

## Financial Health Monitoring 2021/22 – Month 4 (July)

Date: 22<sup>nd</sup> 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

- The purpose of this report is to inform the Executive Board of the financial health of the Authority in respect of both the General Fund revenue budget and the Housing Revenue Account. At Month 4 (July) a COVID-19 related overspend of £25.0m is projected for the Authority.
- The Council has received £24.6m of Government funding towards the costs of COVID-19 in the first quarter of 2021/22, of which the position assumes £21.2m will be applied. An estimated £3.7m Government contribution to lost income is also reflected, pending confirmation of the final amount. Application of this funding addresses the projected COVID financial pressure in full. Any Collection Fund income shortfall in 2021/22 will impact on revenue in 2022/23. Consequently, a small net overspend of £0.4m is forecast in 2021/22, which relates to non-COVID directorate pressures and savings.
- The 2021/22 budget targeted resources towards the Council's policies and priorities as set out in the Best Council Plan. This report comments on financial performance against this budget, supporting the Best Council ambition to be an efficient and enterprising organisation.
- The current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions. The position remains challenging and the budget for 2021/22 requires delivery of £56.1m of savings in addition to the considerable savings achieved since 2010. At Month 4 it is anticipated that the required level of savings will be delivered in full. Any areas of risk are highlighted in directorate narratives at Appendix 1.
- At Month 4, the Housing Revenue Account is forecasting a balanced position.

### Recommendations

Executive Board are asked to:

- a) Note the projected financial position of the Authority at Month 4 and the projected impact of COVID-19 on that position.
- b) Note that for 2021/22 the Authority is forecasting an overspend of £0.4m.
- c) Note that the position reported does not reflect the potential effects of any further local or national lockdown arrangements on these financial projections or any potential additional costs arising from the current 2021/22 pay negotiations.

## Why is the proposal being put forward?

- 1 This is a factual report to update the Board on financial performance against the Council's 2021/22 General Fund revenue budget and Housing Revenue Account for the first 4 months of the financial year.

## What impact will this proposal have?

### Wards affected:

Have ward members been consulted?  Yes  No

- 2 This is a factual report and is not subject to consultation.
- 3 The budget proposals contained in the 2021/22 Revenue Budget have, where appropriate, been the subject of the Council's Equality Impact Assessment process and mitigating measures put in place or planned where appropriate. As such, an Equality Impact Assessment was provided at Appendix 5 to the [2021/22 Revenue Budget and Council Tax Report](#).

## What consultation and engagement has taken place?

- 4 This is a factual report and is not subject to consultation. Public consultation on the 2021/22 Revenue Budget was carried out between December 2020 and January 2021 and is detailed in the 2021/22 Revenue Budget and Council Tax report presented to this Board in February 2021.

## What are the resource implications?

- 5 This is a revenue financial report and as such all resource implications are detailed in the report and appendices.

## What are the legal implications?

- 6 There are no legal implications arising from this report.

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

- 7 The reported budget position is considered in the context of risk to both the in year financial position and the potential impact on the Council's Medium Term Financial Strategy. These risks are included on the Council's corporate risk register.
- 8 Budget management and monitoring is undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget judged to be at risk such as the implementation of budget action plans, those budgets which are subject to fluctuating demand and key income budgets. To reinforce this approach, specific project management based support and reporting around the achievement of key budget actions plans is in place for 2021/22.
- 9 More specifically, the reported position does not reflect the potential effects of any further local or national lockdown arrangements not yet introduced which could impact on these financial projections. Government support for additional general expenditure and eligible income losses related to COVID in 2021/22 ended on 30<sup>th</sup> June 2021. A range of schemes supporting businesses are also reducing now that the country has moved to step 4 of the Government roadmap for the easing of COVID restrictions. This includes the reduction and subsequent removal of additional support with business rates and it is not yet clear how this reduced level of support will impact on the Council's financial position.

- 10 Pay negotiations for 2021/22 are ongoing. The Council has budgeted for a £1.6m increase in pay costs to provide a minimum pay increase of £250 in 2021/22 for all staff earning less than £24,000 only, as announced at the 2020 Spending Review. As the outcome of negotiations is not yet known no additional costs are reflected in the reported position. A 1% pay increase would equate to approximately £4.3m, less the £1.6m already budgeted, and would need to be absorbed within approved directorate budgets.
- 11 The report highlights a risk relating to unprecedented high global electricity and gas prices. The pressure on the General Fund may range from approximately £0.5m to £1.5m. As part of the 21/22 budget process, an Energy Reserve of £1.07m was created. It is likely that a substantial call on this reserve may be made.

### **Does this proposal support the council's three Key Pillars?**

- Inclusive Growth       Health and Wellbeing       Climate Emergency

- 12 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.
- 13 This is a factual report which needs to be seen in context of the requirement for the Council to be financially sustainable and deliver a balanced budget position in 2021/22 so that resources can continue to be targeted at the Council's priorities.

### **Options, timescales and measuring success**

#### **What other options were considered?**

14 Not applicable.

#### **How will success be measured?**

15 Not applicable.

#### **What is the timetable for implementation?**

16 Not applicable.

### **Appendices**

- 17 The following appendices are attached to this report:
- **Appendix 1** – background information, detailed narrative regarding the projected financial positions for directorates, Dedicated Schools Grant (DSG) and the Housing Revenue Account HRA, update on Council Tax and Business Rates including collection performance.
  - **Appendix 2** – Individual financial dashboards for directorates, DSG and the HRA.

### **Background papers**

18 None.

## Financial Health Monitoring 2021/22 – Month 4

### 1. Purpose of this report

- 1.1. This report sets out for the Executive Board the Council's projected financial health position for 2021/22 at Month 4.
- 1.2. Budget monitoring is a continuous process throughout the year, and this report reviews the position of the budget and highlights potential key risks and variations after the second month of the year.

### 2. Background information

- 2.1 Executive Board will recall that the net budget for the general fund for 2021/22 was set at £435.3m.
- 2.2 Following the closure of the 2020/21 accounts, the Council's general fund reserve stands at £27.8m. The 2021/22 budget assumes a contribution of £4m to this reserve during the current financial year.
- 2.3 The Medium-Term Financial Strategy assumes a balanced budget position for 2021/22 after the application of Government funding, the delivery of non-COVID savings and the utilisation of earmarked reserves. Any adverse variation to a balanced budget position will require the identification of further savings in 2022/23.
- 2.4 Financial monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand and key income budgets. This is reinforced through specific project management based support and reporting around the achievement of the key budget actions plans.

### 3. Main Issues

- 3.1 At Month 4 a COVID related overspend of £25.0m is projected across directorates. Directorate positions are summarised in Table 1.
- 3.2 The Council has received £24.6m of Government funding towards the costs of COVID-19 additional expenditure for the first quarter of the 2021/22. In addition, local authorities are able to claim compensation for COVID-related income losses in respect of sales, fees and charges for the first quarter of the year. Application of £21.2m of Government funding from budgeted COVID contingency and COVID reserve and an estimated claim of £3.7m in respect of eligible income losses would address this projected COVID financial pressure in full.
- 3.3 Any Collection Fund income shortfall arising in 2021/22 will impact on the Revenue Budget in 2022/23.
- 3.4 Consequently, this report reflects a small net overspend of £0.4m against the 2021/22 Budget, relating to non-COVID directorate pressures and savings.

