

LEEDS CITY COUNCIL

2022/23 BUDGET REPORT

Directorate: Communities, Housing and Environment

1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2022/23 financial year.
- 1.2 The 2022/23 Revenue Budget provides £2,570k within the Council's Strategic Budget for the ongoing impact of COVID-19 pandemic. As such and with the exception of Waste Management services no directorate COVID impacts are detailed below.

2 Service Context

- 2.1 The Directorate delivers a diverse range of functions which combine to form some of the key foundations of stronger and safer communities; well managed green spaces for recreation; effective and sustainable waste management services; cleaner neighbourhoods; quality face to face customer contact and library service; support for those most vulnerable; and efficient and effective licensing, elections and regulatory services, all of which combine to help make the city a desirable place to live, work and visit. At a time when significant savings have had to be identified, priority has been given to ensure that these services are maintained.
- 2.2 The Directorate serves some of the most vulnerable people in the city by providing a range of front-line services for local people whilst taking the lead on actions to reduce poverty and inequality across the city. Community Committees have improved the quality of the dialogue with local communities by focusing on what is important to local people and the Council is taking forward changes aimed at providing more integrated, responsive and accessible services.
- 2.3 The Directorate also has responsibility for all Housing Services. As well as providing advice to the many thousands in housing need, the Directorate will support many others to sustain their tenancies. It will intervene in the private sector to tackle some of the worst housing conditions in the city and will be actively engaged in leading on the delivery of projects to help tackle homelessness. The Directorate will also be responsible for the provision of council housing across the city which is dealt with separately within the HRA budget report.
- 2.4 The Directorate contributes to the delivery of the Best City Priorities as described in the Best Council Plan 2020 – 2025 and the key priorities which this budget is designed to support are as follows:
- Cleaner neighbourhoods
 - Providing a reliable waste collection and disposal service
 - Maximising the amount that can be re-used and recycled from the waste collected whilst at the same time actively undertaking and promoting energy recovery
 - Green spaces which people can enjoy
 - Reducing crime and anti-social behaviour
 - Tackling poverty and reducing inequalities
 - Tackling homelessness
 - Supporting communities and raising aspirations

- Helping people adjust to welfare changes
- Implementing innovative approaches to delivering services for end users

2.5 Against a background of savings that have been incorporated into budgets over a number of years as well as the requirement to identify a significant amount of further savings for 2022/23, the Directorate's 2022/23 budget submission will nevertheless seek to protect services which support these priorities as far as possible.

3 **Budget Proposals**

3.1 This 2022/23 budget has been set at £85,050k representing a net increase of £10,014k (13.3%) when compared to the adjusted budget for 2021/22. This net increase comprises a number of changes in resources totalling £3,243k and pressures totalling £14,536k offset by savings of £1,281k which are explained below.

3.2 **Budget Adjustments and Transfers**

3.2.1 There have been a number of organisational changes, service transfers and other budget adjustments which are reflected in the 2022/23 budget. These include:

- Council wide review of the property function which will in the main centralise property budgets in Resources and City Development. The main impact in this Directorate is that the budgets relating to the Community Centres will become part of the Council's Facilities Management service in Resources (£523k).
- Transfer of £94k to the Directorate to correctly reflect the budget transfers in 2021/22 relating to the transfer of the Council tax and Contact Centre functions to Resources.
- Other budget adjustments total £41k and mainly reflect small adjustments to budgets to remove the need to recharge.

3.2.2 The overall net impact of these adjustments is to reduce the Directorate's restated 2021/22 budget by £388k, giving an adjusted 2021/22 budget of £75,559k.

3.3 **Changes in Specific Grant Funding – increase of £3,595k**

3.3.1 The Housing Benefit Administration Subsidy grant and other related grants are expected to reduce by £200k. The Localised Council Tax Support Administration Subsidy grant allocation is still awaited but it has been assumed that there will be no reduction for 2022/23.

3.3.2 The allocation in respect of the Discretionary Housing Payments grant is still awaited but as expenditure incurred under the scheme is adjusted to match the grant, there will be no impact on the bottom-line budget. The budget assumes a continuation of the contribution from Housing Leeds of £500k in addition to the Government grant award.

3.3.3 The Homelessness Prevention Fund has been announced and the core element of the grant remains fixed at £2,344k. However, an additional sum of £84k has been provided as New Burdens responsibilities specifically relating to Domestic Violence.

3.3.4 There has been no announcement as yet to the level of the Rough Sleepers Initiative grant. The base budget is £732k, however in 2021/22 a sum of £1,500k, was awarded. This budget assumes £1,109k will be received, an increase of £377k on the base, but a reduction in cash terms of £391k compared to 2021/22 actuals. As expenditure is adjusted to match the grant award, there is no overall impact on the Council's budget. The budget will be amended in year to reflect the actual award.

3.3.5 The Healthy Holidays grant has been announced at £3,491k but as expenditure incurred under the scheme is matched to the grant, there will be no impact on the net budget. Although this is not new funding, the timing of the announcement, earlier than usual, allows for this grant and spend to be specifically included in the 2022/23 budget.

3.3.6 The 2021/22 base budget is supported by £157k of Community Led Local Development Grant (CLLD). This grant will fall out in 2022/23.

3.4 **Changes in Use of Reserves, Balances and Other Resources – Reduction of £237k**

3.4.1 The Directorate's 2021/22 budget is supported the balance of the Individual Electoral Reform Grant. This will not be available in 2022/23 creating a pressure of £330k.

3.4.2 During 2020/21, a bid of £200k from the then MHCLG's Asylum Migration Integration Fund was successful. This was a two-calendar year programme and £90k of the grant funding supports the current budget. The 2022/23 budget assumes the use of the remaining balance of £68k, which creates a £22k pressure budget to budget.

3.4.3 In accordance with the Government's guidance on the flexible use of capital receipts which allows for expenditure on projects designed to generate ongoing revenue savings or expenditure associated with transforming service delivery to be funded from capital receipts, the budget provides for £115k of funding relating to the Chief Officer Transformation post. Full details of all transformational spend is shown in Appendix 9.

3.5 **Changes in prices – Pressure of £4,606k**

3.5.1 Spending Review 2020 indicated a public sector pay freeze in 2021/22. However, it is now assumed a pay award will be required and negotiations are ongoing. As such the budget provides £3,615k for two elements of pay: the Employers final offer for 2021/22 not provided for in the 2021/22 base budget and an assumed 2022/23 pay award incorporating the recently announced Real Living Wage of £9.90 as scale points 1 and 2 and a 2% pay award for all other staff. The provision reflects the Council's continuing commitment to be a Real Living Wage employer. Consequently, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.90 per hour which is 40 pence above the National Living Wage rate. Apprentices and new starters on the A1 spinal point will be also be paid £9.90 per hour.

3.5.2 No provision has been made for inflation on running cost budgets other than demand-based budgets and where there are specific contractual commitments. A 5% increase has also been provided for inflation on utilities budgets, providing £89k. The current assessment of projected energy prices indicates there may be an additional pressure in 2022/23, in response to which a reserve has been created within the Council's Strategic Budget and will be applied as required. The overall provision for price inflation within the Directorate is £1,414k which includes £858k in respect of waste disposal contracts, £49k for business rates charges, £118k for transport costs including fuel, £228k for parks materials, resaleables and grounds maintenance costs. Other inflation totals £41k

3.5.3 Inflationary increases in the level of fees and charges and income are estimated to generate additional income of £423k. Of this, £198k relates to sales within Parks and Countryside including food/drink at cafes and retail sales and £225k in respect of charges to the HRA, mainly in environmental services and grounds maintenance.

3.6 **Actuarial Review**

3.6.1 The 2022/23 budget does not provide for an increased contribution to the West Yorkshire Pension fund. Whilst this reflects the most recent Actuarial Review, which showed the West Yorkshire Pension Fund to be in a surplus position, the Council will continue to monitor this position.

3.7 **Capitalised Pension Costs – saving of £131k**

3.7.1 The Council continues to provide an Early Leavers Initiative (ELI) to reduce the wage bill as a mechanism to contribute towards the budget gap. The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £131k.

3.8 **Demand and Demography – pressure of £202k**

3.8.1 Anticipated household growth in the city will impact on the volume of waste generated. Additional budget provision of £202k has been made for the increased disposal costs of this waste at the Recycling and Energy Recovery Facility.

3.9 **COVID Pressures - £2,912k**

3.9.1 Within Waste Management the ongoing impacts of COVID are reflected in the increased volume of residual waste being collected from residents across the City. The budget provides a forecast additional 10% of black bin waste being collected when compared to the 21/22 budgeted volumes. The cost of collecting this waste and then disposing of this waste at the RERF is estimated at £2,912k.

