminish at some point, RtB discounts remain a considerable incentive for many people and as such sales may remain at a higher level, which would put further pressure on the rental income budget. Conversely additional sales increases capital receipts which can be partly utilised for funding Council Housing growth.

- **Other Income**. The financial plan, as in previous years, assumes service charges will rise in line with inflation and the Sheltered Housing Support Charge for self-payers which is currently subsidised, will be increased on a stepped basis until full cost recovery is achieved.

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

4.9.5 **Key Expenditure Assumptions:**

- **Pay Award and Price Inflation**. The plan provides for a pay award in each year of 2%. Price inflation is generally assumed at CPI levels in the plan, except where the budget is related to recharged services, where 2% is assumed.

- **Repairs**. The repairs budget is assumed to be inflated by CPI and adjusted to reflect the forecast changes in stock numbers, both losses through RtB sales and an adjustment for housing growth.

- **Disrepair Provision**. Resolving disrepair remains a priority for the service. Current costs of disrepair are around £2.4m which is in excess of existing budgetary provision. However, reflecting the need to identify actions to bring spend down, the financial plan assumes that this will be achieved and an annual budget of £1.4m for disrepair is provided for.

- **Provision for Bad Debt**. The calculation for the provision for bad debt was revised for 2021/22 to £1.1m and it is assumed that this level of provision will remain static in the financial plan, but this will be kept under continual review as universal credit is rolled out further.

- **Capital Programme**. The revenue contribution to the capital programme (RCCO) is approximately 25% of the total HRA budget (>£60m). This contribution, along with external funding and the use of reserves funds an annual Capital Programme of around £80m. The current plan assumes that the RCCO will be inflated by CPI and adjusted to reflect the change in housing stock, in line with the revenue repairs budget. This would mean that the capital budget would increase above the £81.7m that it has been set at for several years.

- **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. The costs reflect a plan to deliver the current Housing growth programme and then 300 homes a year thereafter. The cost of this investment is in excess of £330m over the life of the plan, and at the end of 2020/21 £90m had been spent.

- **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 DIS as well as front facing services such as the contact centre, hubs, community safety and environmental cleansing. It is generally assumed that these are inflated by the 2%.

- **Contribution to General Reserve**. The level of HRA general reserve is £6.7m. To provide a sustainable base going forward, and in line with the general fund strategy, it is planned to target a level of sustainable reserves that will withstand economic shocks to the HRA. The plan reflects an assumption that contributions to general reserve are made from 2022/23.

4.9.6 The strategy to mitigate this cumulative deficit 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 options to deliver savings.

4.9.7 All areas of HRA spend and income will be considered when finalising the detail of the 2022/23 budget and a refresh of the position 2022-2027 will be provided to Members in February 2022.

4.10 Dedicated Schools Grant

Background

4.10.1 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 £2,623m over the next 5 years and further details are provided in Table 4.15.

4.10.2 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 cap on some of the funding increases and this has created pressures on the DSG account. If the cap on gains had not been in place, Leeds would have been allocated an additional £30.4m of funding between 2018/19 and 2021/22 across the schools block (£9.5m) and high needs block (£20.9m). A further funding cap of £1.9m will apply in 2022/23 to the high needs block, based on provisional funding allocations released by the ESFA. Further detail is provided in the sections that follow.

4.10.3 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 Council Plan 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.

4.10.4 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

4.10.5 As shown in Table 4.15 below, the schools block and early years block budgets are expected to balance over the next five years, based on previous trends and forecast data. Table 4.16 shows the projected cumulative DSG deficit at the end of each year.