## Summary Position at Month 4 - Financial Year 2021/22

Directorate	Director	(Under) / Over spend for the current period				COVID related	Non-COVID related	Previous Reported Position
		Staffing	Total Expenditure	Income	Total (under) /overspend			
		£000	£000	£000	£000	£000	£000	£000
Adults & Health	Cath Roff	(949)	15,847	(15,847)	0	(78)	78	0
Children and Families	Sal Tariq	(500)	6,241	1,000	7,240	7,312	(72)	3,156
City Development	Martin Farrington	(867)	(2,055)	8,498	6,444	7,133	(689)	5,866
Communities, Housing & Environmer	James Rogers	1,095	3,957	5,622	9,578	9,070	508	7,810
Resources	Neil Evans	464	(231)	1,241	1,010	1,517	(507)	869
Strategic	Victoria Bradshaw	0	(18,015)	(5,907)	(23,921)	(24,954)	1,033	(17,519)
<b>Total Current Month</b>		<b>(756)</b>	<b>5,747</b>	<b>(5,392)</b>	<b>351</b>	<b>0</b>	<b>351</b>	<b>182</b>

<b>Previous reported (under)/over spend</b>	<b>(2,764)</b>	<b>(761)</b>	<b>943</b>	<b>182</b>	<b>0</b>	<b>182</b>
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<b>MEMO: Covid Related Pressures</b>	24,954
<i>funded by:</i>	
COVID Contingency (use of Government Funding)	(7,551)
COVID Reserve (use of Government Funding)*	(13,680)
Estimated Sales, Fees and Charges Compensation	(3,723)
<b>Remaining COVID Related Pressure</b>	<b>0</b>

\* In addition, the Directorate positions shown assume the application of £0.674m of COVID reserve funds.

3.5 The major variations are outlined below, with additional detail provided on the Directorate dashboards at Appendix 2 of this report.

3.5.1 **Adults & Health** – the directorate is projected to deliver a balanced budget, with the Net Managed Budget for 2021-22 being £195.2m.

The 2021-22 budget includes £15.52m for efficiency and service changes. The service is currently on target to deliver these actions. Currently £2.2m are at risk of non-delivery; £1.5m relating to client income and £0.7m slippage due to delays in implementing Commissioning savings plans. Where slippage / non-delivery of budget action plans have been identified, alternative options to balance the budget have also been identified utilising Directorate Reserves and savings from lower demand in Older People demand led budgets due to COVID. Also incorporated into the budget is demand and demography growth of £8.41m. There is a risk that this might not be sufficient.

Additional COVID-19 funding of £10.9m has been received and the position assumes that there is associated expenditure against this funding during the year:- £2.7m for Clinical Extremely Vulnerable funding support, £1.4m Hospital Discharge fund, £2.4m Infection Control fund, £1.7m Rapid Testing and £2.7m Controlled Outbreak Management fund.

3.5.2 **Children and Families** – As detailed on the dashboard, the current year-end forecast for the Children and Families directorate is an overspend of £7.24m which

is an increase of £4.08m since the previously reported Month 2 position. Within the Month 4 projections there is an overspend of £7.312m related to COVID, and a £72k net underspend not related to COVID.

The Month 4 projected overspend of £7.240m is broken down as follows:

<b>Expenditure</b>	<b>£m</b>
• CLA Placements	3.781
• Non CLA Placements	2.974
• Secure unit staffing	0.507
• Other	(0.021)
<b>Total projected overspend</b>	<b>7.240</b>

As shown above, the key pressure relates to the budget for Children Looked After (CLA) and non-CLA placements, which is currently forecast to overspend by £6.755m. As at the end of July, CLA numbers were 1,313, an increase of 39 since the start of 2021/22. Although the number of in-house CLA placements is the same as at the start of the year (848), demand for external CLA placements has increased from 426 at the start of the year to 465.

Non-CLA placements are those such as special guardianship orders and semi-independent living for over 18s. Although they are not CLA placements, they are related as they often prevent more costly CLA placements or relate to statutory duties once young people leave care. Non-CLA placements have decreased by 16 overall since the start of the year, from 1,052 to 1,036. The main reduction has been in semi-independent living for over 18s which has reduced by 24 placements. However these placements are still greater than originally expected which has resulted in an overspend. This reflects the difficulty with young people being able to move out of these placements because COVID has affected the availability of alternative accommodation.

Over the past five years, CLA numbers have increased both nationally and in Leeds by 10%. The Medium-Term Financial Strategy paper included on this agenda reflects this trend in the medium term CLA forecasts. A number of local authorities are also currently reporting increased CLA numbers leading to overspends. The forecast position for Leeds assumes there is no change in placements during the year, however the Children and Families directorate is in the process of identifying mitigating actions that can be taken to reduce costs and will develop an implementation plan for any actions identified.

The projection also demonstrates an overspend of £507k against the Secure Unit staffing budget due to additional Agency costs. However, it is anticipated that Children and Families will secure additional income to mitigate some of this pressure and upon review this will be reflected in Month 5.

No income pressures are currently forecast for Children and Families, however there is some risk to income for services that continue to be affected by COVID, for example nursery fee income. The available data is currently being reviewed and

any loss of income identified will be reported in Month 5. This will be included on the council's claim to MHCLG for funding towards quarter 1 loss of income.

The projection assumes delivery of savings plans included in the budget. While no pressures are currently forecast for these, two of the actions are higher risk and are being monitored by Children and Families. These relate to additional funding of £1m for Unaccompanied Asylum Seeking Children and £1.7m from the CCG. Work is ongoing to secure this income and a further update will be provided in the Month 5 reporting.

### **Dedicated Schools Grant**

In relation to the Dedicated Schools Grant (DSG), the approved DSG budget 2021/22 assumed that there would be a carry forward deficit of £3.683m as at the end of the year. At Month 4 we are projecting a £2.975m overspend on DSG for 2021/22, this would result in a closing deficit of £6.658m.

The in-year overspend is due to the following:

- Schools Block £34k underspend: There is a slight underspend of £34k due to business rate savings which occur following the conversion of schools to academies.
- High Needs Block £1m overspend: This is new for Month 4 and mainly reflects a proposal to pay an estimated £975k of funding to a special school for historic costs. This recognises that the school's deficit balance is related to additional costs that could have been eligible for funding.
- Early Years Block £2m overspend: This was included in Month 2 reporting and reflects a proposal to utilise some of the 2020/21 underspend on the Early Years block. During 2020/21 there was an underspend on the Early Years block of £2,228k due to funding being based on the January census which has higher numbers of 2-4 years olds than the average of all censuses over the year. A proposal is due to be made by the authority to use up to £2m of the 2020/21 underspend to make exceptional, one off payments to settings in recognition of the funding difficulties faced by the early years sector due to COVID which will help ensure the sufficiency of childcare in the city moving forward.

**3.5.3 City Development** – at Month 4, the directorate is projecting an overspend of £6.4m for the year. This is primarily due to the continuing impact of COVID on income streams, currently estimated at £7.0m for the year.

The impact that the COVID pandemic will continue to have on income streams for the full financial year remains uncertain and therefore this position is subject to significant variation and will continue to be monitored over the coming months.

An element of the COVID related income losses incurred in the first quarter of the year (c£2.6m) will be recoverable through the Government's income compensation scheme for sales, fees and charges which applies to first quarter losses only.

The main variations are:

- Active Leeds – the estimated impact on income of capacity restrictions due to COVID is £4.65m, primarily in respect of swimming and membership income, although there is likely to be a degree of volatility in the projections. Of this projected income loss, £1.8m relates to the first quarter and an element of this will be recoverable through the Government's income compensation scheme. The income loss is projected to be partially offset by staffing and running cost savings, resulting in an overall projected overspend for the service of £4.1m
- Arts and Heritage - an overspend of £0.75m is anticipated, largely due to the impact of COVID on Cafes/Shops, city centre sites room hire, and admissions. Of this, the first quarter losses are £0.4m of which an element will be recoverable through the income compensation scheme.
- Markets and City Centre - the estimated impact of COVID on income is a projected shortfall of £0.9m in respect of Markets income, reflecting rental support to market traders and vacant units, and £0.7m in respect of City Centre advertising income and street café licences.
- Planning & Sustainable Development - the COVID pandemic has had a significant impact on the service in terms of increased volumes of applications and enforcement work, outstripping the capacity of existing resources. Additional funding of £0.2m in 21/22 has been secured to address the backlogs and to facilitate the timely delivery of Planning outcomes. However, it is anticipated that there will be an impact on the service's ability to deliver budgeted efficiency savings and its staffing vacancy factor and a projected overspend of £0.1m is currently estimated.
- Highways and Transportation – the service is projecting a small underspend of £0.1m which reflects a staffing underspend of £0.8m due to vacancies, partially offset by reduced income and additional external supplier costs.

