

## 2023/24 Revenue Budget and Council Tax

Date: 8<sup>th</sup> February 2023

Report of: Chief Officer - Financial Services

Report to: Executive Board

### **Agenda Item 11(A)**

Will the decision be open for call in?

☒ Yes ☐ No (Rec. c only)

Does the report contain confidential or exempt information?

☐ Yes ☒ No

### **Brief summary**

At its December 2022 meeting, the Executive Board considered initial proposals for the 2023/24 Revenue Budget and approved these for consultation. This report presents updated final Budget proposals for 2023/24, seeking the Board's approval to recommend the Budget to Full Council at its meeting on 22<sup>nd</sup> February.

The final proposals take into account the one-year Provisional Local Government Finance Settlement for 2023/24 received on 19<sup>th</sup> December 2022, Council budget consultation results and other influencing factors, such as the wider economic context.

The 2023/24 Budget being proposed continues to support the Council's strategic ambitions, policies and priorities aimed at tackling poverty and reducing inequalities, whilst also supporting our ongoing journey to strengthen the authority's financial resilience and sustainability.

In line with the Council's statutory requirement, a balanced budget is presented for the next financial year. This is based upon:

- An increase in Settlement Funding Assessment – core government funding received – of £10.1m compared to 2022/23.
- A proposed 4.99% increase in Council Tax: 2.99% for the 'core' element, and an additional 2.00% for adult social care, estimated to contribute an additional £19.1m to the budget.
- A £22.2m increase in Business Rates contribution to the budget.

The overall impact is to increase the net revenue budget by £51.4m (9.9%) to £573.4m for 2023/24.

Whilst resources receivable from the Settlement Funding Assessment and estimated from Council Tax and Business Rates have increased, these are outweighed by pay, price, cost of living and demand pressures. This means the Authority will need to deliver £58.6m of savings and further budget reduction measures by March 2024 to achieve a balanced budget position.

Looking ahead, the position remains challenging: against a backdrop of uncertainty on Government funding from April 2024, inflation and cost of living pressures have significant implications for the Council's finances and levels of demand. The updated Provisional Budgets for 2024/25 and 2025/26 set out in this report estimate a budget gap of £43.0m in 2024/25 and a further £28.7m in 2025/26. It will therefore be increasingly difficult to maintain current levels of service provision without significant changes in the way the Council operates. This future position will continue to be revised and reported to the Executive Board through a refreshed five-year Medium Term Financial Strategy in September 2023.

## Recommendations

Executive Board is requested to:

- a) Recommend to Council that it notes the recommendation of the Council's statutory officer (the Chief Officer – Financial Services) that the Budget proposals for 2023/24 are robust and that the proposed level of reserves is adequate, as set out at Part 7 of Appendix 1 to this report.
- b) Recommend to Council the adoption of the following resolutions:
  - i. That the revenue budget for 2023/24 totalling £573.4m be approved. This means that the Leeds element of council tax for 2023/24 will increase by 2.99% plus the Adult Social Care precept of 2.00%. This excludes the police and fire precepts which will be incorporated into the Council Tax report to be submitted to Council on 22nd February 2023;
  - ii. Grants totalling £69.6k to be allocated to parishes as shown at Appendix 5;
  - iii. Approval of the strategy at Appendix 9 in respect of the flexible use of capital receipts. Specifically additional planned use in 2022/23 of £2.7m and planned use in 2023/24 of £19.0m;
  - iv. In respect of the Housing Revenue Account that the budget be approved with:
    - An increase of 7% in dwelling rents;
    - An increase of 7% in garage and travellers site rent;
    - An increase of 12.6% (RPI) for the standing charges in district heating schemes and the district heating unit rate will increase to 10p per kwh;
    - A 30% increase in heat consumption charges in sheltered complexes;
    - An increase in service charges for low/medium rise flats to £4.83 per week and for multi-storey flats £11.40 per week;
    - A decrease in the charge for tenants who benefit from the sheltered support service to £8.51 per week;
    - An increase in the Retirement Life charge for the provision of additional community facilities to £11.40 per week for services within complexes and £4.83 per week where they are within a standalone community centre;
    - An increase in the service charges for Wharfedale extra care scheme to £47.41 per week, in addition the support charge will increase by 9%.
  - v. In respect of the Schools Budget, that the High Needs Block budget for 2023/24, as set out in paragraph 4.4 of the Schools Budget Report at Appendix 8, specifically the table at paragraph 4.4.6 of the report, be approved;
- c) Approve the updated Revenue and Capital Principles at Appendix 11; and
- d) Thank Scrutiny Boards and all those who took part in the public consultation for their comments and observations made in consideration of the Council's Proposed Budget for 2023/24.

## What is this report about?

- 1 Executive Board members are required to recommend a balanced Revenue Budget and a Capital Programme for 2023/24 to Full Council in February. This report provides members with the information needed to do so, presenting final revenue budget proposals for 2023/24. This updates the financial position reported to this Board in September 2022 in the [Medium Term Financial Strategy for 2023/24 to 2027/28](#) and in December 2022 in the [Proposed Budget for 2023/24 and Provisional Budgets for 2024/25 and 2025/26](#) report.

- 2 Related reports in respect of the Capital Programme and the Treasury Management Strategy are also being received at Executive Board today and can be found elsewhere on this agenda.
- 3 Full detail on the final budget proposals for 2023/24 is provided in the attached appendices, with key points summarised below:

### **Revenue Budget 2023/24**

- a) Following the Executive Board's approval of the Proposed Budget at its 14<sup>th</sup> December 2022 meeting, the Chancellor of the Exchequer announced the Provisional Local Government Finance Settlement on 19<sup>th</sup> December, covering the year 2023/24. The Final Settlement, expected in early February, will be subject to debate in the House of Commons. As such, the implications of all known relevant announcements are included in this Budget Report.
- b) When compared to 2022/23, the Council's net revenue budget has increased by £51.4m to £573.4m, due to an increase in the Settlement Funding Assessment (SFA) of £10.1m (5.4%) – the core funding local authorities receive from government –, increase in business rates of £22.2m, and an increase in Council Tax of £19.1m.
  - i. The increase in Council Tax comprises an increase in core council tax of 2.99% together with a further 2.00% in respect of the Adult Social Care precept. The overall increase in council tax income also reflects a recovery in tax base growth following reduction of both the unemployment level and council tax support claims. Excluding police and fire precepts, for a Band D property this is an increase of £78.17 per annum to £1,644.93.
  - ii. The net £22.2m impact of business rates retention on the 2023/24 General Fund is mainly a consequence of a decrease in the level of the deficit that has to be funded in 2022/23 and a slow easing of the pressures on Business Rates income such as bad debts, appeals, with a slight return of growth, rather than the result of significant business rates growth.
- c) Whilst resources receivable have increased, additional pay, price, cost of living and demand pressures mean that the Council will need to deliver £58.6m of savings and further budget reduction measures by March 2024 to achieve a balanced budget position. This is a reduction of £11.2m from the Proposed Budget considered by the Executive Board in December which, at the time, estimated the Council would need to deliver £69.8m savings in 2023/24. The reduction is due to a reclassification of £9.5m of the savings proposals as changes to funding and reductions to identified cost pressures and the removal of a further £1.7m from savings. Full details are provided at Part 5 of Appendix 1 and these updated assumptions have been incorporated into Directorate reports in Appendix 8.
- d) Cost of living pressures in particular are likely to have a wider inflationary impact on the Authority due to the impact of the increased cost of living on our residents and businesses. In addition to the risks associated with increases in costs to the Council for the goods and services that we procure, increased demand for support and welfare services, and reduced income across a range of services as Leeds residents and visitors choose to spend differently due to reduced disposable income or rising inflation. As part of the wider ongoing financial monitoring processes, this position will continue to be kept under review throughout the financial year. (Further information on the Council's response to the cost of living situation in Leeds was provided through the [Cost of Living update](#) report received by the Executive Board in October 2022. Additional insight on how the cost of living is impacting upon people has also been provided through the responses of those who took part in the Council's 2023/24 Budget Consultation. A summary is provided below with full details at Appendix 2.)

- e) The Authority will continue to put measures in place to ensure the assumed increases in funding, savings and cost efficiencies set out in the proposals for the 2023/24 Budget are realised by March 2024, with regular 'Financial Health Monitoring' reports provided to the Executive Board throughout 2023/24. Any variation to budgeted assumptions will be required to be managed within the approved budget. This is in line with the Council's Revenue and Capital principles, first approved by the Executive Board in July 2019 and recently updated to further strengthen budget management and accountability. The updated principles are presented to Executive Board at Appendix 11 and recommended for approval.

### ***Use of capital receipts***

- f) Capital receipts can only be used for specific purposes, their main permitted purpose being to fund capital expenditure. However, in 2016, Government issued guidance giving local authorities the ability to use capital receipts more flexibly, specifically for, 'expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.' Under the Local Government Finance Settlement for 2021/22, these capital receipts flexibilities have been extended to the end of 2024/25. Appendix 9 sets out the Council's Strategy for the Flexible Use of Capital Receipts, noting an additional planned use of £2.7m on the budgeted position for 2022/23 (please refer to the Financial Health Monitoring report for Period 9 2022/23 elsewhere on this agenda for further information), and the planned use of £19.0m in 2023/24 to contribute towards the delivery of savings.

### ***HRA and DSG***

- g) With regard to the Housing Revenue Account, it is proposed to increase rents to all properties in accordance with the Government's rent cap of 7% with effect from April 2023. In addition to this, the Housing Revenue Account budget includes proposals to increase service charges to cover rising costs due to price inflation. Appendix 8 provides further detail.
- h) In respect of the Schools Budget, the Dedicated Schools Grant (DSG) is funded in four blocks: Early Years, High Needs, Schools, Central School Services. At the end of 2022/23 it is projected that there will be a surplus balance of £1.7m on the DSG compared to a surplus balance of £0.1m at the end of 2021/22. The projected surplus equates to 0.2% of the total DSG funding 2022/23 and will be carried forward into 2023/24. The provisional DSG allocation for 2023/24 is £862.6m, an increase of £39.7m on 2022/23. The schools budget is mainly funded by the DSG, the majority of which is passed on to schools, with a small proportion of the grant being retained to support the Council's education responsibilities. Details of the 2023/24 Dedicated Schools Grant can be found within the Schools Budget narrative at Appendix 8.

### ***Business Rates Pool***

- i) In 2022/23 the Council is a member of the Leeds City Region Business Rates Pool, with 50% business rates retention. Due to local government re-organisation in North Yorkshire, one of the members, Harrogate, cannot continue as a member of the existing Pool. Consequently, to allow the Pool to continue in 2023/24 a new application to Central Government was submitted for the following local authorities: Bradford, Calderdale, Kirklees, Leeds, Wakefield and York. At the provisional Settlement, the Secretary of State approved the application and the new pool will come into existence on 1st April 2023.

## **Future years**

- j) Looking ahead, Appendix 1 presents Provisional Revenue Budgets for 2024/25 and 2025/26. These update the position set out in the Medium-Term Financial Strategy received in September 2022, with latest forecast gaps of £48.0m in 2024/25 and £26.7m in 2025/26. (These are provided for information and planning purposes only, with decisions continuing to be made as part of the Council's annual budget-setting process.) The forecast position for the financial period to March 2026 recognises the requirement to make the Council's budget more financially resilient and sustainable whilst providing increased resources to support demand-led services.
- k) It is clear from the level of savings required to be delivered in 2023/24 and the size of the estimated budget gaps in future years that the financial climate for local government continues to present significant risks to the Council's priorities and ambitions. In addition, this report has been prepared against a background of uncertainty to the Government's spending plans from April 2024, following a one-year financial settlement being announced for 2023/24. The Council continues to make every effort possible to protect the front-line delivery of services and to avoid large scale compulsory redundancies while making decisions which are sustainable for the future. But the position remains extremely challenging, especially when account is taken of the ongoing financial impact of cost of living crisis. It will therefore be increasingly difficult to maintain current levels of service provision without significant changes in the way the Council operates. As such, the Authority's 'Financial Challenge' savings programme will continue, supporting reviews and wider transformation that will deliver improved services and, at the same time, efficiencies.

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

- 4 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.
- 5 The Council is fully committed to ensuring that equality and diversity are given proper consideration when we develop 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.
- 6 Equality impact screenings have been carried out on all 'service review' savings proposals previously approved by this Board for implementation / consultation at its October and December 2022 meetings. Where appropriate, further equality impact assessments will be carried out as part of the Council's decision-making process.
- 7 A full strategic equality impact assessment and analysis of the proposed Revenue Budget for 2023/24 is included at Appendix 6.

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

☒ Health and Wellbeing

☒ Inclusive Growth

☒ Zero Carbon

- 8 The Council's strategic ambitions can only be delivered through a sound understanding of the organisation's longer-term financial sustainability which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints. This is the primary purpose of the Medium Term Financial Strategy which provides the framework for the determination of the Council's annual revenue budget, with this report being the initial proposals for the 2023/24 Budget.

## What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

☐ Yes

☒ No

- 9 The 2023/24 Budget proposals were developed through consultation with a range of stakeholders, notably with the Executive Board, all Scrutiny Boards, the Council's Corporate Leadership Team and other senior officers. They also draw on insights from the priorities set out in existing council and partnership plans and strategies which have themselves been subject to extensive consultation and engagement. The public consultation results are included in full at Appendix 2 with the results of the consultation with Scrutiny Boards provided at Appendix 3.

### ***Public Budget consultation - summary***

#### Introduction and approach

- 10 Following agreement by December's Executive Board, public consultation on the Council's Proposed Budget for 2023/24 took place during the four weeks between 14<sup>th</sup> December 2022 and 11<sup>th</sup> January 2023 through an online survey.
- 11 The survey explored a range of themes relevant to the proposed budget including: principles of how we should be funded, proposed changes to Council Tax, and how we plan to spend the revenue budget by directorate. Other questions explored: satisfaction with how the council runs things overall, ideas for opportunities for the council to do things in more modern and efficient ways, and, in a new section this year, participants' experience of the rising cost of living.
- 12 The survey was carried out using online methods only. Staff in the Community Hubs were supplied with an information sheet to help them support anyone who was unable to access the survey online. In previous years, when paper surveys have been offered, they have had low take-up and those were predominantly from groups of respondents that are already over-represented. The consultation was circulated primarily through Leeds City Council social media channels and online community groups, and as a news item on the Council's website. The Citizens' Panel, which has around 2,000 members, received an email with a link to the survey. Staff and elected members were invited to take part through emails and a news item on the council's intranet (InSite). Invitations were also emailed to partner organisations, requesting that they share through their networks. Invitations cascaded through the Youth Service and targeted social media were successful in increasing engagement of younger people aged under 30.
- 13 In total, 1,742 participants completed the survey. This response is in line with previous years' online surveys (2,495 for the 2021/22 Budget Consultation and 1,537 for the 2020/21 Budget Consultation), and is much greater than when an alternative online approach using an engagement platform was trialled last year (468 for the 2022/23 Budget). The response is highly accurate, representing the population of Leeds to a confidence interval of +/-2.4% (with 95% confidence).
- 14 Survey participants were from a range of different demographic groups, which in general represented the population of Leeds residents, although young people aged under 30, people who identified as being from a minority ethnic community and those who practise religions other than Christianity were underrepresented. Most respondents (91%) said that they live in Leeds and over half (53%) work in Leeds. Around 1 in 6 (18%) said they work for Leeds City Council and a smaller group (3%) said they study in Leeds.

#### Main survey findings

- In response to the financial challenges that Leeds City Council faces:

- Almost three quarters of respondents (73%, 1,255 of the 1,742 responses) agreed with the statement that we should raise money through increasing council tax and charges.
  - 30% of all respondents felt we should raise enough money by increasing council tax and charges to avoid having to cut services
  - 43% of all respondents said that council tax and charges should be slightly increased whilst balanced with cuts and reduction of some services
- Over 1 in 4 (27%) of all respondents said we should not increase council tax or charges, even if this has a large impact on the services we provide. This is a slightly higher percentage than in previous years (22% in last year's consultation).
- The 1,255 respondents who agreed we should raise money through increasing council tax and charges were asked how much they agreed or disagreed with the statements: 'Existing charges for services should be increased', 'New charges should be introduced for some services' and 'Council tax should increase'.
  - The highest proportion of these 1,255 respondents, 75%, agreed with the statement that council tax should increase. This represents 55% of all 1,742 respondents.
  - Slightly fewer, 73%, agreed with the statement that new charges should be introduced for some services, representing 53% of all respondents.
  - A similar number, 71%, agreed with the statement that existing charges for services should be increased, representing 52% of all respondents.
- When asked how much they agree or disagree with our proposed approach for increasing council tax by up to 4.99% (2.99% for the core Leeds element plus an additional 1.99% to support adult social care services):
  - Three in five (60%) of all 1,742 respondents agreed: 24% of all respondents strongly agreed, 35% tended to agree.
  - Two in five (40%) disagreed: 23% strongly disagreed, 17% tended to disagree.
  - The proportion of those agreeing with our proposed raise in council tax has decreased since last year by 6 percentage points (from 66%), returning to figures closer to those in previous years. It should be noted that over the last five years of the survey, the highest proportion of those agreeing with the proposed rise in council tax was in 2022/23, when the overall proposed increase (2.99%) was at its lowest point across these years.
- Participants were presented with a chart of the proposed net revenue budget per directorate, alongside a summary of the services that each directorate provides, and links to the Revenue Savings Proposals and Proposed Budget report considered by the Executive Board at its December 2022 meeting.
  - When asked how much they agreed with the savings proposals for 2023/24, almost three in five (59%) agreed: 7% strongly agreed and 52% tended to agree.
    - Two in five disagreed (41%): 16% strongly disagreed and 25% tended to disagree.
    - In total, 229 respondents said they don't know or gave no response.
  - In terms of the overall proposed budget approach, almost three in five of respondents (59%) agreed with this: 7% strongly agreed and 52% tended to agree.
    - Two in five disagreed (41%): 15% strongly disagreed and 27% tended to disagree.
    - In total, 191 respondents said they don't know or gave no response.
  - Levels of agreement with our proposed revenue budget have decreased since last year by 9 percentage points (from 68%), continuing the trend from earlier years of a steady decrease.

- 41% (720) of respondents filled in an open text field asking them for views on the overall proposed budget and savings proposals, providing comments that have been individually analysed and grouped into themes. Many provided more than one comment; in total, 1,101 comments were made.
  - The highest number of comments suggested an increase to the Adults & Health budget (147). This was followed by concerns about improvement works in the city centre and cycle lane provision (110), and comments suggesting a reduction in the proposed City Development budget (106).
  - Some comments referred to specific savings proposals, with the largest number opposing parking charges (58), followed by closing nurseries (15) and stopping bonfire events (7).
- Almost half of respondents (49%) were satisfied with the way Leeds City Council runs things (10% very satisfied, 39% fairly satisfied). More than 1 in 4 (28%) said they were dissatisfied (16% fairly dissatisfied, 12% very dissatisfied).
  - Comparison with last year's consultation for the 2022/23 Budget shows a decrease in satisfaction of 4 percentage points, from 53%. This continues a downward trend from the 2021/22 Budget consultation two years ago when satisfaction was higher at 60%. It is worth noting that residents may have been feeling more positive then, since the survey was carried out during the COVID-19 pandemic when the work the council do was more likely to be recognised and celebrated. (This question on satisfaction was first introduced in the 2021/22 Budget consultation survey.)
- 617 (35%) respondents provided a comment or suggestion in an open text box around improving services and helping the Council to deliver them in modern and more efficient ways, a number of whom provided multiple comments or suggestions across different service areas. In total, 869 comments were made, which were coded into groups and themes within each group. All specific service suggestions will be reviewed and considered as part of identifying further service improvements and financial savings for future years.
  - Almost a quarter of the comments (23%) related to services the council provides. Suggestions around refuse collection efficiencies and improvements were the main themes in this group.
  - The second major grouping, with about a fifth of the comments, related to the council's ways of working. The main themes in this referred to procurements and contract management, as well as listening to the public / keeping the public informed.
  - Further groups of themes related to transport, ideas and suggestions, views on policies and staffing and pay.
  - The most common single theme was improvements to the bus service and public transport (8.4% of all comments), followed by concerns over the ongoing improvement work in the city centre and the introduction of cycle lanes (7.7% of all comments).
  - In addition, 4.8% of all comments suggested different ways of working.
- Participants were asked about their household finances and which increasing costs are of most concern to them, to understand how the rising cost of living is impacting residents in Leeds and help ensure access to the right support is available.
  - Over half of respondents (53%) described their financial position as living comfortably or doing alright, but almost 1 in 5 (18%) said they are finding it fairly or very difficult.
- When asked how concerned respondents were about the cost of different products and services over two thirds (68%) were very concerned about rising energy costs (where this applied to them).



- Other costs where more than a third were very concerned (of those who said it applied to them) were: petrol/diesel fuel (38%), childcare costs (37%) and mortgages and rent (35%).
- When asked if other costs were a concern, the largest number of relevant comments were for housing maintenance and repairs, followed by: days out & leisure activities, providing care and support to adults, and charges for parking.
- Participants were introduced to the Leeds Money Information Centre (LMIC) website. When asked, close to half of respondents (45%) said they had previously heard of the LMIC website, of whom 117 (7%) said they have used it to find support in Leeds.
  - Where respondents had previously told us their financial position is fairly difficult or very difficult, 10% said they had used the website and over half (55%) had not heard of it.
- Some responses varied across different groups of people, for example
  - Younger people aged 18-29 were much less likely to be satisfied with how the council runs things. They were much more likely to say that their financial position is fairly or very difficult and much less likely to have heard of the LMIC website.
  - People aged 30-44 were more likely to say that council tax and charges should not increase to fund services, and less likely to agree with the proposed increase in council tax.
  - Older people aged over 65 were much more likely to say we should raise money through increasing tax and charges, and much more likely to agree with the proposed increase in council tax. They were much less likely to say that their financial position is fairly or very difficult, or to report that they are very concerned about the cost of products and services.
  - Minority ethnic respondents were more likely to say we should not increase council tax and charges and much less likely to support: the proposed increase in council tax, our savings proposals and our overall budget proposals. They were less likely to be satisfied with how the council runs things. They were more likely to say that their financial position is fairly or very difficult and that they are very concerned about the costs of products and services.
  - Disabled people were more likely to say we should not increase council tax and charges and less likely to support: the proposed increase in council tax, our savings proposals and our overall budget proposals. They were much less likely to be satisfied with how the council runs things. They were much more likely to say that their financial position is fairly or very difficult, that they are very concerned about the costs of products and services, and were much more likely to have heard of the LMIC website.

### ***Scrutiny Board consultation - summary***

- 15 In accordance with the requirements of the Budget and Policy Framework, all five Scrutiny Boards considered the Proposed Budget 2023/24 during their January cycle of meetings. Prior to this, and in line with the approach taken the previous year, officers and Executive members attended working group sessions with each Board in December, an approach welcomed by the Boards.
- 16 Following the January meetings, a composite report presenting the Scrutiny Board comments and conclusions was provided, setting out five key considerations for all Scrutiny Boards:
  - a) Scrutiny Boards sought and received assurance around the assumptions reflected in the Proposed Budget 2023/24, including the progress in delivering savings targets for 2022/23.

Those assurances were provided by the relevant Leeds City Council officers and Executive Board members.

- b) Following recommendations in February 2022, all Scrutiny Boards welcomed the publication of 'Business as Usual' savings. Scrutiny members recommend that such transparency is maintained in the approach to future budget consultation.
  - c) All Scrutiny Boards sought assurance as to the deliverability of 'Business as Usual' productivity savings, which incorporate targets to significantly reduce sickness absence in several service areas.
  - d) Scrutiny members reiterated the importance of considering the context of current economic conditions for citizens, customers and service users ahead of the final budget proposals being referred to Council by the Executive Board.
  - e) All Scrutiny Boards sought clarification and assurance about the impact of budget proposals on front line services and staff.
- 17 In addition, each Scrutiny Board presented a number of key findings specific to their remits. Further detail is provided in the composite report at Appendix 3.