3.9.2 The Strategic budget provides for a further £2,570k of pressures relating to the ongoing impact of the COVID-19 pandemic. Whilst Government provided additional funding to meet COVID pressures in 2021/22 further funding has not been made available for 2022/23. Resources have instead been identified by the Council, as referenced in paragraph 1.2 and will be applied to these estimated pressures as they arise, with any balance of funding retained in reserve.

3.10 **Other budget pressures – £6,947k**

3.10.1 The Waste Management budget will be increased by £425k. £213k is being used to create a project team to support work on the development of the Waste Strategy following the Government's National Waste Strategy and the announcement that funding for Food Waste collections in every Authority will be made available by 2025. The balance of £212k is set aside for pilot recycling schemes to inform the future strategy.

3.10.2 The budget reflects the proposal that the Council removes the current charges for collections of bulky waste from residents. In anticipation of additional demand, an additional crew will also be added to the Cleaner Neighbourhoods Team. The total cost, including the

loss of budgeted income, is £308k.

- 3.10.3 The Council has responsibility to maintain horticultural features across the city including within the highway network and a number of transport infrastructure improvements, including road corridors, park and ride schemes and City Park; collectively an additional £247k of revenue funding is provided for in 2022/23.
- 3.10.4 A further £30k is provided for maintenance of the COVID19 memorial woodland.
- 3.10.5 The continuing migration to Universal Credit has meant that there has been an overall reduction in Housing Benefit (HB) expenditure and subsidy in recent years as well as a decline in the amount of HB overpayment income which the Council can recover. The net impact on the budget of these reductions is estimated to be a further £1,600k in 2022/23. This includes £1m income reduction relating to benefit receivable for supported accommodation which does not attract 100% benefit subsidy and becomes a cost to the Council.
- 3.10.6 Net Income receivable from the Combined Authority in relation to the WY Mayoral election in 2021/22 of £500k was one off and therefore the 2022/23 budget reflects this loss in income.
- 3.10.7 As referenced in paragraphs 3.3.3 to 3.3.6, there will be additional funded spend on the following: Health Holidays £3,491k; New Burdens Domestic Violence responsibilities £84k; Rough Sleepers spending £377k, with reduction in spend on Community Led Local Development of £157k.
- 3.10.8 There are additional insurance costs of £140k which reflects changes in the number and value of insurance claims.
- 3.10.9 There are other minor reduction across the Directorate totalling a net reduction of £96k across the Directorate.

3.11 **Savings**

3.12 **Business As Usual – £1,166k**

- 3.12.1 The full year effect of savings agreed in the 2021/22 Parks and Countryside budget relating to intruder monitoring and the Temple Newsam cycle way is £69k
- 3.12.2 Staffing savings of £81k are included in the budget from the following:
- £50k is the additional saving (above the 21/22 savings assumption) from the Benefits restructure
 - £31k from changes to the way the Parks service will support In Bloom activities going forward.
- 3.12.3 Within the Parks and Countryside service,
- Bereavement fees will be increased by 3% which is estimated to increase income by £210k in 2022/23

- Additional income of £78k from the Arium and Temple Newsam attractions is forecast.

3.12.4 An estimated additional £200k of income is assumed from the new Bus Lane Enforcement cameras in the City Centre.

3.12.5 Line by line savings in Electoral, Licensing and Registrars services of £128k and Leeds Benefits Service will deliver more work in house and reduce off site processing costs to save £100k.

3.12.6 A short term saving of £300k relates to a switch in funding of the Local Welfare Support Scheme (LWSS) from an earmarked reserve instead of the base budget. This will be reversed in 2024/25 to reinstate the base budget. There is no reduction in the spend on Local Welfare Support.

4 Migration Yorkshire Grants

4.1 Migration Yorkshire manages and administers a significant number of grants on behalf of the wider Yorkshire and Humber region. Total grant income in 2022/23 is budgeted at £17.9m, an increase of £8.4m from the 2021/22 base budget and approximately £2.7m higher than the latest budget estimate for 2021/22. The main reason for the increase relates to the funding of the Afghan Resettlement Scheme at £6.6m for the Yorkshire and Humber region in 2022/23. As spend on all Migration Yorkshire grants is matched to the grant income, there are no bottom line effects on the Directorate budget.

5 Risk Assessment

5.1 In determining the 2022/23 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared.

5.2 The key risks in the 2022/23 budget for the Directorate are:

- The level of budgeted car parking income receivable from on-street and off-street parking is not realised.
- Assumptions in respect of income receivable from Bus Lane and Car Parking Enforcement are impacted upon by a reduction in the number of offences.
- Assumptions in respect of waste volumes and the level of recycling across the city are not realised, impacting on disposal costs and levels of income achieved.
- The level of demand is less than anticipated for income generating activities within Parks and Countryside.
- The level of assumed specific grant funding within the Welfare and Benefits service is still subject to confirmation of the final allocations by the Government.
- The budgeted level of income in respect of the recovery of Housing Benefit overpayments and subsidy income is not achieved and the continuing roll out of Universal Credit has a greater impact than anticipated.

- The levels of those seeking homelessness support are beyond the numbers assumed to be funded by the Homelessness Prevention grant.
- Staff turnover and the number of vacant posts across the Directorate are less than assumed in the budget, potentially impacting on the Directorate's staffing budget.

Briefing note prepared by: Kevin Mulvaney (Head of Finance)
Telephone: x3789390

Directorate - Communities, Housing and Environment

	2022/23 £m	FTEs
Net managed budget 2021/22	75.42	
Adjustments		
Transfers of function	(0.43)	
Other adjustments	0.04	
Adjusted net managed budget	75.04	
Grant Fallout		
Housing Benefit Admin grants	0.20	
Community Led Local Devt Grant	0.16	
Grant Increases		
Healthy Holidays Grant	(3.49)	
Rough Sleepers Grant	(0.38)	
Homelessness Prevention Grant - New Burdens Domestic Violence	(0.08)	
Changes in the use of Reserves & Balances		
Asylum, Migration & Integration Fund Grant Reserve	0.02	
Individual Electoral Reform Grant Reserve	0.33	
Use of Flexible Capital receipts to fund CO Transformation post	(0.12)	
Total Change in Resources	(3.36)	0.00
Budget Pressures:		
Inflation		
Pay	3.62	
Price	1.41	
Income	(0.42)	
Capitalised Pensions	(0.13)	
Demographic and demand pressures		
Impact of household growth on Residual Waste	0.20	
Impact of COVID on Residual Waste volume & number of collection crews	2.91	27.00
Other		
Healthy Holidays Grant Spend	3.49	
Rough Sleepers Grant Spend	0.38	
Homelessness Prevention Grant - New Burdens Domestic Violence Spend	0.08	
Community Led Local Devt Grant - staff savings	(0.16)	
Bulky Waste - removal of charges and additional crew	0.31	2.00
Waste Strategy Development, Route Review and Pilot projects	0.43	4.00
Additional Parks maintenance costs from Infrastructure developments	0.28	4.00
Insurance costs	0.14	
Elections - Fall Out of One off income from Mayoral Election in 2021	0.50	
Housing Benefits Overpayment Income / Net Subsidy	1.60	
Other Minor adjustments	(0.10)	(0.56)
Total Pressures	14.54	36.44
Savings Proposals:		
Business As Usual		
Directorate Wide Staffing savings	(0.08)	(1.00)
Directorate wide line by line review of budgets	(0.13)	
Benefits - LWSS - Use of c/f reserve from 2021/22	(0.30)	
Benefits - Reductions in external spend on off site processing	(0.10)	
Parks - Increase bereavement charges by 3%	(0.21)	
Parks - Additional attractions income	(0.08)	5.00
Parks - FYE of 2021/22 savings ; Temple Newsam cycleway & intruder monitoring	(0.07)	3.00
Car Parking - estimated impact of new BLE cameras	(0.20)	
Total Savings	(1.17)	7.00
Net Managed Budget 2022/23	85.05	43.44

LEEDS CITY COUNCIL

2022/23 BUDGET REPORT

Directorate: Communities, Housing and Environment

Housing Revenue Account

1. Introduction

- 1.1 The purpose of this report is to inform members of the main variations and factors influencing the 2022/23 Housing Revenue Account (HRA) budget.
- 1.2 The 2022/23 budget has been prepared at outturn prices. This means that allowances for inflation have been included in the budget submission.
- 1.3 The appendix below sets out a summary of the HRA budget for 2022/23.