The overall projected position of £6.4m includes net staffing savings of £0.4m across the directorate, after taking account of income generating posts.

The 2021/22 budget contained £10m of agreed savings plans. With the exception of budgeted savings in respect of efficiencies within the Planning service which have been impacted by COVID (as noted above), the latest monitoring position is that most have been delivered or are currently on track to be delivered, although there is some risk to full delivery of savings in the following areas:

- Asset Rationalisation savings (cross-cutting) - c£400k
- Markets business plan savings - £200k
- Strategic Investment Fund target - £1.3m (although existing disposals and disinvestment are likely to offset this).

**3.5.4 Communities, Housing & Environment** – At Month 4, the Directorate is currently projecting an overspend of £9,578k, of which £9,070k is COVID related. There remains a great deal of uncertainty surrounding these projections and these areas in particular will continue to be kept under close review. The shortfalls related to income will be partially offset by the Government's Sales, Fees and Charges compensation scheme which is in place to cover a proportion of qualifying losses until the end of quarter 1 of this financial year.



The main areas of variations in respect of COVID-19 are currently estimated as follows:

- **Car Parking Services** **£2,818k**  
 Loss of car parking and enforcement income, based on lost income during the 1<sup>st</sup> quarter of 2021-22 with a gradual improvement to the position as the economy opens up post summer.
- **Loss of Parks & Countryside income** **£1,000k**  
 This includes net income losses from visitor attractions, cafes, bereavement services and the cancellation of planned events, offset by minor expenditure savings.
- **Waste Management** **£4,896k.**  
 This includes the cost of providing additional crews and vehicles to deal with continuing increased volumes of household waste, the cost of disposing of this additional waste and the cost of providing additional staffing cover at Household Waste sites.
- **Communities and Customer Access** **£306k**  
 This relates to net income shortfalls, mainly Community Centres and primarily in the first half of the year.
- **Other minor variations** **£50k**
- Non Covid Variations** **£500k**  
 Outside of the COVID related pressures, there are net income pressures of around £500k within Parks and Countryside service.

The Directorate remains on target to deliver the savings approved at budget Council in February 2021.

3.5.5 **Resources** - Based on an examination of key risk budgets, an overspend of £1,010k is forecast for the Resources Directorate. This is summarised into the following areas across the Directorate's services:

- **Trading shortfall within Leeds Building Services (LBS)** **£510k**  
 This is the result of increased costs in the first months of the year due to operatives working under COVID compliant working conditions and operatives self-isolating due to Track and Trace instructions.
- **Catering income & emergency meals** **£48k**  
 The overall loss of income from schools is £888k. This is due to fewer meals served during the pandemic. The shortfall is offset by the savings on food of £390k and staffing savings of £620k. The overall loss of commercial income is £442k due to COVID. The pressure is partly offset by staffing savings of £195k and food savings of £138k. There is a further pressure of £111k due to £64k slippage in the implementation of a new system and £47k loss of contract. Staff saving on meals on wheels account for £51k.

- **Integrated Digital Services**

A projected staffing and agency overspend of £2,278k is partially offset by income from the CCGs of £795k and other areas of increased income or savings of £1,083k.

- **PPE Hub**

**£Balanced**

PPE Stock to the value of £486k was carried forward from last year and must be accounted for in the year it is used. Transferring this from the stock account to the revenue account results in a pressure in 21/22. This overspend will be offset by COVID Reserve funding held within Strategic. The costs of running the hub itself continues to be met by grant funding.

- **Other Minor Variations**

**£52k**

The 21/22 Budget for Resources includes Action Plans of £13.315m. Each of these is currently expected to be delivered and rated Green with the exception of the following Amber rated plans:

- **Catering.** The £785k Action plan to generate additional income has been impacted by Covid. This pressure is reflected in the above figures, with a mitigation of staff savings offsetting much of the pressure. This action plan is therefore rated as amber.
- **Contact Centre/Digital Access.** A budget action plan of £420k requires channel shift to fully deliver. £260k of the action plan has been achieved to date through the Early Leavers initiative. The action plan is rated as amber.

3.5.6 **Strategic & Central Accounts** - At Month 4, the Strategic & Central accounts projection is for an overspend of £1.0m, before taking into account the application of funding to address the £25.0m COVID pressures projected in directorate positions.

This projection recognises a £1m pressure in relation to the council's levy payment to the West Yorkshire Combined Authority, which was higher than anticipated when the budget was set.

3.5.7 Directorate dashboards highlight a projected COVID-19 overspend of £25.0m. The Council has received £24.6m of Government funding towards the costs of COVID-19 additional expenditure for the first quarter of the 2021/22. £7.6m of this funding had been included in the Strategic Budget as a COVID contingency, with the remaining grant placed in a COVID reserve. In addition, local authorities are able to claim compensation for COVID-related income losses in respect of sales, fees and charges for the first quarter of the year. The application of the £7.6m budgeted COVID contingency, £13.7m of grant funding from the COVID reserve and the estimated compensation for eligible income losses of £3.7m are also reflected in the Month 4 Strategic position and in the appended dashboard. The application of these funds is sufficient to address the COVID pressures projected at Month 4, however it should be noted that COVID contingency and reserve funding is now approaching full utilisation.

3.5.8 Consequently, a small net overspend of £0.4m is projected against the Council's 2021/22 revenue budget.

- 3.5.9 The reported position does not reflect the potential effects of any further local or national lockdown arrangements not yet introduced which could impact on these financial projections. Government support for additional general expenditure and eligible income losses related to COVID is currently unavailable beyond 30th June 2021. A range of schemes supporting businesses are also reducing now that the country has moved to step 4 of the Government roadmap for the easing of COVID restrictions. This includes the reduction and subsequent removal of additional support with business rates and it is not yet clear how this reduced level of support will impact on the Council's financial position.
- 3.5.10 Pay negotiations for 2021/22 are ongoing, with Trade Unions having rejected a 1.5% pay offer. The Council has budgeted for a £1.6m increase in pay costs to provide a minimum pay increase of £250 in 2021/22 for all staff earning less than £24,000, as announced at the 2020 Spending Review. Should any across the board pay award be agreed, this will exceed the current provision in the budget. As the outcome of negotiations is not yet known no additional costs are reflected in the reported position. A 1% pay increase would equate to approximately £4.3m, less the £1.6m already budgeted, and would need to be absorbed within approved directorate budgets.
- 3.5.11 The budget for 2021/22 requires the delivery of £56.1m of savings. Detailed budget action plans have been developed to identify how these savings will be achieved and progress against these action plans will be monitored and reported throughout the year. At Month 4 it is anticipated that the required level of savings will be delivered in full. Any areas of risk are highlighted in directorate narratives above.

### 3.6 COVID Reserve

- 3.6.1 The £16.7m COVID Reserve was created in the 2021/22 Budget to be applied to any pressures arising which exceed the initial estimate of COVID impact in 2021/22. In addition to the use reported above (£13.7m in the Strategic position and a further £0.7m in directorate positions), the July meeting of this Board approved the use of £0.52m to support the delivery of Free School Meals across the summer school holidays.
- 3.6.2 A further £0.1m from this reserve will be used to deliver training to managers to support the return to the office planned for Autumn 2021. Consequently £1.7m remains unallocated from the reserve.

