

## Revenue Budget 2022/23 – Conservative Amendments

Date: 23<sup>rd</sup> February 2022

Report of: Chief Officer Financial Services

Report to: Council

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 Local Government Act (Part II) 2003 places a requirement on the Council that when making decisions on the setting of the Council's budget and the council tax, they must consider a report from the Council's statutory finance officer (the Chief Officer - Financial Services) on the robustness of the budget and the adequacy of reserves within the proposals.
- This report provides Members of Council with comments on the robustness of the proposals contained in the amendments to the budget motion in the name of Councillor Alan Lamb.
- The Council's strategic ambitions 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 then provides the framework for the determination of Council's annual revenue budget for which the proposals for 2022/23 are contained in the '2022/23 Revenue Budget and Council Tax' report. This report informs Members of any potential impact of proposed amendments on the robustness of the budget and the adequacy of reserves within the 2022/23 budget proposals.

### Recommendations

- a) It is recommended that Council note that whilst the proposals in these amendments will collectively increase the risks associated with the delivery of the Council's budget, the amendments to the budget motion in the name of Councillor Alan Lamb will not materially impact on the overall robustness of the Council's budget for 2022/23 or the adequacy of its general fund reserves as at 31st March 2023.

### Why is the proposal being put forward?

1. The Local Government Act (Part II) 2003 places a requirement on the Council that when making decisions on the setting of the Council's budget and the council tax, they must consider a report from the Council's statutory finance officer (the Chief Officer Financial Services) on the robustness of the budget and the adequacy of reserves within the proposals. The report of the

Chief Officer – Financial Services at item 7(i) on the council summons includes at section 11 comments to this effect in respect of the proposed budget motion.

2. Given this requirement, in considering any proposed amendment to the budget motion, members must also consider the comments of the Chief Officer – Financial Services on the robustness of the proposals. These comments supplement those contained in the main report.

### **Proposed amendments**

3. Councillor Alan Lamb's amendments to the budget motion set out his proposals showing areas of additional spend and the sources of funding which are largely self-explanatory. In considering these amendments, the Chief Officer Financial Services would wish members of Council to be aware of the following:
  - (a) Amendment 1 proposes a reduction in the Council's contribution to Leeds 2023. Whilst the payment can be varied this should be done in accordance with the terms of the Council's grant agreement with Leeds 2023 which requires the Council "acting reasonably" to give three months written notice to terminate the Agreement or and/or any Grant payment. In addition, since this amendment proposes a contribution to West Yorkshire Police to re-introduce 37 additional PCSOs in Leeds, sufficient for at least 1 additional PCSO for every ward in the city, further savings proposals will be required to be identified in future financial years to fund this recurring expenditure.
  - (b) Amendments 2, 3 and 10 assume the flexible use of capital receipts to fund transformational expenditure. The Council's Medium Term Financial Strategy will assume the use of capital receipts in future years and the use of any currently identified capital receipts will be required to meet identified commitments. Therefore, any increase in the use of capital receipts will require the identification of either additional capital receipts or savings in future years.
  - (c) Any planned expenditure incurred utilising capital receipt flexibilities needs to be consistent with the Government's statutory guidance with regard to qualifying expenditure and if it is to be funding recurring expenditure, then further savings proposals will be required to be identified in future financial years.
  - (d) Amendments 4, 7, 9, 11, 14, 16, 18 all assume a reduction in Council expenditure with regard to payments to external providers of goods and services. Given that further work is required to determine the incidence of where these savings would be realised, and also take account of any implications targeted procurement savings may have upon service delivery, the risk of non-delivery of these savings should be managed by not committing to the additional spend and contribution to the general reserve until the additional savings have been realised or clearly identified.
  - (e) Amendment 5 assumes a reduction in expenditure on fly tipping which will be used to fund the cessation of charges for inert waste. Since it cannot be certain how much expenditure on fly tipping will be reduced by a cessation in the charges for bulky waste the amendment should not be implemented until the proposed saving is being realised.
  - (f) Amendment 8 assumes a reduction in the budgeted contribution to the Strategic Contingency reserve. Since the current Medium Term Financial Strategy assumes that contributions to the Strategic Contingency reserve fall out in 2023/24, and the reduction in the contribution is being used to reverse planned increases in home care charges, future budgets will require the identification of further saving proposals to fund the income shortfall resulting from the amendment. The Strategic Contingency reserve is to provide the Council with resources for unforeseen circumstances and therefore a

reduction in the budgeted contribution leaves the Council exposed during 2022/23 and future years.