2. HRA Budget Strategy

- 2.1 An increase in accordance with the Government's rent formula of CPI (3.1% as at September 2021) +1% is proposed. This overall 4.1% rise equates to approximately £6.6m in additional rental income, when taking into account stock reductions for Right to Buy sales (RTB).
- 2.2 The Council remains committed to sustaining the amount provided to maintain homes and to replacing homes lost through RTB by the planned investment in new homes, buying of empty homes and exercising the Right of First Refusal which the Council has to buy back former local authority homes sold under RtB legislation.
- 2.3 Although income is forecast to increase with rent increases in line with the formula, there are inflationary pressures and significant variations as outlined in the key movement areas outlined below. Legislation requires that the HRA balances. In order to do this all budget headings have been examined to achieve efficiencies and improved targeting of resources together with the use of reserves, RTB receipts and borrowing to fund the HRA capital programme.
- 2.4 The strategy also assumes a continued commitment to maintaining investment in the housing stock through a capital programme primarily funded from tenants rent.

3. Key Issues - 2022/23

3.1 Rent Policy

In October 2017 the government announced a return to allowing a rent rise of up to the Consumer Price Index (CPI) plus 1% for five years from April 2020. It is therefore proposed that rents are increased by 4.1% (CPI of 3.1% as of September 2021 +1%) in 2022/23 for the majority of dwellings. Further details are provided in Section 4.1.

3.2. Service Charges

Tenants in multi storey flats (MSFs) and in low/medium rise flats receive additional services such as cleaning of communal areas, staircase lighting and lifts and pay part of the cost of these services meaning other tenants are subsidising the additional services received. It is proposed that an increase of RPI of 4.9% (September 2021 rate) on both MSF and low/medium rise flats is implemented in 2022/23. Further details are set out in 4.3.

3.3 Charges for Sheltered Support

Currently tenants in sheltered accommodation receiving a support service are charged £15.14 per week for this service. This charge is eligible for Housing Benefit. In 2016/17 a nominal charge of £2 per week was introduced for those tenants who benefited from the service but did not pay. This was increased to £4 a week in 2017/18, £6 in 2018/19, £8 in 2019/20, £10 in 2020/21, £12 in 2021/22 and it is proposed to continue to increase this charge by a further £2 per week in 2022/23 to £14 per week. A review of the Sheltered Charge has been undertaken for 2022/23 to take into account pay award and other cost changes. The sheltered charge full cost is £15.62 per week and is eligible for Housing Benefit. At £14/week, for self-payers, the service is subsidised by £1.62/wk.

See 4.3.2.for further details.

3.4 Capital investment and Council House Growth Programme

The Council remains committed to prioritising resources to meet the capital investment strategy and to replace homes lost through RTB by the planned investment in new homes. The Council aims to maintain a consistent level of capital expenditure with a view to improving the condition of the housing stock. The total draft capital programme for the HRA has increased to around £91m in 2022/23 with planned 2023/24 funding brought forward to accelerate a priority scheme and look to attract additional funding. The 2022/23 programme includes around £8m grants for a scheme to fund energy efficiency and heat decarbonisation measures and a scheme to insulate back-to-back housing stock. In addition, the Council House Growth Programme provides funding of over £278m to 2025/26.

4. Key movements 2021/22 to 2022/23 - Income

4.1 Dwelling Rents

As detailed in 3.1, it is proposed to increase rents to all properties, in accordance with the government formula for rent increases, by 4.1% to generate around £6.6m in additional rental income.

Increasing average rents by 4.1% equates to an increase of £3.13 per week /£163 per year as shown in the table below, however, the impact of this on individual tenants will vary.

Average rent	2021/22	2022/23	Increase
£ per week	75.12	78.25	3.13
£ per year	3,906	4,069	163

The budget for 2022/23 assumes that 610 properties will be sold under RTB which is based upon the continuation of normal activity levels. The impact of this is a forecast reduction in rental income of around £2.5m in a full year.

A void level of 1% has been assumed which is an increase of 0.2% compared with 2021/22 due to the ongoing impact of COVID-19. The policy of re-letting properties at target rent (the rent which, under Government policy, should be charged for a property taking into account a number of factors such as the valuation of the property and the number of bedrooms) continues.

The budget also factors in additional income from new homes built or acquired during the year. The budget assumes 168 new homes through the Housing Growth programme, 44 brought back into the HRA from the Right of First Refusal policy and the purchase of a 11 new 'off the shelf' homes.

4.2 Other rents

It is proposed to apply a 4.9% rental income increase for garages in line with RPI. Any other increases will be in accordance with individual lease agreements.

4.3 Service Charges

Net income from service charges is budgeted to increase by £315k in 2022/23. The main movements are detailed below.

4.3.1 Service charges for MSFs, medium and low rise properties

As stated in 3.2, tenants in multi storey flats (MSFs) and in low/medium rise flats receive additional services such as cleaning of communal areas, staircase lighting and lifts and pay part of the cost of these services meaning other tenants are subsidising the additional services received. It is proposed that an increase of RPI of 4.9% on both MSF and Low/medium rise flats is implemented in 2022/23. This will generate an additional £139k compared to 2021/22.

4.3.2 Charges for Sheltered Support

Tenants living in sheltered housing schemes across Leeds are supported by Sheltered Support Officers who provide housing related support. This support includes; completing needs and risk assessments, developing and reviewing

support plans, making referrals to other agencies and carrying out regular visits to enable tenants to live independently in a safe environment.

The proposed charge for 2022/23 is £15.62 per week. This charge fully recovers the costs of the service and is eligible for Housing Benefit.

The proposed increase in charge for those covered by Housing Benefit, along with the decrease in the subsidy for self-payers, will generate an additional £160k compared to 2021/22.

4.3.4 Retirement Life

In 2021/22 a retirement life charge was introduced for the provision of additional services linked to communal areas e.g. heating, laundry facilities, furniture and carpets and for communal facilities where they are within a standalone community centre. Whilst a full charge covering communal areas equates to £8.26 and for standalone Community Centres is £3.50, for self-payers this charge has initially been subsidised and introduced over 3 years. In 2022/23 for self-payers this charge will be subsidised for the second year of three (£1.72 subsidy for communal areas and £1 subsidy for standalone community centres).

4.3.5 District Heating charges

Housing Leeds manages a number of district heating schemes, including the Leeds PIPES (Providing Innovative Pro-Environmental Solutions) scheme which provides heating generated by the Recycling and Energy Recovery Facility (RERF) to the Saxton Gardens, Ebor Gardens and Lincoln Green areas. In 2022/23 a 35p/wk increase in the standing charge is proposed for tenants who have transferred from other district heating schemes to Leeds PIPES as a final annual increase towards full cost recovery. An RPI increase of 4.9% is proposed for all other District Heating Schemes.

The total income expected from all district heating charges in 2022/23 is £580k of which £297k income is from the Leeds PIPES scheme.

4.3.6 Leaseholders Charges

The 2022/23 budget reflects contributions from leaseholders for service charges, leaseholder management fees and where their properties have benefited from capital investment. The 2022/23 budget assumes an income budget of £1,178k, although this will vary dependent upon the capital works undertaken.

4.3.7 Extra Care

The income from service charges for the authority's Wharfedale View facility in 2022/23 is budgeted at £133k to reflect RPI increases.

4.4 Impact on tenants of increased rents and charges

An analysis of the impact on tenants of the above charging proposals together with the increase in rents (see 4.1) has been undertaken. With a rental increase of CPI+1%, all tenants will pay more in 2022/23 than in 2021/22 as outlined in the table below.

% of Tenants	Numbers of Tenants	Average Increase £/per week
94.4	51,145	2.81-3.49
3.3	1,791	3.50-3.75
2.3	1,252	4.97-6.71

To limit the impact of multiple increases, it is proposed to cap the increase any individual tenant will be charged at £5/week for those not in receipt of benefits.

Where applicable these increases will be funded through Housing Benefit or tenants eligible for Universal Credit (UC) will receive payments for this increase. Approximately 38% of tenants are in receipt of Housing Benefit with a further 26% in receipt of UC, a total of 64%. For those in Sheltered Accommodation, this figure rises to 71%.

4.5 PFI Grant

The 2022/23 budget assumes full year PFI grant of £6,097k for Swarcliffe PFI and £15,288k for Little London Beeston Hill & Holbeck (LLBH&H) PFI. This is the same as 2021/22 and will remain fixed for the life of the PFI scheme.

4.6 Internal Income

The 2022/23 budget for internal income is £708k higher than in 2021/22. As part of the Council wide property review, fire safety function teams have been transferred to the service to support fire safety in schools, as well as other Council properties. However, as these costs are not all eligible HRA expenditure, they will be charged back to the General Fund at £157k. The budget for capitalised salaries has been inflated in line with the proposed pay award. In addition, funding for a new team to address the grant funded decarbonisation work stream has been added.