### 3.7 Energy Prices

Significant global increases in gas and electricity prices have been experienced since late 2020, with current prices at an unprecedented high. The Council purchases gas and electricity in advance in line with its agreed risk strategy, and so has already hedged the price for the vast majority of its energy requirement for 2021/22, and for a substantial proportion for 2022/23. However, there remains a proportion of our forecast volume requirement for which we have not yet secured the price.

The 2021/22 budgets for gas and electricity total £20.93m. The latest estimate for 2021/22 based a scenario whereby the Council secured its remaining unhedged volume at the market average prices historically available to buy at for these future

months (which seems very unlikely in the current market conditions) is £21.63m for gas and electricity combined (£0.7m over budget). However, if the prices currently being forecast based on the current market conditions are realised, the estimated overall cost would be £23.03m (£2.1m over budget). Approximately 70% of this pressure would fall on the General Fund, with 21% falling to Schools and 9% to the HRA. The pressure on the General Fund may therefore range from approximately £0.5m to £1.5m. As part of the 21/22 budget process, an Energy Reserve of £1.07m was created. It is therefore likely that a substantial call on this reserve may be made.

To manage this financial risk, the Council's Energy team will continue to monitor the market and to purchase energy at the optimum time based on expert market advice, whilst observing the agreed risk strategy. However, most significantly, the Council will continue to reduce its reliance on gas and grid electricity through ongoing estate rationalisation and energy management, and continuing to invest in energy efficiency measures and renewables, including expansion of the district heating network linked to the Recycling and Energy Recovery Facility. This pressure clearly highlights the importance of and strengthens the business case for investment in renewables and other energy efficiency schemes

#### **4. Other Financial Performance**

##### **4.1 Council Tax**

The Council Tax in-year collection rate at the end of July was 36.4%. For comparison, in July 2020 the in-year collection rate was 36.6%, reflecting the economic impact of COVID-19 on collection rates and the agreed payment deferrals; in July 2019, a 'normal' year, the in-year collection rate was 36.9%.

Leeds' share of the declared Council Tax deficit for 2020/21 (at 31<sup>st</sup> December 2020) has been incorporated into the 2021/22 budget. The declared deficit was £15.557m. This has been adjusted for the 3-year spreading legislated by Government in order that authorities can better manage deficits arising as a result of the economic impact of COVID-19. The deficit that is budgeted to be repaid in 2021/22 is therefore £4.951m, with Leeds share of this being £4.196m. This repayment is now a fixed amount.

The actual closing deficit for 2020/21 was £13.958m. Adjusting this for the 3-year deficit spreading results in an opening deficit on the collection fund of £3.704m, with Leeds share of this being £3.14m. The £1.056m improvement will benefit the General Fund in 2022/23.

In addition to the above, Government introduced a Local Tax Income Guarantee (LTIG), applying to both Council Tax and Business Rates. Losses in scope will be compensated by Government at a rate of 75%. The 2021/22 budget reflected the assumption that a grant of around £5.2m would be payable to the Authority under this scheme. As the 2020/21 outturn position improved compared to the position in the Budget, the grant we expect to receive will be lower. The 2021/22 Budget and the Medium-Term Financial Strategy reflect that this funding will not be utilised in 2021/22, but will, instead, be held in reserve and applied in 2023/24 when the final instalment of the 2020/21 deficit will become payable.

At Month 4 the in-year projection for Council Tax is a surplus of £1.274m. Whilst we expect an improved position by the year-end, at this early stage of the financial year it is not possible to identify the full impact of economic scarring resulting from the pandemic. The projected position and collection rate will continue to be closely monitored.

## 4.2 Business Rates

The budgeted collection rate for business rates is to achieve an in-year collection target of 96.5%, collecting £367.8m of business rates income. However, the Board will be aware that, in response to the continuing restrictions due to the COVID-19 pandemic, the Government subsequently announced significant additional business rates reliefs, reducing the income to be collected directly from business to £332.1m as at 31<sup>st</sup> July 2021. These reliefs give 100% business rates relief to retail and leisure establishments and children's nurseries until 30<sup>th</sup> June 2021, although the total relief that any one ratepayer can claim is capped at £2m nationally if they were forced to close in 2021/22 or £105,000 nationally if they could remain open, with a sliding scale of relief subsequently until 30<sup>th</sup> September 2021 when all COVID-19 related reliefs are due to end. The costs to the Council's retained Business Rates income will be funded in full by Government through Section 31 grants. This reduces the risk to the Authority regarding non-collection of business rates income. The collection rate at the end of July 2021 was 39.20%, 0.17% ahead of performance in 2019/20, the last 'normal' year. Although the collection rate appears to be recovering after 2020/21, it remains a matter of concern to the Authority and will require close monitoring in the coming months.

The total rateable value of business properties in Leeds has reduced from £929.3m at the time of the 2021/22 budget to £926.9m as at 25<sup>th</sup> July 2021, a decrease of £2.4m. The 2021/22 budget includes an expected reduction in Rateable Value of £11.2m for the 2021/22 full year and the size of the Business Rates tax base in Leeds will also require close monitoring.

Leeds' share of the declared Business Rates deficit from 2020/21 (at 31<sup>st</sup> December 2020) has been incorporated into the 2021/22 budget. The total declared deficit on the Collection Fund was £234.9m, largely driven by the extended reliefs introduced in 2020/21 by the Government in response to the pandemic, fully funded by section 31 Government grant held in reserve. Leeds' share of the unfunded declared deficit is £36.7m, which will be spread over three years in accordance with Government legislation. £12.2m of this unfunded deficit will be paid in 2021/22 and is fixed.

Since declaration a number of issues underlying the declared deficit have been clarified, positively affecting previous assumptions regarding claims for Empty Rate Relief during lockdowns, ratepayer appeals claiming a Material Change of Circumstance due to the pandemic will not be successful and the forecast continued reduction in the tax base in Leeds in 2020/21. Taking these into account, the actual closing deficit for 2020/21 is an improvement of £12.3m from the position declared and used in the 2021/22 budget. This improvement will benefit the General Fund in 2022/23.

The outlook for the in-year Business Rates deficit on the Collection Fund remains highly uncertain, with particular concerns around bad debts, continued reduction in the tax base and early signs that the cost of Empty Rate Relief is increasing

unusually rapidly at the start of the year. Each of these areas will require close monitoring.

Government introduced a Local Tax Income Guarantee (LTIG) for 2020/21, with losses in scope compensated by Government at a rate of 75%. The 2021/22 budget reflects the assumption that a grant of around £25.8m would be receivable under this scheme. As the 2020/21 outturn position was significantly improved compared to the declared position in the Budget, the grant we expect to receive will be significantly lower. The funding received will be held in reserve to partially meet the unfunded final instalment of the 2020/21 Business Rates deficit 2023/24.

#### 4.3 **Business Rates Appeals**

The opening appeals provisions for 2021/22 are £30.0m, made up of £7.7m relating to appeals received against the 2010 ratings list and £22.3m estimated costs in relation to the 2017 ratings list. Under 50% Business Rates Retention, Leeds' budget is affected by 49% of any appeals provision made in this year.

On the 31<sup>st</sup> July 2021, there were 362 appeals outstanding against the 2010 ratings list. During June and July 2021 163 appeals have been settled, only 9 of which have resulted in changes to rateable values. No new appeals have been received in June and July. Currently, 8.5% of the city's total rateable value on the 2010 list is subject to at least one appeal.

Before the COVID-19 public health crisis, the introduction of the new Check Challenge Appeal system on 1<sup>st</sup> April 2017 saw a significant reduction in the number of appeals submitted by ratepayers against their Rateable Value on the 2017 ratings list compared to the 2010 ratings list. Only three appeals have so far been submitted to the Valuation Tribunal, the final stage of the new process. However during the national lockdowns in 2020/21 there was a significant upsurge in the number of Checks and Challenges submitted to the Valuation Office. Most of these claimed a Material Change of Circumstance due to the restrictions to economic activity during the crisis.