- (g) Amendments 12, 13, 15 assume reduction in agency expenditure. Since it is unclear how this savings will be realised, and what implications this may have for service delivery, expenditure funded from this source should not be incurred until the proposed level of savings on agency staff is being realised.
- (h) Amendment 17 proposes a reduction in the funding of full-time Trade Union Convenors. This forms part of employees' terms and conditions of employment that can only be achieved either through collective agreement with the trade unions or through the dismissal and re-engagement of staff on new contracts of employment. The amendment assumes that the reduction can be introduced during the financial year. Any slippage in respect of this assumption will require the identification of further savings proposals to fund the planned contribution to the general reserve.
- (i) Amendment 18 assumes increased income from pre-application planning fees. Expenditure funded from this source should not be incurred until the proposed level of savings on agency staff is being realised.
- (j) Amendment 19 proposes an injection into the Capital Programme of £2.765m to replace funding cut from the Local Centres Programme. This injection will be funded from the realisation of additional capital receipts. Since this amendment assumes that a higher level of capital receipts will be receivable from specific assets sales, additional spend should not be incurred until the receipt has been secured.
- (k) Amendment 20 proposes an injection of £5.9m into the Capital Programme to be funded through commuted sums to invest in a rent to buy housing company model. Before the amendment is implemented, a check would be required to ensure that the proposed rent to buy model is consistent with the definitions contained within the commuted sum agreement. In addition, detailed governance arrangements underpinning the rent to buy housing company model would need to be in place before implementation.
- (l) Both Amendments 21 and 22 propose to use Section 106 agreement resources for one off planned expenditure. Any planned expenditure using this resource could not be incurred until the Council is satisfied that the spend is consistent with the terms of the relevant Section S106 agreement.
- (m) Amendments 23 and 24 seek injections into the Capital Programme funded through capital receipts. The Council's Medium Term Financial Strategy will assume the use of capital receipts in future years and the use of any currently identified capital receipts will be required to meet identified commitments. Therefore, any increase in the use of capital receipts will require the identification of either additional capital receipts or savings in future years.
- (n) Amendment 25 seeks to remove an increase in rent, service charges, sheltered support charges and communal facilities charges to self-payers tenants in Sheltered Housing through a contribution from the Housing general reserve. Since a reserve, which is one off funding, is being applied to resource revenue expenditure, future years' budgets will require the identification of further saving proposals to fund the ongoing impact of removal of the increase in these charges.
- (o) The amendments include savings and spending proposals which are interdependent, and which create additional risks to the budget. Where possible this risk should be

managed by not committing to the additional spend until the additional savings have been realised or clearly identified.

4. Should these budget amendments be approved, they will be subject to the council's procedures for further consultation and will need to be informed by equality impact assessments as appropriate.
5. These budget amendments propose a £4.305m contribution to the council's general reserve. In respect of the Housing Revenue Account general reserve the overall level of reserve available will be £7.4m which is considered to be adequate to meet the identified risks.

### **Overall conclusion**

6. In conclusion, whilst the proposals in the amendments will collectively increase the risks associated with the delivery of the Council's budget, and these risks are set out in section 15 of the 2022/23 Revenue Budget and Council Tax report, the amendments to the budget motion in the name of Councillor Alan Lamb will not materially impact on the overall robustness of the Council's budget for 2022/23 or the adequacy of its general fund reserves as at 31<sup>st</sup> March 2023.

### **What impact will this proposal have?**

#### **Wards affected:**

Have ward members been consulted?

Yes

No

7. Not applicable.

### **What consultation and engagement has taken place?**

8. The 2022/23 Budget proposals themselves were developed through consultation with a range of stakeholders, notably with the Executive Board, all Scrutiny Boards, the council's Corporate Leadership Team and other senior officers. They have also been subject to public consultation, the results of which are included in full at Appendix 2 of the 2022/23 Revenue Budget and Council Tax report on today's agenda. This report comments on the proposed amendments to the 2022/23 Budget proposals and has not been the subject of separate consultation.

### **What are the resource implications?**

9. All resource implications are included in the 2022/23 Revenue Budget and Council Tax report on today's agenda. This report comments on the proposed amendments to the 2022/23 Budget proposals which do not impact on the overall proposed Budget position.

### **What are the legal implications?**

10. In accordance with the Council's Budget and Policy Framework, decisions as to the Council's budget are reserved to Full Council. In accordance with the Local Government Act (Part II) 2003, which places a requirement on the Council to consider a report from the Council's statutory finance officer (the Chief Officer Financial Services) on the robustness of the budget and the adequacy of reserves within the proposals, this robustness report is considered an integral part of the budget process. As such, the recommendations are not subject to call in, as the budget is a matter that will be determined by Full Council.

11. If required, proposals will also be subject to separate consultation and decision-making processes, which will operate within their own defined timetables and be managed by individual directorates.

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

12. The key risks associated with the 2022/23 Budget are discussed in the 2022/23 Revenue Budget and Council Tax report on today's agenda. Whilst the amendments in the name of Councillor Alan Lamb will collectively increase the risks associated with the delivery of the Council's budget, they will not materially impact on the overall robustness of the Council's budget for 2022/23 or the adequacy of its general fund reserves as at 31st March 2023.

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

Inclusive Growth       Health and Wellbeing       Climate Emergency

13. Not applicable.

**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. Not applicable.

**Background papers**

18. None.