

Revenue savings proposals for 2023/24 to 2025/26

Date: 19th October 2022

Report of: Chief Officer Financial Services

Report to: Executive Board

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

The Medium-Term Financial Strategy 2023/24 to 2027/28 brought to September Executive Board reported an estimated revenue budget gap of £123.6m over the next three years. Subsequent review of the assumptions detailed in that Strategy have identified additional net pressures of £26.5m, leading to an updated gap of £150.2m over the years 2023/24 to 2025/26. This report details the actions underway and proposed to address this updated gap. It presents a number of savings proposals - a collective term used to apply to both efficiencies and income generation - to contribute to closing the gap over the three-year period and achieving a balanced budget for 2023/24 (a legal requirement for local authorities).

Our strategic ambitions and priorities for the city and the council can only be delivered through a sound understanding of the organisation's longer-term financial sustainability. This enables decisions to be made that balance the resource implications of the council's policies against financial constraints. To help mitigate the significant pressures on the authority's financial sustainability, it is essential that the proposals contained in this report are considered in order that the council's priorities can continue to be delivered within a robust financial framework.

Recommendations

Executive Board is requested to:

- a) Note the financial position for 2023/24 to 2025/26 outlined in this report and that further savings are required to deliver a balanced budget position for 2023/24 and contribute to closing the projected gaps in the years 2024/25 and 2025/26.
- b) Note the 'Business as Usual' savings put forward in this report and that decisions to give effect to them shall be taken by the relevant Director or Chief Officer in accordance with the Officer Delegation Scheme (Executive functions).
- c) Note that additional savings proposals will be brought to Executive Board for consideration at its meeting on 14th December 2022.

What is this report about?

- 1 At its meeting on 21st September 2022, Executive Board received the [Medium-Term Financial Strategy](#) (MTFS) updated for the period 2023/24 to 2027/28. The MTFS reported an estimated revenue budget gap of £123.6m over the three years 2023/24 to 2025/26: £63.6m in 2023/24, £37.8m in 2024/25 and £22.3m in 2025/26 (all figures rounded). This position included a number of assumptions around external factors that continue to significantly impact on the council's income and expenditure and remain subject to considerable uncertainty. In particular:
 - The global energy and fuel situation have resulted in a cost of living crisis and high inflation, impacting on our citizens and also our own costs.
 - Demand in social care and the cost of commissioned services continues to grow.
 - Provision of 2% for pay awards has been made in each of the years covered by the MTFS. But if future pay awards are greater than this assumption - including acceptance of the National Employer's offer in 2022/23 - then this will add additional pressure both for this year and looking ahead.
- 2 Subsequent review of these assumptions has identified an additional net pressure of £26.5m over the next three years: £2.1m in 2023/24, £11.6m in 2024/25 and £12.9m in 2025/26. As such, the updated estimated gap the council is working to close is now £65.7m in 2023/24, £49.4m in 2024/25 and £35.1m in 2025/26, totalling £150.2m over the three-year period (again, all figures rounded).
- 3 This backdrop of significant economic volatility, combined with uncertainty around Government funding for local authorities, means any estimates of budgetary pressures are subject to change and so the position will continue to be closely monitored. (Please refer to the '*Financial Health Monitoring 2022/23 – Month 5 (August)*' report elsewhere on this agenda for detail on the in-year financial position.)
- 4 Recognising the challenge of bridging the estimated budget gaps for the period of the Strategy, whilst at the same time seeking to ensure that the council's budget is robust, resilient and sustainable, a 'Financial Challenge' savings programme has again been established to help close the gap for the next three years. This approach enables the authority to take a longer-term view of its savings options, recognising that major change often requires one- to two-years' lead time to implement. As such, the savings proposals set out in this report for Executive Board's consideration span the next three financial years.
- 5 Reviews are underway across the authority to identify opportunities to continue to modernise and improve services (for example, through a greater use of robotics and automation), reduce costs and generate additional income. The cross-council senior officer group first established in 2020 to provide support and ensure a co-ordinated, consistent approach across the Financial Challenge programme, continues to meet. Further support and challenge to identify new proposals and consider options put forward by officers is again being provided by Scrutiny Board working groups.
- 6 The outcome of this work has provided a number of saving proposals for consideration by the Executive Board today, with further proposals to be brought to the December meeting. Proposals are categorised as either 'Business as Usual' (BAU) which can be implemented within the council's delegated decision-making framework and without consultation, or 'Service Reviews' which may require meaningful consultation with relevant stakeholders prior to any decisions being taken. The results of any such consultation with staff, trade unions, service users and the public will be used to inform the final decision. Those approved for implementation, or consultation as required, will subsequently be built into the 2023/24 Budget and Provisional Budgets for 2024/25 and 2025/26.
- 7 For the Board's consideration today, the Financial Challenge reviews have so far identified -£10.2m of 'BAU' potential savings over the next three years. Considering the impact of one-off savings in 2023/24, -£11.3m savings have been identified for 2023/24, leading to a net pressure of £1.1m in 2024/25 and a net saving of -£0.03m in 2025/26. The potential impact on the workforce is + 1.0 FTE in 2023/24 related to a City Development income generation proposal. There are no 'Service Review' proposals included in this report.