### ***Housing Leeds Tenant Consultation***

- 18 The service has integrated into its quarterly tenant satisfaction survey programme questions to help us understand tenants service priorities, which in turn can be used to help inform annual budget setting. The findings of this consultation are at Appendix 12.

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

- 19 The financial position as set out in the Medium Term Financial Strategy which was received at September's Executive Board identified an estimated budget gap of £123.6m for the period 2023/24- 2025/26 of which a gap of £63.6m related to 2023/24. The Proposed Budget presented to this Board in December 2022 encompassed a number of directorate savings proposals and corporate measures which enabled a balanced budget position for 2023/24, with gaps of £48.0m and £26.7m respectively for 2024/25 and 2025/26.
- 20 Final budget proposals, which incorporate a number of changes to the position presented in December, deliver a balanced budget for 2023/24 and are contained within Appendix 1 of this report. This position takes account of the estimated level of resources available to the Council. In addition, it reflects the requirement to make the Council's revenue budget more financially resilient and sustainable over the medium term whilst at the same time recognising increased demand pressures for the services that we deliver.
- 21 The provisional budgets for 2024/25 and 2025/26 have been updated and the estimated budget gaps are now £43.0m and £28.7m for the respective years. Details are contained within Appendix 1 of this report.

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

- 22 The budget proposals for 2023/24 and the provisional budgets for 2024/25 and 2025/26 need to be seen in the context of significant inherent uncertainty for the Council in terms of future funding and spending assumptions.
- 23 The Council's current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way, in that the Council cannot balance its Revenue Budget, is identified as one of the Council's corporate risks, as is the Council's financial position going into significant deficit in the current year resulting in

reserves (actual or projected) being less than the minimum specified by the Council's risk-based reserves policy. Both these risks are subject to regular review and reporting.

- 24 Failure to address these issues will ultimately require the Council to consider even more difficult decisions that will have a far greater impact on front-line services including those that support the most vulnerable and thus on our strategic ambitions to tackle poverty and reduce inequalities.
- 25 Financial management and monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach will continue to be included in the in-year financial reports brought to Executive Board.
- 26 In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required.
- 27 Specific risks relating to some of the assumptions contained within these budget proposals are identified at Appendix 1 to this report.

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

- 28 This report has been produced in compliance with the Council's Budget and Policy Framework. In accordance with this framework, the Proposed Budget, following approval by this Board in December 2022, has been submitted to Scrutiny for their review and consideration. As noted above, the outcome of their review is included at Appendix 3 to this report for consideration prior to submission of these proposals to Full Council on 22nd February 2023.
- 29 These budget proposals, if implemented, will have implications for Council policy and governance and these are explained within the report. The budget is a key element of the Council's budget and policy framework, but, where required, proposals will also be subject to separate consultation and decision-making processes, which will operate within their own defined timetables and be managed by individual directorates.
- 30 In accordance with the Council's Budget and Policy Framework, decisions as to the Council's budget are reserved to Full Council. As such, recommendations a, b and d are not subject to call in, as the budget is a matter that will ultimately be determined by Full Council. Recommendation c. regarding approval of the updated Revenue and Capital Principles at Appendix 11 is a decision of the Executive Board and as such is subject to call in.

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

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

31 Not applicable

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

32 Not applicable

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

33 Not applicable

### **Appendices**

- Appendix 1: 2023/24 Revenue Budget and Council Tax
  - Annex 1: Movement in Net Managed Budget by Directorate 2022/23 to 2023/24
  - Annex 2: Statement of 2022/23 and 2023/24 Budgets by Service

- Appendix 2: Proposed Budget 2023/24: Consultation Report
- Appendix 3: Proposed Budget 2023/24: Summary of Scrutiny Board consultation
- Appendix 4: 2023/24 Proposals by Directorate Requiring Decision
- Appendix 5: Proposed Council Tax Support Payments for Parish/Town Councils
- Appendix 6: Equality Impact Assessment: Council Budget 2023/24
- Appendix 7: Virement Decisions to Amend Approved Budgets
- Appendix 8: Directorate Budget Reports 2023/24
- Appendix 9: Strategy for the Flexible Use of Capital Receipts
- Appendix 10: Budgeted movements in Earmarked Reserves 2023/24
- Appendix 11: Revenue and Capital Principles
- Appendix 12: Tenant Consultation

## **Background papers**

None



This report sets out the Council's budget for 2023/24, set within the context of the Council's [Proposed Budget for 2023/24](#), which was agreed by the Executive Board in December 2022, the Provisional Local Government Finance Settlement and in accordance with the Council's budget and policy framework. As agreed by Executive Board, the Proposed Budget has been submitted to Scrutiny for review and has also been used as a basis for wider consultation.

Detailed budget proposals for each directorate are set out in the budget reports attached in Appendix 8. This information will be consolidated into the budget book which will be appended to the Budget Report submitted to Full Council and published on Data Mill North. The budget book contains detailed budgets for each directorate at both service level and by type of expenditure/income.

The budget proposals contained in this report have, where appropriate, been the subject of the Council's equality impact assessment process and mitigating measures have been put in place or are planned.

## Part 1: Context and Scene Setting

## Part 2: Summary Changes since the Proposed Budget

### Part 3: Changes in Funding and Resources

## Part 4: Cost Pressures, Budget Growth and Adjustments

## Part 5: Addressing the Budget Gap

## Part 6: Summary Budget 2023/24

## Part 7: Robustness of the Budget and Adequacy of Reserves

## Part 8: Provisional Revenue Budgets for 2024/25 and 2025/26

## Part 9: Ringfenced Budgets

## Part 10: Management of Key Risks



## **Part 1: The Context for Leeds City Council's 2023/24 Budget and Provisional Budgets for 2024/25 and 2025/26**

- 1.1 This report brings before Executive Board the Council's budget for 2023/24 which is set within the context of the Council's [Proposed Budget for 2023/24](#) agreed by Executive Board in December 2022 and further builds on the [Medium Term Financial Strategy](#) agreed by Executive Board in September 2022. These budget proposals are also prepared using the detail of the Provisional Local Government Finance Settlement announced in December 2022. The Council's budget is developed in accordance with the Council's Budget and Policy Framework. As agreed by Executive Board, the Proposed Budget has been submitted to Scrutiny for review and has also been used as a basis for wider consultation.

### **Influences affecting the 2023/24 Budget**

- 1.2 The funding available to local authorities, and the way this is used, is influenced by factors at a regional, national and international level. This Budget is produced at a time when Leeds is facing significant change and challenges, some of which come as a result of developments far beyond the City's borders.
- 1.3 The Council's Medium Term Financial Strategy (MTFS) notes that we are in a period of political and economic volatility, describing a range of influences and factors that impact on its development. Paragraphs 1.5-1.14 summarise these influences, updating where these have progressed since publication of the MTFS and subsequent Proposed Budget Report, and linking to those reports where the Council's position remains the same.
- 1.4 The predominant influences affecting this Budget and Medium Term Financial Strategy include: the global and national Economy including the impact of Cost of Living; Annual Government Announcements; National Policy; Regional Working; COVID-19 and the resulting operating context; and Health and Social Care funding.

### **1.5 The Economy**

- **Office of Budget Responsibility forecasts** – At the time of the Autumn Statement in November 2022, the Office for Budget Responsibility (OBR) published its updated independent economic and fiscal forecasts. The OBR forecasts a significant deterioration in the outlook for the economy, as set out below:
  - the OBR's forecasts for nominal GDP growth averages 2.24% a year between 2022 and 2026, down from 3.8% on the forecast in March 2022.
  - Real GDP is expected to grow by 4.2% in 2022/23, before falling by 1.4% in 2023/24 and returning to growth of 1.3% in 2024/25.
  - The OBR estimates that inflation (CPI) will average 9.1% in 2022/23 before falling back to 7.4%% in 2023/24, 0.6% in 2024/25 and -0.8% in 2025/26.





- ## 1.6

- **Settlement Funding Assessment**, the funding given by Government for general revenue support increased by £10.1m, consisting of increases to;
  - **Revenue Support Grant**, which increased by £2.9m in line with the increase in the Consumer Prices Index and £1.2m as three grants were rolled into RSG, which the Council previously received separately, to £33.4m.
  - **Business Rates Baseline**, which increased by £6.0m to £164.4m. This is the amount of Business Rates that the Council is allowed to retain. It is an uplift of 3.74%, which excludes any business rates growth the city achieves which the Council retains at 49%. Because the business rates multiplier has been capped by Government, this represents the actual inflationary increase applied to the Small Business Rates Multiplier.
- **Compensation for the capping of the Small Business Rates multiplier** was estimated by Government to increase by £11.8m, reflecting the fact that Government froze the multiplier in cash terms instead of increasing it by the currently high level of inflation. The Council receives the difference as compensation.
- **The referendum limits applied to Council Tax** were confirmed as being 2.99% for the core increase and 2% for the Adult Social Care precept. The Government calculates that this would lead to an increase in Council Tax





- **New Homes Bonus** allocation to Leeds was confirmed to be £4.5m, a £4.5m reduction on last year, which has been accounted for in 2022/23, the year in which the Bonus funding is earned.
- **Adult Social Care grants** increases were confirmed resulting in £28.9m in additional funding to the Council. There were increases to the grants that the Council receives through the Settlement and Government announced at the Autumn Statement that it was to delay the reforms to charging for Adult Social Care that would, for example, have seen a cap to the total amount a service user could be charged. However, Government announced at that time that the funding they had given local authorities for these reforms would be honoured and councils would be able to use this funding for ongoing costs of providing services.
- Government has indicated that this additional £28.9m can be used to support the delivery of the social care function in Leeds. These Budget proposals for 2023/24 assumes that this resource will be used as indicated by Government as follows:
  - Loss of income from NHS partners £6.7m
  - Loss of income from previously targeted income with Children's Services £1.9m
  - Cost pressures within Adult Social Care, including commissioned demand related services £13.2m
  - To allow for the payment of the Real Living Wage to care staff in services that the Council commissions, which supports the local care market £7.1m

- **Services Grant** was reduced by £4.7m, from £10.9m in 2022/23 to £6.2m in 2023/24, in part because the Government has removed support previously awarded for the costs of the Health and Social Levy, which has been abolished. This grant has also been top-sliced to increase funding for the Supporting Families programme and a further portion has been held back as a contingency. Government has not quantified each element of the reduction.
- A new grant, called the **Funding Guarantee**, was included in Core Spending in 2023/24, funded by the top-slices previously used to fund the Lower Tier Services Grant (of which the Council received £1.2m in 2022/23). LTSG grant has been abolished alongside legacy payments of New Homes Bonus. The Funding Guarantee is intended to ensure all authorities received an increase



in Core Spending Power of 3%. As Leeds City Council saw an increase in Core Spending Power of 9.3% in 2023/24, the Council's allocation is zero.

**1.7 Previous Annual Government Announcements**

- Further information on the impact of the **Chancellor's Autumn Statement** is detailed in the [Proposed Budget for 2023/24](#) which was received at December's Executive Board.
- The **2021 Comprehensive Spending Review** and **2022 Spring Statement** are both discussed in the [Medium-Term Financial Strategy 2023/24 to 2027/28](#).

**1.8 National Policy**

- **Levelling Up** – The Government's "Levelling Up" policy is intended to "level up opportunities across all parts of the United Kingdom, supporting jobs, businesses and economic growth and addressing the impact of the pandemic on public services."<sup>1</sup> A Levelling Up Fund was announced in 2020, initially making £4.8bn available for UK local infrastructure through a competitive bidding process, with this funding to be delivered through local authorities. Government published its Levelling Up white paper in February 2022 providing further detail on how the Levelling Up policy would develop and "setting the medium-term ambition" of the Government. The first £1.7bn of funding allocations were announced alongside the Spending Review 2021, with £20m allocated to Leeds for 'Connecting West Leeds', a new transport infrastructure scheme focusing on travel and environmental improvements to the Outer Ring Road between Horsforth and Pudsey. A second round of funding opened in April 2022 with the Council submitting 6 bids. The outcome of this second round was announced on 19<sup>th</sup> January 2023 and Leeds has been informed that all of its submitted bids were unsuccessful.

**1.9 Regional Working – West Yorkshire Combined Authority** is discussed in the [Medium-Term Financial Strategy 2023/24 to 2027/28](#).

**1.10 COVID-19 and a new operating context** is discussed in the [Medium-Term Financial Strategy 2023/24 to 2027/28](#).

**1.11 Health and Social Care**

- **NHS Integration:** In February 2022 the Government announced a White Paper, 'Health & Social Care integration: joining up care for people, places

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<sup>1</sup> Prime Minister's Office, Queen's Speech 2021, 11 May 2021



and populations'. The White Paper aims to achieve this by bringing together the NHS and local government to jointly deliver for local communities.

- **Cost of Care:** Adult social care charging reform in local authorities - The Government has delayed the national rollout of social care charging reforms from October 2023 to October 2025. As discussed at paragraph 1.6, funding previously allocated for 2023 implementation will be maintained within local government to enable local authorities to address current adult social care pressures, as allocated at the Local Government Finance Settlement through the Social Care Grant.

### **About Leeds: Socio-economic context**

- 1.12 Leeds is a growing city with a population that continues to become more diverse in terms of age and ethnicity. Based on the 2021 Census, the city's population was recorded as 811,956 people, an increase of 60,471 (8.0%) in the ten years since the previous 2011 Census, with particular increases among children and young people, and those aged 65 and above. Leeds has a large, urban core but, unlike many other cities, its administrative boundary includes a significant rural area, with villages and market towns.
- 1.13 During the two decades prior to the last global financial crisis, the city's economy experienced significant growth, driven in large part by financial and business services. Leeds established itself as a vibrant, diverse and dynamic city, with a strong knowledge-based economy and recovered from the economic impact of the COVID-19 pandemic faster than many of its neighbours. However, the pandemic increased pressures on low-income households and the most vulnerable in society, as well as pushing a number of additional households to experience financial uncertainty and hardship for the first time. This has been exacerbated by the cost of living crisis, this not only increasing the challenges being experienced by many individuals and households, but also applying further pressure to council services through increased demand and costs, as well as reduced income as Leeds' residents and visitors choose to spend less or differently.
- 1.14 Further information on Leeds' socio-economic context is provided at Appendix 6 within the Equality Impact Assessment for this 2023/24 Budget, with a range of additional data and information available on the [Leeds Observatory](#) and in the [Leeds Poverty Fact Book](#).



## Part 2: Summary of changes since the Proposed Budget

2.1 Table 1 summarises the movements since the 2023/24 Proposed Budget and the final 2023/24 Budget proposals.

**Table 1 – Summary of Changes in Resources, Costs and Savings Proposals in the Council's Budget 2023/24 and comparison with the position at the Proposed Budget**

	Proposed Budget 23/24 £m	Changes since Proposed Budget £m	Budget 2023/24 £m
<b>Funding and Resources</b>			
Increase in Net Revenue Charge	(35.2)	(16.2)	(51.4)
Change in contribution to/(from) General Reserve	0.0	3.0	3.0
Change in contribution to/(from) Earmarked Reserves	5.7	(3.5)	2.2
COVID-19 Grants (business rates reliefs)	24.1	(0.1)	24.1
Net Increases in Other Specific Grant	(27.2)	0.9	(26.2)
Other General Fund Business Rates Movements	(23.1)	(2.9)	(26.0)
Other Contributions	5.3	(0.3)	5.0
	<b>(50.3)</b>	<b>(19.1)</b>	<b>(69.3)</b>
<b>Pressures</b>			
Pay Inflation	33.4	1.2	34.5
Energy Inflation	10.7	(0.0)	10.7
General Inflation	22.3	(1.9)	20.3
Commissioned Services	25.5	0.0	25.5
Other incl. Debt	28.1	8.7	36.8
	<b>120.0</b>	<b>7.9</b>	<b>127.9</b>
<b>Total Funding, Resources and Cost Pressures</b>	<b>69.8</b>	<b>(11.2)</b>	<b>58.6</b>
<b>Existing Actions to Reduce the Budget Gap</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Business As Usual	(7.5)	2.7	(4.8)
Service Reviews	(6.2)	1.5	(4.7)
<b>Total Existing Savings</b>	<b>(13.8)</b>	<b>4.2</b>	<b>(9.6)</b>
<b>Routine Efficiencies identified 2022</b>	<b>(9.4)</b>	<b>2.8</b>	<b>(6.5)</b>
<b>Gap Remaining After Existing Savings</b>	<b>46.6</b>	<b>(4.1)</b>	<b>42.5</b>
<b>Additional Savings 2022</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Directorate Savings</b>			
<b>October 2022</b>			
Business As Usual	(11.3)	1.4	(9.9)
<b>December 2022</b>			
Business As Usual	(23.5)	2.0	(21.5)
Service Reviews	(11.9)	0.8	(11.1)
<b>Total Additional Directorate Savings</b>	<b>(46.6)</b>	<b>4.1</b>	<b>(42.5)</b>
<b>Gap Remaining After Additional Savings</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

2.2 The Council's Proposed Budget for 2023/24 was presented to Executive Board in December 2022 and presented a balanced position. Table 1 summarises the movements in the 2023/24 position since the Proposed Budget, including changes in resources available to the Council and the budget movements relating to changes in cost assumptions.



- 2.3 Table 1 also shows the value of savings proposals that have been identified and which contribute towards balancing the 2023/24 budget within the estimated available resources. These are detailed in Part 5: Addressing the Budget Gap. Overall, this report presents a balanced position for 2023/24.
- 2.4 The resources available to the Council have increased by £19.1m. This is due to an increase in the Net Revenue Charge of £16.2m, comprised of £10.1m additional funding from Government through the Settlement Funding Assessment and £6.1m additional local funding from Business Rates and Council Tax. The updated position includes a contribution of £3m to the General Reserve. A £3m contribution to revenue from the Strategic Contingency Reserve will be used to fund the resulting revenue pressure. An additional net contribution of £0.5m from earmarked reserves is also reflected. The General Fund impact of Business Rates has increased by a further £3.0m. Specific Grants have reduced by a net £0.9m – this reflects that the provisional Financial Settlement rolled £4.2m of specific grants into the Revenue Support Grant, which is included in the Net Revenue Charge, but new specific grants of £4.1m are also recognised in this final Budget position, all of which are fully utilised to fund new expenditure. Other contributions have increased by £0.3m. Further detail on the movement in funding and resources is at Part 3 and in Appendix 8 for individual directorates.
- 2.5 Changes due to cost pressures have increased by £7.9m. This is due to an increase of £1.2m in pay related movements, specifically a further allowance of £0.6m for reassessed pay award pressures and the reclassification of £0.6m of proposed pay related savings from 'Savings'. The movement of (£1.9m) in general inflation also reflects reclassification of inflation related proposed savings. Other cost pressures include further reclassification of savings of around £2.2m, with the remaining increases in pressures due to increased transport costs of £2.2m in Children and Families and £4.1m new grant-funded expenditure in Communities, Housing and Environments. Other net movements of £0.2m have been identified since the Proposed Budget. Further detail on the movement in cost pressures is at Part 4 and in Appendix 8 for individual directorates.
- 2.6 Changes due to movement on savings have reduced by £4.2m for existing savings, £2.8m routine efficiencies and £4.1m for additional savings identified as part of the 2022 Financial Challenge process. As noted above, these savings have been reclassified to the most appropriate area of the budget, to better reflect how they are to be achieved. Further detail on the movement in savings is at Part 5 and in Appendix 8 for individual directorates.





## Part 3: Changes in Funding and Resources

### 3.1. Summary Changes in Funding and Resources

*Table 2 – Changes in Funding and Resources 2023/24*

	2023/24 £m
Change in Resources due to Settlement Funding Assessment and Local Funding <i>Table 12, Paragraphs 3.2-3.9</i>	(51.416)
Movement on use of Reserves <i>Paragraphs 3.10.3-3.10.13</i>	5.227
Specific Grant Funding Changes <i>Paragraphs 3.10.14-3.10.33</i>	(28.140)
Other Changes in Resources <i>Paragraph 3.10.34-3.10.35</i>	5.000
<b>Total Funding and Resources Changes</b>	<b>(69.329)</b>

3.1.1. Table 2 summarises the changes detailed in Paragraphs 3.2-3.9. In brief, these include changes in resources in respect of local funding (such as Council Tax and Business Rates), specific grant funding changes, other changes in resources (e.g., Funding from other sources) and movement on reserves showing use of or contribution to the Council's reserves.

### 3.2. Estimating the Net Revenue Budget

#### **Settlement Funding Assessment – increase of £10.1m**

3.2.1. Settlement Funding Assessment is essentially the aggregate of core government grant and business rate baseline funding for a local authority.

3.2.2. In the last three financial years, local government has received single-year settlements, making financial planning more difficult. Despite there being a three-year Spending Review in 2021 giving details of Government expenditure limits until 2024/25, the provisional Local Government Finance Settlement for 2023/24 only sets out detailed authority allocations for that year with little indication of plans for 2024/25. However, prior to the Settlement being published on 19<sup>th</sup> December 2022, the Government did circulate a policy paper giving some indications of financial policy into 2024/25 to assist authorities financial planning.

3.2.3. Table 3 sets out the Council's provisional Settlement Funding Assessment for 2023/24.



**Table 3 – Settlement Funding Assessment**

	2022/23	2023/24	Change	
	£m	£m	£m	%
Revenue Support Grant	29.3	33.4	4.1	
Business Rates Baseline Funding	158.4	164.4	5.9	
<b>Settlement Funding Assessment</b>	<b>187.7</b>	<b>197.8</b>	<b>10.1</b>	<b>5.4</b>

3.2.4. The business rates element of the Settlement Funding Assessment (SFA) is determined by taking the 2022/23 baseline business rates amount and uplifting it by the same percentage increase as the small business rates multiplier for 2023/24. Usually this would be CPI inflation in the previous September. At the time of the Autumn Statement in November 2022, Government announced that the small business rates multiplier would be frozen and therefore it was anticipated that there would be no movement in the baseline. However, there has also been a Revaluation of all business properties in England, which will take effect from 1<sup>st</sup> April 2023. The draft ratings list for Leeds shows that the Rateable Value in Leeds has increased and so the Business Rates Baseline is adjusted upwards to reflect this. This is then reduced by the tariff the Authority has to pay to Government because it is assessed as collecting more business rates than it requires for its spending needs, which is known as its baseline funding level. The tariff would ordinarily increase in line with any increase in the multiplier from its 2022/23 amount. However, as a revaluation has taken place and Government has assured local authorities that this should not lead to any changes in revenue for them, the Government intends to adjust tariffs to take out any impact of the 2023 Revaluation. Due to aggregate Rateable Value in Leeds increasing as a result of the Revaluation, it was expected that our tariff would also increase, and any increased business rates collected paid to Government. However, because it became clear at the provisional Settlement that an element of inflation had been included in the multiplier and this is excluded from the calculations required to adjust the authority's tariff, the tariff reduced rather than increased, from £14.4m to £9.4m. The net result of the increase in the Business Rates Baseline and the reduction in the tariff is an increase in Government funding from business rates (the Baseline Funding) of £6.0m. In addition, the Government also announced that Revenue Support Grant (RSG) would increase in line with CPI from September 2022 and three other existing grants would be rolled into RSG, resulting in RSG increasing by a total of £4.1m. In total this means that SFA has increased by £10.1m.

3.2.5. Prior to 2013/14 when the Business Rates Retention Scheme was introduced, business rates were paid to Government and redistributed as general grant according to relative needs and resources. In 2013/14, in addition to general grant, a number of other funding streams were rolled into the Settlement Funding Assessment. However, since 2014/15 Settlement Funding Assessment has been adjusted without reference to these individual grants and therefore it is not possible to identify how much of the total funding receives relates to each constituent part.