Initially the Council provided for estimated costs should these result in reductions of rateable value and this was included in the declared deficit position for 2020/21, submitted to Council in February 2021 in the 2021/22 Revenue Budget and Council Tax report. Subsequently the Government intends to pass primary legislation to ensure that these 'appeals' will not be successful and will not lead to reductions in Rateable Value. As at 31<sup>st</sup> March 2021 the Authority was therefore able to exclude 1,007 Challenges from its calculations of provisions reducing the cost to Leeds in 2020/21 by £6.4m. As at 31<sup>st</sup> July 2021 the Council is providing for a net of 255 other Checks and Challenges against the 2017 ratings list plus provisions for specific issues such as the removal of ATMs located in shops from the 2017 list, expected reduction to hospitals, ambulance and fire stations and expected reductions to a number of GP surgeries.

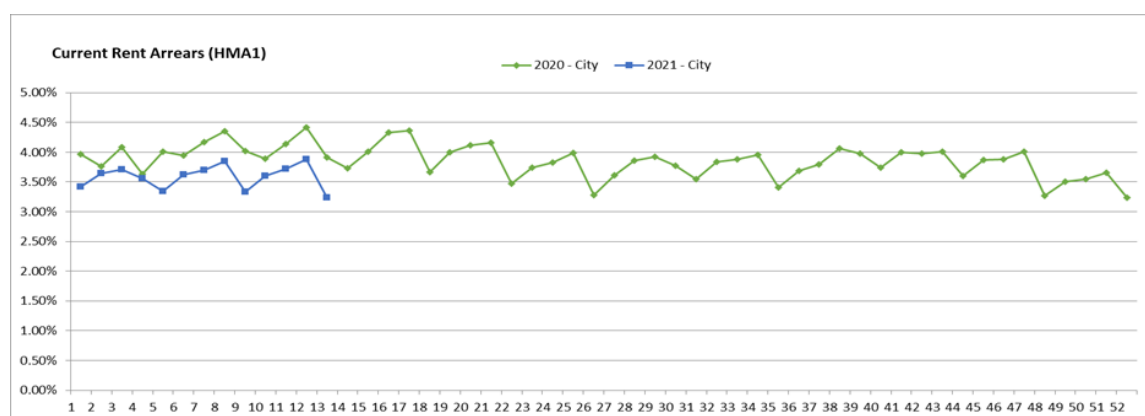
#### 4.4 **Impact of COVID-19 on the Collection Fund in 2021/22**

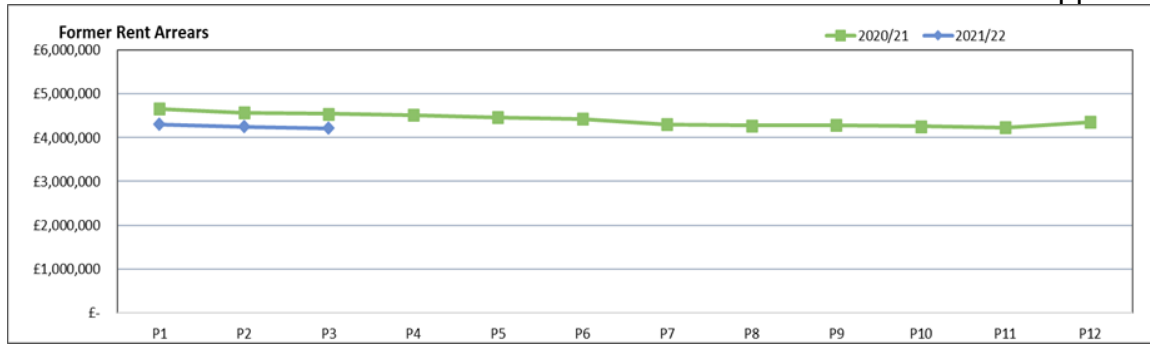
It remains very complex to estimate the continued impact of COVID-19 on council tax and business rates income. Early concerns have arisen around collection rates, reductions in the tax base in Leeds and the impact of any permanent economic

scarring on Business Rates reliefs, particularly Empty Rate Relief. These require continued close monitoring over the coming months. However early signs show there may be some recovery, particularly in Business Rates, contingent on the continued opening of the local economy as restrictions are withdrawn.

## 5. Housing Revenue Account (HRA)

- 5.1 At the end of Month 4 the HRA is projecting a balanced position.
- 5.2 There is a forecast reduction in rental income of £676k, mainly due to a temporary increase in the number of void properties because of the ongoing impact of COVID-19. There is a £125k pressure on service charges due to the delay in implementing the new Retirement Life charge as facilities have been unable to open during the first quarter of the year due to COVID restrictions. These income pressures are partially offset by additional external telecoms income of £195k.
- 5.3 Employee costs are forecast to underspend by £670k. The projected saving is a result of the time taken to fill vacant posts following the ELI process and service realignment. The savings are partially offset by a £394k reduction in the staff costs chargeable to the capital programme.
- 5.4 The £157k balance on the Welfare Reform reserve will be utilised in year. As the Enhanced Income Team has now been integrated back into the Housing Management staffing structure the reserve is no longer required.
- 5.5 There is a forecast pressure on the disrepair budget of £1m for the year, this pressure has been offset by utilising the disrepair / repairs reserve.
- 5.6 Total tenant arrears are £11.1m, approximately £1.7m lower than the equivalent month last year and £0.03m lower than the 2020/21 outturn position. The latest rent collection position is 96%, 0.7% lower than last year's outturn position (96.7%).





5.7 Projected Right to Buy sales for the year are projected in line with budget at 610 with 1,596 live applications in the system at the end of June.




Overall Summary

Period 4 (July 2021)

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Budget Variation £000s

# 351

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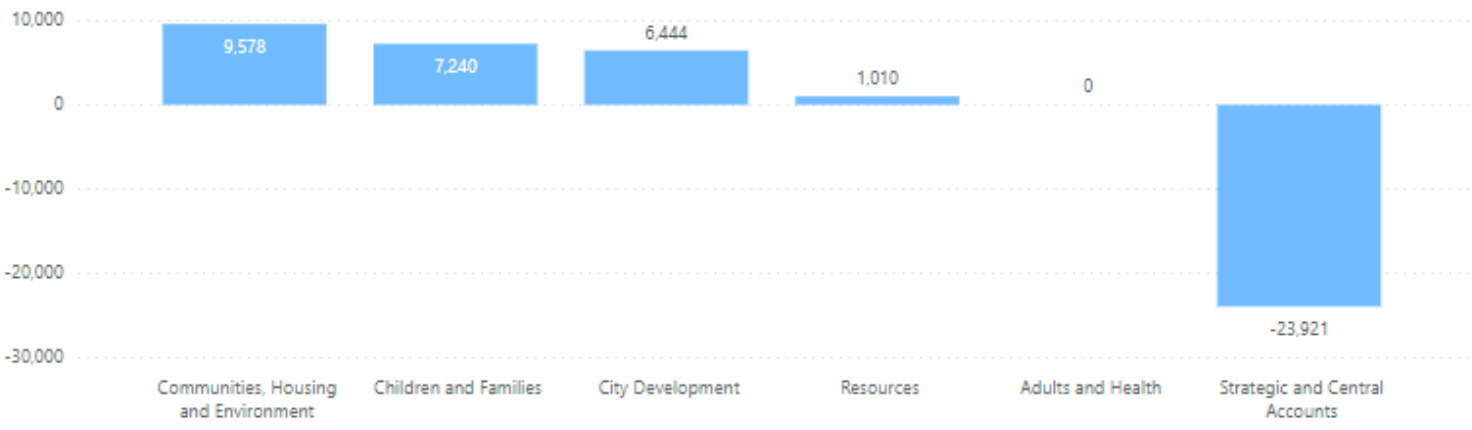
Costcentre RAG Rating

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Managed In/Outside Se...