- 8 A summary of today’s proposals is provided at Table 1, presenting the overall impact for each council directorate, with Table 2 showing the impact of these proposals on the estimated budget gap for 2023/24 to 2025/26. Detail on each savings proposal is provided at Appendix 1.

Table 1 – Directorate savings

Directorate proposals	2023/24	2024/25	2025/26	Total
	£'000s	£'000s	£'000s	£'000s
<i>Business as Usual</i>				
Adults & Health	0	0	0	0
Children & Families	0	0	0	0
City Development	-8,105	1,090	-30	-7,045
Communities, Housing & Env't	0	0	0	0
Resources	-3,180	0	0	-3,180
Total	-11,285	1,090	-30	-10,225

- 9 Table 2 shows the impact of these proposals on the estimated budget gap for 2023/24 to 2025/26. Proposals have been separated out into those that are ongoing – in other words that will be built into the base budget going forwards - compared to those that are one-off, highlighting the impact of one-off proposals on future years.

Table 2 – Impact of proposals on estimated budget gap

	2023/24	2024/25	2025/26	Total
	£'000s	£'000s	£'000s	£'000s
MTFS gap (Sep Exec Board)	63,613	37,762	22,253	123,628
Subsequent review of assumptions - net additional pressure	2,083	11,610	12,852	26,545
Revised gap	65,696	49,372	35,105	150,173
October EB proposals				
Ongoing	-10,050	-70	-105	-10,225
One-off	-1,235	1,160	75	0
Total October proposals	-11,285	1,090	-30	-10,225
Gap after Oct savings proposals	54,411	50,462	35,075	139,948

What impact will this proposal have?

- 10 The Financial Challenge savings programme aims to protect services that support the most vulnerable whilst ensuring that the organisation continues its journey to become more financially resilient and sustainable for the future. However, the scale of the pressures on the council’s financial position this year, combined with the gap over the next three years, is unprecedented and closing it is likely to mean difficult decisions will have to be taken that will impact across the council’s services, affecting service users, residents, businesses, partners and staff.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 11 As noted above, the council's strategic Best City Ambition, underpinned by the three pillars, can only be delivered through a sound understanding of the organisation's longer-term financial sustainability, this enabling decisions to be made that balance the resource implications of the council's policies against its financial constraints.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

- 12 Senior officers and elected members have been engaged in developing the savings proposals set out in today's report. Trade unions have been informed in headline terms of the emerging proposals. Scrutiny Boards will also be considering the proposals as relevant to their remits through a series of working group meetings.
- 13 The proposals presented today are classed as 'Business as Usual' (BAU) that do not require consultation to implement: for example, they relate to improving the efficiency of the service, are cost reduction measures with no impact on service users. Should BAU proposals include budgeted staffing reductions, these are anticipated to be met through deletion of vacant posts or voluntary means, as has been collectively agreed. Where voluntary measures have a modest and/or residual impact on the workforce, local / BAU consultation would be expected.
- 14 The outcomes of any consultation will inform the council's decision-making and be incorporated into the 2023/24 to 2025/26 Budget Report timetabled for initial consideration at December's Executive Board.

What are the resource implications?

- 15 The financial implications are set out earlier in the report.
- 16 In accordance with our statutory requirements, in March 2022 the council served notice under Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 (TULR(C)A) to collectively consult with our recognised Trade Unions to avoid, reduce and mitigate the potential risk and consequences of compulsory redundancies. In the context of further potential staffing reductions that may be required to deliver the significant level of savings needed, we anticipate the need to serve a further Section 188 notice following Full Council approval of the 2023/24 Revenue Budget in February 2023.

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

- 17 As detailed in the updated MTFS 2023/24 to 2027/28, the financial projections for the coming years make assumptions around the level of resources the council will receive through Council Tax, Business Rates and Government funding. Any variation from these assumptions has implications for the level of resources available to the council to fund services.
- 18 The MTS articulates a range of risks, including economic, funding, energy and fuel price increases, pay, resources, interest inflation, demand and demography, and political. There also remain uncertainties around the impacts of the Chancellor's recently announced Growth Plan 2022 (or 'Mini Budget') and the Government's forthcoming Medium-Term Fiscal Plan due to be set out on 23rd November.
- 19 With regard to the council's savings proposals, if there is slippage in their implementation or the assumptions contained within them change, this could lead to a variation in the assumed level of savings and the authority's ability to set a balanced budget for 2023/24.
- 20 These risks and assumptions will be subject to review as more information becomes available and through the council's financial management, monitoring and reporting processes.

What are the legal implications?