3.2.6. A list of these individual funding streams is provided in Table 4.

**Table 4 – Grants Rolled into the Settlement Funding Assessment**

	2023/24 £m
<b>Settlement Funding Assessment</b>	<b>197.75</b>
<b>Which includes:</b>	
Council tax freeze grant 2011/12	
Council tax freeze grant 2013/14	
Early intervention grant	
Preventing homelessness	
Lead local flood authority grant	
Learning disability & health reform grant	
Local welfare provision	
Care act funding	
Sustainable drainage systems	
Carbon monoxide & fire alarm grant	
<b>'Rolled in' for 2023/24</b>	
Local Council Tax Support admin subsidy grant	
Family Annexe Council Tax Discount grant	
Food safety and standards enforcement grant	

### 3.3. Business Rate Retention

**Table 5 – Rateable Value in Leeds and Business Rates Income Generated**

	£m
<b>Rateable Value in Leeds projected to 1st April 2023</b>	<b>954.44</b>
multiplied by business rates multiplier	0.499
<b>Gross business rates based on projected rateable value</b>	<b>476.26</b>
Estimated Growth	2.50
<b>equals gross business rates to be collected in Leeds</b>	<b>478.76</b>
less: -	
Mandatory Reliefs	-74.84
Discretionary Reliefs	-1.11
Government mandated reliefs	-29.49
Transitional Adjustments (year 4)	-18.14
<b>equals net business rates paid by ratepayers</b>	<b>355.18</b>
less adjustments for: -	
Bad debts and appeals	-19.41
Cost of collection	-1.23
Projected Enterprise Zone and renewable energy projects yield	-5.26
Transitional Adjustments repaid from Government	18.14
<b>equals non-domestic rating income in Leeds</b>	<b>347.42</b>
Split into shares: -	
<b>Leeds City Council (49%)</b>	<b>170.24</b>
West Yorkshire Fire Authority (1%)	3.47
Central Government (50%)	173.71
less deductions from operation of business rates retention scheme: -	
Leeds City Council's tariff from Local Government Finance Settlement	-9.38
Leeds City Council's share of surplus from 2022/23	5.08
Adjustment for spreading the 'exceptional balance' over 3 years	-12.23
<b>Leeds City Council 's 2023/24 income from business rates</b>	<b>153.70</b>





- 3.3.1. Leeds is the most diverse of all the UK's main employment centres and has seen the fastest rate of private sector jobs growth of any UK city in recent years. Yet this apparent growth in the economy has not translated into business rate growth; in fact, the business rates income available to the Council declined from 2015/16 to 2017/18, only returning to 2014/15 levels in 2018/19 with the introduction of the 100% Business Rates Retention pilot. The effect of the Coronavirus crisis reversed this growth again with in-year income levels from the Business Rates Retention (BRR) Scheme (i.e., excluding the exceptional effects of the Collection Fund deficits from 2020/21 and 2021/22) declining below 2015/16 levels in 2021/22 and not projected to recover to budgeted 2020/21 levels, set before the impact of the COVID-19 crisis, until 2024/25.
- 3.3.2. The total rateable value of businesses in Leeds on the draft 2023 ratings list as at 1<sup>st</sup> April 2023 was £957.74m. However, this had reduced by 28<sup>th</sup> December 2022 to £955.86m as the list had been updated and is expected to further decline to £954.44m as further corrections are made. This would generate gross business rates income of £476.26m. It is projected that there will be some modest growth in gross business rates of £2.50m in 2023/24 which is approximately half the growth trend prior to the COVID-19 pandemic. As shown in Table 5, the impact of a range of business rate reliefs (see paragraph 3.4) and statutory adjustments reduces this to a net income figure of £347.42m.
- 3.3.3. Under the projected 50% BRR scheme, Leeds City Council's share of this income is £170.24m (49%). The Authority then pays a tariff of £9.38m to Government because Leeds is assessed to generate more business rates income than it needs.
- 3.3.4. Leeds will also pay its share of the business rates deficit created in 2022/23, which totals £7.2m. The unusually large deficit from 2022/23 comprises a number of components. The first is a significant surplus carried forward from 2021/22 of £8.0m generated after the Council declared its projected deficit in December 2021 because the Taxbase declined in that year, decline which then slowed in the latter quarter of the year following declaration. The second is an in-year deficit generated in 2022/23 of £3.0m because of higher than expected demand in 2022/23 for the extended Retail Relief in that year and the backdated award of COVID-19 Additional Relief Fund reliefs relating to 2021/22. Both these reliefs are fully funded by Government and the funding is held in reserve to offset the cost of this deficit in 2023/24 (see paragraph 3.4 and paragraph 3.10.27). The surplus of £8.0m from the end of 2021/22 and the £3.0m deficit generated from the additional reliefs in 2022/23 equate to a net surplus projected for the end of 2022/23 of £5.1m as shown in Table 5. Finally, there is the final instalment of the exceptional deficit from 2020/21 to repay, which is £12.2m.
- 3.3.5. As shown above, business rates income is shared between local and central government. Under the 50% BRR scheme local authorities experiencing business rates growth are able to retain 49% of that growth locally, but also bear 49% of the risk if business rates fall or fail to keep pace with inflation, although a



safety net mechanism is in place to limit losses in-year.

- 3.3.6. In particular, BRR exposes local authorities to risk from reductions in rateable values. The system allows appeals if ratepayers think rateable values have been wrongly assessed or that local circumstances have changed. One major issue is that successful appeals are usually backdated to the start of the relevant valuation list, which means that for every £1 of rateable value lost on the 2010 list, growth of £6 would be necessary to fund the cost. The 2010 list is closed for new appeals and the backlog of appeals has reduced greatly. At the end of September 2022 there were 57 outstanding appeals against the 2010 ratings list in Leeds although many of these appeals are for properties with high Rateable Values, such as supermarkets. The Council holds significant provisions of £4.8m against the risk that these will result in reductions.
- 3.3.7. The 2010 ratings list was based on rental values in 2008, just before the 'financial & economic crisis' but came into effect after that crisis, when property values had greatly reduced. Appeals submitted against the new 2017 list can be backdated to 1st April 2017, and, together with the impact of the 'check, challenge, appeal' appeals process also introduced in April 2017, this appears to have reduced the number of business rate appeals and the resultant volatility going forward when compared with the 2010 list.
- 3.3.8. Since 2013/14 the total amount repaid by way of business rate appeals is £186.0m, at a cost to the Council's General Fund of £96.8m. The provision for business rate appeals within the Collection Fund has been reviewed and recalculated to recognise new appeals and the settlement of existing appeals. The 2023/24 Budget provides for an additional £6.1m contribution from the General Fund to fund this provision.
- 3.4. **Small Business Rates Relief and other mandatory reliefs**
- 3.4.1. Before the pandemic almost 12,600, about 30%, of business properties in Leeds paid no business rates, of which just over 9,700 receive 100% Small Business Rates Relief. From April 2017, Government increased the rateable value threshold for small businesses from £6,000 to £12,000 and the threshold above which businesses pay the higher national business rates multiplier from £18,000 to £51,000. As a result, an additional 3,300 small businesses in Leeds immediately paid no business rates at all. Whilst Small Business Rates Relief and other threshold changes reduce the business rates income available to Leeds, the Authority recovers 69.1% of the cost of the relief through Government grant. A fixed grant of £0.7m is paid by Government for the changes to the multiplier threshold and a further £8.7m is recovered through the ratepayers in more valuable properties who pay rates based on the higher business rates multiplier. The overall proportion any individual authority recovers depends on the mix of large and small businesses in that area.
- 3.4.2. Unlike Small Business Rates Relief, in 2023/24 Leeds will bear 49% of the cost of other mandatory business rate reliefs such as mandatory charity relief and



empty rate relief but has no control over entitlement and no powers to deal with their use in business rates avoidance. Costs of mandatory reliefs have increased significantly since the introduction of BRR, further reducing Leeds's retained business rates income: in real terms mandatory charity relief alone has increased by almost 30%, from approximately £20.4m in 2012/13 to £27.5m in December 2022/23 costing the Council an estimated £3.5m more in lost income under 49% retention in 2022/23.

- 3.4.3. In the Spending Review 2021 Government announced a further relief scheme for 2022/23, in which retail, hospitality and leisure businesses receive a 50% relief against their 2022/23 business rates liability up to a maximum of £110,000 per business. Local authorities receive full compensation for this measure. The Council estimated around £10.0m would be for this measure, which also has the effect of improving collection rates as the Council need to collect less directly from businesses. The Council estimated around £10.0m would be awarded in 2022/23 based on a similar scheme in 2019/20, however the demand was considerably higher and to date £17.5m has been awarded. The 49% cost to the Council under 50% business rates retention will be recovered from Government and excess funding will be held in reserve to meet the cost of the deficit generated. At the Autumn Statement 2022 the Government confirmed that this relief would be continued into 2023/24 and increased to 75% relief up to a maximum of £110,000 per business nationally. The forecast for this expanded relief in the light of the Council's experience in 2022/23 is detailed in section 3.5 below. Government also funded a scheme to give relief to businesses particularly impacted by the COVID-19 pandemic in 2021/22 but not helped by other reliefs in that year. The Council has awarded £8.9m of relief in 2022/23 backdated to 2021/22 and the funding received from the COVID Additional Relief Fund for this will be held in reserve to meet the cost of the relief included in the deficit. This additional relief will not continue to impact retained business rates income in 2023/24. Extensive relief schemes such as these, which are fully funded by Government, do not directly impact the net resources the Council has available. However, they do reduce the amount of funding to be collected from businesses and therefore the risk of non-collection and the cost of provisions for bad debts.

### **3.5. Business Rate Retention and the Budget Proposals**

- 3.5.1. In terms of the proposals in this Budget, it is estimated that the local share of business rates funding in 2023/24 will be £170.2m. As per Table 6, the Budget recognises business rate reduction below the baseline of £3.5m, an improvement of £1.2m from the 2022/23 budget. This is a significant decline in the City's locally generated revenue below the baseline (2.0%) largely caused by the expected increased cost of extended Retail Relief in 2023/24. The elements of this decline are set out in the paragraphs below.



**Table 6 – Business Rates, Estimated Growth/(Decline) to the Baseline**

	2022/23	2023/24	Change
	£m	£m	£m
Business rates local share	168.10	170.24	2.14
Less: business rates baseline	172.79	173.75	0.95
Growth above baseline	(4.70)	(3.51)	1.19

- 3.5.2. Table 7 sets out the main changes in business rates income that result in this £1.2m improvement in growth above the baseline in 2023/24. The single largest element (-£8.0m) is the continuation of extended Retail and Leisure Relief at a higher 75% rate as announced by Government at the Autumn Statement 2022, for which the Council will be fully compensated by Section 31 grant. Some further costs are expected due to Supporting Small Business Relief (-£1.4m) being reintroduced to help small businesses following the Revaluation, the cost of which is also fully compensated by Section 31 grant. There is also an increased level of Mandatory Charity Relief (-£1.3m) due to increased Rateable Values of the relevant properties following the revaluation. The Council bears the full cost of this relief.

**Table 7 – Changes in Growth above the baseline between the 2022/23 and 2023/24 Budgets and later years**

	2023/24 Indicative 49%	2024/25 Indicative 49%	2025/26 Indicative 49%
Leeds share of growth above the baseline			
<b>Growth above baseline assumed previous year (£m)</b>	<b>-4.7</b>	<b>-3.5</b>	<b>-0.6</b>
Change in cost of bad debt provisions (£m)	1.4	1.0	1.1
Change in cost of provisions for appeals (£m)	1.8	-0.3	0.0
Change in cost of empty rate relief (£m)	1.1	0.1	0.1
Change in cost of Small Business Rates Relief (£m)	1.1	0.0	0.0
Change in Mandatory Charity relief (£m)	-1.3	0.0	0.0
Expanded Retail Relief (£m)	-8.0	0.0	0.0
In-year growth of business rates yield (£m)	1.2	1.9	2.7
Supporting Small Business Relief (£m)	-1.4	0.0	0.0
Increase in payment of Enterprise Zone (£m)	-0.6	0.0	0.0
Adjustment for reduction in the tariff due to Revaluation (£m)	5.0	0.0	0.0
Adjustment for increase in Business Rates Baseline due to Revaluation (£m)	1.0	0.0	0.0
Other smaller changes in the tax base (£m)	0.0	0.1	0.0
<b>Growth above baseline assumed current year (£m)</b>	<b>-3.5</b>	<b>-0.6</b>	<b>3.3</b>

- 3.5.3. These additional costs to business rates growth are more than fully compensated for by a number of improved elements within business rates income. These improvements are as a result of the continued development in the city as it recovers from the pandemic and as a result of the revaluation. They include a decrease in the cost of provisions for appeals (£1.8m), a reduction in the requirement for bad debt provisions (£1.4m), an increase to in-year growth (£1.2m), a reduction in the demand for Empty Rate Relief (£1.1m) as demand for business property slowly increases after the pandemic and a reduction in the cost of the Small Business Rates Relief Scheme (£1.1m) due to increased





3.5.4. In conclusion, although the economic environment in Leeds remains buoyant, and construction in the city is strong, the additional Retail Relief mandated by central Government (and fully funded by section 31 grant) acts to reduce the amount of business rates to be collected in the city. Furthermore, the construction of new properties often replace pre-existing buildings which have to be taken off the ratings list, new buildings do not become liable to business rates until they are occupied and the ongoing impact of reduced Rateable Values due to appeals, also counteract the growth seen from many construction projects.

3.5.5. The £170.2m local share of business rates funding is then reduced by a £9.4m tariff payment and £7.2m deficit on the collection fund to reduce the funding available to the Council to £153.7m.

	2022/23 £m	2023/24 £m
<b>Business rates baseline (including tariff)</b>	<b>158.4</b>	<b>164.4</b>
Projected growth above the baseline to March	(5.3)	(4.7)
Estimated growth in the year	0.6	1.2
<b>Total estimated growth</b>	<b>(4.7)</b>	<b>(3.5)</b>
Estimated provision for appeals	1.3	(6.1)
Additional income from transitional arrangements and provision for bad debt	2.7	8.3
Expanded Retail, Leisure and Supporting Small Business Reliefs	(32.1)	(9.4)
<b>Estimated total year-end Collection Fund deficit (Leeds Share)</b>	<b>(28.2)</b>	<b>(7.2)</b>
<b>Estimated Business Rates Funding</b>	<b>125.6</b>	<b>153.7</b>
<b>Increase/(reduction) against the Business Rates baseline</b>	<b>(32.9)</b>	<b>(10.7)</b>
<b>Business Rates Retention - Impact on General Fund Income</b>		<b>22.2</b>
<b>Change in the funding available for previous years' reliefs</b>		<b>(24.1)</b>
<b>Net impact of Business Rates Retention on the 2023/24 General Fund</b>		<b>(1.9)</b>

Government. At £8.1m, the amount held in reserve to apply in 2023/24 is £24.1m lower than in the previous year meaning the net impact of Business Rates Retention in 2023/24 is a deterioration of £1.9m. However, if this is taken together with the increase of £22.8m of projected section 31 grant funding for in-year reliefs and the cap to the multiplier in 2023/24 as detailed at paragraph 3.10.28, this net impact becomes a gain of £20.9m.

### 3.6. **Leeds City Region application to pool 50% Business Rate Retention**

- 3.6.1. In 2022/23 the Council is a member of the Leeds City Region Business Rates Pool, with 50% business rates retention. Due to local government re-organisation in North Yorkshire one of the members, Harrogate, cannot continue as a member of the existing Pool. When the membership of a Pool changes, a new application to Central Government has to be made and the Secretary of State makes the decision as to whether the new pooling arrangement can go ahead.
- 3.6.2. Following discussions between the remaining Leeds City Region authorities it was agreed that the Pool should continue into 2023/24 and the following have submitted an application to Government to pool in 2023/24: Bradford, Calderdale, Kirklees, Leeds, Wakefield and York. At the provisional Settlement, the Secretary of State approved the application and the new pool will come into existence on 1<sup>st</sup> April 2023.
- 3.6.3. Under the 50% scheme the advantage of forming a business rate pool is the retention of levy payments within the region that would otherwise have to be made to Government. We estimate gains to the region of around £3.2 million and income from the Business Rates Retention Scheme remains at current projections. Leeds City Council's financial commitment will be in the region of £1.1m, to the Pool instead of to the Government.

### 3.7. **Council Tax**

**Table 9 – 2022/23 Council Tax Levels (Figures include Police and Fire Precepts)**

Core Cities	Band D £:p	West Yorkshire Districts	
			Band D £:p
Nottingham	2,294.14	Kirklees	1,990.87
Bristol	2,230.37	Calderdale	1,967.67
Liverpool	2,194.97	<b>Leeds</b>	<b>1,860.22</b>
Newcastle	2,086.87	Wakefield	1,850.30
Sheffield	2,053.83	Bradford	1,837.39
Manchester	1,872.59		
<b>Leeds</b>	<b>1,860.22</b>		
Birmingham	1,808.26		



- 3.7.1. The 2022/23 budget was supported by a 2.99% increase in the level of council tax, 1% of which was attributable to the Adult Social Care precept. Leeds City Council's council tax remains the 2<sup>nd</sup> lowest of the English core cities and mid-point of the West Yorkshire districts, as detailed in Table 9.
- 3.7.2. The 2023/24 Budget recognises a projected gain of £7.9m (3,580 band D equivalent properties) due to both increases in tax-base growth during the 2022/23 financial year and a decrease in the number of Council Tax Support claimants as employment has recovered following the relaxation of lockdown restrictions. It also recognises an increase in the projected deficit on the collection fund of £5.2m, of which a deficit of £2.9m was generated in 2022/23 because of pressures on collection as the cost of living crisis impacts on council taxpayers in Leeds, and £4.5m is the third final instalment of the deficit from 2020/21 generated at the time of the national restrictions during COVID19 lockdowns. The Government mandated local authorities should repay this over three years, resulting in a £7.4m total declared deficit.
- 3.7.3. During the Autumn Statement 2022 Government stated that the limit for core council tax would increase to 2.99% for 2023/24. These proposals therefore include a 2.99% increase in the Council's core council tax; however the final decision remains with Full Council.
- 3.7.4. At the Autumn Statement 2022 Government stated that authorities would be permitted to increase the precept by up to 2% in 2023/24. These budget proposals therefore include a 2% increase to the Council's ASC precept. As with the core increase, a final decision on this will be taken by Full Council.
- 3.7.5. The impact of the proposed core and ASC precept increases on the Leeds share of the council tax charge by band is shown at Table 10. The Leeds council tax charge will be presented to Full Council for approval in February 2023.

**Table 10 – Proposed 2023/24 Leeds Council Tax**

<b>BAND</b>	<b>BAND</b>	<b>BAND</b>	<b>BAND</b>	<b>BAND</b>	<b>BAND</b>	<b>BAND</b>	<b>BAND</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
1096.62	1279.39	1462.16	1644.93	2010.47	2376.01	2741.55	3289.86

- 3.7.6. Table 11 sets out the estimated total council tax income in 2023/24; recognising the £7.9m estimated increase in the council tax base, an £11.2m core increase in the council tax rate and a £7.5m increase due to the ASC precept. Table 11 also recognises the £2.9m deficit generated in 2022/23 due to pressures on collection activity during the cost of living crisis and the payment of the £4.5m final instalment of the deficit generated in 2020/21 during the COVID-19 crisis and which has to be repaid over three years.



**Table 11 – Estimated Council Tax Income in 2023/24**

	2022/23	2023/24
	Baseline	Forecast
	£m	£m
Previous year council tax funding	344.9	367.1
Change in tax base - increase / (decrease)	13.7	7.9
Increase in council tax level	7.2	11.2
Adult Social Care precept	3.6	7.5
<b>Council Tax Funding before surplus/(deficit)</b>	<b>369.4</b>	<b>393.7</b>
Surplus/(Deficit) 2021/22	(2.2)	
Surplus/(Deficit) 2022/23		(2.9)
Council Tax Adjustment for spreading over three years	4.5	
Council Tax Adjustment for spreading over three years	(4.5)	(4.5)
<b>Contribution (to)/from Collection Fund</b>	<b>(2.2)</b>	<b>(7.4)</b>
<b>Total - Council Tax Funding</b>	<b>367.1</b>	<b>386.3</b>

3.7.7. The Spending Review 2020 included £762m to fund 75% of “irrecoverable loss of council tax and business rates revenues in 2020-21”. “Irrecoverable losses” were not defined formally until after the Council’s 2021 Budget was approved, but the Council is now estimated to receive some £2.2m from this fund for losses experienced from reduced Council Tax revenues in 2020/21. It is proposed that this funding be held in reserve to assist the Council in meeting the final instalment of the deficit from 2020/21, which is due in 2023/24.

3.7.8. In total the level of Council Tax receivable by the Council in 2023/24 is projected to increase by £19.1m when compared to that receivable in 2022/23.

3.7.9. The Settlement Funding Assessment includes an element to compensate parish and town councils for losses to their council tax bases arising as a result of Local Council Tax Support (LCTS). As this amount is not separately identifiable it is proposed, as in previous years, that LCTS grant should be pro-rated in line with the assumptions for Leeds’s overall change in the Settlement Funding Assessment. The value of this increase is £3.5k meaning a total of £69.6k will be distributed to parishes to support their tax bases in light of cost of LCTS.

### 3.8. **Adult Social Care Precept**

3.8.1. At Spending Review 2021, the Chancellor stated that the Government had the expectation that the Adult Social Care precept would increase by around 1% over





the lifetime of the next Spending Review, that is 2022/23 to 2024/25. However, at the Autumn Statement 2022 the Government announced that this could be increased to 2% in respect of 2023/24.

- 3.8.2. Based on these statements, the indicative budget proposals for 2024/25 and later years have assumed a 0.99% increase in the Adult Social Care precept. Any final decision remains that of Full Council when approving the annual budget.

### 3.9. The Net Revenue Budget 2023/24

**Table 12 – Estimated Net Revenue Budget 2023/24 compared to the 2022/23 Net Revenue Budget**

	2022/23 £m	2023/24 £m	Change £m
Revenue Support Grant	29.3	33.4	4.1
Business Rates Baseline	158.4	164.4	5.9
<b>Settlement Funding Assessment</b>	<b>187.7</b>	<b>197.8</b>	<b>10.1</b>
Business Rates Growth	(4.7)	(3.5)	1.2
Business Rates Deficit that will not be spread	(15.9)	5.1	21.0
Business Rates Deficit: One-third of 'exceptional balance'	(12.2)	(12.2)	0.0
Council Tax (incl. Adult Social Care Precept)	369.4	393.7	24.3
Council Tax Surplus that will not be spread	2.2	(2.9)	(5.2)
Council Tax Adjustment: One-third of 'exceptional balance'	(4.5)	(4.5)	(0.0)
<b>Net Revenue Budget</b>	<b>521.9</b>	<b>573.4</b>	<b>51.4</b>

- 3.9.1. After taking into account the anticipated changes to the Settlement Funding Assessment, business rates and council tax, the Council's overall net revenue budget is anticipated to increase by £51.4m or 9.9% from £521.9m to £573m, as detailed in Table 12. This includes a significant reduction in the business rates deficit of £21.0m and an increase in SFA of £10.1m.

**Table 13 – Increase in the Funding Envelope**

Funding Envelope	2023/24 £m
Government Funding	
Settlement Funding Assessment	10.07
<b>Sub-total Government Funding</b>	<b>10.07</b>
Locally Determined Funding	
Council Tax (incl tax base growth)	19.14
Business Rates	22.21
<b>Sub-total Locally Determined Funding</b>	<b>41.35</b>
<b>Increase/(decrease) in the Net Revenue Budget</b>	<b>51.42</b>



- 3.9.2. Table 13 analyses this £51.42m estimated increase in the net revenue budget between the Settlement Funding Assessment and locally determined funding sources.
- 3.9.3. The estimated increase in the 2023/24 net revenue budget compared to 2022/23 cannot be properly understood without considering changes in general fund income streams associated with the Collection Fund. In 2021/22 Government funded reliefs against business rates for the retail and leisure sectors which was forwarded to local authorities to meet the resultant business rates deficit in 2022/23. In 2022/23 the Government announced further reliefs but at a much reduced level, the excess funding for which will also be held in reserve to meet the smaller resultant deficit in 2023/24. This means that although the net revenue budget due to business rates has increased by £22.21m because the business rates deficit has reduced, the reduction in funding held in reserve to meet this deficit is £24.1m. As can be seen in Table 8 the net result is that business rates revenue to the Council has actually reduced by £1.9m.
- 3.9.4. Council tax is projected to increase by £19.14m as detailed in Table 13. Since the 2021/22 budget the level of applications for council tax support has reduced as unemployment has reduced, which has the effect of increasing the council tax base. Growth in the council tax base, with new homes being completed in the City, has also markedly improved as construction resumed following the lockdowns in 2020/21. Finally, Government announced at the Autumn Statement 2022 that core council tax could rise by up to 3% and the Adult Social Care precept by up to 2% in 2023/24. As discussed at paragraph 3.7 these Budget assume the band D Council Tax will increase by 4.99%, subject to the approval of Full Council.