4.10.6 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 smaller pressure on the central school services block from 2022/23, due to the phased reduction in DSG for any historical council expenditure no longer deemed eligible for funding

4.10.7 Table 4.15 – Dedicated Schools Grant projected income and expenditure

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Schools Block					
DSG Income	(329.6)	(348.4)	(358.2)	(365.4)	(370.3)
Individual Schools Budgets	321.3	340.1	349.8	356.9	361.7
De-delegated budgets	4.9	4.9	5.0	5.1	5.2
Growth Fund	3.4	3.4	3.4	3.4	3.4
	0.0	**0.0**	**0.0**	**0.0**	**0.0**
Central School Services Block					
DSG Income	(5.2)	(5.2)	(5.2)	(5.3)	(5.3)
CSSB Expenditure	5.3	5.3	5.4	5.5	5.6
	0.1	**0.1**	**0.2**	**0.2**	**0.3**
Early Years Block					
DSG Income	(57.5)	(55.3)	(53.2)	(51.1)	(49.2)
3 and 4 year old entitlement	47.2	45.5	43.7	42.0	40.4
2 year old entitlement	7.3	7.0	6.8	6.5	6.3
Other early years provision	3.0	2.8	2.7	2.6	2.5
	0.0	**0.0**	**0.0**	**0.0**	**0.0**
High Needs Block					
DSG Income	(96.0)	(103.3)	(111.4)	(120.1)	(129.4)
Funding passported to institutions	90.8	98.7	107.2	115.4	124.4
Commissioned services	2.5	2.7	2.9	3.2	3.4
Directly Managed by Children & Families	5.7	5.8	5.9	6.0	6.1
	3.0	**3.9**	**4.6**	**4.5**	**4.5**
Total DSG Income	(488.3)	(512.2)	(528.0)	(541.9)	(554.2)
Total Expenditure	491.4	516.2	532.8	546.6	559.0
Total Dedicated Schools Grant overspend	**3.1**	**4.0**	**4.8**	**4.7**	**4.8**

4.10.8 Table 4.16 – Dedicated Schools Grant projected deficit

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
DSG balance brought forward	6.8	9.9	13.9	18.7	23.4
In year deficit (from table above)	3.1	4.0	4.8	4.7	4.8
Total deficit on General DSG before further actions	**9.9**	**13.9**	**18.7**	**23.4**	**28.2**
Potential additional funding, if Schools Forum continued to agree a transfer 0.5% of schools block funding to the high needs block	(3.1)	(3.1)	(3.3)	(3.4)	(3.4)
Potential revised cumulative deficit	**6.8**	**7.7**	**9.2**	**10.5**	**11.9**

Assumptions and risks

National SEND review

4.10.9 The Government announced a Special Educational Needs and Disabilities (SEND) Review in 2019, however the outcome of this has now been delayed three times. The review was intended to improve capacity and support for families as well as assessing what was behind the continual rise in Education, Health and Care Plans. The review would then boost outcomes, improve value for money and address historic underfunding experience by Leeds and other local authorities. As such, the recommendations of the SEND Review will have important implications for how support for pupils with SEND is delivered and funded, and could therefore have a significant impact on the projections for the high needs block.

Funding Increases

4.10.10 In 2019/20, the Government also announced a three year funding settlement for the schools and high needs blocks of the DSG, providing a combined national rise of £7.1bn by 2022/23 compared to 2019/20. Local authority allocations are released on an annual basis and it is not yet known what increases may be available beyond 2022/23

4.10.11 Projections in Table 4.15 assume that the minimum funding increases will follow the same trends as in recent years. 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.

4.10.12 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, some services may become traded arrangements with schools and therefore DSG funding may reduce.

4.10.13 In relation to high needs, in the past Leeds was significantly underfunded for 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 been moving towards a national funding formula to address historical funding differences. This is currently in a transitional phase and while the funding for Leeds has increased it is not yet at the full allocation in the national formula. Leeds still receives less than the national average per pupil for high needs funding when taking into account all maintained and special school pupils and ranks 136th out of 150 local authorities for per pupil funding on this basis.

4.10.14 The figures presented in the table assume an 8% increase in high needs funding each year, in line with the national minimum in recent years. There is however a risk that the national increase could be lower.

4.10.15 It is also possible that the high needs funding increase could be higher than estimated. In 2021/22 Leeds received the maximum 12% increase and for 2022/23 the maximum 11% increase. It is not possible to estimate what Leeds may be entitled to in future years, or the maximum increase the ESFA will allow. However to provide some context for the potential impact of funding increases, for every 1% increase in the high needs allocation there would be approximately £1m of additional funding received.