- 21 Decisions giving effect to the Business as Usual proposals included in this report can be taken by the relevant Director or Chief Officer in accordance with the Officer Scheme of delegation (Executive functions) and will be subject to the Executive and decision – making procedure rules. Notice of any decision which is “Key” will be published on the list of forthcoming decision not less than 28 clear calendar days in advance of the date of the proposed decision.
- 22 As a decision of Executive Board, the recommendations in this report are eligible for call-in.
- 23 The Equality Act 2010 requires the council to have “due regard” to the need to eliminate unlawful discrimination and promote equality of opportunity. The law requires that the duty to pay “due regard” be demonstrated in the decision-making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show due regard.
- 24 The council is fully committed to ensuring that equality and diversity are given proper consideration when developing policies and make decisions. In order to achieve this, the council has an agreed process in place and has particularly promoted the importance of the process when taking forward key policy or budgetary changes. Equality impact assessments also ensure that we make well informed decisions based on robust evidence.
- 25 Due regard to equalities will be given to any decisions taken via the delegated decision process on the savings proposals presented in this report. Should ‘Service Review’ savings proposals come to the Executive Board in December, equality impact screenings will be included for each with equality impact assessments carried out where appropriate as part of the decision-making process.

Options, timescales and measuring success

What other options were considered?

- 26 All options are being considered to contribute to the council achieving a balanced budget for 2023/24 and a sustainable medium-term financial position, whilst protecting as far as possible those services that support the most vulnerable.

How will success be measured?

- 27 As above, setting a balanced budget and achieving a sustainable medium-term financial position.

What is the timetable and who will be responsible for implementation?

- 28 The savings proposals presented today will subsequently be built into the 2023/24 Budget and Provisional Budgets for 2024/25 and 2025/26 for consideration at this Board prior to approval at Full Council in February 2023.

Appendices

- 29 Appendix 1 details the BAU proposals.

Background papers

- 30 None

Appendix 1: 'Business as Usual' (BAU) savings proposals for 2023/24 to 2025/26

There are no BAU proposals presented today for the Adults & Health, Children & Families and Communities, Housing & Environment directorates.

City Development							
Service area(s)	BAU savings proposal description	Potential savings / £'000s			Budgeted FTE impact		
		2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
Directorate-Wide	Directorate-Wide Fees and Charges Review	-100			0.0	0.0	0.0
Directorate-Wide	Mitigate Pay Award by charging to Capital/Grants	-1,500			0.0	0.0	0.0
Directorate-Wide	Cash Limit Price Inflation	-1,300			0.0	0.0	0.0
Directorate-Wide	Delay in increasing capacity in Service Improvement Team	-160	160		0.0	0.0	0.0
Directorate-Wide	WYCA Substitution Opportunity	-250			0.0	0.0	0.0
Asset Management and Regeneration	Increase Commercial Rents and Fees	-300			0.0	0.0	0.0
Culture and Economy	Substitution Opportunity with Shared Prosperity Fund	-75		75	0.0	0.0	0.0
Culture and Economy	Business Rates Reduction – Museums and Galleries (Current)	-450			0.0	0.0	0.0
Culture and Economy	Business Rates Reduction – Museums and Galleries (Refund of previous payments) – One-Off	-1,000	1,000		0.0	0.0	0.0
Culture and Economy	Substitution of Leeds 2023 funding by Business Rates Pool	-1,500			0.0	0.0	0.0
Culture and Economy	Museums and Galleries Exhibition Tax Relief	-200			0.0	0.0	0.0
Highways and Transportation	Income Generation (New)	-50	-70	-80	1.0	0.0	0.0
Highways and Transportation	Additional income from new contractor framework implemented in 22/23	-25		-25	0.0	0.0	0.0
Highways and Transportation	Street Lighting Consumption	-190			0.0	0.0	0.0
Highways and Transportation	Inflationary increases applied to existing fees and charges	-95			0.0	0.0	0.0
Operations and Active Leeds	Inflationary increases applied to existing fees and charges for miscellaneous fees and 'Pay as You Go' fees.	-610			0.0	0.0	0.0

City Development		Potential savings / £'000s			Budgeted FTE impact		
Service area(s)	BAU savings proposal description	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
		Operations and Active Leads	Inflationary increases applied to existing fees and charges for general membership fees.	-160			0.0
Planning and Sustainable Development	Review of pre-app charging potential / CIL (Community Infrastructure Levy) charges and currently non-charged for services	-140			0.0	0.0	0.0
Total City Development BAU savings		-8,105	1,090	-30	1.0	0.0	0.0

Resources		Potential savings / £'000s			Budgeted FTE impact		
Service area(s)	BAU description	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
		Civic Enterprise Leeds (CEL)	Review of fees	-780			0.0
CEL: Leeds Building Services	Budgeted pay award included in charge-out rate	-2,400			0.0	0.0	0.0
Total Resources BAU savings		-3,180	0	0	0.0	0.0	0.0