### 3.10. **Decreases/(Increases) in General Fund Resources**

- 3.10.1. The changes in local funding, detailed in paragraphs 3.2-3.9, change the Council's Net Revenue Budget and form part of the funding envelope available to the Council.
- 3.10.2. Other movement in the Council's available resources are shown in paragraphs 3.10.3-3.10.35 with further detail for each directorate shown at Appendix 8.

### **Movement on the use of Reserves £5.2m**

- 3.10.3. **Changes in contributions to/(from) the General Reserve £3.0m** – The opening General Reserve position in 2022/23 stood at £33.2m with the opening position for 2023/24 estimated to be unchanged at £33.2m, reflecting no budgeted contribution to this reserve in 2022/23. The 2023/24 Budget allocates an additional £3m to the General Reserve in 2023/24, with a £3m contribution to revenue from the Strategic Contingency Reserve used to fund the resulting revenue pressure. As such a £3m increase in the General Reserve is assumed, as is a contribution in every subsequent year of the Medium Term Financial



### Changes in contributions to/(from) Earmarked Reserves £2.2m

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reserve, which is largely offset by the fallout of COVID pressures discussed at paragraph 4.24. As no further contributions to this reserve are proposed, the balance on this reserve will be nil for 2023/24.

- 3.10.9. An **Energy Contingency reserve** was also established in the 2021/22 approved budget to provide contingency funding should energy costs exceed provision in the budget: £1.1m was carried forward into 2022/23 and a further £2.9m has been added so that the reserve currently stands at £3.9m. This Budget assumes that this contingency will be used in full in 2022/23, reflecting the significant inflationary pressures expected with regard to the cost of energy. This Budget reflects the fallout of this (£2.9m) contributions to the reserve. As no further contributions to this reserve are proposed, the balance on this reserve will be nil for 2023/24.
- 3.10.10. A net increase in contribution of £1.0m to the **Investment and Innovation** reserves is provided for. This additional funding will support a range of transformational activities across the authority where they are identified as generating future savings, supporting the delivery of the Financial Strategy and improving the financial resilience of the Authority.
- 3.10.11. The Budget proposals remove the ongoing provision of (£0.5m) to the **Staffing and Management Support reserve** established in the 2022/23 budget. Balances carried forward into 2023/24 will continue to provide a resource to support HR initiatives.
- 3.10.12. Changes in use of reserves since the Proposed Budget include a £3.3m use of **Adults and Health reserves** is proposed, specifically the use of £1.5m of Spring Budget monies and £1.8m of Transforming Care monies, to support specific Adults & Health innovation programmes in 2023/24 onwards. The budget position also reflects fallout of the use of £5.3m of funding from the directorates reserves when compared with 2022/23.
- 3.10.13. Also, a £0.2m use of the **Social Inclusion reserve**, which holds funds generated by the Casino Licence, is proposed in 2023/24.

### Changes in Grant Funding £32.2m

- 3.10.14. **Specific Grant Funding Changes – Adults and Health (£27.4m).** The 2023/24 budget assumes an increase of £27.4m in grant funding for the Adults and Health directorate.
- 3.10.15. The final 2022/23 Local Government Finance Settlement confirmed an increase in social care funding in England, including a new grant specifically for social care and additional funding for Adult Social Care reform. The Council's budget assumes continuation of these funding streams in 2023/24 and beyond.
- 3.10.16. At the Autumn Statement, delivered by the Chancellor of the Exchequer in November 2022, it was announced that there would be £1bn of additional





- 3.10.17. As a result, new social care grant of £25.8m has been included in the 2023/24 budget for Adults and Health. £6.0m of this reflects the announced delay in the Fair Cost of Care reforms with authorities permitted to retain the funding allocated. This Budget utilises the retained £6.0m and the new funding to mitigate pressures within the care market. This is further discussed in Part 4: Cost Pressures, Budget Growth and Adjustments.
- 3.10.18. The 2023/24 Budget also includes an increase of £1.7m for the Better Care Fund (BCF) as announced at the Autumn Statement. Further details on the conditions relating to this grant will follow. It will be required to be pooled as part of the BCF with the Leeds Integrated Care Board.
- 3.10.19. As discussed at Paragraph 3.7, the Budget assumes a 2% uplift in the Adult Social Care Precept as permitted at the Autumn Statement. Should this proposal be approved, the additional 2% Precept income will provide further funding for Adult Social Care services of almost £7.5m for Leeds in 2023/24. This continues the trend in recent years whereby social care provision is increasingly funded by local taxation.
- 3.10.20. **Specific Grant Funding Changes – Children and Families Directorate (£1.9m).** As noted at Paragraph 3.10.15 the final 2022/23 Local Government Finance Settlement confirmed an increase in social care funding in England, the grant was not ringfenced. The Council's budget assumes continuation of all existing Children's Social Care grants, apart from the School Improvement Monitoring and Brokerage Grant which is ending but is expected to be replaced by alternative income. If the assumed levels of grant funding are not realised, the directorate will be required to reduce their expenditure budget accordingly. These allocations were included in the 2022/23 Budget and have been rolled forward in the Strategy for the 2023/24 Budget, and beyond.
- 3.10.21. Leeds is one of three authorities to receive funding through the Department for Education (DfE) Strengthening Families Protecting Children (SFPC) Programme to support the spread of innovation programmes across 20 local authorities over five years. The 2023/24 budget for the Children and Families Directorate includes the fourth tranche of additional grant of £1.6m. The fallout of this grant in 2024/25 is reflected in the Strategy.
- 3.10.22. As discussed at paragraph 3.10.15, the Chancellor's Autumn Statement announced new social care funding. The 2023/24 Budget proposes to utilise £1.9m to support the Children Looked After service. As such, the Budget reflects a £1.9m increase in Children's Social Care resources over the period 2023/24 to



3.10.23. **Specific Grant Funding Changes – City Development (£2.2m).** The 2023/24 budget reflects new funding from the UK Shared Prosperity Fund of £2.2m. The funding provides for local investment and new expenditure will match this additional funding. Information on the grant expenditure is at Paragraph 4.20 with further detail at Appendix 8

3.10.24. **Specific Grant Funding Changes – Communities, Housing and Environment £0.7m.** The budget for 2023/24 allows for the Council Tax Admin grant being rolled into Revenue Support Grant (RSG). Whilst this is net neutral to the Authority, in the CHE directorate it has the effect of reducing the value of grants received by £1.1m and increasing the value of RSG received as part of the Settlement Funding Assessment (shown at Paragraph 3.2.4). The budget also reflects fall out of ESIF grant of £0.11m. These reductions are netted down by new grants of £1.9m. This includes: £0.5m for Supported Housing Programme, £0.5m for Pathfinder Private Rented Sector Standards, Rough Sleepers and Homelessness grants of £0.4m, and other, smaller grants totalling £0.6m. All these new grants will fund new expenditure, noted in Paragraph 4.20, with further detail at Appendix 8.

3.10.25. **Specific Grant Funding Changes – Services Grant £2.9m.** The Local Government Finance Settlement, published in February 2022, confirmed a new Services Grant, a new specific grant, outside of the Net Revenue Budget. In 2022/23 the Leeds share of this was £10.9m. Whilst new funding to the sector, Local Authorities were advised that grant included an element for local authorities to fund the new Health and Social Care Levy, which was introduced from 2022/23 and was an additional National Insurance cost. Since then, the Mini Budget, announced in September 2022, announced that the Health and Social Care levy was to be scrapped from November 2022 and that this element of funding would be reduced from future year Services Grant. As such, the 2023/24 Budget reduces the anticipated Services Grant by £2.9m, the estimated cost to the Authority of the Health and Social Care levy.

3.10.26. **Specific Grant Funding Changes – Grants rolled into Revenue Support Grant (RSG) £3.1m.** The provisional Local Government Finance Settlement announced that several grants would be rolled into RSG. Whilst this is net neutral to the Authority, in the Strategic directorate it has the effect of reducing the value of grants received by £3.1m and increasing the value of RSG received as part of the Settlement Funding Assessment (shown at Paragraph 3.2.4).

3.10.27. **Specific Grant Funding Changes – New Homes Bonus £0.2m** Government introduced the New Homes Bonus in 2011 to encourage housing growth: initially councils received grant for six years for each net additional property added to the tax base each year. This grant is funded by top slicing Revenue Support Grant.



In 2016/17 Government made some changes, including gradually reducing the number of years 'legacy payments' are receivable from six to four years and imposing a 0.4% growth baseline on new allocations before any Bonus is paid. From 2020/21 New Homes Bonus has been paid for one year only, with no legacy payments. In February 2021 the Government published a consultation on the future of New Homes Bonus indicating that the scheme in its current form would be phased out. The Council is currently awaiting the Government response. To remain prudent, it is assumed that there will be no further payment of New Homes Bonus after the current Spending Review period in ends in March 2025, although at the Provisional Local Government Finance Settlement 2023/24 the Government committed to communicating with authorities about the future of the scheme. The Council will account for the final year in 2024/25 and therefore it is assumed £2.2m of New Homes Bonus will be accounted for in that year, based on average growth in the Council Tax base since 2013/14, but will drop out of the Council's budget in 2025/26. As such the projection is to receive £2.4m in 2023/24 an increase of £0.2m on 2022/23.

- 3.10.28. **Specific Grant Funding Changes – Collection Fund COVID-19 Grants £24.1m.** In 2021/22 the Government awarded reliefs to retail and leisure establishments in Leeds. These reliefs added to the Council's Collection Fund deficit, but full compensation was received. However, the deficit did not have to be paid until 2022/23 and therefore the £32.1m received was held in reserve and applied in 2022/23. In 2022/23 the Government awarded reliefs to these sectors again, although at a much lower level. Once again, the Council will hold this funding, £8.0m, in reserve to apply to the Collection Fund deficit that becomes due for payment in 2023/24. This represents a reduction in the funding to be applied of £24.1m.
- 3.10.29. **Other Non-Collection Fund Business Rates and Council Tax Movements (£25.8m).** Local authorities are allocated Section 31 grants to compensate for changes made by Government to the business rates system. An authority's allocation depends on the level of business rates yield in that authority's area, the extent to which it awards certain reliefs mandated by Government and its share of any losses resulting from these.
- 3.10.30. At the Autumn Statement 2022 Government announced that it would award relief to retail and leisure businesses in recognition of continuing challenges for these sectors during the cost of living crisis. These businesses will receive 75% relief against their business rates liabilities up to a maximum of £110,000 per business. This represents an increase in these reliefs which only gave 50% relief up to a maximum of £110,000 in 2022/23 to compensate local authorities for the loss of business rates income this entails. It is estimated that this will result in a section 31 payment of £15.2m in 2023/24. The Government also announced additional support for those businesses that lost Small Business Rate Relief because their properties attracted a higher rateable value after the 2023 Revaluation. This is expected to attract an additional £1.6m in section 31 grant income. Continuing compensation for other reliefs previously mandated by Government since the inception of the Business Rates Retention, particularly the doubling of Small



Business Rates Relief is expected to generate a further £12.1m, making a total of £28.9m.

- 3.10.31. Government also announced at the Autumn Statement 2022 that the Small Business Rates Multiplier and higher National Multiplier would be frozen at its 2022/23 level. Local authorities receive compensation from Government for the loss of income this entails. It should be noted, however, that, following further analysis, because of the Revaluation it has been calculated that the multiplier would decrease before the impact of inflation and that therefore a proportion of inflation has been included in the multiplier (3.7%) in order to maintain the multiplier at its 2022/23 level. The Council's tariff is also lower than it would otherwise would have been had to full inflationary rise been applied to the multiplier, a saving the Government from the authority by reducing the compensation for multiplier. The net total of section 31 grant to be received is therefore forecast to be £28.3m. The total of section 31 grants for additional reliefs and the multiplier cap compensation represents an increase from 2022/23 levels of £22.8m.
- 3.10.32. The Council will have to pay a levy on any growth in the total of retained business rates income and Section 31 income either to Government or to the Leeds City Region Business Rates Pool. This is currently estimated at £1.1m in 2023/24, a decrease of £0.2m on the budgeted amount for 2022/23.
- 3.10.33. At the Spending Review 2020 the Chancellor announced that £762m was to be used to provide support to local authorities for 'irrecoverable losses' in business rates in 2020/21 that authorities would have to repay to the Collection Fund in 2021/22, 2022/23 and 2023/24. The definition of irrecoverable losses was confirmed in May 2021 and the Council estimates that it will receive £11.8m in total, although final allocations have not yet been confirmed. In 2021/22 £8.6m was applied to the deficit to be repaid in year and none of the remaining funding was applied in 2022/23. These proposals assume that the remaining £3.2m held in reserve will be applied to the final instalment of the 2020/21 deficit in 2023/24.

### **Other Changes in Resources £5.0m**

- 3.10.34. The 2022/23 approved Budget included proposals to access additional income from the NHS to support the cost of council services where there are shared pathways of care. Due to pressures within that sector this proposal is reversed in 2023/24 by £5.0m as the funding is no longer available.
- 3.10.35. Appendix 9 provides information with regards to the statutory guidance on the Flexible Use of Capital Receipts and its application within this authority. As part of the finance settlement for 2022/23 Government announced a further extension of the flexible use of capital receipts up to 2024/25. Appendix 9 notes planned expenditure of £19.0m in 2023/24 which will be funded by these capital receipt flexibilities. Further detail for directorates can be found in Appendix 8. A recommendation to approve this planned spend is included in the cover report to this Appendix. Further detail can be found in Directorate reports at Appendix 8.





## Part 4: Cost Pressures, Budget Growth and Adjustments

4.1. Table 14 summarises the projected cost increases in the 2023/24 Budget.

**Table 14 – Cost Increases 2023/24**

	2023/24 £m
Pay - Leeds City Council	38.9
Health and Social Care Levy (fall out)	(2.9)
Employer's LGPS contribution (Actuarial Review)	(0.7)
Capitalised Pension Costs	(0.8)
Wage costs - commissioned services	25.5
Inflation: Electricity and Gas Tariffs	10.7
Inflation: General	20.3
Demand and demography - Adult Social Care	2.3
Demand and demography - Children Looked After	1.6
Demand and demography - Other	0.2
Financial Sustainability & unwinding capitalisation	5.0
General Capitalisations	(1.0)
Financial Sustainability & unwinding internal charging	4.0
Transportation for C&F	4.5
Expenditure funded by new grants	4.1
Fall out of procurement savings	2.3
Leeds 2023	0.7
Income pressures	2.9
COVID Pressures falling out	(5.3)
Debt - external interest / Minimum Revenue Provision	11.2
Other Pressures/Savings	4.4
<b>Cost Increases</b>	<b>127.9</b>

4.2. **Pay Inflation** – The Council Budget allows for £38.9m of pay inflation in 2023/24. The increase provides for the following elements: £18.8m which reflects the Employer's final offer for 2022/23 and which was not agreed until after approval of the 2022/23 budget this increase reflects the difference between the pay award that was budgeted for 2022/23 at 2%, and the final offer; £18.2m for an assumed 2023/24 pay award incorporating a 4% pay award for all other staff and the recently announced Real Living Wage of £10.90 at pay scale points 1 and 2; £0.3m in regard to the pay impact of the additional day of leave included in the 2022/23 pay award to be implemented from 2023/24; and £1.6m for the additional cost of Enhancements.

4.3. **Health and Social Care Levy** – The 2021 Spending Review introduced plans to increase funding for health and social care over three years through the introduction of a new tax, the Health and Social Care Levy, a 1.25% increase in National Insurance contributions (NICs) paid by employees, employers and the self-employed. This levy was reversed in the Mini Budget with effect from 6<sup>th</sup> November 2022. The value of the levy in 2023/24 was estimated to be £2.9m,



the Budget reflects this falling out. Whilst this is a reduction in the pay costs of the Authority, the Council received funding from Government to meet the employer NICs element, this funding will also be discontinued in 2023/24.

- 4.4. **Employers Local Government Pensions Contributions** – The 2022 actuarial valuation showed that the West Yorkshire Pension Fund is in a surplus position. Following initial discussions with the Pension Fund, it is assumed that the Council's employer's contribution will reduce from 15.9% to 15.7% from 1<sup>st</sup> April 2023 and remain unchanged for three years, delivering a £0.7m estimated saving each year when compared to the base position.
- 4.5. The fall out of **capitalised pension costs** associated with staff who have left the Council under the Early Leaver's Initiative (ELI) will save an estimated £0.8m in 2023/24 with further net savings in the later years of the Council's financial strategy as pension strain costs continue to fall out.
- 4.6. **Wage costs for commissioned services** – in respect of services commissioned from external providers by Adults and Health provision has been made for increases in the Real Living Wage. In 2023/24 the Adults and Health directorate budget includes additional £25.0m for increased contract costs. The Children and Families directorate budget includes an additional £0.6m for wage inflation on commissioned services.
- 4.7. The increased costs in the Adults and Health Directorate reflect the announced Real Living Wage rate of £10.90/hour and a further 40p/hour for Homecare in 2023/24. These increased costs are also due to encouraging the services we commission to pay their staff the Real Living Wage to enable sustainability of the market, with the majority (£51.8m) having been resourced by the Council. The additional £9.3m is funded through use of the additional funding announced at the Autumn Statement discussed at paragraph 3.10.15.
- 4.8. **Energy Price Inflation** – Since the declaration of the climate emergency in 2019, the Council has made substantial reductions in its energy consumption, an estimated 24% in gas and electricity consumption when comparing 2018/19 levels with those expected for 2022/23. This has been achieved through a broad range of measures including reduction/optimisation of the corporate estate, delivery of capital schemes to deliver energy efficiencies and decarbonisation, a wholesale LED roll-out across the City's street lighting, delivery and expansion of the district heating network, and installation of heat pumps, solar PV and other energy efficiency measures. However, increases in global energy prices have resulted in significant budgetary pressures, with energy commodity prices currently around six times historical levels. The Council's forward purchasing of energy has hedged the Council significantly against the full impact of these market factors, but the budgetary impact is expected to increase. Current forecasts assume continuation of a Government business energy cap beyond March 2023, although it is understood that changes to the Government scheme may reduce the level of support the Council receives, and the Council's Budget allows for energy price inflation of £10.7m. To address these pressures, the



- 4.9. In budget proposals for previous years inflation has only been provided where there is a contractual commitment. Whilst this can vary from contract to contract, it is often index linked to CPI or RPI which are both exceptionally high in 2022 (September 2022 CPI was 10.1% and RPI 12.6%). The Council will need to provide for the increase accordingly, however for some contracts the reference month's inflation figures are not yet available, and these will continue to be monitored to identify potential cost pressures.
- 4.10. In addition, due to the significant inflationary pressures in the economy, the 2023/24 Budget also makes allowance for net **general price inflation** of £20.3m as follows: Adults and Health £5.0m, Children and Families £7.8m, City Development £2.5m, Communities, Housing and Environment £2.6m, and Resources £2.4m. The OBR expects inflation to return to more normal levels by 2024/25.
- 4.11. The Budget has assumed an inflationary uplift on fees and charges where it is considered they can be borne by the market. Given the significant financial pressures faced by the Council, proposed levels of fees and charges continue to be reviewed to identify potential to increase income.
- 4.12. The 2023/24 Budget recognises the increasing **demography** and consequential **demand pressures** for services in **Adults and Health, Children and Families** and **Communities, Housing and Environment**.
- 4.13. Within **Adults and Health**, the population growth forecast assumes a steady increase in the number of people aged 85+ between 2021 and 2026. These increases of 0.9%, 1.2%, 0.9%, 1.2% and 1% respectively result in additional costs for domiciliary care and care home placements. In addition, the Medium Term Financial Strategy reflects the anticipated impact of increasing cash personal budgets through to 2025. The Learning Disability demography is expected to grow by 1.02% (based on ONS data) over the period. It should be noted that the high cost increase in this area of service is primarily a combination of increasingly complex (and costly) packages for those entering adult care, as well as meeting the costs of the increasing need for existing clients whose packages may last a lifetime. The Strategy provides £2.3m for the 2023/24 financial year to deal with this demand and demographic growth.
- 4.14. **Children and Families** continues to face demographic and demand pressures due to several different factors. Birth rates were relatively high in previous years, particularly within the most deprived clusters in the city. Although the birth rate has now reduced, the population peak is now moving through to adolescents,



who can have more complex needs and require more costly placements. The main drivers of demand pressures are well documented nationally and locally. The demand for Children and Families services has been significantly influenced by the Covid-19 pandemic, which has had a huge impact on the communities of Leeds with those most vulnerable significantly affected in terms of their health and well-being as well as their economic circumstances. This has also led to an increased need for children's social care. Other specific drivers of demand pressures include an increasing population of children and young people with special and very complex needs, greater awareness of the risks of child sexual exploitation, grooming by criminal gangs, levels of domestic abuse, misuse of drugs and alcohol, levels of poverty and a children's home sector that requires rebuilding from the perspective of children's needs rather than private sector financial incentive. There are also growing expectations of families and carers in terms of services offered and the impact of Government legislation, including 'staying put' arrangements that enable young people to remain with their carers up to the age of 21.

- 4.15. As a result of these trends, Children Looked After (CLA) numbers nationally and in Leeds continue to increase. This trend is expected to continue and has been built into the Council's Medium Term Financial Strategy. The Council's Budget for 2023/24 includes £1.6m for the projected demand in the CLA and financially supported non-CLA budgets, excluding inflation.
- 4.16. Based on demand pressures due to assumed housing growth, provision of £0.2m has been made in **Communities, Housing and Environment** for the increased disposal costs of waste to the Recycling and Energy Recovery Facility (RERF).
- 4.17. As set out in the MTFs, these Budget proposals include further measures to improve the Authority's **financial sustainability**. The 2023/24 Budget utilises an additional £5.0m to reduce reliance on the capitalisation of revenue expenditure across a number of capital schemes, including resources to reduce **general capitalisations** by £1.45m. This £1.45m provision offsets a £1m planned increase in the use of general capitalisation, such that the reliance on general capitalisation will reduce by a net £0.45m.
- 4.18. A further £4.0m has been applied to reduce the extent to which **internal charging** mechanisms are used in the Council's revenue budget, where the application of internal charging is driving the wrong financial behaviours and sustaining inefficiencies.
- 4.19. **Children and Families Transport** – pressures of £4.5m in Children and Families for Transport are provided for, mainly relating to home to school transport for children and young people with Special Educational Needs and Disabilities (SEND).
- 4.20. **Additional grant related expenditure** - The Budget reflects £4.1m new grant related expenditure of which £2.2m is to be spend in City Development directorate on local investment and this will be funded by the UK Shared





Prosperity Fund as noted at paragraph 3.10.23. Additional grant expenditure of £1.93m is identified in Communities, Housing and Environment directorate as follows: £0.5m on Supported Housing Programme, £0.5m on Pathfinder Private Rented Sector Standards, £0.4m on Rough Sleepers and Homelessness, and £0.6m on other smaller grants. All as noted at paragraph 3.10.24.