Cap on gains

4.10.16 Although funding has increased since the move towards the national funding formula, some DSG funding increases have been subject to a cap on gains during the transitional period. Although this cap has been removed from the schools block from 2020/21 onwards, it is still in place for the high needs block until at least 2022/23. It is not currently known whether a cap will continue to be applied to the high needs block beyond 2022/23.

4.10.17 Although Leeds has been receiving the maximum increases allowed under the cap on gains, it is less than the national funding formula entitlement. If the cap on gains had not been in place, Leeds would have been allocated an additional £30.4m of funding between 2018/19 and 2021/22 across the schools block (£9.5m) and high needs block (£20.9m). A further funding cap of £1.9m will apply in 2022/23 to the high needs block, based on provisional funding allocations released by the ESFA. Leeds is one of the 36 local authorities out of 150 that will continue to have their funding capped in 2022/23.

High needs demand and complexity

4.10.18 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.

4.10.19 The projections in tables 4.15 and 4.16 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. However, there are risks that increases in demand and complexity could be higher than projected, particularly in relation to the long term impact of COVID on learning and deprivation, the effects of which may only become apparent after a number of years.

Funding paid to high needs settings

4.10.20 The ESFA does not require local authorities to increase the per pupil funding paid to settings each year, however there is some pressure from the sector to do this. No decisions have yet been made to amend the funding rates and the projections are therefore based on existing rates, including any known inflation.

4.10.21 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 assumes that funding rates for the increased demand will be in the middle cost band for existing settings. The modelling will continue to be updated as work continues to develop capacity for future demand.

Funding transfers between DSG blocks

4.10.22 Since 2017/18 a total of £12.69m 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 (£11.04m from the schools block and £1.65m from the central school services block).

4.10.23 Beyond 2022/23 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.

4.10.24 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.

4.10.25 Table 4.16 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

4.10.26 With effect from the end of 2019/20, new provisions were added to the School and Early Years Finance Regulations which require local authorities to carry forward any DSG overspends or deficit balances to the following year. These should be dealt with from future DSG income, rather than being funded by the Council, unless otherwise authorised by the Secretary of State. In practice Leeds, along with many local authorities, has historically dealt with any overspends on DSG in this way. The new regulations however reinforce that councils should not fund a DSG deficit from the general fund.

4.10.27 However any local authority with an 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 he believes that they are not taking sufficient action to address the situation.

4.10.28 A previous review by Children and Families of the high needs block in 2017 identified a range of options to reduce costs, which were consulted on with stakeholders and implemented as appropriate at the time. The Children and Families directorate are carrying out further work to identify a medium-term plan which looks to bring the high needs block back into balance and addresses the current DSG deficit, to the extent that this is possible given any limitations in funding and increases in demand. Additional high needs provision is already being created in the city and further opportunities to develop this will be explored, with the intention of improving outcomes while also reducing costs.

4.11 The Financial Risks

4.11.1 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 is identified as one of the Council's 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.

Risks to funding

4.11.2 Even without the ongoing impact of COVID-19 upon the Council's financial position, 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 variations from these assumptions has implications for the level of resources available to the Council.

4.11.3 This Medium-Term Financial Strategy does not provide specifically for the ongoing impact of COVID-19 after 2021/22. 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 after 2021/22. If COVID-19 continues to have an impact upon the Council's revenue budget, and no additional Government support is forthcoming, then the impact will need to be managed within the Council's approved budget. These assumptions will be subject to review through the financial management, monitoring and reporting processes that the Council has in place.

4.11.4 The outcome of the Government's 2021 Spending Review will be published in the Autumn followed by the Provisional Local Government Finance Settlement in December. It is understood that these documents will cover a three year period and will detail the Government's spending intentions for Local Government. Those intentions could be different to the assumptions contained in this Medium-Term Financial Strategy and any variations will impact upon the level of resources available to the Council either positively or negatively.

4.11.5 Over the period up to 2026/27 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 social care and these could impact upon the assumptions contained in this document.