4.7 External Income

The decrease of £176k from 2021/22 to 2022/23 reflects the removal of the tenant insurance income budget of £311k which is offset with equivalent savings in insurance costs within the supplies and services budget. Additional government grant for the Renewable Heat Incentive and ERDF (European Regional Development Fund) funding have contributed an additional £259k income in 2022/23.

5. Key movements 2021/22 to 2022/23 - Expenditure

5.1 Employees

The 2022/23 budget for employees has increased by £1.3m when compared to the base budget 2021/22, with the most significant elements shown below:

- The budget assumes a pay award of 2% for 2022/23 plus the 1.25% NI levy. The impact of the current pay award offer of 1.75% for 2021-22 has also been budgeted for.
- The Property Management Review within LCC has resulted in the transfer of 2 posts from HRA to Leeds Building Service and 6 posts from HRA to City Development. The costs for these posts will still be funded by HRA and will form part of the recharges for 2022/23.
- A post has been transferred from Children's services and 3 new posts added to the structure to complete school fire safety work on behalf of Children's services, this will be funded by Children's services with income budgeted for as described in 4.6.
- The Investment and Strategy team has added 10 temporary posts to the structure to deliver the decarbonisation agenda, these posts will be partly funded by ERDF funding.

5.2 Repairs to dwellings

Repairs to dwelling remains a priority budget which has initially been increased in line with inflation but adjusted to reflect an anticipated reduction of 1% in housing stock as a result of Right to Buy. The proposed budget for 22/23 is £46.8m, an increase of £1,942k from 2021/22.

5.3 Premises

The premises budget reflects a net increase of £690k. Projected increases in the price of energy have been reflected, with an additional £400k in the budget for gas and electricity costs in 2022/23. An extra £100k has been included for the rental costs.

5.4 Supplies & Services - Payments to PFI contractor

The increase in payments to the PFI contractors of £425k between 2021/22 and 2022/23 is consistent with the final model for the PFI programme that was agreed and received at Executive Board.

5.5 Supplies & Services - Other

The budget reflects a net decrease of £442k. This includes a £550k reduction in insurance costs. An additional £100k has been provided for a potential increase in the housing ombudsman fees in 2022/23.

5.6 Charges for internal services

Internal charges cover the internal service provision charge to the HRA in the following areas:

Horticultural Maintenance, Environmental services, Community Safety, Housing Services, Customer Access and Support Services and Corporate Governance services.

These charges are budgeted to increase by £477k in 2022/23. Most charges have been held at 21/22 levels. The increase year on year primarily relates to switching costs from salaries to recharges as part of the organisational review of Property functions. An additional £244k has been included in the budget for CCTV for 2022/23 to increase the anti-social behaviour measures which have been identified as a priority service for tenants.

5.7 Payments to Belle Isle Tenant Management Organisation (BITMO), Housing Area Panels (HAPs) and other Organisations

The proposed management fee payable to Belle Isle Tenant Management Organisation (BITMO) is an increase of £87k to £3.235m to reflect the approach to changes within the staffing and repairs budgets within Housing Leeds as outlined above. The BITMO management fee is adjusted each year by an agreed formula.

The budget continues to include £405k for Housing Advisory Panels (HAPs) to enable the continuation of funding of projects which benefit tenants and residents in the community they represent.

Payments to Leeds Credit Union and the Leeds Tenants Federation have remained in line with 2021/22.

5.8 Contribution to Provisions

(a) Disrepair

Work has been on-going to rationalise the workflow processes and provide legal challenge to disrepair cases where appropriate. As this budget has continued to see considerable pressure with increases in case numbers and average case costs it proposed to increase the contribution to the disrepair provision by £1m to £2.4m in 2022/23.

(b) Bad debts

The budgeted contribution to the bad debt provision has been kept at 2021/22 levels for 2022/23.

5.9 Discretionary Housing Payments

The Department for Levelling Up, Housing and Communities (DLUHC) has issued a direction allowing the Council to fund payments to its own tenants under the Discretionary Housing Payments (DHP) scheme. A DHP may be awarded when the authority considers that a claimant requires further financial assistance towards housing costs and is entitled to either Housing Benefit or Universal Credit (for the housing cost element towards a rental liability). The proposed HRA budget for this in 2022/23 is £500k and remains consistent with the amount provided in 2021/22.

5.10 Capital (Financing) charges

The Council remains committed to prioritising resources to meet the capital investment strategy and to replace homes lost through RTB by the planned investment in new homes. The costs associated with servicing the HRA's borrowing include the planned increase in borrowing to support the Council's Housing Growth programme which will see 168 new build, 11 off-the-shelf and 44 homes through the Right of First refusal process delivered in 2022/23. The overall cost of borrowing is anticipated to increase by £1,354k including £600k for repayment of debt specifically relating to new builds, in line with the agreed viability assessments. This is to ensure that in the event of future sales of these new properties that the HRA is not left with significant outstanding debt on an asset it no longer holds and enables the maximum allowable RtB receipts to be reinvested back into future programmes.

Capital charges for PFI are expected to increase by £78k to £16,528k.

5.11 Revenue Contribution to Capital

The 2022/23 budget includes £62.5m to fund the housing capital programme/investment plan, an increase of £1.57m from 2021/22.

It is proposed that the existing £2.3m Sheltered Housing Reserve be transferred into the Major Repairs Reserve in 2021/22 to support the funding of the capital programme, as the Major Repairs Reserve which had been used as a source of funding for many years is forecast to be fully utilised in the short term.

Future Sheltered Housing works will still take place as planned but will now be funded in the main Housing Leeds investment programme. To this extent an increased annual revenue contribution to capital of £0.3m has been provided for.

The overall capital programme, excluding the Housing Growth Programme, is £91m including the decarbonisation programme and back-to-back housing scheme funding of £8m, leaves the HRA funding an estimated £83m of schemes in 2022/23.

5.12 Appropriation to / from PFI Reserves

The appropriation account reflects the budgeted contributions to/from the Swarcliffe & LLBH&H PFI sinking funds.

The sinking fund smooths out the effect of the incidence of the payments to the PFI contractor. In 2022/23 the change in the contribution to the Sinking Fund is a reduction of £600k

6. HRA Reserves

- 6.1 The HRA Reserves Statement reflects the anticipated movement in reserves between April 2022 and March 2023. The Capital Reserve is used to resource the HRA Capital programme which is subject to a separate report on this agenda.
- 6.2 The HRA General Reserve current balance is £7.375m and represents 2.8% of the annual budget. It is proposed, over the next 10 years to increase his percentage to provide increased financial sustainability.
- 6.3 Any balance at the end of 2021/22 on the Housing Advisory Panels earmarked reserve will be carried forward to 2022/23 to be used for the funding of projects which benefit tenants and residents in the community they represent.
- 6.4 The PFI reserves (“Sinking Fund”) are used to smooth out the effects of the unitary charge payments to the PFI contractor over the life of the contracts. In 2022/23 it is budgeted to use £29k of reserves for the Little London scheme and £383k of the Swarcliffe PFI reserves in line with the approved PFI model. The value of both reserves is expected to be £7.2m by March 2023.
- 6.5 The use of the ERDMS (Electronic Records and Document Management System) reserve will contribute £257k additional funds in 2022/23.
- 6.6 A contribution to the Major Repairs Reserve is proposed at £62.5m.

6.7 Forecast Level of HRA Reserves

Projected Financial Position on Reserves	Projected Reserves b/f Apr 2022	Projected Use of Reserves	Projected Contribution to Reserves	Closing reserves March 2023
	£000	£000	£000	£000
HRA General Reserve	(7,375)	0	0	(7,375)
Earmarked Reserves				
Housing Advisory Panels	(100)	0	0	(100)
Wharefedale View	(34)	0	0	(34)
Changing the Workplace	(151)	0	0	(151)
ERDMS	(257)	257	0	0
Repair / Disrepair Reserve	(289)	0	0	(289)
	(831)	257	0	(574)
PFI Reserves				
Swarcliffe PFI Sinking Fund	(4,394)	383	0	(4,011)
LLBH&H PFI Sinking Fund	(3,240)	29	0	(3,211)
	(7,634)	412	0	(7,222)
Capital Reserve				
MRR	(15,990)	72,539	(62,543)	(5,994)
	(15,990)	72,539	(62,543)	(5,994)
Total	(31,830)	73,208	(62,543)	(21,165)

7. Risks

There are a number of risks which, should they materialise would have a significant impact upon the 2022/23 HRA budget. These risks are reviewed throughout the year and action taken to mitigate any impact wherever possible. The HRA maintains a level of reserves in order to meet the impacts of such risks should they occur. Key risks identified are as follows:

- Pay inflation may vary from the assumed pay award.
- The ongoing impact of the Covid pandemic may increase arrears beyond levels anticipated.
- The cost of servicing the debt for the Council House Growth programme may go up if interest rates increase beyond what is assumed in the projections.
- Property numbers may vary significantly from estimates due to fluctuations in the number of RTB sales and the delivery of new homes which could affect rent income levels.
- The number of disrepair claims against the Council may vary from current assumptions thus requiring additional contribution to the provision.
- The increasing cost of materials may affect the ability to deliver the annual investment programme and repairs service.