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Forecast Year End Variance - £000s



Directorate	Variance (£000s)
Communities, Housing and Environment	9,578
Children and Families	7,240
City Development	6,444
Resources	1,010
Adults and Health	0
Strategic and Central Accounts	-23,921

Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	467,787	467,030	-757
Premises	57,859	57,510	-349
Supplies and Services	218,560	218,734	174
Transport	49,689	50,653	965
Internal Charges	66,283	66,395	112
Third Party Payments	437,161	455,585	18,424
Transfer Payments	190,315	190,479	164
Capital	45,015	46,152	1,137
Transfer to/from Reserves	-50,480	-64,605	-14,124
Internal Income	-309,290	-308,422	868
External Income	-737,642	-743,904	-6,262
<b>Total</b>	<b>435,258</b>	<b>435,609</b>	<b>351</b>

Directorate	Change in Variance £000s
Adults and Health	0
Children and Families	805
City Development	700
Communities, Housing and Environment	-327
Resources	-1,305
Strategic and Central Accounts	895
<b>Total</b>	<b>767</b>

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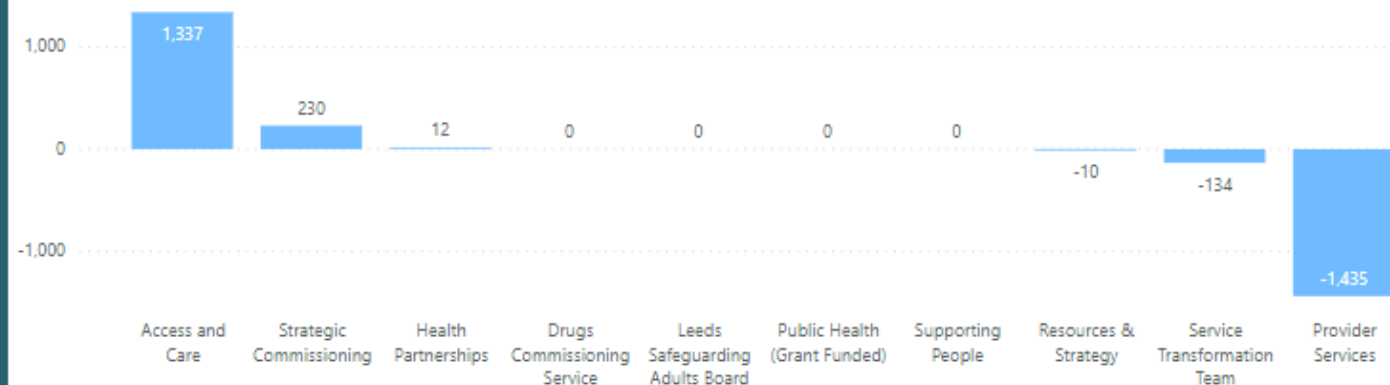
Costcentre RAG Rating

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Forecast Year End Variance - £000s



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	58,011	57,062	-949
Premises	1,077	1,077	0
Supplies and Services	7,525	12,976	5,451
Transport	948	928	-20
Internal Charges	10,704	11,206	502
Third Party Payments	283,798	294,548	10,749
Transfer Payments	10,323	10,396	74
Capital		0	0
Transfer to/from Reserves	-3,269	-3,228	40
Internal Income	-5,010	-5,312	-301
External Income	-168,896	-184,442	-15,546
<b>Total</b>	<b>195,211</b>	<b>195,211</b>	<b>0</b>


Directorate	Change in Variance £000s
Adults and Health	0
<b>Total</b>	<b>0</b>

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Budget Variation £000s

# 7,240

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Costcentre RAG Rating

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Forecast Year End Variance - £000s



Directorate	Variance (£000s)
Social Care	7,261
Learning	0
Partnerships & Health	0
Resources & Strategy	-21


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Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	97,499	96,999	-500
Premises	2,985	2,981	-4
Supplies and Services	62,331	62,336	5
Transport	12,498	12,480	-18
Internal Charges	26,315	26,315	0
Third Party Payments	100,206	106,873	6,668
Transfer Payments	4,043	4,133	90
Transfer to/from Reserves	-291	-291	0
Internal Income	-30,557	-30,409	148
External Income	-158,006	-157,154	852
<b>Total</b>	<b>117,024</b>	<b>124,264</b>	<b>7,240</b>

Directorate	Change in Variance £000s
Children and Families	805
<b>Total</b>	<b>805</b>

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Income / Expenditure

All

Sub-Block

All

Cost Description

All

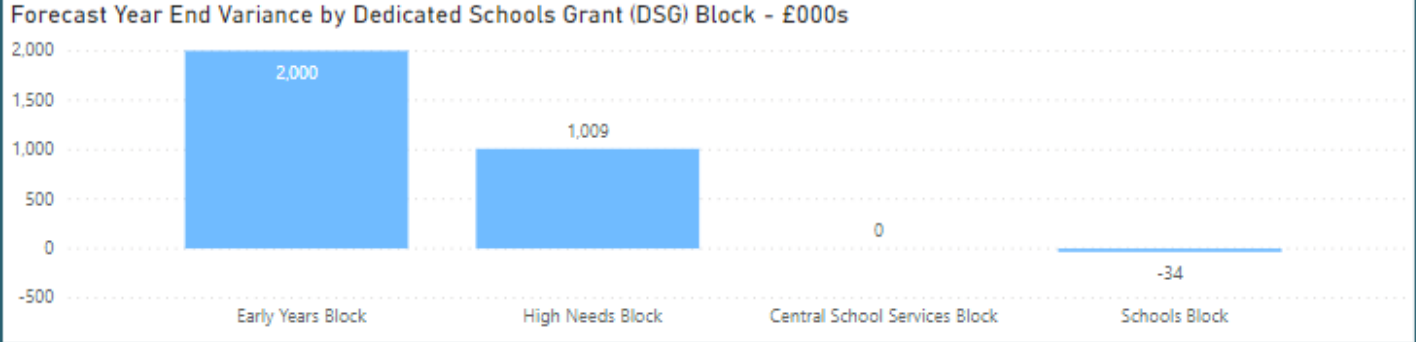
For Reporting

DSG Variation £000s

# 2,975

Overspend (+) / Underspend (-)

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



Block	Variance (£000s)
Early Years Block	2,000
High Needs Block	1,009
Central School Services Block	0
Schools Block	-34

Net Variations against the Approved Budget


DSG Block	Income Budget	Income Projection	Income Variance	Expenditure Budget	Expenditure Projection	Expenditure Variance	DSG Budget (LE)	DSG Projection	DSG Variance
Schools Block	-329,912	-318,101	11,811	329,912	318,067	-11,845	0	-34	-34
High Needs Block	-92,284	-89,918	2,365	92,284	90,927	-1,357	0	1,009	1,009
Early Years Block	-58,279	-58,279	0	58,279	60,279	2,000	0	2,000	2,000
Central School Services Block	-5,156	-5,156	0	5,156	5,156	0	0	0	0
<b>Total</b>	<b>-485,631</b>	<b>-471,454</b>	<b>14,177</b>	<b>485,631</b>	<b>474,429</b>	<b>-11,202</b>	<b>0</b>	<b>2,975</b>	<b>2,975</b>