4.11.6 The Council's and City's economic and fiscal position is clearly impacted upon by the wider national economic context. The UK's withdrawal from the EU could potentially weaken the pound, increase inflation, reduce domestic and foreign direct investment and impact upon borrowing costs. Conversely the UK's exit from the EU could have the opposite effect upon the economy. What is also unclear is to what extent the UK's exit from the EU will impact upon the level of resources available to the Council and the level of demand for the services that it provides.

Key Risks to cost assumptions

4.11.7 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.

4.11.8 Specifically 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.

4.11.9 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.

4.11.10 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 £0.21m in the level of resources available to support the services provided to Leeds tenants.

4.11.11 In addition, the position contained in this Strategy makes assumptions around rent collection rates and tenant arrears. The ongoing impact of COVID-19 or a second wave will have implications for these assumptions and ultimately the amount that must be set aside for bad debt provision.

4.11.12 Contained within these assumptions is a targeted reduction in the number and value of disrepair claims. If this targeted action is not successful, then there will be a corresponding pressure upon the repairs budget.

Capital risk

4.11.13 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;
- Compliance with Financial Procedure rules, Financial Regulations and Contract Procedure Rules to ensure the Council's position is protected.

4.11.14 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 plan objectives and will deliver best value.

4.11.15 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.

4.11.16 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 are essential (under health and safety grounds or in order to ensure Council assets are maintained for continued service provision). 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.

4.11.17 In funding the requirements of the capital programme through borrowing the treasury strategy will aim to manage the debt requirement at the lowest possible cost that is consistent with a strategy to have a stability long term debt portfolio.

4.11.18 The execution of treasury management strategy and associated risks are kept under regular review through:

- Monthly reports to the Finance Performance Group;
- Annual reports 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.

Part 5: Financial Assurance

5.1 Assurance

5.1.1 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.

5.2 Governance Structure

5.2.1 In the context of the terms of reference for the Council's Corporate Governance and Audit's 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.

5.2.2 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's statement on the role of the Chief Financial Officer in local government, the Chief Officer – Financial Services reports directly to the Director of 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.

5.2.3 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.

5.2.4 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.

5.2.5 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.

5.2.6 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.

5.2.7 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.

5.2.8 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.

5.3 Internal Audit and Systems of Control

5.3.1 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 Council Plan 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.

5.3.2 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 medium term priorities.

5.3.3 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.

5.3.4 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.

5.3.5 Each piece of audit work results in an audit report that provides, where appropriate, an assurance opinion along with highlighting areas for improvement and recommended actions to address the identified risks. A follow up audit is 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.

5.3.6 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.

5.4 Financial Assurance and Resilience

5.4.1 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.

5.4.2 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.

5.4.3 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.

5.4.4 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.

5.4.5 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 to money is being achieved and Grant Thornton's 2019/20 Annual Audit letter issued a qualified 'except for' value for money conclusion because our work identified weaknesses in the level of General Fund Reserves to deal with significant unforeseen circumstances resulting from the Council's arrangements for financial management. Except for this matter, Grant Thornton concluded, the Council had "proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

5.4.6 Internal Audit continues to provide assurance to Members that all of the key core financial systems and processes are robust and operating effectively.

5.4.7 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.

5.4.8 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.

5.4.9 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.

5.5 Robustness of the Budget

5.5.1 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.

5.5.2 In considering the robustness of any estimates, the following criteria need to be considered:

- The reasonableness of provisions for inflationary pressures.
- The extent to which known trends and pressures have been provided for.
- The achievability of changes built into the budget.
- The realism of income targets.
- 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.

5.5.3 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.
- In order to address the estimated budget gaps identified in the Medium-Term Financial Strategy the Council has established a "Financial Challenge" programme of service reviews. This cross council group approach 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 addition, two specific reserves were established as part of these proposals to deal with variations in assumptions with regard to the ongoing impact of COVID-19 and energy costs in 2021/22.
- 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,

repay MRP and fund redundancy payments, 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 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.

5.5.4 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 are 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 provides 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.