- 4.21. The Council's base budget previously assumed a reduction in costs due to **procurement efficiencies on contracts**. The 2023/24 Budget removes this target, recognising that the rising cost of inflation on contract prices makes this target unachievable at present. The fallout of the £2.3m previously budgeted saving is reflected in the 2023/24 Budget.
- 4.22. **Leeds 2023** – the Budget provides for additional core funding of £0.7m to fund the agreed contribution to the Leeds 2023 Trust as we approach the City's celebration of culture.
- 4.23. **Income variations** of £2.9m includes a reduction of £1.9m in assumed income receivable within the Children Looked After function which is balanced within the service through additional grant (as referenced at paragraph 3.10.20). Other variations largely reflect a projected reduction in estimated earned income, arising due to the additional day of leave (with effect from 1<sup>st</sup> April 2023) agreed as part of the 2022/23 pay negotiations.
- 4.24. The impact of **COVID-19** on the Council's budget in recent years has been significant. However, the Council's current Financial Strategy (2023/24-2027/28), published in September 2022, assumes that the economy will continue to recover, and in accordance with Government's current assumptions it does not make provision for any ongoing impact of COVID-19. The 2023/24 Budget does therefore reflect the fallout of £5.3m of COVID pressures funded in 2022/23.
- 4.25. These Budget proposals provide for an £11.2m increase in the costs associated with the **Council's debt**. Within this figure, the budget for total external interest costs will increase by £6.2m, of which an additional £1.4m will be recharged to the HRA, meaning a net increase of £4.6m in the General Fund debt budget. MRP will increase by £ 5.0m as a result of the ongoing capital programme, and other Debt variations include providing £2.9m for reduced reliance on capital receipts to fund PFI liabilities and a £0.5m reduction in respect of PFI lifecycle costs. Interest income earned is budgeted to increase by £0.5m.
- 4.26. **Other Pressures and Savings** – other net budget pressures of £4.4m have been identified for 2023/24. These include:
- £0.6m for costs of additional grounds maintenance including those associated with new capital schemes (East Leeds Orbital and City Park);
  - £0.5m for repayment of schools balances;
  - £0.5m for staffing and management pressures;
  - £0.4m for additional cost of the Audit fee;
  - £0.4m to reinstate the corporate graduate scheme;



- £0.4m for Microsoft licences as the Authority moves towards a cloud-based system;
- £0.4m for HR recruitment processes;
- £0.4m for a reduction of income relating to housing enquiry services;
- £0.2m following a review of assumptions on the Strategic Commissioning review;
- £0.2m for the increased costs of the Apprentice Levy reflecting pay award assumptions;
- The net effect remaining of other pressures across all Directorates is £0.4m.





## **Part 5: Addressing the Budget Gap – Savings Options**

### **Bridging the Revised Gap – the Corporate & Directorate Savings Programme**

- 5.1. The Medium Term Financial Strategy 2023/24-2027/28, approved at September 2022's Executive Board, reported an estimated budget gap of £63.6m in 2023/24. Subsequent review of the assumptions detailed in that Strategy identified additional net pressures of £26.5m, leading to an updated gap of £150.2m over the years 2023/24 to 2025/26: £65.7m in 2023/24, £49.4m in 2024/25 and £35.1m in 2025/26.
- 5.2. Building on the Financial Challenge savings programme carried out last year which resulted in £16.5m of budgeted savings and contributed to the setting of a balanced budget for 2022/23, the Council again established a Financial Challenge savings programme focused on identifying robust and sustainable savings not just to help close the gap for 2023/24 but for the following years: 2024/25 and 2025/26. 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 the *'Revenue Savings Proposals for 2023/24 to 2025/26'* reports for Executive Board's consideration at its October and December 2022 meetings span the next three financial years.
- 5.3. The Financial Challenge programme continues to aim to protect services that support the most vulnerable whilst ensuring that the organisation becomes more financially resilient and sustainable for the future. Reviews have been – and continue to be - carried out across the authority to identify opportunities to continue to modernise and improve services, reduce costs and generate additional income. A key aspect of improving services and contributing to delivering savings is through the council's greater application of automation and robotics, this also helping the organisation maintain service in key areas (such as Integrated Digital Services and the Business Administration Service) despite staffing shortages due to the current national recruitment issues. The cross-council senior officer group 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.
- 5.4. The outcome of this work provided a number of savings for consideration by the Executive Board. Proposals have been 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 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.



### **Impact of Savings in 2023/24**

- 5.5. After allowing for changes to funding and identified pressures, there remains an estimated budget gap of £58.6m. This estimated gap is reduced to a balanced position through a number of savings proposals. In recent years the acknowledged estimated budget gap is managed through a series of savings proposals identified by directorates. The balanced position for the 2023/24 budget is achieved through savings identified through previous years' Financial Challenge programme, routine efficiencies identified during 2022, and the culmination of the recent Financial Challenge programme in 2022 for 2023/24. Further detail on each of these is shown at paragraphs 5.7-5.10. With more information given about the Financial Challenge programme itself at paragraph 5.1-5.4.
- 5.6. The identified level of gross savings identified at the Proposed Budget included measures to mitigate funding changes and reduce cost pressures. Since the Proposed Budget £9.5m of savings reported at that time have been reclassified, savings have been further reduced by £1.7m where further work indicated the action was not achievable due to rising inflation costs. Further detail on the movement since the Proposed Budget is shown at below.
- 5.7. Previous years' savings programmes included a number of savings which impacted in the later years of the period covered by the Council's Medium Term Financial Strategy, including 2023/24. These savings were approved at Executive Boards in previous years and subject to scrutiny and consultation at the time. Each year the in-year target is monitored and presented to Executive Board as part of the Authority's Financial Health monitoring timetable. At the Proposed Budget (presented to Executive Board in December 2022 and shown at Table 1) the impact of previous years' savings was £13.8m. This has been reduced by £4.2m to a budgeted saving of £9.6m in 2023/24. This movement is due to a net £2.5m reduction which is reclassified as use of reserves, and the removal of the previous procurement savings target of £1.7m where the rising cost of inflation has resulted in contract savings becoming unachievable.
- 5.8. A number of 'Business As Usual' routine efficiencies were identified during 2022 that have an impact on 2023/24 and later years. These efficiencies formed part of the Council's Medium Term Financial Strategy, approved by Executive Board in September 2022. The Proposed Budget assumed BAU savings of (£9.4m) routine efficiencies, these are reduced by £2.8m to (£6.5m). £2.6m of this movement is due to reclassification of savings, reflecting that these will be funded by use of grant. A further £0.2m has been reclassified to reduce an existing pressure.
- 5.9. Savings proposals for 2023/24 totalling £11.3m were approved by this Board in October. A further £42.6m of directorate savings proposals for 2023/24 were included in the ['Revenue Savings Proposals for 2023/24 to 2025/26'](#) report approved by Executive Board in December 2022. This included £7.3m of proposals that were reclassified in the Proposed Budget Report. Consequently,



the Proposed Budget Report identified £46.6m of 'Additional Savings 2022', as shown on Table 1.

- 5.10. Movements and reclassification of the savings presented to October and December's Executive Board reduce the 2023/24 directorate savings to £42.5m, classified in this report as BAU savings and Service Reviews. Table 1 shows movement from the Proposed Budget, this is due to £2.9m of BAU savings reclassified as a reduction in existing pressures, £0.2m reclassified to reflect use of grant, and £0.2m to reflect use of reserves. Movement of £0.8m from the Proposed Budget on Service Reviews reflects reclassification of £0.1m used to reduce an existing pressure and £0.7m reflecting use of reserves.
- 5.11. As Table 15 shows, the effect of the prior year savings plans and 2022 routine efficiencies is to reduce the 2023/24 budget gap down to £42.5m. This is further reduced by Additional Directorate savings of (£42.5m), resulting in a balanced position for the 2023/24 Budget.

**Table 15 – 2023/24 Budget Gap and Savings Options**

	£m	£m
<b>Total Resources and Cost Pressures</b>		<b>58.6</b>
<b>Existing Actions to Reduce the Budget Gap</b>		
Business As Usual	(4.8)	
Service Reviews	(4.7)	
<b>Additional Savings identified for MTFS</b>		
Business As Usual	(6.5)	
<b>Total Existing Savings</b>	<b>(16.1)</b>	
<b>Gap Remaining After Existing Savings</b>		<b>42.5</b>
<b>Additional Savings at Proposed Budget</b>		
Business As Usual (Oct)	(9.9)	
Business As Usual (Dec)	(21.5)	
Service Reviews (Dec)	(11.1)	
<b>Total Additional Directorate Savings</b>	<b>(42.5)</b>	
<b>Gap Remaining After Additional Savings</b>		<b>0.0</b>



## Part 6: Summary Budget by Directorate

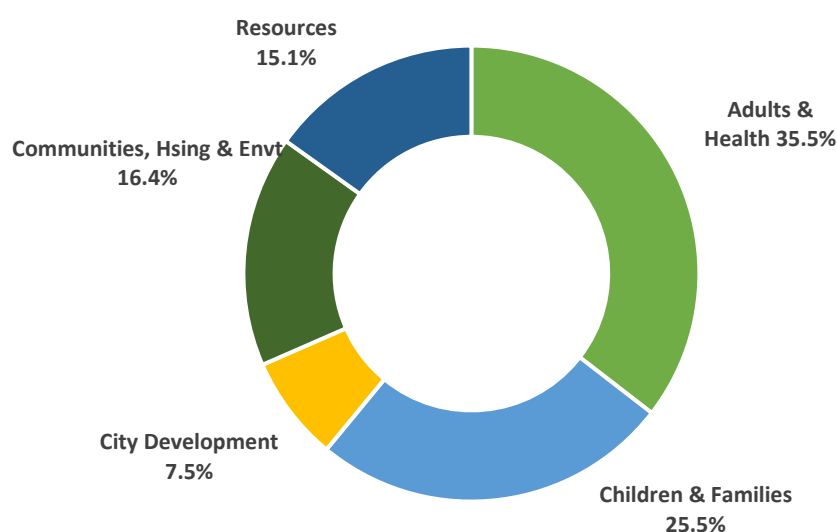
6.1. Table 16 summarises the changes identified above by Directorate.

**Table 16 – Budget by Directorate**

DIRECTORATE	2022/23 (£m)	2023/24 (£m)
Adults & Health	197.56	198.72
Children & Families	132.65	142.84
City Development	32.54	41.92
Communities Housing & Environment	84.19	92.03
Resources	81.89	84.73
<b>DIRECTORATE BUDGET REQUIREMENT</b>	<b>528.83</b>	<b>560.24</b>
Strategic Accounts	(6.89)	13.12
<b>TOTAL BUDGET REQUIREMENT</b>	<b>521.94</b>	<b>573.35</b>
<b>RESOURCES</b>		
<b>Locally Generated Funding</b>		
Council Tax	(367.13)	(386.27)
Business Rates Retained	(154.81)	(187.09)
<b>TOTAL LOCALLY GENERATED FUNDING</b>	<b>(521.94)</b>	<b>(573.35)</b>
<b>TOTAL RESOURCES</b>	<b>(521.94)</b>	<b>(573.35)</b>
<b>UNFUNDED ONGOING REQUIREMENT</b>	<b>0.00</b>	<b>0.00</b>

6.2. This position reflects the additional social grant receivable announced in the Chancellor's Autumn Statement, therefore reducing the amounts of the Adult Social Care and Children and Families Net Managed Budgets, since the position is shown net of funding from specific grants.

**Chart 1: Share of Net Managed Expenditure 2023/24**



- 6.3. The pie chart shows the proposed share of net managed expenditure between directorates for 2023/24 based on the Budget proposals, again showing the position net of specific grants. Net managed expenditure represents the budgets under the control of individual directorates and excludes items such as capital charges, pensions adjustments and allocation of support costs in directorate budgets.

### **Impact of proposals on employees**

- 6.4. The Council has operated a voluntary retirement and severance scheme since 2010/11 which has already contributed significantly to the reduction in the workforce since this time. Whilst there are other elements that will impact on the fluctuation of the workforce numbers such as natural attrition and turnover there has been an overall reduction of around 2,776 full time equivalents (FTEs) or 3,684 headcount up to 31<sup>st</sup> December 2022.
- 6.5. The 2023/24 Budget includes a net decrease of FTEs compared to the approved 2022/23 budget of 11.4 FTEs. This is comprised of a proposed increase of 166.0 FTEs (including 8.0 FTEs for the HRA) and a proposed reduction of 177.4 FTEs (including 9.0 FTEs for the HRA). This reduction includes the budget savings proposals received at both October's and December's Executive Boards.
- 6.6. Details of the movement in full time equivalents for the 2023/24 Budget are shown by Directorate in Table 17 and detailed in Appendix 8:

*Table 17 - Movements in Full Time Equivalents 2023/24 Budget*

	<b>2023/24 Budget</b>		
	+	-	Net
Adults and Health	17	0	17
Children and Families	47	(37)	10
City Development	2	(22)	(20)
Communities, Housing and Environment	90	(27)	64
Resources	2	(83)	(81)
	<b>158</b>	<b>(168)</b>	<b>(10)</b>
Housing Revenue Account	8	(9)	(1)
	<b>166</b>	<b>(177)</b>	<b>(11)</b>

- 6.7. However, given the context of the estimated budget gaps for 2024/25 and 2025/26, £43.0m and £28.7m respectively, future budget savings proposals to bridge these gaps will be required which, if approved, could result in a reduction in the number of budgeted FTE posts and carrying vacancies. In the context of further staffing reductions that may be required to deliver the significant level of





savings needed, a further Section 188 notice was issued on 21<sup>st</sup> December 2022.

- 6.8. The Council remains committed to doing everything it can to try to avoid compulsory redundancies through natural turnover, continuing the voluntary early leaver scheme, staff flexibility, reviewing and reducing both agency and overtime spend and continuing the positive consultation and joint working with the trade unions.

### **Breakdown of the 2023/24 budget**

- 6.9. Annex 1 to this report provides a summary of the budget changes by directorate and in total.
- 6.10. Annex 2 provides a detailed analysis of the 2023/24 revenue budget at directorate level.

### **Reserves Strategy and General Reserve**

- 6.11. Under the 2003 Local Government Act (Part II) Section 25, the Council's Statutory Financial Officer is required to make a statement to Council on the adequacy of reserves as a part of the annual budget setting process. It is also good practice for the Authority to have a policy on the level of its general reserve and to ensure that it is monitored and maintained.
- 6.12. In addition, the Chartered Institute of Public Finance and Accountancy's (CIPFA) Financial Management Code of Practice requires that each local authority's annual budget report includes a statement by the Chief Finance Officer (Statutory Finance Officer) on the adequacy of the proposed level of financial reserves. The Financial Management Code of practice recognises that a well-managed authority, with a prudent approach to budgeting, should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. Compliance with the Financial Management code will give important reassurance that the authority's financial management processes and procedures are able to manage those risks.
- 6.13. The purposes of the general reserve policy are to help longer-term financial stability and mitigate the potential impact of future events or developments which may cause financial difficulty. General and useable reserves are a key measure of the financial resilience of the Council, allowing the Authority to address unexpected and unplanned pressures.
- 6.14. The general reserve policy encompasses an assessment of financial risks both within the Medium Term Financial Strategy and also the annual budget. These risks should include corporate/organisation wide risks and also specific risks within individual directorate and service budgets. This analysis of risks should identify areas of the budget which may be uncertain and a quantification of each "at risk" element. This will represent the scale of any potential overspend or





income shortfall and will not necessarily represent the whole of a particular budget heading. Each assessed risk will then be rated and scored in terms of impact and probability.

- 6.15. The Budget for 2023/24 assumes a general reserve balance of £33.2m will be brought forward from 2022/23. This Budget does not allocate any additional general fund resources to the General Reserve in 2023/24 but the provisional position for 2024/25 assumes a base budget increase of £3.0m. However, for 2023/24 £3m of resources will be contributed from the Strategic Contingency Reserve to the General Reserve as part of measures to ensure financial robustness and sustainability.
- 6.16. Whilst the Council maintains a robust approach towards its management of risk and especially in the determination of the level of reserves that it maintains, it is recognised that our reserves are lower than those of other comparable local authorities of a similar size. However, the Council has made provision over the life of the approved Medium Term Financial Strategy to address this position while having minimum impact on front line services.
- 6.17. The Medium Term Financial Strategy recognises the requirement to keep the level of the Council's reserves under review to ensure that they are adequate to meet the identified risks. Grant Thornton's Annual Audit Report for the year ended 31<sup>st</sup> March 2021 recommended that "the Council should consider the adequacy of its current level of General Fund Reserves and Balances to ensure these remain adequate for its needs and potential unforeseen events." This Budget report provides for a £3m annual contribution to the General Reserve from 2023/24 onwards. As a result, the balance on the General Reserve is projected to be £48.2m by 31<sup>st</sup> March 2028 as shown in Table 18.

**Table 18 – General Reserve**

<b>General Reserve</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Brought Forward 1st April</b>	<b>(33.2)</b>	<b>(33.2)</b>	<b>(36.2)</b>	<b>(39.2)</b>	<b>(42.2)</b>	<b>(45.2)</b>
Planned Contributions	0.0	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Planned Use	0.0	0.0	0.0	0.0	0.0	0.0
<b>Carried Forward 31st March</b>	<b>(33.2)</b>	<b>(36.2)</b>	<b>(39.2)</b>	<b>(42.2)</b>	<b>(45.2)</b>	<b>(48.2)</b>

- 6.18. As stated above and detailed in this report, whilst the pressures faced by the Authority continue to make the current financial climate challenging, we will continue to keep the level of the Council's reserves under review to ensure that they are adequate to meet identified risks.
- 6.19. CIPFA's Financial Management Code of Practice, which all local authorities are required to comply with, requires that the annual budget report should include details of the earmarked reserves held. This required analysis is contained in Appendix 10. Reserves relating to Schools and the HRA are detailed in the respective reports within Appendix 8.



## **Part 7: Robustness of the Budget and Adequacy of Reserves**

- 7.1. Section 25 of the Local Government Act (Part II) 2003 places a requirement upon the Council's statutory officer (the Chief Officer – Financial Services) in Leeds to report to members on the robustness of the budget estimates and the adequacy of the proposed financial reserves.
- 7.2. CIPFA's Financial Management Code of Practice also requires that the annual budget report also includes a statement by the Chief Officer – Financial Services on the robustness of the estimates.
- 7.3. In considering the robustness of any estimates, the following criteria need to be considered:
- The underlying budget assumptions such as:
    - The reasonableness of provisions for inflationary pressures
    - The extent to which known trends and pressures have been provided for
    - The achievability of budget savings proposals built into the budget
    - The realism of income targets
    - The alignment of resources with the Council's service and organisational priorities;
  - A review of the major risks associated with the budget;
  - The availability of reserves to meet unforeseen cost pressures;
  - The strength of the financial management function and reporting arrangements.
- 7.4. In coming to a view as to the robustness of the 2023/24 budget the Chief Officer – Financial Services has taken account of the following issues:
- Detailed estimates are prepared by directorates in accordance with principles laid down by the Chief Officer – Financial Services based upon the current agreed level of service. Service changes are separately identified and plans are in place for them to be managed.
  - As detailed elsewhere in this report the Council established a "Financial Challenge" programme of service reviews. This cross council senior officer group approach provides a high support, co-ordinated and consistent approach to the identification of robust, realistic and deliverable budget savings proposals.
  - The same cross council group has had oversight over the 2023/24 budget savings programme. Through this robust and accountable approach any variations to budgeted assumptions can be readily identified and addressed. Where appropriate, and in accordance with the Council's adopted budget principles, alternative proposals will be identified to ensure that a balanced budget position can be delivered in 2023/24. Progress against the delivery of



these targeted savings will be incorporated into the monthly Financial Health reporting to this Board.

- The estimate submission has been subject to rigorous review throughout the budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council.
- Financial pressures experienced in 2022/23 have been recognised in preparing the 2023/24 budget.
- As part of the budget process, directorates have undertaken a risk assessment of their key budgets and provided a summary of major risks within the directorate budget documents. All directorate budgets contain efficiencies, income generation and service reviews which will require actions to deliver and any delay in taking decisions may have significant financial implications. Whilst the level of risk within the 2023/24 budget is considered manageable, it must be on the understanding that key decisions are taken and that where identified savings are not delivered alternative savings options will be needed. This is all the more important given that the Council will face further financial challenges over the years beyond 2023/24.
- The Council will build upon its current approach to the determination of the budget by implementing the financial planning recommendations of the recent Local Government Association (LGA) Corporate Peer Challenge which took place in November 2022. Specifically that the Council needs to consider a more outcomes focused and evidence-based approach to medium-term financial planning.
- In recognition of the financial challenge that the Council continues to face, the Council established a Strategic Contingency Reserve in 2020/21 which is used to fund future unforeseen budget pressures and to ensure the Council becoming more financially resilient.
- This budget continues the journey that commenced in 2019 whereby the Council's revenue budget becomes more financially robust, resilient and sustainable by both moving away from the use of one-off sources to fund recurring expenditure and the inclusion of ongoing planned budgeted contributions to the general reserve.
- In addition to specific directorate/service risks, the collection of council tax and the generation of business rate yields are two key risks which are closely monitored.
- In April 2013 a scheme of Council Tax discounts was introduced, enabling the Council to manage the risk of non-collection in given circumstances. Also, the overall assumed collection rate for council tax in 2023/24 is budgeted at 99% which is consistent with pre-COVID-19 collection rates.



- Where the budget assumes the generation of capital receipts from property and land sales which are utilised to resource transformation projects and fund redundancy payments, the timing of the delivery of these receipts needs to be closely monitored and contingency actions identified should there be any slippage to budgeted assumptions.
- Under the business rates retention scheme the Council's local share of business rates is exposed to risks from both collection and reductions in rateable values. In addition, and as detailed in paragraph 3.3.1 in this report, the continuing impact of COVID-19 and the cost of living crisis has been factored into the Council's assumptions in respect of the overall level of business rates that are receivable.
- Business rates income continues to be a significant risk, however, as in the case of council tax, any losses greater than those assumed in setting the budget will materialise through a collection fund and will not impact in the current year although this will be an issue in future financial years.
- The Council's financial controls are set out in the Authority's financial regulations. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the Council.
- Budget management and monitoring is a continuous process which operates at a number of levels throughout the Council. The Council's budget accountability framework clearly articulates roles and responsibilities and aligns financial accountability within service decision making. This contributes towards providing a significant degree of assurance as to the strength of financial management and control arrangements throughout the Council. The Council has a well-established framework for financial reporting at directorate and corporate levels. Each month Executive Board receives a risk-based financial health report from each directorate and action plans are utilised to manage and minimise any significant variations to approved budgets.
- In July 2019 this Board agreed the adoption of principles which were developed to support both the determination and management of the revenue budget, provided at Appendix 11. Adoption of these principles results in a more robust and accountable approach to budget management which closely aligns itself with the principles set out in CIPFA's Financial Management Code which all local authorities were required to fully implement by 31st March 2021. The Council's Revenue and Capital Principles have been updated. These are presented to Executive Board at Appendix 11 of this report and recommended for approval.
- Adherence to these principles and the requirement to adhere to CIPFA's Financial Management Code will be reinforced for 2023/24 with the introduction of formal budget sign off arrangements for Chief Officers. These arrangements combined with the standardisation of budget roll out packs will complement the current budget management framework.
- Each year Corporate Governance and Audit Committee receive the annual





assurance report from the Chief Financial Officer – Financial Services which provides assurance that the Council has established an effective financial control environment including robust arrangements for strategic financial planning combined with effective financial management and control. It also provides assurance that the Council also has a sound framework for reviewing and challenging financial performance, has realistic plans in place to make the necessary savings in the 2023/24 financial year, that it will take the appropriate steps to deliver them, and that the Authority has contingency plans in place to help to manage unforeseen variations against the budget.

7.5. In the context of the above, the Chief Officer – Financial Services considers the budget proposals for 2023/24 to be robust and the level of reserves to be appropriate, given a clear understanding by members and senior management of the following:

- That Directors and other budget holders accept their budget responsibilities and subsequent accountability.
- The level of reserves is in line with the risk based reserves strategy, but their enhancement will be a prime consideration for the use of any fortuitous in-year savings and that the Medium Term Financial Strategy provides for further contributions to the Council's reserves.
- Risk based budget monitoring and scrutiny arrangements are in place which include arrangements for the identification of remedial action.
- The budget contains a number of challenging budget savings proposals and other actions. These are clearly identified and as such are at this time considered reasonable and achievable.
- That a separate robust process is in place to monitor and report on the delivery of the £58.6m of budget reduction measures contained in the 2023/24 budget.
- Risk based budget reporting to members will continue in 2023/24.
- Budget risks are identified and regularly reviewed and will be subject to focused control and management.
- As part of the Council's reserves strategy directorates are required to have in place budget action plans which set out how they will deal with variations during the year.
- Risks associated with council tax and business rates, although potentially significant, will feed into the Medium Term Financial Strategy via the Collection Fund and will therefore not impact on the 2023/24 budget.
- There is a clear understanding of the duties of the Council's statutory financial officer and that the service implications of these being exercised are fully understood by members and senior management alike.