Should these risks arise, the service will respond flexibly by implementing cost control measures such as vacancy management. Use would be made of the reserves on the HRA balance sheet identified at 6.7, along with specific provisions for doubtful debt and disrepair.

8. Medium Term – High Level Projections

Whilst the setting of the HRA budget for future years will be reviewed regularly, there is currently a cumulative £14.9m pressure to be addressed over the next five years. This cumulative gap assumes that the current government rent formula of CPI plus 1% rent increases will apply for the next 5 years plus an assumption to inflate the capital programme at CPI adjusted for a reduction in stock due to RtB sales from 2023/24. This is summarised in the table below.

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Income	(262.78)	(269.12)	(275.39)	(282.32)	(289.64)
Expenditure	263.45	271.13	282.98	285.42	289.55
Appropriations	(0.67)	0.05	0.90	0.75	0.59
In Year Pressure (Saving)	(0.00)	2.05	8.50	3.86	0.50
Cumulative Balance	(0.00)	2.05	10.55	14.41	14.91

Report prepared by: Kevin Mulvaney (Head of Finance) 0113 378 9390

HRA 2022/23 Budget			
Budget Heads	Original Estimate 2021/22	Original Estimate 2022/23	Variance
	£000s	£000s	£000s
Income			
Dwelling Rents Income	(209,900)	(216,541)	(6,641)
Other Rents (Shops & Garages)	(3,258)	(3,306)	(48)
Service Charges	(9,021)	(9,335)	(315)
PFI grant	(21,385)	(21,385)	0
Internal Income	(9,651)	(10,359)	(708)
External Income	(2,033)	(1,857)	176
Total Income	(255,248)	(262,784)	(7,536)
Expenditure			
Employees	30,222	31,525	1,303
Repairs to dwellings	44,853	46,795	1,942
Premises	9,049	9,739	690
Supplies & Services - Payments to PFI contractor	10,449	10,875	425
Supplies & Services - Other	3,802	3,359	(442)
Transport	298	305	6
Horticultural Maintenance	4,545	4,410	(135)
Environmental Services	4,607	4,709	102
Community Safety	4,009	4,123	114
Supporting People in their own homes	3,663	3,556	(107)
Services to families with Council tenancies	1,283	1,352	68
Housing Services	4,934	5,172	238
Customer Access	6,435	6,397	(38)
Support Services	8,637	8,933	297
Welfare Advice & Support	500	500	0
Discretionary Housing Payments	500	500	0
Corporate Governance & Other Services	3,160	3,172	12
Leeds Pipes - Recharge	903	828	(75)
Legal Services	1,317	1,359	42
Payments to BITMO, Area Panels & Credit Union	3,658	3,745	87
Provisions			
- <i>Disrepair</i>	1,400	2,400	1,000
- <i>Bad debts</i>	1,136	1,136	0
Capital charges	44,588	46,021	1,432
Revenue Contribution to Capital (Investment)	60,971	62,543	1,572
Total Expenditure	254,918	263,453	8,535
Appropriations			
General Reserve	141	0	(141)
Sinking Funds			
LLBH&H PFI	(1,539)	(29)	1,510
Swarcliffe PFI	1,727	(383)	(2,110)
Earmarked Reserves			
ERDMS	0	(257)	(257)
Net (surplus)/deficit	0	0	0

LEEDS CITY COUNCIL

2022/23 BUDGET REPORT

Directorate: City Development

1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2022/23 financial year.
- 1.2 The 2022/23 Revenue Budget provides £2,570k within the Council's Strategic Budget for the ongoing impact of COVID-19 pandemic. As such and with the exception of specific provision within Planning and Sustainable Development and City Centre Management, no directorate COVID impacts are detailed below.

2 Service Context

- 2.1 City development provides a wide and diverse range of services which make a significant contribution to the life, growth and vitality of the city. The Directorate is responsible for the Council's physical, economic, cultural and sport services and includes the following services:
- Asset management and Regeneration - develops and implements major projects which improve the physical infrastructure of the city and transformation of deprived neighbourhoods including securing external resources.
 - Culture and Economy - programmes and supports arts, cultural activity and events across the city and manages all our museums and venues. Leads the work to grow the Leeds economy – including coordinating work aimed at creating new jobs, supporting businesses, growing economic sectors promoting enterprise and developing economic policy.
 - Highways and Transportation - provides a highway maintenance service, including street lighting and road sign installation, and delivers a winter service, a highway traffic management system and manages the road space. Responsible for designing and delivering major and minor highways schemes, transportation projects and other major council sponsored prestige projects. Undertakes statutory responsibilities of the council as the city's lead local flood authority.
 - Planning and Sustainable Development - deals with planning and building regulations applications including enforcement. Deals with dangerous structures, safety at sports grounds, minerals and waste and provides specialist advice on contaminated land, urban design, landscape, conservation, trees and ecology. Responsible for statutory development plans and policies, community infrastructure levy and facilitating neighbourhood plans.
 - Operations and Active Leeds – Manages and oversees retail markets and street trading, manages Leeds city centre including co-ordination with Leeds BiD. Supports City Development's change activity, working with colleagues in Resources to ensure effective support to the Directorate. Active Leeds provides opportunities for people living in Leeds to enjoy the benefits of an active lifestyle.

3 **Budget Proposals**

3.1 This 2022/23 budget has been set at £33,367k representing a net increase of £2,201k (7.1%) when compared to the adjusted budget for 2021/22. This net increase comprises a number of changes in resources totalling (£888k) and pressures totalling £6,264k offset by savings of £3,175k which are explained below.

3.2 **Budget Adjustments and Transfers**

3.2.1 There have been a number of organisational changes, service transfers and other budget adjustments which are reflected in the 2022/23 budget. These include:

- The transfer of Business Administrative staffing from the Resources Directorate to Highways and Transportation (+£371k) and Employment and Skills (+£128k).
- The net impact of the Council wide review of property management functions including savings identified centrally as part of the 2021/22 budget but not allocated to directorates (£254k).
- The transfer of £252k running cost budgets from the Resources Directorate to City Development as a result of the sub-letting of the St George House building, which will contribute to the existing Estate Rationalisation savings target.
- Other budget adjustments totalling £21k mainly reflecting adjustments to budgets to remove the need for recharges between directorates.

3.2.2 The overall net impact of these adjustments is to increase the Directorate's restated 2021/22 budget by £518k, giving an adjusted 2021/22 budget of £31,166k.

3.3 **Changes in Use of Reserves and Balances – increase of £1,955k**

3.3.1 Additional short-term funding from the Council's COVID reserve has been secured during 2021/22 to address backlogs within the Planning service and the full year effect of this usage (£375k) has been provided for in the 2022/23 budget.

3.3.2 The 2022/23 budget includes the one-off utilisation of £2m of commuted sum balances which are received from developers to meet the future maintenance cost of adopted Highways. An annual budget of £250k has been provided for to meet the estimated cost of these ongoing maintenance requirements.

3.3.3 The 2022/23 budget reflects the reversal of the one-off use of £520k balances in the 2021/22 budget within Highways & Transportation, partially offset by the utilisation of a further one-off £100k balance identified for 2022/23.

3.4 **Changes in Other Resources – reduction of £1,067k**

3.4.1 The 2021/22 budget included the receipt of £1,700k of Gain Share funding from WYCA in respect of the West Yorkshire Devolution Deal. As this funding was for one year only, the 2022/23 budget reflects the fallout of this funding.

3.4.2 However, based on initial discussions with WYCA, an assumption has been made that funding of £633k will be received over the next three years in supporting the delivery of

outcomes aligned to the West Yorkshire Mayor's priorities (see 3.9.1 below), although this is still subject to agreement from WYCA at this stage.