DSG Reserves

Reserve Type	Balance b/fwd	Net contribution to(-)/from (+) balances	Budgeted Deficit (+) / Surplus (-) c/fwd	Projected in year under(-)/over(+) spend	Planned use of reserves	Projected Deficit (+) / Surplus (-) c/fwd
General	3,134	1,681	4,815	2,975	681	6,790
De-delegated	-1,132	0	-1,132	0	1,000	-132
<b>Total</b>	<b>2,002</b>	<b>1,681</b>	<b>3,683</b>	<b>2,975</b>	<b>1,681</b>	<b>6,658</b>

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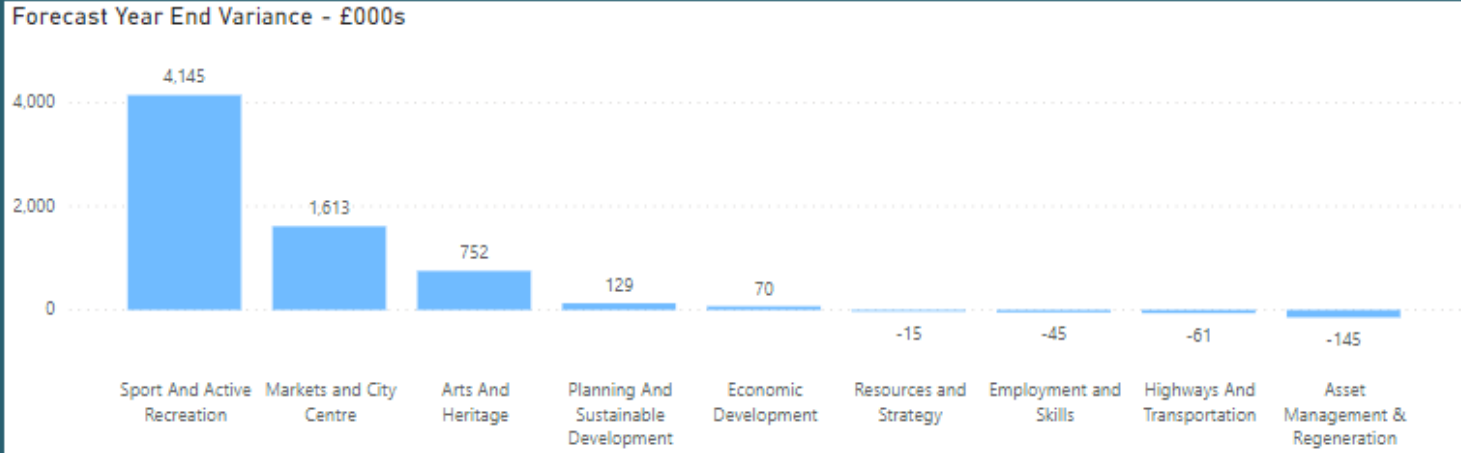
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**Budget Variation £000s**

# 6,444

**Forecast Year End Variance - £000s**



Department	Variance (£000s)
Sport And Active Recreation	4,145
Markets and City Centre	1,613
Arts And Heritage	752
Planning And Sustainable Development	129
Economic Development	70
Resources and Strategy	-15
Employment and Skills	-45
Highways And Transportation	-61
Asset Management & Regeneration	-145

Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	63,219	62,351	-867
Premises	27,104	26,923	-181
Supplies and Services	44,601	43,883	-717
Transport	6,003	5,989	-14
Internal Charges	9,961	10,008	47
Third Party Payments	166	166	0
Transfer Payments		0	0
Transfer to/from Reserves	-1,130	-1,452	-323
Internal Income	-41,054	-40,627	427
External Income	-77,849	-69,778	8,071
<b>Total</b>	<b>31,019</b>	<b>37,463</b>	<b>6,444</b>

Directorate	Change in Variance £000s
City Development	700
<b>Total</b>	<b>700</b>

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Budget Variation £000s

# 9,578

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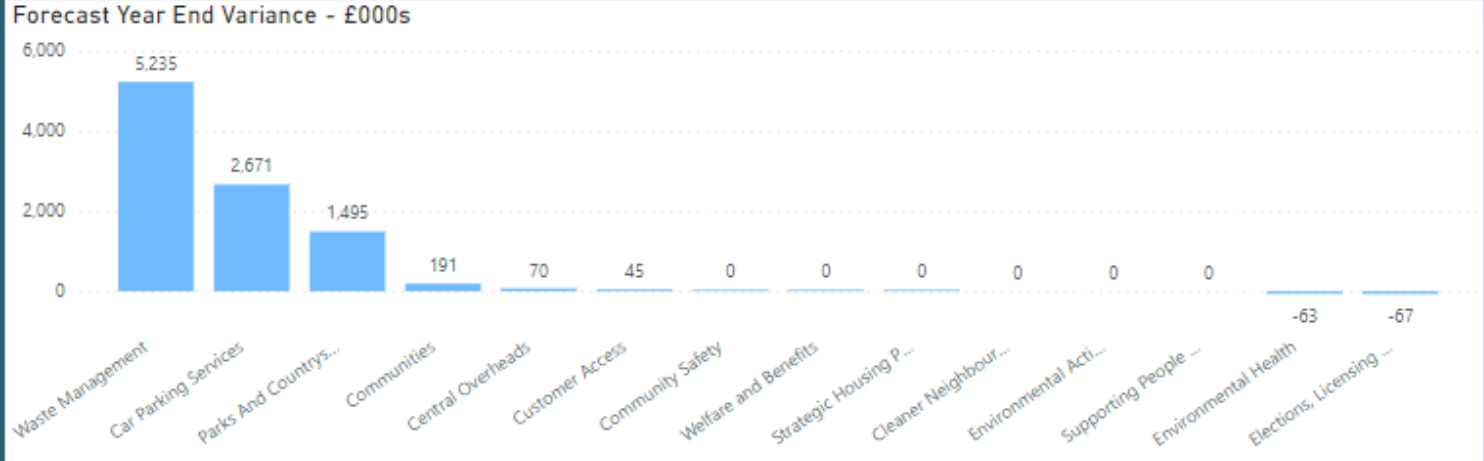
Costcentre RAG Rating

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### Forecast Year End Variance - £000s



Expenditure Type	Variance (£000s)
Waste Management	5,235
Car Parking Services	2,671
Parks And Countrys...	1,495
Communities	191
Central Overheads	70
Customer Access	45
Community Safety	0
Welfare and Benefits	0
Strategic Housing P...	0
Cleaner Neighbour...	0
Environmental Acti...	0
Supporting People ...	0
Environmental Health	-63
Elections, Licensing ...	-67

Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	91,463	92,558	1,095
Premises	10,331	10,171	-160
Supplies and Services	42,969	45,206	2,238
Transport	9,729	10,758	1,029
Internal Charges	10,589	10,484	-105
Third Party Payments	17,198	17,198	0
Transfer Payments	175,107	175,107	0
Capital		0	0
Transfer to/from Reserves	-1,272	-1,412	-140
Internal Income	-37,569	-35,985	1,584
External Income	-243,120	-239,082	4,038
<b>Total</b>	<b>75,425</b>	<b>85,003</b>	<b>9,578</b>

Directorate	Change in Variance £000s
Communities, Housing and Environment	-327
<b>Total</b>	<b>-327</b>

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## Financial Dashboard 2021/22 Financial Year