- 7.6. Any ongoing impact of COVID-19 has not been factored into the 2023/24 Revenue Budget. It is assumed that there will not be a requirement for further lockdowns and therefore the Council will not be required to incur specific additional expenditure relating to COVID-19. In addition, it is assumed that income realisable from sales, fees and charges returns to pre-COVID levels. These assumptions are consistent with the Government's current level of financial support which assumes that there will be no ongoing financial impact of COVID.
- 7.7. As well as the direct impact of inflation upon the Council there is likely to be a wider inflationary impact to the Council due to the impact of the increased cost of living on our residents and businesses. We would expect to see the impact of this in increased demand for support and welfare services, and reduced income across a range of services as Leeds residents and visitors choose to spend differently as a consequence of rising inflation. The position will continue to be closely monitored
- 7.8. The impact of the inflation (pay and price) key assumptions are detailed within this report. However, this is only an estimate of the likely impact of inflation and the impact of events and changes in policy at both national and international levels will have implications for these assumptions.
- 7.9. Grant Thornton's Annual Audit Report for the year ended 31<sup>st</sup> March 2021 recommended that "the Council should consider the adequacy of its current level of General Fund Reserves and Balances to ensure these remain adequate for its needs and potential unforeseen events." In response, and as detailed in the Medium Term Financial Strategy and this annual budget report, provision has been established for an annual contribution to the Council's general reserve and this will contribute towards the Council's financial position being more robust, resilient and sustainable. In addition specific provision has been set aside within earmarked reserves to fund future unforeseen budget pressures and to ensure the Council becoming more financially resilient.





## **Part 8: Provisional Revenue Budgets 2024/25 and 2025/26**

- 8.1. At its meeting in September 2022 Executive Board received the updated Medium Term Financial Strategy and agreed the revisions to the Council's forecast budget gap for 2023/24 to 2027/28. The reported forecast gap was £182.6m of which £37.8m and £22.3m related to 2024/25 and 2025/26 respectively. The report received in September recognised that savings would be required to be identified in order that a balanced budget position could be delivered in 2024/25 and 2025/26.
- 8.2. In the context of the Autumn Statement on 17<sup>th</sup> November and other variations identified during the determination of the Proposed Budget for 2023/24 (and later year impact of 2023/24 savings), the financial projections for 2024/25 and 2025/26 were refreshed to reflect the assumptions at that point. Table 19 shows the budget gaps at the Proposed Budget for 2024/25 and 2025/26 were £48.0m and £26.7m respectively.
- 8.3. The budget gaps for 2024/25 and 2025/26 have been further updated to reflect the latest assumptions and movements on these years as identified during the final budget processes. Table 19 shows this updated position.
- 8.4. However, it should be stressed that under the Council's Constitution the decision to set the annual council tax base and rate of council tax can only be taken by Full Council each year and therefore the provisional budgets for 2024/25 and 2025/26 are for information and planning purposes only and decisions will continue to be made as part of the Council's annual budget setting process.
- 8.5. In the determination of the revised financial projections for both 2024/25 and 2025/26 significant areas of uncertainty remain as to the Council's financial position in respect of both funding and spending assumptions, compounded by the cost of living crisis and inflationary pressures. Whilst recent Government announcements gave some information around the Government's spending plans for 2024/25 and beyond, the detailed implications for local government remain unclear. The Autumn Statement stated that for 2023/24 and 2024/25 there would be no cuts to funding from that proposed in the Spending Review 2021, however after that period public expenditure will grow more slowly. On 12<sup>th</sup> December 2022 a Policy Statement was released, outlining the principles that would apply in the provisional Local Government Finance Settlement (released the following week). Whilst there was an indication that a two year Settlement would be released, this was not the case and no indicative 2024/25 settlement was presented.
- 8.6. After taking account of the funding assumptions outlined in 8.2 and 8.3, and the variation in pressures and savings that have been identified in the determination of the 2023/24 Budget proposals, the updated provisional positions for 2024/25 and 2025/26 are detailed in Table 19.



8.7. As can be seen in Table 19, the estimated budget gap has been revised to £43.0 in 2024/25 and to £28.7m in 2025/26. The main changes since the Proposed Budget are as follows:

- **Changes to Funding:** In 2024/25 the strategy assumes overall improvement in the Net Revenue Charge assumptions of £4.3m. There are also changes in the level of contributions to/from earmarked reserves, including the 2024/25 fallout of a £3m base budget contribution in 2023/24 from the Strategic Contingency Reserve to the General Reserve. In 2025/26, the movement reflects £0.6m fall out of grants and reintroducing a £0.6m contribution to the Insurance reserve.
- **Revised Pressures:** The main variation in both years is the ongoing impact of the increased debt servicing requirement due to the addition of priority schemes in the capital programme. These later years of the Strategy also reflect a reduction due to the fall out of grant funded expenditure.
- **Revised Savings:** the changes are largely due to the later year impacts of 2023/24 savings proposals, noted at Part 5 and set out in the 'Revenue Savings Proposals for 2023/24 to 2025/26' reports for Executive Board's consideration at its October and December 2022 meetings. In particular, the movements shown on Table 19 reflect reclassification of the fall out of one-off sources of funding utilised in 2023/24.

**Table 19 – Provisional Budgets 2024/25 and 2025/26**

	2024/25	2025/26
	£m	£m
<b>Proposed Budget December 2022</b>	<b>48.0</b>	<b>26.7</b>
<b>Changes to Funding and Resources</b>		
Net Revenue Charge Assumptions	(4.3)	0.0
Contribution to General Reserve	(3.0)	0.0
Changes in Earmarked Reserves	3.5	0.6
Grants	(0.0)	0.6
Other Funding Changes	0.0	0.0
	<b>(3.8)</b>	<b>1.2</b>
<b>Revised Pressures</b>		
Pay and Pensions	0.7	0.0
Income pressures	(0.3)	0.0
Other	2.3	0.8
	<b>2.7</b>	<b>0.8</b>
<b>Revised Savings</b>		
Business as Usual	(3.9)	0.0
Service Review	0.1	0.0
	<b>(3.8)</b>	<b>0.0</b>
<b>Revised Gap at 2023/24 Budget</b>	<b>43.0</b>	<b>28.7</b>



- 8.8. The position set out above contains a number of assumptions, as set out in paragraphs 8.2 to 8.5 for which updated information would alter the projected financial position and any such changes in these assumptions will be incorporated into an updated Medium Term Financial Strategy that will be presented to a future meeting of this Board.





9.5.

Public Health commissions a range of providers to deliver Public Health services. These include 3<sup>rd</sup> sector providers, GPs, Pharmacists and Leeds Community Healthcare. Though the government has announced that Public Health grant will be maintained in real terms until 2024/25, this does not reverse the significant real terms cut to the grant since 2015/16. After several years of cuts and new burdens the service is still operating on a smaller grant than in previous years.



## **Part 10: Management of Key Risks**

### **10.1. Risk management**

- 10.1.1. The Council's current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way, in that the Council cannot balance its Revenue Budget, is identified as one of the Council's corporate risks, as is the Council's financial position going into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the Council's risk-based reserves policy. Both these risks are subject to regular review and reporting.
- 10.1.2. Failure to address these issues will ultimately require the Council to consider even more difficult decisions that will have a far greater impact on front-line services including those that support the most vulnerable and thus on our Best City Ambition in respect of Health and Wellbeing, Inclusive Growth and meeting our Zero Carbon target.
- 10.1.3. Financial management and monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach will continue to be included in the in-year Financial Health reports brought to Executive Board.
- 10.1.4. In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required. Specific risks relating to some of the assumptions contained within this Budget are identified below.
- 10.1.5. The impact of COVID-19 on the Council's budget has been significant and the receipt of specific financial support from the Government was necessary to deliver balanced budget positions. The Budget for 2023/24 does not provide for any ongoing impact of COVID-19 and it is assumed that income from sales, fees and charges is comparable with pre-COVID levels. Any ongoing impact of COVID will require contingency actions to be identified and implemented. The more significant current risk to both costs and income in these budget proposals is in regard to the impact of cost of living as discussed at paragraphs 10.1.18 and 10.1.19.
- 10.1.6. As detailed in this report, the Budget for 2023/24 assumes the delivery of £58.6m of budget savings proposals, including some that are subject to consultation. There remains a risk that there is slippage in the implementation of these proposals or that the assumptions contained in these proposals change as a result of the consultation exercises. This could lead to a variation in the assumed level of savings. Should this be the case, in accordance with the Revenue Budget principles agreed at Executive Board in July 2019 through the [Medium Term Financial Strategy 2020/21-2024/25](#) report, directors would need to identify



budget savings options to mitigate the directorate from going into an overspend position.

### **Risks to Funding**

- 10.1.7. The Government's current Spending Review covers the three years until the end of this Parliament in March 2025. Whilst the Autumn Statement on 17<sup>th</sup> November 2022 provided assurance that the Spending Plans in the Spending Review would be honoured, these have not yet been ratified by Government through the annual budget process.
- 10.1.8. Further to this the Provisional Local Government Finance Settlement was published on 19<sup>th</sup> December 2022. This Settlement is a one-year only Settlement and the final Settlement is expected to be published in early February 2023. There remains a risk that the final Settlement differs to the proposals contained in the provisional Settlement and this could have implications for the level of resources available to the Council in 2023/24.
- 10.1.9. Since the Council only has a one year settlement, 2023/24, there is an inherent risk that resource assumptions in 2024/25 and 2025/26 change and this will have implications for the current estimated budget gaps in each of these years.
- 10.1.10. The 2023/24 budget submission contains a number of assumptions about the level of resources receivable through some specific grants. Where the Government has yet to announce or finalise how much grant will be receivable in 2023/24 then a number of assumptions will be made in the determination of the budgeted figures receivable. Where the grant received is less than assumed in the Budget then, as per the Revenue Budget Principles approved at Executive Board in June 2019, the directorate concerned will need to manage the reduction in both expenditure and income through the identification and implementation of an exit. With reference to the additional funding to be received for social care, the Provisional Local Finance Settlement for 2023/24 confirmed that Leeds City Council would receive up to £28.9m in additional funding compared to that previously assumed, there is an associated risk in that the extent to which this funding will need to be shared with local health service partners is yet to be determined and any additional costs to the Council identified.
- 10.1.11. Under the Business Rates Retention Scheme the Council's local share of business rates is exposed to risks both from collection and from reductions in rateable values. The collection of business rates has, since the COVID-19 pandemic, become more difficult, with continuing economic pressures on ratepayers and limited access to courts for the collection team, disrupting their ability to come to arrangements with ratepayers in arrears. This has been exacerbated by the financial difficulties many ratepayers face during the cost of living crisis, with inflationary pressures impacting many businesses' ability to pay. Pre-pandemic non-collections rates in Leeds were regularly 0.9%, the proposals in this Budget report assume a non-collection rate of 2.2% in 2023/24. Further



- 10.1.12. The level of business rates appeals continues to be a risk. Although the 2010 ratings list is now closed and only limited scope remains for ratepayers to challenge that list, 2022/23 is the final year of the 2017 ratings list being in force which tends to result in a higher than normal number of appeals to be submitted by ratings agents on behalf of their clients. Provision will have to be made for these appeals and if they prove to be higher than anticipated this could add to the business rates deficit. However, the 2017 ratings list has proven to be unusually robust compared to the 2010 ratings list, although the impact of COVID-19 on the commercial property market may have implications for the business rates tax base in 2023/24 when the new ratings list will be introduced following the 2023 Revaluation.
- 10.1.13. In 2023/24 Leeds will be part of the newly reformed Leeds City Region Business Rates Pool after Harrogate Borough Council had to leave as it is now part of the wider North Yorkshire unitary council. As with previous years' Pools, there remains a risk that if a member authority becomes entitled to a safety net payment, because its retained income has fallen dramatically, then that safety net payment will no longer be received from the Government but will have to be met by other members of the Pool. This will represent a loss of income to the region.
- 10.1.14. The level of council tax collected could be affected by the increase in the council tax base being less than assumed, collection rates being below budgeted assumptions, Council Tax Support claimant requirements being greater than budgeted or a mixture of the above.
- 10.1.15. Business rates and Council Tax income continues to be a significant risk, however any losses greater than those assumed in setting the budget will materialise through a Collection Fund and will not impact in the current year, although this will be an issue in future financial years.

10.1.16. This Budget for 2023/24 contains a number of inherent risks which include the requirement to implement budget plans, budgets which are subject to both fluctuating demand and demographic pressures, inflation being higher than forecast and key income budgets that rely upon the number of users of a service.

10.1.17. In particular the war in Ukraine has already had a significant impact upon the



- 10.1.18. Cost of living pressures are likely to have a wider inflationary impact on the Council due to the impact of the increased cost of living on our residents and businesses. In addition to the risks associated with increases in costs to the Council for the goods and services that we procure, increased demand for support and welfare services, and reduced income across a range of services as Leeds residents and visitors choose to spend differently as a consequence of rising inflation. This position will continue to be closely monitored throughout the financial year and any variation to budgeted assumptions will be required to be managed within the approved budget.
- 10.1.19. The cost of living crisis also likely to have implications for financial viability of an increasing number of companies and there is every likelihood that there will be an increase in the number of company collapses in the next twelve months. Where a company collapses, and it is providing a service to the Council, then there is a risk to be managed in respect of both service continuity e.g. in social care and the likelihood that the re-procurement of the service is likely to result in increased contract costs from the new provider.
- 10.1.20. There are risks that demographic and demand pressures in Adult Social Care and Children's Services could be greater than anticipated in this Budget. There is also significant reform on the horizon across social care. For Adults, there will be the impact of the care reforms for which there will be additional costs, however the level of Government funding for this is uncertain. For Children, the Independent Review of Children's Social Care was published earlier this year and recommended a radical reset of the Children's Social Care system. The Government intends to publish an implementation strategy in response to the review before the end of the year.
- 10.1.21. The implementation of proposed savings and additional income realisation could be delayed. Equally, the level of savings generated and/or the level of additional income realised could be less than that assumed in this Budget for 2023/24.
- 10.1.22. Inflation including the pay award and inflationary pressures in respect of contracts and energy costs could be higher than that assumed in this report. If the pay award is higher than the current budget assumptions then directorates will be required to implement contingency savings to offset any additional cost. In addition, this Budget makes a number of assumptions about the costs associated with managing the Council's debt. As set out in the Treasury Management Strategy 2023/24 report, which is received elsewhere on this Executive Board agenda, all new Council borrowing activity will be funded through short-term variable rates which means that it is exposed to any upward movement in rates which would result in an increase in costs to the Council. It should be noted that





due to the previously employed policy of locking in long term borrowing need at historically low rates the Council had no short term borrowing on its books at 31/03/2022 and this has placed the Council in a good position to manage any new borrowing required for the capital programme.

- 10.1.23. Key risks for the Dedicated Schools Grant (DSG) projections relate mainly to the high needs block of the DSG, which provides funding in relation to pupils with special educational needs. Future demand has been estimated based on trends and forecasts, both for population growth and increases in complexity of need, however actual demand may vary from these assumptions and the availability of places may also affect costs. In particular, the long-term impact of COVID-19 on these trends is not yet known. In addition, funding allocations are confirmed on an annual basis and there is a risk that actual funding increases will differ from the amounts assumed in the MTFS. Specifically, funding increases are currently capped, and it is not yet known how this cap will operate in future years. Lastly, a number of DSG funding decisions are made by the Leeds Schools Forum, a statutory body of education representatives from across the city, and there is a risk these decisions may impact on future DSG pressures.
- 10.1.24. There are a number of risks that are specific to the Housing Revenue Account. The Budget for next year makes assumptions around rent collection rates and tenants' arrears. Any ongoing impact of COVID-19 combined with the impact of the cost of living crisis upon household budgets will have implications for these assumptions and ultimately the amount that must be set aside for bad debt provision
- 10.1.25. There is a risk within the HRA and within the General Fund Capital Programme that continued inflationary pressures may impact on the timing of the delivery of capital schemes given the overall funding available.
- 10.1.26. A full analysis of all budget risks will continue to be maintained and will be subject to monthly review as part of the in-year monitoring and management of the budget. Any significant and new risks and budget variations are contained in the in-year financial health reports submitted to the Executive Board.





**2023/24**

**GAP**

## Statement of 2022/23 and 2023/24 budgets

## Annex 2

Service	2022/23			2023/24		
	Net managed budget £000s	Net budget managed outside service £000s	Net budget £000s	Net managed budget £000s	Net budget managed outside service £000s	Net budget £000s
<b>Adults and Health</b>						
Health Partnerships	528	174	702	572	224	796
Social Work and Social Care	229,340	3,709	233,049	250,766	4,576	255,342
Service Transformation Team	153	259	412	257	345	602
Strategic Commissioning	(53,605)	1,216	(52,389)	(76,480)	1,363	(75,117)
Resources & Strategy	4,625	1,277	5,902	4,738	(59)	4,679
Provider services	16,451	5,657	22,108	18,716	7,160	25,876
Leeds Safeguarding Adults Board	151	57	208	150	67	217
Public Health	0	532	532	0	341	341
Pensions adjustment	0	(9,864)	(9,864)	0	(12,861)	(12,861)
	<b>197,643</b>	<b>3,017</b>	<b>200,660</b>	<b>198,719</b>	<b>1,156</b>	<b>199,875</b>
<b>Children and Families</b>						
Learning	6,290	2,594	8,884	5,307	2,939	8,246
Social Care	106,699	35,281	141,980	111,185	44,138	155,323
Resources and Strategy	20,041	(4,878)	15,163	26,345	(4,683)	21,662
Pensions adjustment	0	(10,695)	(10,695)	0	(14,606)	(14,606)
	<b>133,030</b>	<b>22,302</b>	<b>155,332</b>	<b>142,837</b>	<b>27,788</b>	<b>170,625</b>
<b>City Development</b>						
Planning and Sustainable Development	1,457	1,264	2,721	1,160	1,555	2,715
Economic Development	1,956	243	2,199	1,965	467	2,432
Asset Management & Regeneration	(3,003)	4,466	1,463	(1,186)	4,331	3,145
Employment & Skills	1,697	736	2,433	1,710	873	2,583
Highways and Transportation	13,382	59,694	73,076	19,523	66,493	86,016
Arts and Heritage	11,294	2,656	13,950	10,207	5,843	16,050
Sport and Active Recreation	6,579	5,005	11,584	8,838	5,503	14,341
Resources and Strategy	1,121	263	1,384	594	293	887
Markets and City Centre	(1,116)	204	(912)	(893)	320	(573)
Pensions adjustment	0	(11,473)	(11,473)	0	(14,103)	(14,103)
	<b>33,367</b>	<b>63,058</b>	<b>96,425</b>	<b>41,918</b>	<b>71,575</b>	<b>113,493</b>
<b>Resources</b>						
Strategy and Improvement	3,757	(1,127)	2,630	3,468	(657)	2,811
Finance	7,885	140	8,025	6,217	566	6,783
Human Resources	5,272	799	6,071	5,726	1,080	6,806
Integrated Digital Services	24,903	9,581	34,484	29,878	10,914	40,792
Procurement & Commercial Services	(1,367)	252	(1,115)	919	328	1,247
Legal Services	2,896	903	3,799	3,236	1,089	4,325
Democratic Services	4,952	(3,091)	1,861	5,221	(3,819)	1,402
Leeds Building Services	(9,649)	4,724	(4,925)	(11,074)	5,485	(5,589)
Corporate Property Management	6,130	339	6,469	5,596	253	5,849
Shared Services	22,121	3,789	25,910	21,865	4,896	26,761
Commercial Services	3,365	11,764	15,129	5,629	13,920	19,549
Facilities Management	7,023	1,119	8,142	8,053	1,034	9,087
Pensions adjustment	0	(22,823)	(22,823)	0	(27,856)	(27,856)
	<b>77,288</b>	<b>6,369</b>	<b>83,657</b>	<b>84,734</b>	<b>7,233</b>	<b>91,967</b>
<b>Communities, Housing and Environment</b>						
Safer Stronger Communities	5,706	2,041	7,747	6,553	2,644	9,197
Community Hubs	15,825	3,081	18,906	14,087	4,065	18,152
Elections, Licensing and Registration	1,066	619	1,685	942	824	1,766
Welfare and Benefits	1,713	363	2,076	2,794	499	3,293
Car Parking Services	(7,332)	1,089	(6,243)	(7,967)	1,105	(6,862)
Waste Management	40,351	4,555	44,906	40,452	5,209	45,661
Climate, Energy and Greenspace	9,290	6,653	15,943	11,566	7,508	19,074
Environmental Action - City Centre	1,775	317	2,092	2,008	344	2,352
Environmental Health	1,398	300	1,698	1,390	403	1,793
Cleaner Neighbourhood Team	8,634	3,649	12,283	11,640	4,009	15,649
Supporting People Contract	6,083	34	6,117	6,892	33	6,925
Strategic Housing Partnership	1,603	4,449	6,052	1,671	2,195	3,866
Pensions adjustment	0	(15,548)	(15,548)	0	(19,735)	(19,735)
	<b>86,112</b>	<b>11,602</b>	<b>97,714</b>	<b>92,028</b>	<b>9,103</b>	<b>101,131</b>
<b>Strategic and Central Accounts</b>						
Strategic and Central accounts	(5,497)	(68,543)	(74,040)	10,122	(79,050)	(68,928)
Pensions adjustment	0	(37,805)	(37,805)	0	(37,805)	(37,805)
	<b>(5,497)</b>	<b>(106,348)</b>	<b>(111,845)</b>	<b>10,122</b>	<b>(116,855)</b>	<b>(106,733)</b>
<b>NET COST OF CITY COUNCIL SERVICES</b>	<b>521,943</b>	<b>0</b>	<b>521,943</b>	<b>570,358</b>	<b>0</b>	<b>570,358</b>
Contribution to/(from) General Fund Reserves	0	0	0	3,000	0	3,000
<b>NET REVENUE CHARGE</b>	<b>521,943</b>	<b>0</b>	<b>521,943</b>	<b>573,358</b>	<b>0</b>	<b>573,358</b>

# Proposed Budget 2023/24 -

## Consultation Report

Consultation held December 2022 - January 2023

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## 1. Introduction and approach

Public consultation on Leeds City Council's Proposed Budget for 2023/24 took place between 14<sup>th</sup> December 2022 and 11<sup>th</sup> January 2023 through an online survey. The full Proposed Budget and Revenue Savings Proposals can be viewed in the public reports pack for the council's 14th December 2022 Executive Board meeting (available [here](#) at item 7), where the proposals were considered by elected members.

The survey explored a range of themes relevant to the Proposed Budget including: principles of how the council should be funded, proposed changes to Council Tax, and how we plan to spend the revenue budget by directorate. Other questions explored: satisfaction with how the council runs things overall, ideas for opportunities for the council to do things in more modern and efficient ways, and, in a new section this year, participants' experience of the rising cost of living.

The survey was carried out using online methods only. Staff in the Community Hubs were supplied with an information sheet to help them support anyone who was unable to access the survey online. In previous years, when paper surveys have been offered, they have had low take-up and those were predominantly from groups of respondents that are already over-represented.

The consultation was circulated primarily through Leeds City Council social media channels and online community groups, and as a news item on the council's website. The Citizens' Panel, which has around 2,000 members, received an email with a link to the survey. Staff and elected members were invited to take part through emails and a news item on the council's intranet (InSite). Invitations were also emailed to partner organisations, requesting that they share through their networks. Invitations cascaded through the Youth Service and targeted social media were successful in increasing engagement of younger people aged under 30.

Where results have been considered by different groups of respondents, the following abbreviations have been used in charts and the narrative within this report:

- Ethnicity – where respondents selected an ethnicity of White: English / Welsh / Scottish / Northern Irish / British, this has been categorised as 'White: British'. 'Ethnic minority' has been used where any other ethnicity was selected.
- Sexuality – where respondents selected a sexuality of Lesbian, Gay, Bisexual or Other, this has been categorised as LGB.
- Religion – Where respondents selected an option other than Christian, No religion or No belief, these were categorised as Other religion or belief.