5.5.5 The impact of the COVID-19 pandemic has had a significant impact upon the Council's financial position. Whilst the impact of the pandemic could not have been foreseen the Council's Executive Board received a series of reports in 2020/21 detailing the financial impact of COVID-19 and the actions being taken to achieve a balanced budget position. Grant Thornton, the Council's external auditors, were also kept up to date as to the actions being taken by the Council and were "fully supportive of the measures Leeds City Council are taking to help bring the Council's finances back into balance and comply with statutory duties."

5.5.6 As detailed in this Medium-Term Financial Strategy, the ongoing impact of COVID-19 has not been factored into the Council's financial assumptions for the period 2022/23- 2026/27. It is assumed that there will be 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 after 2021/22.

5.5.7 The statement by the Chief Officer – Financial Services on the robustness of the 2022/23 budget, which will be received at Full Council in February 2022, will reflect that, if COVID-19 continues to have an impact upon the Council's revenue budget and no additional Government support is forthcoming, then the impact will need to be managed within the Council's approved budgets.

5.6 Level of Reserves and Balances

5.6.1 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. 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.

5.6.2 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.

5.6.3 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.

5.6.4 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.

5.6.5 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 Annual Audit Letter for the year ended 31st March 2020 noted that “the Council should consider the adequacy of its reserves going forward and the appropriate level of balances which should be linked to the approved MTFS and which should be reviewed each year.”

5.6.6 In accordance with this recommendation this Medium-Term Financial Strategy assumes that reserves will be at £31.7m in 2021/22 and 2022/23 and will rise to £43.7m by 2026/27. The indicative general reserve levels from 2021/22 to 2026/27 are set out in Table 5.1 below. This position assumes that a balanced budget position is delivered in 2021/22.

Table 5.1 Level of General Reserve

General Reserve	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**
Brought Forward 1st April	27.8	31.7	31.7	34.7	37.7	40.7
Budgeted Contribution/(Use) in-year	4.0	0.0	3.0	3.0	3.0	3.0
Repayment of Treasury Management Savings	0.0	0.0	0.0	0.0	0.0	0.0
Additional Contribution in-year	0.0	0.0	0.0	0.0	0.0	0.0
Carried Forward 31st March	**31.7**	**31.7**	**34.7**	**37.7**	**40.7**	**43.7**

5.6.7 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 COVID-19 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.

5.7 **Revenue and Capital Principles**

5.7.1 The revenue budget principles, which were agreed by Executive Board in July 2019, 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.

5.7.2 The capital principles have been developed to enable the Capital Programme resource to achieve the priorities within the Best Council plan and will support the development and monitoring of the Capital Programme.

5.7.3 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.

5.7.4 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.

5.7.5 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.

5.7.6 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.

5.7.7 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 the 1st April 2021.

5.8 <u>Assurance Statement</u>

5.8.1 The Head of Audit is required to deliver an annual internal audit opinion and report that can be used by the Council to inform its Annual Governance Statement, which is reported to Councillors and must accompany the statement of accounts.

5.8.2 The annual internal audit opinion is a culmination of the work performed by Internal Audit during the course of the year and provides the Head of Audit's opinion based on an objective assessment of the framework of governance, risk management and control.

5.8.3 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 annual assurances delivered by the Head of Audit help to provide confidence in the conditions that exist to support the successful delivery of the Medium-Term Financial Strategy.

Part 6: Financial Strategies

6.1 Financial Strategies

6.1.1 The purpose of the Council's financial strategies are that they 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 Council Plan 2020-2025 and delivered though this Medium-Term Financial Strategy.

6.2 Capital Strategies

6.2.1 The requirement for a Capital Strategy is included in the revised Prudential Code for Capital Finance in Local Authorities 2017. The Prudential Code was developed by CIPFA (Chartered Institute of Public Finance and Accountancy) 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

6.2.2 The Capital Strategy sets out the principles that support the Council's 10 year capital programme and as such how it supports corporate priorities and objectives.

6.2.3 The Capital Strategy sets the framework for all aspects of the Council's capital expenditure and capital investment decisions. It will support strategic planning, asset management and proper option appraisal.

6.2.4 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;
- 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.