3.5 Changes in prices – pressure of £4,184k

- 3.5.1 Spending Review 2020 indicated a public sector pay freeze in 2021/22. However, it is now assumed a pay award will be required and negotiations are ongoing. As such the budget provides £2,676k for two elements of pay: the Employers final offer for 2021/22 not provided for in the 2021/22 base budget and an assumed 2022/23 pay award incorporating the recently announced Real Living Wage of £9.90 (as scale points 1 and 2) and a 2% pay award for all other staff. The provision reflects the Council's continuing commitment to be a Real Living Wage employer. Consequently, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.90 per hour which is 40 pence above the National Living Wage rate. Apprentices and new starters on the A1 spinal point will be also be paid £9.90 per hour.
- 3.5.2 This increase will be partially mitigated by reflecting the cost of the additional pay award in charge out rates, mainly to capital schemes within Highways and Transportation, reducing the impact on revenue by £640k.
- 3.5.3 No provision has been made for inflation on running cost budgets other than demand based budgets and where there are specific contractual commitments. £1,596k has been provided for such contractual commitments including the PFI contracts for Street Lighting and three Leisure Centres and essential supplies & services across all services. A 5% increase for 2022/23 has been provided for inflation on utilities budgets, totalling £681k. The current assessment of projected energy prices indicates there may be an additional pressure in 2022/23, in response to which a reserve has been created within the Council's Strategic Budget and will be applied as required.
- 3.5.4 Other net variations (-£129k) include a reduction in insurance costs which reflects changes in the number and value of insurance claims.

3.6 Actuarial Review

- 3.6.1 The 2022/23 budget does not provide for an increased contribution to the West Yorkshire Pension fund. Whilst this reflects the most recent Actuarial Review, which showed the West Yorkshire Pension Fund to be in a surplus position, the Council will continue to monitor this position.

3.7 Capitalised Pension Costs – saving of £61k

- 3.7.1 The Council continues to provide an Early Leavers Initiative (ELI) to reduce the wage bill as a mechanism to contribute towards the budget gap. The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £61k.

3.8 COVID Pressures - £475k

- 3.8.1 Within the Planning and Sustainable Development service, 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 short-term resources have been implemented during 2021/22 to address the backlogs and to facilitate

the timely delivery of planning outcomes, and the full year effect of this (£375k) has been provided for in the 2022/23 budget to be funded from the COVID reserve.

3.8.2 The 2022/23 budget also makes provision for £100k loss of income within City Centre Management due to the extension of temporary pavement licence legislation to September 2022 which places a cap on the level of fees chargeable for the licences.

3.9 **Other budget pressures – £1,666k**

3.9.1 A number of other pressures have been recognised in the 2022/23 budget. A further £901k has been provided to increase the council's contribution to the Leeds 2023 Trust, reflecting the agreed payment schedule. However, this will be partially offset by assumed funding from WYCA as described in paragraph 3.4.2, although this is still subject to agreement.

3.9.2 An adjustment of £320k has been made to the capital receipt fee income budget to reflect the estimated capital receipts schedule and £250k has been included to provide for the ongoing maintenance requirements associated with adopted highways

3.9.3 Provision of £195k has been made within Resources & Strategy, primarily to provide additional capacity to support the Directorate with key national, regional and local policy areas and to contribute to the successful delivery of major transformational projects and programmes.

3.10 **Savings**

3.11 **Business As Usual – £3,015k**

3.11.1 The Arts, Events and Venues team has identified net savings of £80k through investment in a new ticketing system solution called Tessitura. The system presents an opportunity to generate savings and increase income across the council.

3.11.2 It is proposed to utilise redistributed balances of £678k from the 2018/19 Business Rates Pool, subject to agreement by the other Local Authorities, to substitute for the Council's core budget contribution to Leeds 2023 in 2022/23. It is proposed to increase this by a further £189k by utilising uncommitted balances from the 2020/21 Business Rates Pool, giving a total substitution of £867k in 2022/23.

3.11.3 Within Active Leeds, net savings of £50k have been included for a Health and Well Being offer to businesses based within or nearby to Leeds. In addition, a further £150k is anticipated through increased swimming tuition income based upon a remodelling of existing activities.

3.11.4 Within Highways & Transportation, a major schemes procurement framework is being established for the delivery of the ongoing programme of infrastructure work. This will give Leeds direct access to the contracting market, providing savings to Leeds and also the potential to generate income by making it available and charging fees to other Local Authorities. A saving of £200k is anticipated.

3.11.5 The service has also identified the potential to deliver the Section 38 Agreement process on behalf of other Highway Authorities in West Yorkshire which could generate annual income. At this stage, income of £40k has been included in the budget proposals which assumes one Local Authority will take up this service.

- 3.11.6 An additional £50k has been included which reflects the establishment of a project team to improve efficiency and capacity of the three Highways & Transportation Depots.
- 3.11.7 Further net savings of £233k have been estimated in respect of the continuing rollout of the Street Lighting LED conversion scheme which continues to deliver significant energy consumption savings.
- 3.11.8 An additional £299k saving has been identified by reviewing fees in respect of Highway maintenance schemes to more accurately reflect the requirements of design and co-ordination and the increasingly complex nature of these types of schemes.
- 3.11.9 Within Asset Management & Regeneration, the management of cost reduction aligning to Future Ways of Working and Service Delivery is continuing and estimated savings of £275k have been identified regarding an opportunity to sub-let surplus space and manage as an additional investment property.
- 3.11.10 An additional £50k has been identified relating to the charging of professional property and delivery expertise on externally funded capital schemes, reflecting a modest increase on current fee charges and a review of costs.
- 3.11.11 A review of Elland Road Car Park cash collection to include consideration of automated payment methods, introduction of cashless payments and increased flexibility in the charging regime is anticipated to generate an additional £20k in 2022/23.
- 3.11.12 Implementation of tighter vacancy management controls across the directorate and a review of current levels of vacancy factor are anticipated to save an additional £476k in 2022/23.
- 3.11.13 Public Health funding of £100k will be received in 2022/23 in support of existing physical activity programmes within Active Leeds.
- 3.11.14 A corporate review of the PFI schemes has identified insurance savings of £125k for 2022/23 in respect of the Active Leeds PFI contracts which will have a nil impact upon the service's budget.

3.12 **Service Review £160k**

- 3.12.1 The Leeds Museum and Galleries service proposes changes to Kirkstall Abbey admissions for non-Leeds residents which is anticipated to generate additional income of £160k in 2022/23. An invest to save business case will also be developed around the relocation of the café at Abbey House Museum to the visitor centre at Kirkstall Abbey, to deliver further net savings, although these are not anticipated until 2023/24.

4 **Risk Assessment**

- 4.1 In determining the 2022/23 budget, consideration has been given to all the risks which are managed within the Directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared.

- 4.2 The key risks in the 2022/23 budget for the City Development Directorate are:

- The majority of income streams within the Directorate are predicated on a buoyant and active economy. Income from Planning and Building Control fees, Advertising, Markets,

Active Leeds and Arts and Heritage as well as Strategic Investments and Major Capital Programmes are all affected by local, regional and national economic conditions and therefore any downturn impacts directly in these service areas. This presents a significant risk as the uncertainty created by the COVID Pandemic continues. The potential financial impact of reduced income resulting from a sustained period of COVID in 2022/23 has not been factored into the Directorate's budget.

- In addition, a number of the 2022/23 budget proposals relate to income growth and successful delivery of this budgeted growth represents a challenge for the Directorate. The Directorate will therefore need to ensure that income levels and the actions required to deliver them are closely monitored.
- There is a risk that the existing savings targets around Strategic Investments are not achieved which reflects the Council's intention to not simply chase financial returns but to only invest in suitable and sustainable investments that support the overarching ambitions of the Council.
- Given the increase in vacancy factor in the 2022/23 budget, there is a risk that staff turnover and the number of vacant posts across the Directorate are less than assumed in the budget, potentially impacting on the Directorate's staffing budget, although existing control mechanisms are in place across the directorate to mitigate this risk.