Some groups were represented by a smaller number of respondents: Age 18-29 (122, +/-9%), Other religion (89, +/-10%), LGB (150, +/-8%), Study in Leeds (46, +/-14%). These have generally not been highlighted in the narrative unless the result is statistically significant.

Throughout this report, percentages and percentage point changes have been rounded to remove decimal places, and therefore may not sum exactly.

## 2. Executive summary

- Public consultation on Leeds City Council's Proposed Budget for 2023/24 took place between 14<sup>th</sup> December 2022 and 11<sup>th</sup> January 2023 through an online survey.
- In total, 1,742 participants completed the survey. This response is in line with previous years' online surveys (2,495 for the 2021/22 Budget Consultation and 1,537 for the 2020/21 Budget Consultation), and is much greater than when an alternative online approach using an engagement platform was trialled last year (468 for the 2022/23 Budget). The response is highly accurate, representing the population of Leeds to a confidence interval of +/-2.4% (with 95% confidence).
- Survey participants were from a range of different demographic groups, which in general represented the population of Leeds residents, although young people aged under 30, ethnic minorities and those who practise religions other than Christianity were underrepresented.
- Most respondents (91%) said that they live in Leeds and over half (53%) work in Leeds. Around 1 in 6 (18%) said they work for Leeds City Council and a smaller group (3%) said they study in Leeds.

### Balancing council tax and charges with protecting services

- In response to the financial challenges that Leeds City Council faces:
  - Almost three quarters of respondents (73%, 1,255 of the 1,742 responses) agreed with the statement that we should raise money through increasing council tax and charges.
    - 30% of all respondents felt we should raise enough money by increasing council tax and charges to avoid having to cut services
    - 43% of all respondents said that council tax and charges should be slightly increased whilst balanced with cuts and reduction of some services
  - Over 1 in 4 (27%) of all respondents said we should not increase council tax or charges, even if this has a large impact on the services we provide. This is a slightly higher percentage than in previous years (22% in last year's consultation).
- The 1,255 respondents who agreed we should raise money through increasing council tax and charges were asked how much they agreed or disagreed with the statements: 'Existing charges for services should be increased', 'New charges should be introduced for some services' and 'Council tax should increase'.
  - The highest proportion of these 1,255 respondents, 75%, agreed with the statement that council tax should increase. This represents 55% of all 1,742 respondents.
  - Slightly fewer, 73%, agreed with the statement that new charges should be introduced for some services, representing 53% of all respondents.
  - A similar number, 71%, agreed with the statement that existing charges for services should be increased, representing 52% of all respondents.
- When asked how much they agree or disagree with our proposed approach for increasing council tax by up to 4.99% (2.99% for the core Leeds element plus an additional 1.99% to support adult social care services):
  - Three in five (60%) of all 1,742 respondents agreed: 24% of all respondents strongly agreed, 35% tended to agree.
  - Two in five (40%) disagreed: 23% strongly disagreed, 17% tended to disagree.
  - The proportion of those agreeing with our proposed raise in council tax has decreased since last year by 6 percentage points (from 66%), returning to figures closer to those in previous years. It should be noted that over the last five years of the survey, the highest proportion of those agreeing with the proposed rise in council tax was in 2022/23, when the overall proposed increase (2.99%) was at its lowest point across these years.



## The proposed budget

- Participants were presented with a chart of the proposed net revenue budget per directorate, alongside a summary of the services that each directorate provides, and links to the Revenue Savings Proposals and Proposed Budget report considered by the Executive Board at its December 2022 meeting.
  - When asked how much they agreed with the savings proposals for 2023/24, almost three in five (59%) agreed: 7% strongly agreed and 52% tended to agree.
    - Two in five disagreed (41%): 16% strongly disagreed and 25% tended to disagree.
    - In total, 229 respondents said they don't know or gave no response.
  - In terms of the overall proposed budget approach, almost three in five of respondents (59%) agreed with this: 7% strongly agreed and 52% tended to agree.
    - Two in five disagreed (41%): 15% strongly disagreed and 27% tended to disagree.
    - In total, 191 respondents said they don't know or gave no response.
  - Levels of agreement with our proposed revenue budget have decreased since last year by 9 percentage points (from 68%), continuing the trend from earlier years of a steady decrease.
- 41% (720) of respondents filled in an open text field asking them for views on the overall proposed budget and savings proposals, providing comments that have been individually analysed and grouped into themes. Many provided more than one comment; in total, 1,101 comments were made.
  - The highest number of comments suggested an increase to the Adults & Health budget (147). This was followed by concerns about improvement works in the city centre and cycle lane provision (110), and comments suggesting a reduction in the proposed City Development budget (106).
  - Some comments referred to specific savings proposals, with the largest number opposing parking charges (58), followed by closing nurseries (15) and stopping bonfire events (7).
- A summary of the services provided by each of the council's directorates was included in the 2022/23 and 2023/24 Budget consultations, aiming to give respondents additional context and understanding about what the council does, and how the net revenue budget is split across the five directorates. The proportion of respondents answering 'don't know' or giving no response to the question on overall agreement with the proposed revenue budget has reduced since this information was introduced, indicating it helps participants form an opinion.
  - For the 2023/24 Budget consultation, 11% said they don't know or provided no response (this compares to 10% in 2022/23 and 21% in 2021/22).
  - For the 2023/24 Budget consultation, 4% commented that they needed more information to be able to answer this question (this compares to 6% in 2022/23 and 10% in 2021/22).

## Household finances and the rising cost of living

- Participants were asked about their household finances and which increasing costs are of most concern to them, to understand how the rising cost of living is impacting residents in Leeds and help ensure access to the right support is available.
  - Over half of respondents (53%) described their financial position as living comfortably or doing alright, but almost 1 in 5 (18%) said they are finding it fairly or very difficult.
- When asked how concerned respondents were about the cost of different products and services over two thirds (68%) were very concerned about rising energy costs (where this applied to them).
  - Other costs where more than a third were very concerned (of those who said it applied to them) were: petrol/diesel fuel (38%), childcare costs (37%) and mortgages and rent (35%).
  - When asked if other costs were a concern, the largest number of relevant comments were for housing maintenance and repairs, followed by: days out & leisure activities, providing care and support to adults, and charges for parking.

- Participants were introduced to the Leeds Money Information Centre (LMIC) website. When asked, close to half of respondents (45%) said they had previously heard of the LMIC website, of whom 117 (7%) said they have used it to find support in Leeds.
  - Where respondents had previously told us their financial position is fairly difficult or very difficult, 10% said they had used the website and over half (55%) hadn't heard of it.

### **Perceptions of Leeds City Council**

- Almost half of respondents (49%) were satisfied with the way Leeds City Council runs things (10% very satisfied, 39% fairly satisfied). More than 1 in 4 (28%) said they were dissatisfied (16% fairly dissatisfied, 12% very dissatisfied).
  - Comparison with last year's consultation for the 2022/23 Budget shows a decrease in satisfaction of 4 percentage points, from 53%. This continues a downward trend from the 2021/22 Budget consultation two years ago when satisfaction was higher at 60%. It is worth noting that residents may have been feeling more positive then, since the survey was carried out during the COVID-19 pandemic when the work the council do was more likely to be recognised and celebrated. (This question on satisfaction was first introduced in the 2021/22 Budget consultation survey.)

### **Suggestions for improvements**

- 617 (35%) respondents provided a comment or suggestion in a final open text box around improving services and helping the council to deliver them in modern and more efficient ways, a number of whom provided multiple comments or suggestions across different service areas. In total, 869 comments were made, which were coded into groups and themes within each group.
  - Almost a quarter of the comments (23%) related to services the council provides. Suggestions around refuse collection efficiencies and improvements were the main themes in this group.
  - The second major grouping, with about a fifth of the comments, related to the council's ways of working. The main themes in this referred to procurements and contract management, as well as listening to the public / keeping the public informed.
  - Further groups of themes related to transport, ideas and suggestions, views on policies and staffing and pay.
  - The most common single theme was improvements to the bus service and public transport (8.4% of all comments), followed by concerns over the ongoing improvement work in the city centre and the introduction of cycle lanes (7.7% of all comments).
  - In addition, 4.8% of all comments suggested different ways of working.
- All specific service suggestions will be reviewed and considered as part of identifying further service improvements and financial savings for future years.

### **Responses by different groups**

- Younger people aged 18-29 were much less likely to be satisfied with how the council runs things. They were much more likely to say that their financial position is fairly or very difficult and much less likely to have heard of the LMIC website.
- People aged 30-44 were more likely to say that council tax and charges should not increase to fund services, and less likely to agree with the proposed increase in council tax.
- Older people aged over 65 were much more likely to say we should raise money through increasing tax and charges, and much more likely to agree with the proposed increase in council tax. They were much less likely to say that their financial position is fairly or very difficult, or to report that they are very concerned about the cost of products and services.
- Ethnic minority respondents were more likely to say we should not increase council tax and charges and much less likely to support: the proposed increase in council tax, our savings proposals and our

overall budget proposals. They were less likely to be satisfied with how the council runs things. They were more likely to say that their financial position is fairly or very difficult and that they are very concerned about the costs of products and services.

- People that practise religions other than Christianity were less likely to agree with the overall budget proposals and much less likely to be satisfied with how the council runs things. They were much more likely to be very concerned about the costs of products and services, and were much more likely to have heard of the LMIC website.
- Disabled people were more likely to say we should not increase council tax and charges and less likely to support: the proposed increase in council tax, our savings proposals and our overall budget proposals. They were much less likely to be satisfied with how the council runs things. They were much more likely to say that their financial position is fairly or very difficult, that they are very concerned about the costs of products and services, and were much more likely to have heard of the LMIC website.
- Male respondents were more likely to say we should raise enough money through increasing tax and charges to avoid cutting services.
- Leeds City Council staff were much more likely to say we should raise money through increasing tax and charges and to agree with: our council tax proposals, our savings proposals and overall budget proposals, and to say they are satisfied with the way the council runs things. They were very much more likely to have heard of the LMIC website.
- Those that said they visit Leeds were much more likely to say we should raise money through increasing tax and charges, and were more likely to agree with the proposal to increase council tax.
- Those who study in Leeds were more likely to say that their financial position is fairly or very difficult (although this wasn't statistically significant).

### 3. Analysis of respondents

In total, 1,742 participants completed the survey. This response is in line with previous years' online surveys (2,495 for the 2021/22 Budget Consultation and 1,537 for the 2020/21 Budget Consultation), and is much greater than when an alternative online approach using an engagement platform was trialled last year (468 for 2022/23). The response is highly accurate, representing the population of Leeds to a confidence interval of +/-2.4% (with 95% confidence).

Survey participants were from a range of different demographic groups, which in general represented the population of Leeds residents, as compared with the 2021 Census. However, young people (aged under 30), those from minority ethnic groups and those who practise religions other than Christianity were underrepresented.

Proportions of respondents are shown in Table 1 – please note that the '% Valid' includes only those who answered the relevant question and excludes those who preferred not to say.

Table 1. Comparison of respondents to Census 2021

		Survey Respondents	% Valid Respondents	% Leeds Residents - Census 2021	
Age / years	Under 18	1	<b>0%</b>	-	Residents of Leeds, aged 18 and over only
	18 - 29	122	<b>7%</b>	24%	
	30 - 44	491	<b>30%</b>	26%	
	45 - 64	687	<b>41%</b>	29%	
	65+	359	<b>22%</b>	20%	
	<i>Prefer not to say</i>	52	-	-	
Sex	Female	827	<b>52%</b>	52%	
	Male	744	<b>47%</b>	48%	
	Non-binary/Other	20	<b>1%</b>	-	
	<i>Prefer not to say</i>	116	-	-	
Ethnicity	Ethnic minority*	185	<b>12%</b>	21%	Residents of Leeds, all age groups
	White: British	1416	<b>88%</b>	79%	
	<i>Prefer not to say</i>	103	-	-	
Religion	No religion or belief	766	<b>51%</b>	43%	
	Christian	639	<b>43%</b>	45%	
	Other religion or belief	96	<b>6%</b>	12%	
	<i>Prefer not to say</i>	181	-	-	
Disability	Yes	226	<b>14%</b>	8%	All Leeds Residents - day to day activities limited a lot (2011)
	No	1349	<b>86%</b>	92%	
	<i>Prefer not to say</i>	121	-	-	
Sexuality	Heterosexual / Straight	1332	<b>90%</b>	95%	Residents of Leeds, aged 16 and over only
	LGB+**	150	<b>10%</b>	5%	
	<i>Prefer not to say</i>	202	-	-	

\* This group refers to those who selected another ethnicity than 'White: English / Welsh / Scottish / Northern Irish / British'

\*\* This group refers to those who said they are either Lesbian, Gay, Bisexual or Other

Most respondents (91%) said that they live in Leeds and over half (53%) work in Leeds. Around 1 in 6 (18%) said they work for Leeds City Council and a smaller group (3%) said they study in Leeds.

### Counts per postcode area

Respondents live in a variety of different post code areas across the region, including Bradford, Huddersfield, Harrogate, Halifax, Leeds, Sheffield, Wakefield and York. 1,445 (83%) of the 1,742 respondents provided a postcode, 94% (1,352) of whom live in an area with a Leeds 'LS' postcode, supporting the finding that 91% of respondents said that they live in Leeds.

Postcode	Count
BD3	1
BD4	2
BD11	3
BD12	2
BD16	1
BD18	3
BD19	1
BD22	1
BD23	3
HD6	1
HD8	1
HG1	1
HG5	2
HX3	2
HX6	1
HX7	1

Postcode	Count
LS1	8
LS2	8
LS3	4
LS4	16
LS5	25
LS6	77
LS7	68
LS8	98
LS9	28
LS10	43
LS11	36
LS12	63
LS13	58
LS14	77
LS15	112
LS16	92
LS17	101
LS18	59
LS19	38
LS20	26
LS21	16
LS22	26
LS23	18
LS25	59
LS26	49
LS27	64
LS28	74
LS29	9

Postcode	Count
S6	1
S36	2
S40	1
S71	1
S75	1
WF1	2
WF2	1
WF3	29
WF4	2
WF5	1
WF6	1
WF8	3
WF10	11
WF12	3
WF13	1
WF38	1
YO14	1
YO23	1
YO25	2
YO31	1
YO8	1



## 4. Dealing with the challenges of reduced funding and prioritising service provision

### Dealing with the challenges of reduced funding

Respondents were advised of the financial challenges the council is facing for the next financial year and the estimated gap (at the time the survey went out) in the council's budget of nearly £70m for 2023/24. They were asked which option they agreed with most in response to the statement: 'It will be increasingly difficult to maintain the level of services we currently provide without considering stopping, changing or charging for services we can no longer afford or that are less of a priority to the people of Leeds'. Responses are shown in Table 2 below and these are then compared with results of previous budget consultations in Figure 1.

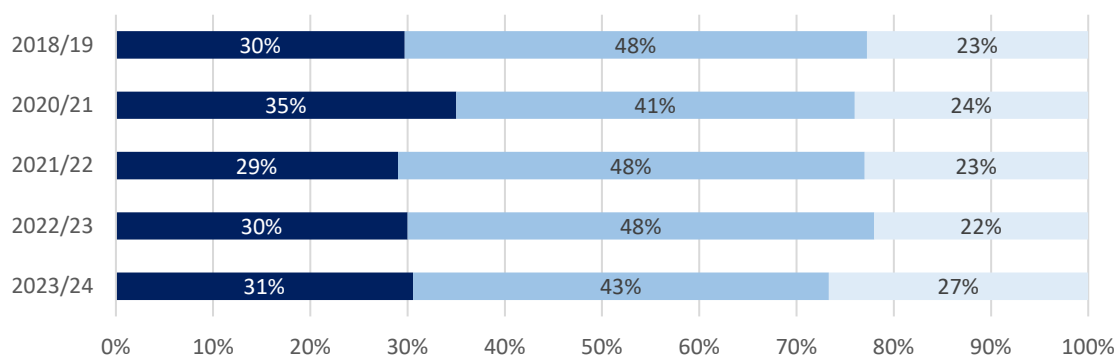
Table 2. How should we deal with the challenges of reduced funding?

Which option do you agree with most?	Valid %	Count
We should raise enough money by increasing council tax and charges, to avoid having to cut services	30%	523
We should raise money by slightly increasing council tax and charges, whilst reducing or cutting some services	43%	732
We should not increase council tax or charges, even if this has a large impact on the services we can provide	27%	456
Did not respond to this question	-	31
<b>Grand Total</b>	<b>100%</b>	<b>1742</b>

Almost three-quarters of respondents (73%) agreed we should raise money through increasing council tax and charges, with almost 3 in 5 of these (58%) agreeing that this should be balanced with cuts and reduction of services, representing 43% of all respondents.

Over 1 in 4 respondents (27%) agreed with the statement that we should not raise council tax or charges, even if this has a large impact on the services we can provide.

Figure 1. How we should deal with financial challenge, by year.



We should raise enough money by increasing council tax and charges, to avoid having to cut services	We should raise money by slightly increasing council tax and charges, whilst reducing or cutting some services	We should not raise council tax or charges, even if this has a large impact on the services we can provide

Comparing responses, it can be seen that more respondents agreed that we should not raise council tax or charges, even if this has a large impact on the services, we can provide than previously.

## Responses by different groups

Figure 2. How we should deal with the challenges of reduced funding, by different groups

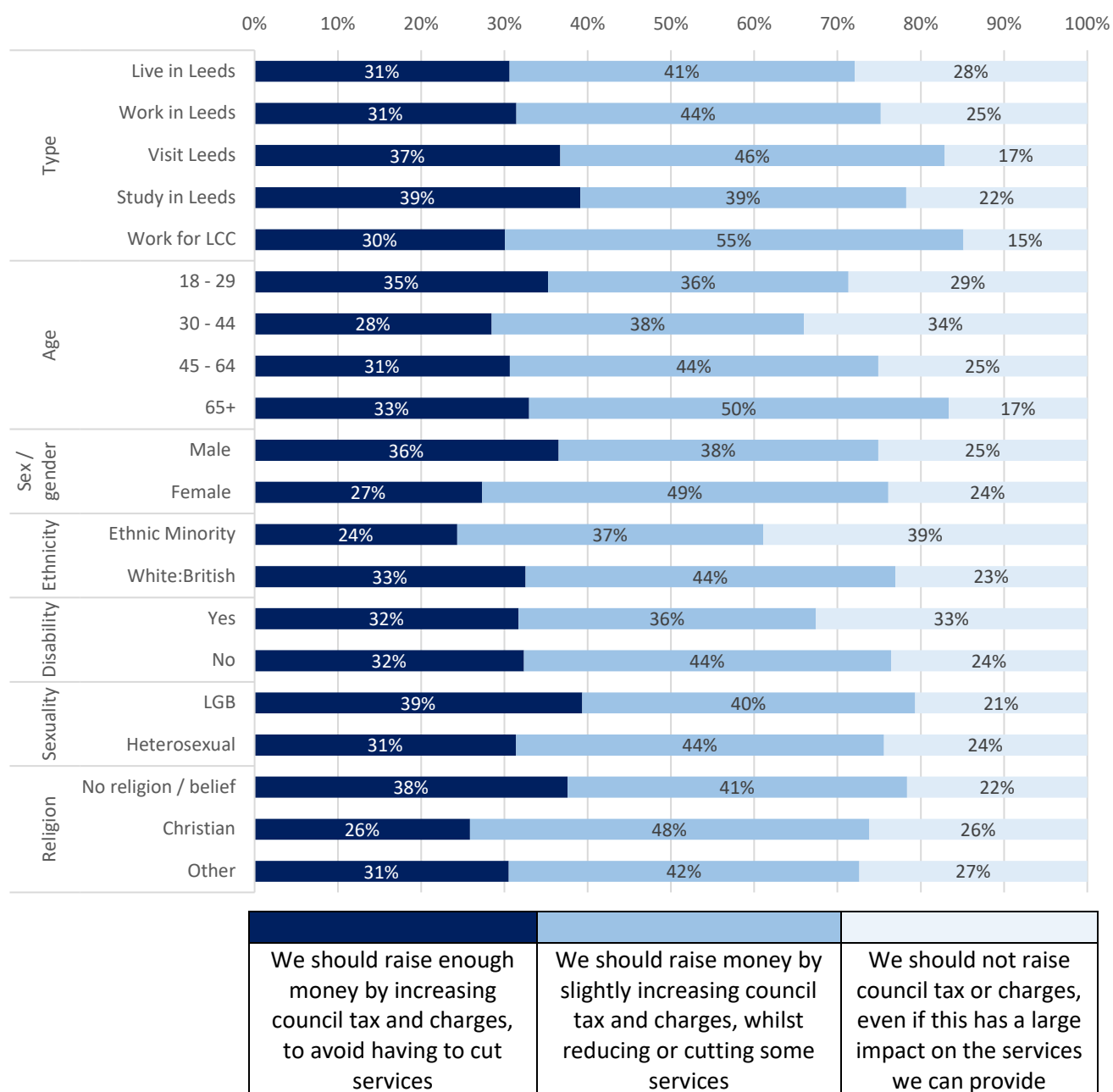


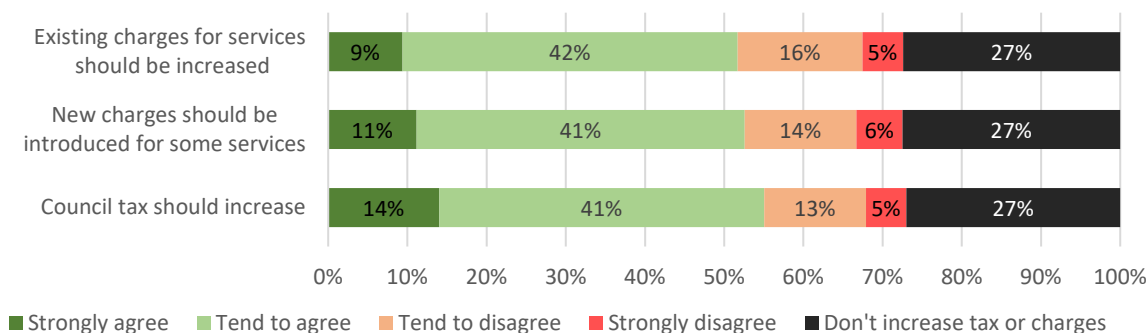
Figure 2 shows the responses made by different groups.

- People aged 30-44 were more likely to say that council tax and charges should not increase to fund services, and older people were much more likely to say we should raise money through increasing tax and charges.
- Ethnic minority respondents were more likely to say we should not increase council tax and charges (39% compared to 23% of White: British respondents).
- Disabled people were more likely to say we should not increase council tax and charges (33% compared to 24% of non-disabled respondents).
- Male respondents were more likely to say we should raise enough money through increasing tax and charges to avoid cutting services (36% compared to 27% Female).
- Those that work for Leeds City Council and those that said they visit Leeds were much more likely to say we should raise money through increasing tax and charges.

### Raising money to help deliver services

Where respondents agreed that the council should raise money to help deliver services in the previous question (73% of all respondents), they were asked to say how much they agree or disagree with different options for raising money. Responses are shown in Figure 3 below, as a percentage of all those that responded, including those that earlier said council tax or charges should not be increased.

Figure 3. Options for raising money to deliver services



The highest proportion of these respondents, 75%, agreed with the statement that council tax should increase, representing 55% of all respondents.

- Slightly fewer, 73%, agreed with the statement that new charges should be introduced for some services, representing 53% of all respondents.
- A similar number, 71%, agreed with the statement that existing charges for services should be increased, representing 52% of all respondents.

## 5. Council Tax

Participants were asked how much they agree or disagree with our proposal to increase council tax in Leeds by 4.99%: 2.99% for the core Leeds element, plus an additional 1.99% to support adult social care services. Responses are shown in Table 3 below.