6.2.5 Capital investment decisions should be undertaken with regard to:

- Service objectives;
- Proper stewardship of assets;
- Value for money – through option appraisal;
- Prudence and sustainability;
- Affordability; and
- Practicality – achievability of the forward plan

6.2.6 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.

6.2.7 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

6.3 Procurement Strategy

6.3.1 The Procurement Strategy 2019 to 2024 was updated in June 2019 and detailed on the Council web site. The Council currently spends approximately £800 million 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, and annual procurement assurance reports are provided to Corporate Governance and Audit Committee

6.3.2 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.

6.4 Treasury Management Strategy

6.4.1 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 consistent with the low risk appetitive of the Council. The strategy also sets out how it will fund the requirements of the capital programme. Specific objects 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 its borrowings and to maintain a reasonable debt maturity profile;

- Specifically ensure that Leeds City Council does not breach Prudential Limits passed by the Council;

- Ensure that the Treasury Management Policy Statement is fully adhered to in every aspect.

6.4.2 In accordance with CIPFA Code of Practice on Treasury Management fully revised Fourth Edition 2017 the Council has adopted, as part of their 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

- The 2017 Codes are currently being revised by CIPFA, mainly in relation to the commercialisation agenda and borrowing primarily for investment for yield. Updates are expected to be issued in December 2021 and once these are published they will be reviewed and appropriate changes made to the Governance and Operation of the Treasury Management function as necessary. It is anticipated that any changes will be in place for the setting of the Annual Treasury Management Strategy for 2022/23

6.4.3 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.

6.4.4 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).

6.4.5 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 this TMPS);
- the expected borrowing strategy (including forward start borrowing);
- the temporary investment strategy;
- the expectations for debt rescheduling.

6.4.6 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.

Annexe A

Leeds CITY COUNCIL

BEST COUNCIL PLAN 2020 – 2025

Tackling poverty and reducing inequalities

with the city's Inclusive Growth Strategy, Health & Wellbeing Strategy and Climate Emergency declaration as key drivers and locality working as a core principle

Leeds Best Council Ambition

An Efficient, Enterprising and Healthy Organisation

- Strong place leadership
- Effective partnership working and commissioning
- Clear focus on delivering high quality, locally integrated public services
- Asset-based approaches, supporting the people and places most in need
- Ongoing engagement with communities and individuals
- Making the best use of our resources:
  - Our people
  - Our money
  - Our digital capabilities
  - Our land and buildings
  - Our evidence and insights
  - Our communications

BEST CITY PRIORITIES

What we and our partners are focusing on to improve outcomes

Health & Wellbeing

- Ensuring support for the health and social care sector to respond to and recover from COVID-19
- Reducing health inequalities and improving the health of the poorest the fastest
- Supporting healthy, physically active lifestyles
- Supporting self-care, with more people managing their own health conditions in the community
- Working as a system to ensure people get the right care, from the right people in the right place

Sustainable Infrastructure

- Improving transport connections, safety, reliability and affordability
- Improving air quality, reducing pollution and noise
- Improving the resilience of the city's infrastructure and the natural environment, reducing flooding and other risks from future climate change
- Promoting a more competitive, less wasteful, more resource efficient, low carbon economy
- Strengthening digital and data 'Smart City' infrastructure and increasing digital inclusion

Child-Friendly City

- Supporting families to give children the best start in life
- Improving educational attainment and closing achievement gaps for children and young people vulnerable to poor learning outcomes
- Improving social, emotional and mental health and wellbeing
- Helping young people into adulthood, to develop life skills and be ready for work
- Enhancing the city now and for future generations

Age-Friendly Leeds

- Developing accessible and affordable transport options which help older people get around
- Making Leeds' public spaces and buildings accessible, safe, clean and welcoming
- Promoting opportunities for older people to be healthy, active, included and respected
- Helping older people participate in the city through fulfilling employment and learning opportunities

Culture

- Growing the cultural and creative sector
- Ensuring that culture can be created and experienced by anyone
- Enhancing the image of Leeds through major events and attractions