Briefing note prepared by: Michael Everitt (Head of Finance)
Telephone: 0113 378 7817

Directorate - City Development

	2022/23 £m	FTEs
Net managed budget 2021/22	30.65	
Adjustments		
Transfers of function/other adjustments	0.52	
Adjusted net managed budget	31.17	
Changes in the use of Reserves & Balances		
Use of Covid reserve - Planning backlogs	(0.38)	
Highways Commuted Sums	(2.00)	
Reversal of use of Highways balances in 21/22	0.52	
Use of Highways balances 22/23	(0.10)	
Changes in Other Resources		
Fallout of WYCA Gain Share 21/22	1.70	
WYCA Mayoral Priorities	(0.63)	
Total Change in Resources	(0.89)	
Budget Pressures:		
Inflation		
Pay	2.68	
Price	2.15	
Income	(0.64)	
Employers Pension	0.00	
Capitalised Pensions	(0.06)	
Other		
Planning staffing to address backlogs	0.38	9.38
Street Licence income	0.10	
Leeds 2023 payment schedule	0.90	
Capital receipt fee income	0.32	
Highway maintenance - adopted highways	0.25	
Service Improvement Team	0.20	5.00
Total Pressures	6.26	14.38
Savings Proposals:		
Business As Usual		
Arts, Events, & Venues - Ticketing solution	(0.08)	2.23
Utilisation of Business Rates Pool balances to substitute for Leeds 2023 spend	(0.87)	
Active Leeds Health & Wellbeing offer	(0.05)	
Active Leeds - increase swimming tuition income	(0.15)	
Highways & Transportation - establishment of procurement framework	(0.20)	
Highways & Transportation - manage s38 process on behalf of other LAs	(0.04)	
Highways & Transportation - efficiency savings across 3 depots	(0.05)	
Highways & Transportation - street lighting LED conversion energy consumption	(0.23)	
Highways & Transportation - review of fees re Highway maintenance schemes	(0.30)	
Asset Management & Regeneration - sub-let surplus office space	(0.28)	
Asset Management & Regeneration - review of professional property and delivery fees	(0.05)	
Asset Management & Regeneration - review of Elland Road cash collection arrangements	(0.02)	
Implementation of tighter vacancy control and vacancy factors across the directorate	(0.48)	
Public Health funding - Active Leeds	(0.10)	
Procurement savings	(0.13)	
Service Review		
Leeds Museums and Galleries - charges to non-Leeds residents at Kirkstall Abbey	(0.16)	
Total Savings	(3.18)	2.23
Net Managed Budget 2022/23	33.37	16.61

City Development

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2022/23 Budget Amount £	Decision Maker
Leeds Arts, Events & Venues - Ticketing Solution	Purchase of new corporate ticketing software has provided opportunity to increase income	Additional income target not achieved	Internal staffing consulted	No significant implications	Already taken as a BAU decision	£80k	Chief Officer – Culture and Economy
Leeds Museums & Galleries – Kirkstall Abbey charging to non-Leeds residents	Ensures the Abbey is more financially sustainable, whilst protecting Leeds residents.	Demand assumptions not achieved	Internal staffing and ward members already consulted, further public consultation to be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2022	£160k	Chief Officer – Culture and Economy
Utilisation of Business Rates Pool Balances as substitution for Leeds 2023 expenditure	Reduces net cost of Leeds 2023 to the Council in 2022/23	Confirmation required of balances available for use	Other participating Pool Authorities – awaiting confirmation	None	March 2022	£867k	Chief Officer – Culture and Economy
Active Leeds – Health & Wellbeing Offer	Meeting demand from private sector, creates income stream to Council	Demand not as high as anticipated	Internal staffing consulted	No significant implications	Already taken as a BAU decision	£50k	Chief Officer – Operations and Active Leeds

City Development

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2022/23 Budget Amount £	Decision Maker
Active Leeds – swimming tuition income	Improves service offer and generates additional income	Additional income target not achieved	Customers	No Significant Implications	Already taken as a BAU decision	£150k	Chief Officer – Operations and Active Leeds
Highways & Transportation – establishment of procurement framework for major schemes	Reduces costs of procurement to LCC and generates income	Other Authorities don't utilise the framework as envisaged	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2022	£200k	Chief Officer – Highways & Transportation
Highways & Transportation – manage S38 approval process for other WY LAs	Utilises existing expertise and generates income	Demand not there from the other WY Authorities	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2022	£40k	Chief Officer – Highways & Transportation
Asset Management & Regeneration – sub-let surplus office space	Aligns to Future Ways of Working programme and generates income	Ability to complete in timescales	N/A	To be undertaken as a part of the decision process	March 2022	£275k	Chief Officer – Asset Management & Regeneration
Asset Management & Regeneration – Elland Road car park cash collection	More efficient method of cash collection provides opportunity to	None identified	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2022	£20k	Chief Officer – Asset Management & Regeneration

City Development

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2022/23 Budget Amount £	Decision Maker
	generate additional income						

LEEDS CITY COUNCIL

2022/23 BUDGET REPORT

Directorate: Resources

1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2022/23 financial year.
- 1.2 The 2022/23 Revenue Budget provides £2,570k within the Council's Strategic Budget for the ongoing impact of COVID-19 pandemic. As such, no directorate COVID impacts are detailed below

2 Service Context

- 2.1 The Directorate contains the Council's key professional support services; Finance, Procurement, HR, Integrated Digital Services, Legal, and Democratic Services, Shared Services, and Strategy and Improvement and Intelligence. These services support the strategic direction of the Council and provide essential support to Members and managers to improve outcomes and deliver change. The Directorate also has responsibility for the Contact Centre, Digital Access and Customer Relations Teams
- 2.2 The Directorate provides the lead in the delivery of a range of projects to help tackle the Climate Emergency in Leeds. The Sustainable Energy and Air Quality team are working with colleagues and partners to deliver major projects requiring significant levels of investment from both the Council and Government. These projects include the District Heating scheme, the Woodland strategy, improving insulation in social housing, vehicle replacement programmes and many energy saving initiatives including the replacement of LED street lighting.
- 2.3 The Directorate is also responsible for delivering Catering and Cleaning, Corporate Property Management and Leeds Building Services, Fleet Services, Facilities Management and Passenger Transport. Some of these services are provided on a trading basis to Council Directorates and schools as well as external customers and suppliers.

3 Budget Proposals

- 3.1 This 2022/23 budget has been set at £78,350k representing a net increase of £1,721k (2.25%) when compared to the adjusted budget for 2021/22. This net increase/decrease comprises a number of changes in the use of reserves and balances totalling £4,280k and pressures totalling £11,164k offset by savings of £5,163k which are explained below.

3.2 Budget Adjustments and Transfers

- 3.2.1 There have been a number of organisational changes, service transfers and other budget adjustments which are reflected in the 2022/23 budget. These total £1.24m and are detailed below:

- The £300k transfer of Organisational Change savings targets agreed in 21/22 from Strategic Budgets to the Resources Directorate in relation to the Revenues Service.
- The £500k transfer of Organisation Change savings targets agreed in 21/22 from Strategic Budgets to the Resources Directorate in relation to Property Services.
- The £480k transfer of Council Tax Administration and the Contact Centre to the Resources Directorate.
- The £504k transfer of Community Centre budgets from the Communities, Housing and Environment Directorate to the Corporate Property Management function.
- The £252k transfer to the City Development Directorate as a result of the disposal of the St George House building.
- The £128k transfer of Business Administration staff to the City Development Directorate.
- The £58k transfer of Business Administration staff to the Children's and Families Directorate.
- The £24k net transfer into Resources as the result of the sum of other minor variations.

3.3 Changes in Use of Reserves, Balances and Other Resources – Increase of £4,280k

- 3.3.1 The Resources Directorate will repay £200k to the Invest to Save reserve as part of the business case in prior years for the Contact Centre in relation to reducing contact.
- 3.3.2 In accordance with the Government's guidance on the flexible use of capital receipts which allows for expenditure on projects designed to generate ongoing revenue savings or expenditure associated with transforming service delivery to be funded with capital receipts, the Resources budget provides for £4,480k to be funded in this way. Details of the identified expenditure is contained in Appendix 9.

3.4 Changes in prices – pressure of £6,040k

- 3.4.1 The 2020 Spending Review indicated a public sector pay freeze in 2021/22 which was reflected in the Council's budget. However, it is now assumed a pay award will be required and negotiations are ongoing. As such the budget provides £5,645k for two elements of pay: the Employers final offer for 2021/22, not provided for in the 2021/22 base budget, and an assumed 2022/23 pay award incorporating the recently announced Real Living Wage of £9.90 as scale points 1 and 2 and a 2% pay award for all other staff. The provision reflects the Council's continuing commitment to be a Real Living Wage employer. Consequently, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.90 per hour which is 40 pence above the National Living Wage rate. Apprentices and new starters on the A1 spinal point will be also be paid £9.90 per hour.
- 3.4.2 No provision has been made for inflation on running cost budgets other than demand based budgets and where there are specific contractual commitments. A 5% increase has also been provided for inflation on utilities budgets, providing £105k. The current assessment of projected energy prices indicates there may be an additional pressure in 2022/23, in response to which a reserve has been created within the Council's Strategic Budget and will be applied as required.
- 3.4.3 An inflationary uplift of £200k has been made for demand based budgets, £83k of which has been provided for the cost of food within the Catering service.

3.5 **Actuarial Review**

3.5.1 The 2022/23 budget does not provide for an increased contribution to the West Yorkshire Pension fund. Whilst this reflects the most recent Actuarial Review, which showed the West Yorkshire Pension Fund to be in a surplus position, the Council will continue to monitor this position.