Leeds CITY COUNCIL		Surplus (-) / Deficit (+) £000s			
<b>0</b>		Overspend (+) Underspend (-)			
HRA Income		Budget (LE) £000s	Projection £000s	Variance £000s	Change in Variance £000s
▲					
Dwelling Rents	-209,900	-209,224	676	-69	
Non Dwelling Rents	-3,258	-3,217	42	-2	
Service Charges	-9,021	-8,895	125	0	
Internal Income	-9,650	-9,256	394	99	
Grants	-21,385	-21,385	0	0	
External Income	-2,033	-2,228	-195	0	
<b>Total</b>	<b>-255,248</b>	<b>-254,205</b>	<b>1,042</b>	<b>28</b>	
HRA Expenditure		Budget (LE) £000s	Projection £000s	Variance £000s	Change in Variance £000s
▲					
Discretionary Housing Payments (DHP)	500	500	0	0	
Council Tax on Voids	793	793	0	0	
Disrepair Provision	1,400	2,400	1,000	0	
Repairs to Dwellings	44,853	44,853	0	0	
Employees	30,222	29,552	-670	-71	
Premises	8,255	8,256	0	0	
Supplies and Services	3,688	3,688	0	0	
PFI Unitary Charge	10,449	10,449	0	0	
Transport	298	298	0	0	
Internal Services	43,992	43,992	0	0	
Housing Advisory Panels, BITMO & Other Organisations	3,771	3,771	0	0	
Provision for Doubtful Debts	1,136	1,136	0	0	
Capital Charges	44,588	44,588	0	0	
Contribution to Capital Programme	60,971	60,756	-215	42	
<b>Total</b>	<b>254,918</b>	<b>255,033</b>	<b>115</b>	<b>-29</b>	
Surplus (-) / Deficit (+)		Budget (LE) £000s	Projection £000s	Variance £000s	Change in Variance £000s
▼					
Net Position	-330	827	1,157	-1	
Appropriation: Sinking Funds	188	188	0	0	
Appropriation: Reserves	141	-1,016	-1,157	0	
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>	

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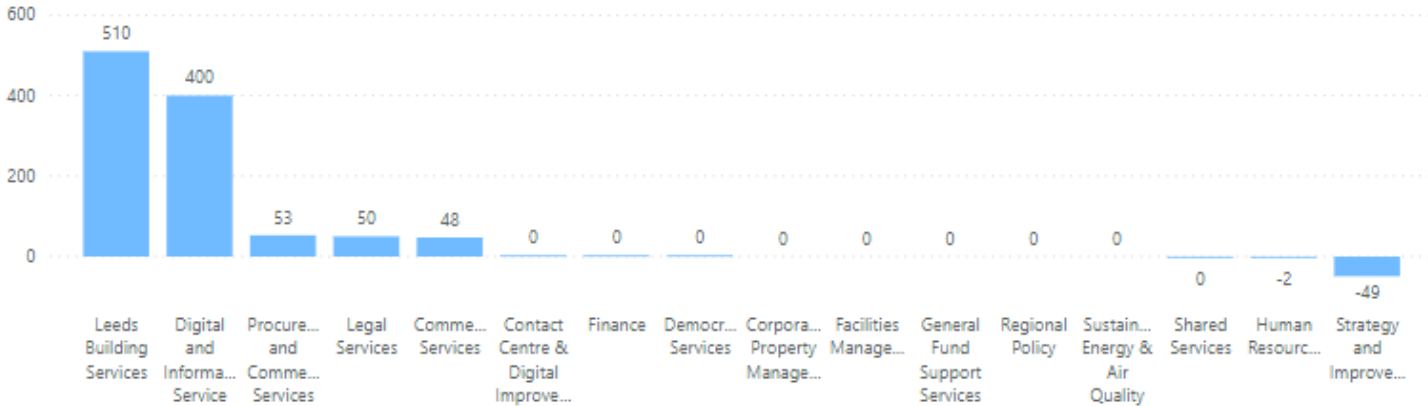
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Budget Variation £000s

# 1,010

### Forecast Year End Variance - £000s



Department	Variance (£000s)
Leeds Building Services	510
Digital and Informa... Service	400
Procure... and Comme... Services	53
Legal Services	50
Comme... Services	48
Contact Centre & Digital Improve...	0
Finance	0
Democr... Services	0
Corpora... Property Manage...	0
Facilities Manage...	0
General Fund Support Services	0
Regional Policy	0
Sustain... Energy & Air Quality	0
Shared Services	0
Human Resourc...	-2
Strategy and Improve...	-49

Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	152,789	153,253	464
Premises	16,363	16,358	-5
Supplies and Services	56,929	56,541	-388
Transport	20,510	20,498	-12
Internal Charges	4,672	4,461	-211
Third Party Payments	28	28	0
Transfer Payments	40	40	0
Transfer to/from Reserves	-1,100	-1,179	-79
Internal Income	-154,447	-153,027	1,420
External Income	-18,283	-18,462	-179
<b>Total</b>	<b>77,502</b>	<b>78,512</b>	<b>1,010</b>

Directorate	Change in Variance £000s
Resources	-1,305
<b>Total</b>	<b>-1,305</b>

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Budget Variation £000s

# -23,921

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Officer Selection

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Division, Costcentre & ...

All

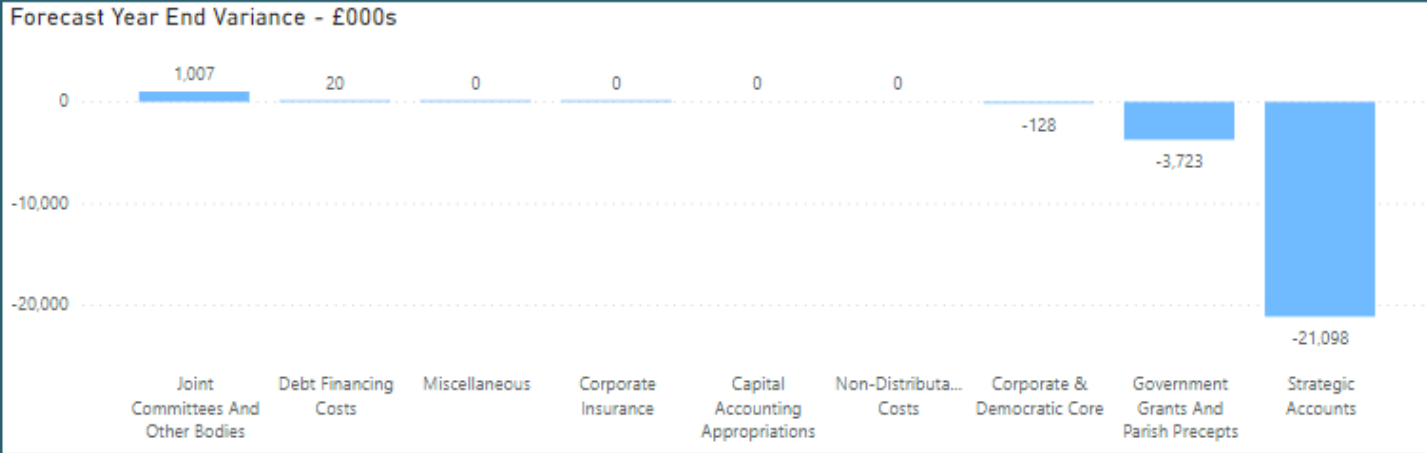
Costcentre RAG Rating

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Managed In/Outside Se...

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Forecast Year End Variance - £000s



Category	Variance (£000s)
Joint Committees And Other Bodies	1,007
Debt Financing Costs	20
Miscellaneous	0
Corporate Insurance	0
Capital Accounting Appropriations	0
Non-Distributa... Costs	0
Corporate & Democratic Core	-128
Government Grants And Parish Precepts	-3,723
Strategic Accounts	-21,098

Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	4,807	4,807	0
Supplies and Services	4,206	-2,209	-6,415
Internal Charges	4,041	3,920	-121
Third Party Payments	35,765	36,772	1,007
Transfer Payments	803	803	0
Capital	45,015	46,152	1,137
Transfer to/from Reserves	-43,418	-57,041	-13,623
Internal Income	-40,654	-43,063	-2,409
External Income	-71,488	-74,985	-3,498
<b>Total</b>	<b>-60,922</b>	<b>-84,843</b>	<b>-23,921</b>

Directorate	Change in Variance £000s
Strategic and Central Accounts	895
<b>Total</b>	<b>895</b>

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For Reporting