Housing

- Housing of the right quality, type, tenure and affordability in the right places
- Minimising homelessness through a greater focus on prevention
- Providing the right housing options to support older and vulnerable residents to remain active and independent
- Improving energy performance in homes, reducing fuel poverty

Safe, Strong Communities

- Keeping people safe from harm, protecting the most vulnerable
- Helping people out of financial hardship
- Tackling crime and anti-social behaviour
- Being responsive to local needs, building thriving, resilient communities
- Promoting community respect and resilience

Inclusive Growth

- Supporting the city's economic recovery from COVID-19 and building longer-term economic resilience
- Supporting growth and investment, helping everyone benefit from the economy to their full potential
- Supporting businesses and residents to improve skills, helping people into work and into better jobs
- Targeting interventions to tackle poverty in priority neighbourhoods
- Tackling low pay

Leeds Best City Ambition

A Strong Economy and a Compassionate City

OUTCOMES

We want everyone in Leeds to…

- Be safe and feel safe
- Enjoy happy, healthy, active lives
- Live in good quality, affordable homes in clean and well cared for places
- Do well at all levels of learning and have the skills they need for life
- Enjoy greater access to green spaces, leisure and the arts
- Earn enough to support themselves and their families
- Move easily around a well-planned, sustainable city that's working towards being carbon neutral
- Live with dignity and stay independent for as long as possible

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

Annexe B

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

Leeds CITY COUNCIL

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

Annexe C

THE BEST PLACE TO WORK

Our People Strategy 2020 – 2025

Helping deliver the Best Council Plan

BEST ORGANISATION

BEST LEADERSHIP & MANAGEMENT

All our leaders and managers are capable, confident and compassionate

• Work well with partners and councillors • Do things with people and build inclusive teams • Great communication • Say thank you • Embracing new technology and wider change • Listen and act • Great team spirit • Respect for all and a fair chance • Plan resources well and stick to budget • Can-Do attitude and adopting new ways of working • Provide top quality customer service • Coaching and support • Quality appraisals

BEST EMPLOYEE EXPERIENCE

Join us, and you will get

Development and opportunities for leaders and managers

Make a difference with one of our Best City partners

Flexible career paths and progression

- Support to follow your chosen career path, that matches your ambitions and circumstances
- Opportunities to work in flexible and agile ways
- Development routes for both technical and managerial careers
- Recognition and reward for the great work you do, and the difference you make

Great recruitment and a warm welcome

- A fair and straightforward selection and appointment process
- A quality induction to gain a flying start
- A great pay, benefits and rewards package

BEING YOUR BEST

You feel like you count.

You are supported to be well at work.

You are valued for who you are.

Brilliant development

- Clear job goals and expectations
- Exciting opportunities and job variety
- Tailored personal and professional development

Great all round experience

In return for your dedication and commitment, you will get:

- A well designed job and role
- Caring and supportive teams and colleagues
- Modern workplaces and people practices
- A strong voice about your work and workplace
- The opportunity to work in partnership with others, through staff networks, trade unions and more

OUR SUCCESS MEASURES

How Efficient, Enterprising and Healthy the organisation is, and the overall Employee Experience for staff. Captured in our Best Council Plan KPIs.

STRENGTHENING OUR CULTURE AND VALUES

Being Open Honest and Trusted

We will:

- Develop and implement a talent management framework
- Support job personalisation
- Enhance our workforce information and analytics to aid decision making

Treating People Fairly

We will:

- Promote diversity, inclusion and difference
- Provide holistic health and wellbeing programmes
- Enable safe and sustainable places of work

Spending Money Wisely

We will:

- Pay the living wage, and have a fair and sustainable pay structure
- Develop long term service led workforce plans
- Support service design and the management of change

Working as a Team for Leeds

We will:

- Identify and deliver the skills needed for the future
- Deliver HR in collaboration with others to provide exceptional support to our services
- Work closely with our city, regional and national partners

Working with All Communities

We will:

- Drive the people changes needed to deliver our city wide strategies for Inclusive Growth, Health and Wellbeing and the Climate Emergency
- Improve employment opportunities for people from priority neighbourhoods and communities
- Promote the public value of the work we do

Leeds CITY COUNCIL