3.6 **Capitalised Pension Costs – saving of 307k**

3.6.1 The Council continues to provide an Early Leavers Initiative (ELI) to reduce the wage bill as a mechanism to contribute towards the budget gap. The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £307k.

3.7 **Other budget pressures – £5,430k**

3.7.1 An additional £3.14m will be invested in Integrated Digital Services (IDS) for 2022/23 to allow for the creation of and recruitment to new posts which will be used to support delivery of key Council priority 1 projects (£1.14m) and a programme of work to rationalise software applications (£2m). The new posts will be a combination of Solution Architects, Integration Specialists, Technical Leads, Project Managers, Business Architects and Business Analysts. Priority 1 projects are those which: bring a significant saving; prevent a critical service failure; are a legislative requirement; a major unforeseen event; prevents reputational damage and have a deadline that must be delivered in the next 6-9 months. The application rationalisation programme will reduce the number of applications supported thereby reducing the support and maintenance costs and simplifying business processes. This will be funded by the flexible use of Capital Receipts.

3.7.2 £1m has been provided for the additional cost of the Microsoft Enterprise Licencing agreement.

3.7.3 £280k has been provided for the IDS Senior Management Restructure. This will be funded by additional income from the Health service.

3.7.4 £100k has been provided for Schools Catering Income as there is an additional bank holiday in 22/23 which will result in reduced income.

3.7.5 £172k has been provided for the loss of income in the Leeds Building Services as a result of the additional Bank Holiday in 22/23.

3.7.6 £233k has been included to provide front of house at seven key buildings, these are the large multi occupancy sites where there are a multitude of departments using the building. This service enables safe and secure access to staff and visitors as they will operate a reception system and also helps discharge statutory responsibilities with regards to Health and Safety providing services such as First Aider, Fire Warden and Emergency Incident Officer.

3.7.7 £380k has been included for digitising transactional activity in the Revenues service to enable the reduction in manual processes within the Council Tax and Business Rates functions.

3.7.8 £94k for increased insurance costs which reflects changes in the number and value of insurance claims.

3.7.9 £31k has been included for the sum of minor variations across a range of services.

3.8 Savings

3.9 Business as Usual – £5,163k

3.9.1 It is proposed to save £5,163k within the Resources group of services, of which £510k relates to staffing and £4,653k of running costs. These are identified below by service.

3.9.2 Within CEL, there are planned savings of £1.66m to help deliver this Directorate's budget; in addition, Passengers services are supporting Children and Families in delivering total budgeted savings in 2022/23 of £0.2m for the cost of home to school transport by offering a flexible choice to parents and carers.

- Corporate Property Management. £348k. Initiatives in this area include; capitalising asbestos removal, investing in drainage systems to avoid monthly costs of draining, maximising external funding, and reviewing and reducing non-essential building maintenance expenditure.
- Cleaning/ Facilities Management/Security. £440k as the result of a review of cleaning materials procurement and pricing, expanding the Presto service offer and fleet efficiencies.
- Catering. £273k through the provision of Before and After School Clubs, the merger of back-office functions, targeting increased take up, reviewing the high school offer to include cross border training, procurement. There is an additional £120k reduction in costs as the result of the full year impact of two Adult Social Care Homes.
- LBS £100k through fleet efficiencies.
- Transport £270k through the review of fleet sub-contract expenditure and seeking to amalgamate contracts where possible to achieve savings through economies of scale. Savings are also planned from reducing long term hire, reduced costs of labour and parts on Electric Vehicles, insourcing of training and further fleet efficiencies.
- Targeted HR support in Civic Enterprise Leeds is budgeted to achieve £104k savings.

3.9.3 There are a number of savings within the Business Support Centre as a result of salary sacrifice initiatives which result in Employer National Insurance savings (Individual employees will save income tax and national insurance.)

- Shared Cost Additional Voluntary Contributions to pensions. £185k
- Electric Goods Salary Sacrifice. £100k
- Lease Car Salary Sacrifice for Ultra Low Emission Vehicles. £100k.

3.9.4 Leeds Building Services (LBS) will continue to budget for a surplus of around £10m, based on a forecast turnover of £70m.

3.9.5 A reduction in Business Rates will lead to £182k of savings.

3.9.6 'Channel Shift' within Shared Services will lead to £200k in savings.

3.9.7 As outlined in the 'pressures' section above, £280k of health income will fund part of the IDS Senior Management Team.

3.9.8 Procurement savings will contribute £4m across the authority as a result of both the review of specifications during the contract award process and active contract management once the contract is awarded. A number of these savings have been identified. A balance of

£2.18m savings target is within the Procurement and Contract Service whilst work continues in this area. Once confirmed, this savings target will be transferred to the appropriate area.

3.10 **Service Review**

3.10.1 There are no service review proposals within the Resources Directorate, all savings proposals are Business as Usual.

4 **Risk Assessment**

4.1 In determining the 2022/23 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2022/23 budget for the Resources Directorate are:

- A pay award is agreed beyond the budgeted level
- There is a reduction in the turnover of posts resulting in lower service vacancy factors than budgeted resulting in pressures on pay budgets.
- Inflationary pressures result in an increased expenditure.

There are still significant uncertainties around the impact of the continuing Covid-19 pandemic and the subsequent impact on the Directorate's income and expenditure budgets. There could still be a significant impact on the Directorate's budget in 2022/23 in the following areas.

- School meal numbers may be lower than the level budgeted.
- Commercial catering outlets may be unable to open as planned.
- Turnover within LBS may be reduced if; the service is unable to access properties to conduct repairs, major programmes of activity are unable to be undertaken or operatives are required to isolate leading to non-productive chargeable time.

Briefing note prepared by: Patrick McGuckin (Head of Finance)
Telephone: 0113 3787830

Directorate - Resources

	2022/23 £m	FTEs
Net managed budget 2021/22	77.87	
Adjustments		
Transfers of function		
Contact Centre/Council Tax	(0.48)	
Disposal of St George House	(0.25)	
Property Review Resource Allocation	0.50	
Organisational Change Saving	(0.50)	
Revenues Organisational Change	(0.30)	
Transfer of Shared Services Staff	(0.06)	
Transfer of Business Admin staff	(0.13)	
Other adjustments	(0.03)	
Adjusted net managed budget	76.63	
Changes in the use of Reserves & Balances		
Payback of Invest to Save Reserve - Contact Centre	0.20	
Capital Receipt Flexibilites	(4.48)	
Total Change in Resources	(4.28)	0.00
Budget Pressures:		
Inflation		
Pay	5.65	
Price	0.20	
Gas and Electric	0.11	
Insurance	0.09	
Capitalised Pensions	(0.31)	
Other		
Apprenticeship Levy	0.04	
Catering - Income	0.10	
IDS - Microsoft Licenses	1.00	
IDS - Investment in Priority Projects	3.46	42.00
LBS - Additional Bank Holiday	0.17	
FM - Front of house staff	0.23	9.00
SEAQ - Decarbonisation	0.05	
Finance - Council Tax Automation	0.38	
Total Pressures	11.16	51.00
Savings Proposals:		
Business As Usual		
Shared Services - Channel Shift	(0.20)	(8.00)
Shared Services -Salary Sacrifice	(0.39)	
LBS - Efficiencies	(0.10)	
IDS - Health funding	(0.28)	
Cleaning - Efficiencies	(0.32)	
Cleaning - Procurement savings	(0.12)	
Catering - Efficiencies	(0.39)	(3.00)
CPM - Efficiencies	(0.35)	(2.00)
Passengers transfer to CF and ASC (pay award)	(0.26)	
CEL - Targeted HR Support	(0.10)	(4.00)
Fleet - Efficiencies	(0.27)	
PACs - Procurement savings	(2.18)	
Other	(0.02)	
Business Rates	(0.18)	
Total Savings	(5.16)	(17.00)
Net Managed Budget 2022/23	78.35	34.00

Resources

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2022/23 Budget Amount £	Decision Maker
To enter into a contract to support the delivery of an Electrical Goods Salary Sacrifice scheme for LCC staff.	Will result in Employer National Insurance savings as well as tax and NI savings benefits to the employee. This may assist in employee retention.	Delays to implementation impact on the savings assumed.	To be undertaken with Trade Unions prior to the decision report.	To be undertaken prior to the decision report.	February 2022	£100k	Director of Resources
To enter into a contract to support the delivery of a Lease Car Salary Sacrifice Scheme for Ultra Low Emission Vehicles for LCC Staff.	Will result in Employer National Insurance savings as well as tax and NI savings benefits to the employee. This may assist in employee retention.	Delays to implementation impact on the savings assumed.	To be undertaken with Trade Unions prior to the decision report.	To be undertaken prior to the decision report.	February 2022	£100k	Director of Resources