*Table 3. To what extent do you agree with our approach to increase council tax?*

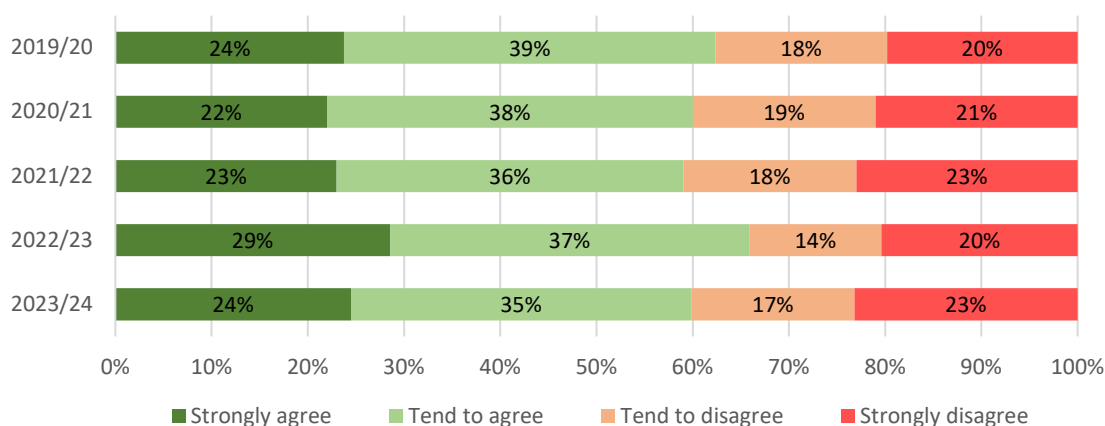
To what extent do you agree?	Valid %	Count
Strongly agree	24%	422
Tend to agree	35%	610
Tend to disagree	17%	292
Strongly disagree	23%	400
No response	-	18
<b>Total</b>	<b>100% (rounded)</b>	<b>1,742</b>

In total, 3 in 5 respondents (60%) agreed with our approach to increase council tax for 2022/23. However, 2 in 5 respondents (40%) disagreed, with 23% strongly disagreeing with this approach.

Figure 4 compares these results with those of previous budget consultations, where council tax was proposed to increase as follows:

- 2018/19 (4.99%: 2.99% for the core Leeds element, plus 2% to fund adult social care)
- 2020/21 (3.99%: 1.99% for the core Leeds element, plus 2% to fund adult social care)
- 2021/22 (4.99%: 1.99% for the core Leeds element, plus 3% to fund adult social care)
- 2022/23 (2.99%: 1.99% for the core Leeds element, plus 1% to fund adult social care)
- 2023/24 (4.99%: 2.99% for the core Leeds element, plus 1.99% to fund adult social care)

*Figure 4. Agreement with our approach to increase council tax, by year*



The proportion of those agreeing with our proposed raise in council tax has decreased since last year by 6 percentage points (from 66%), returning to figures closer to those in previous years. It should be noted that over the last five years of the survey, the highest proportion of those agreeing with our proposed raise in council tax was in 2022/23, when the overall proposed increase of 2.99% was at its lowest point across these years.

## Responses by different groups

Figure 5: Level of agreement with council tax proposals, by different groups

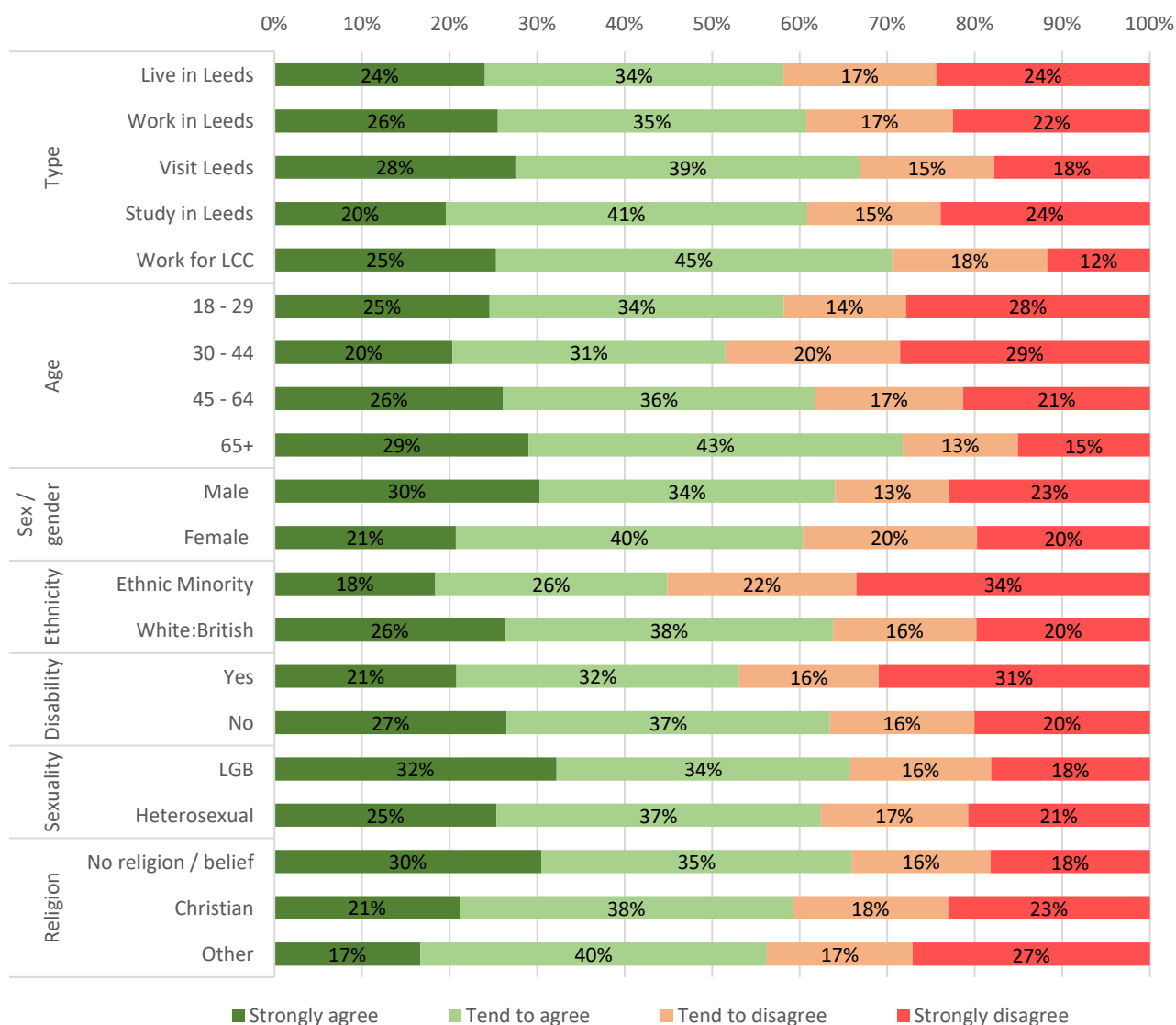


Figure 5 shows the responses made by different groups.

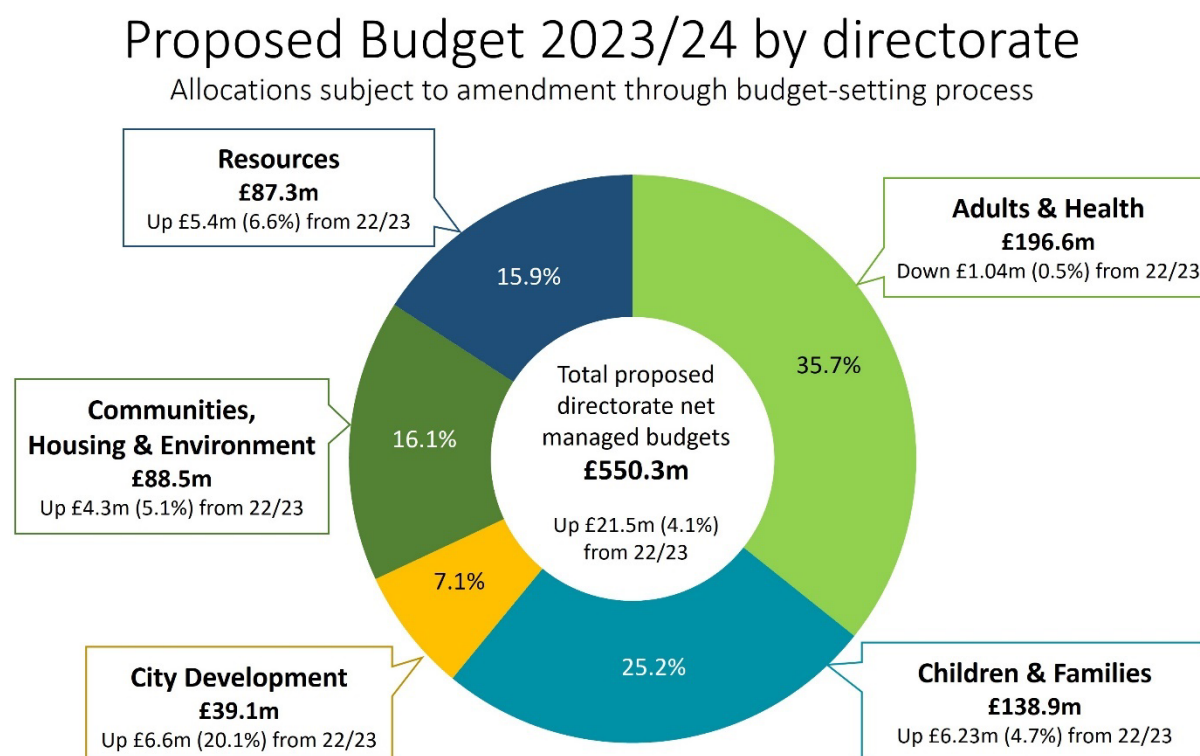
- People aged 30-44 were less likely to agree with the proposal to increase council tax (51%), and older people were more likely to agree with it (72%).
- Ethnic minority respondents were much less likely to agree with the proposal to increase council tax (45%, compared to 64% of White: British respondents).
- Disabled people were less likely to agree with the proposal to increase council tax (53%, compared to 64% of those without a disability).
- Male respondents were slightly more likely to agree with the proposal to increase council tax (64%, compared to 60% Female) and much more likely to strongly agree.
- Those that work for Leeds City Council and those that said they visit Leeds were more likely to agree with the proposal to increase council tax (70% and 67% respectively).



## 6. How we spend the money we receive

Participants were presented with a summary of how we plan to spend our proposed net revenue budget for 2023/24 of £550.3m (after allocating £6.8m to cover strategic costs), split by directorate area and including comparisons to 2022/23, as per Figure 6, along with a detailed summary of the services that each directorate are responsible for. They were also provided with links to the [Revenue Savings Proposals for 2023/24 to 2025/26](#) and [Proposed Budget for 2023/24 and Provisional Budgets for 2024/25 and 2025/26](#).

Figure 6. Revenue budget summary 2023/24



### 6.1 Savings Proposals

Participants were asked how much they agreed with the savings outlined in the Revenue Savings Proposals for 2023/24 to 2025/26.

Almost 3 in 5 respondents (59%) agreed to our savings proposals for 2023/24, with 25% disagreeing and 1 in 6 (16%) strongly disagreeing.

Table 4. To what extent do you agree or disagree with our savings proposals?

To what extent do you agree?	Valid %	Count
Strongly agree	7%	107
Tend to agree	52%	785
Tend to disagree	25%	382
Strongly disagree	16%	239
Don't know / no response	-	229
<b>Total</b>	<b>100%</b>	<b>1742</b>

## Responses by different groups

Figure 7. Level of agreement with our savings proposals, by different group

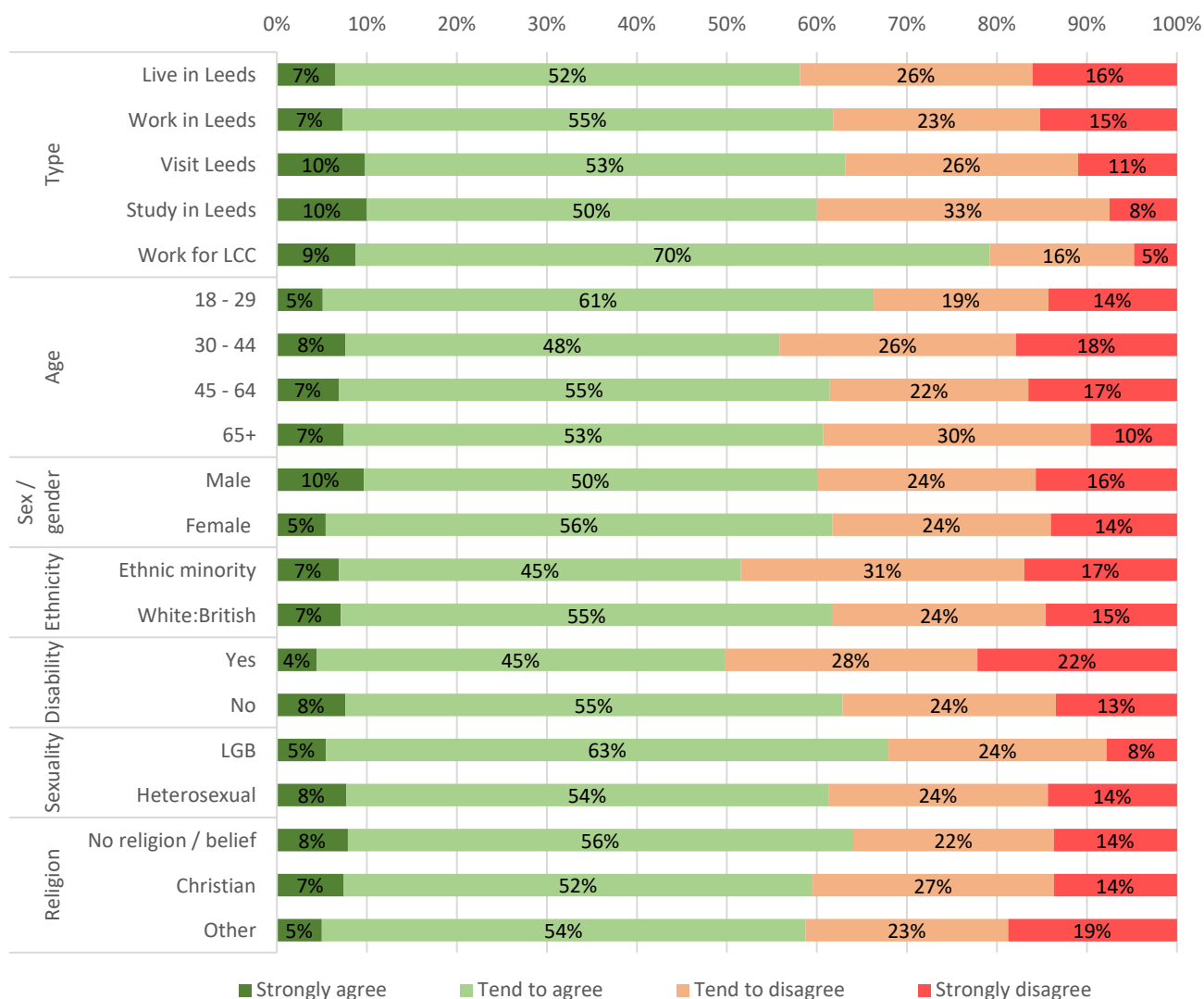


Figure 7 above shows the responses made by different groups.

- Ethnic minority respondents were less likely to agree with our savings proposals (52%), compared to White British respondents (62%).
- Disabled respondents were much less likely to agree with our savings proposals (49% compared to 63% of people without a disability).
- Leeds City Council staff were very much more likely to agree with our savings proposals (79%).

## 6.2 Overall proposed budget

After considering the proposed net revenue budget for each of the directorates for 2023/24, respondents were asked how much they agreed or disagreed with the overall proposed approach to the revenue budget. Results are shown in Table 5 below, with a comparison with previous years included in Figure 8.

*Table 5. To what extent do you agree or disagree with how we propose to spend the revenue budget?*

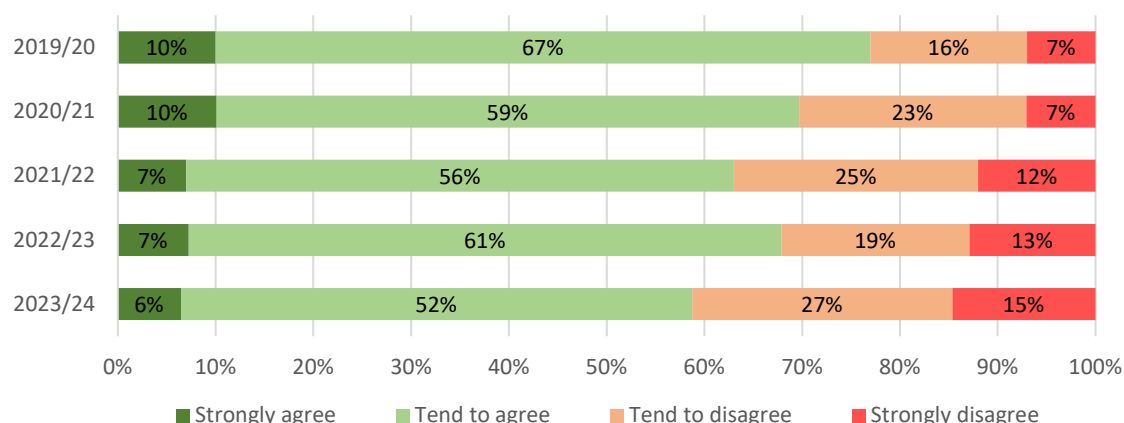
To what extent do you agree?	Valid %	Count
Strongly agree	6%	97
Tend to agree	52%	786
Tend to disagree	27%	400
Strongly disagree	15%	220
Don't know / no response	-	191
<b>Total</b>	<b>100%</b>	<b>1,742</b>

Almost 3 in 5 respondents (59%) agreed with our proposed approach to the revenue budget, with around 1 in 7 (15%) strongly disagreeing.

A summary of the services provided by each of the council's directorates was included in the 2022/23 and 2023/24 Budget consultations, aiming to give respondents additional context and understanding about what the council does, and how the net revenue budget is split across the five directorates. The proportion of respondents answering 'don't know' or giving no response to the question on overall agreement with the proposed revenue budget has reduced since this information was introduced, indicating it helps participants form an opinion.

- For the 2023/24 Budget consultation, 11% said they don't know or provided no response (this compares to 10% in 2022/23 and 21% in 2021/22).
- For the 2023/24 Budget consultation, 4% commented that they needed more information to be able to answer this question (this compares to 6% in 2022/23 and 10% in 2021/22).

*Figure 8. Agreement with proposed revenue budget, by year*



Levels of agreement with our proposed revenue budget have decreased greatly since last year by 9 percentage points (from 68%), continuing the trend from earlier years of a steady decrease in agreement.

## Responses by different groups

Figure 9. Level of agreement with overall proposed budget, by different groups

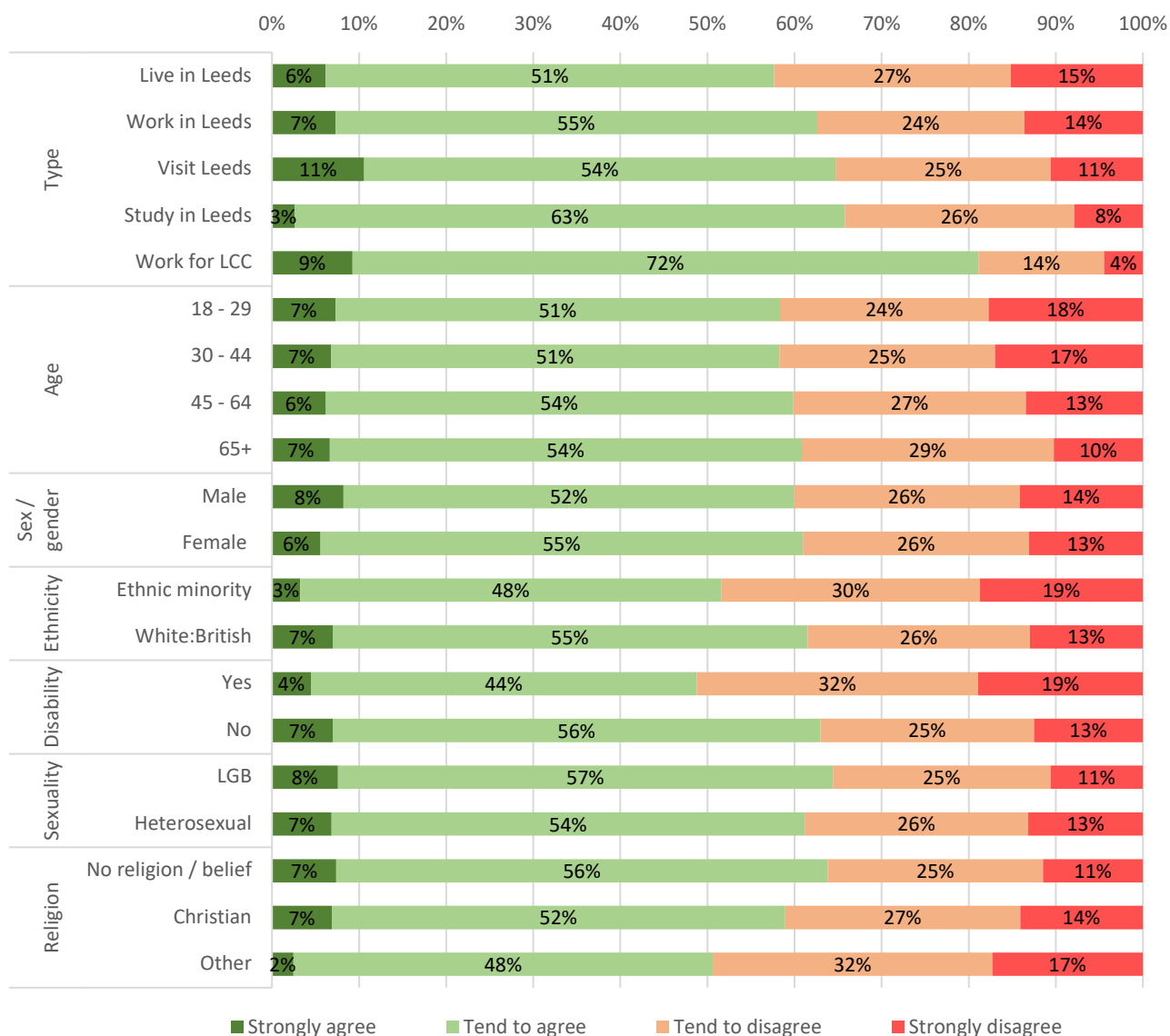


Figure 9 above shows the responses made by different groups.

- Disabled respondents were much less likely to agree with the overall budget proposals (49% compared to 63% of people without a disability).
- Only around half of ethnic minority respondents (51%) agreed with the overall budget proposals, compared to White British respondents (62%).
- Those of religions other than Christianity were less likely to agree with the overall budget proposals (51%).
- LCC staff were very much more likely to agree with the overall budget proposals (81%).

### 6.3 Comments about the overall proposed budget and savings proposals

Respondents were invited to make comments around the proposed approach to how we spend our revenue budget. 41% (720) of respondents filled in this open text field, providing comments that have been individually analysed and grouped into themes. In total, 1,101 comments against these themes were provided.

Table 6 below illustrates the themed groups in descending order of the number and percentage of comments received. Example comments of the major themes emerging are provided in Table 7 overleaf.

- The theme with the highest number of comments suggested an increase to the Adults & Health budget. The second most frequent theme referred to concerns over the improvement works in the city centre and cycle lane provision. This was closely followed by the third major theme suggesting a reduction in the proposed City Development budget.
- Some referred to specific savings proposals, with the largest number opposing parking charges, followed by closing nurseries and stopping bonfire events.

*Table 6: Count of comments, by how responded about the overall budget proposals*

Theme	Total comments per theme	% of Comments
Increase Adults & Health budget	147	13%
City roadworks / cycle lanes issues	110	10%
Decrease City Development	106	10%
Make efficiencies & reduce waste	88	8%
Miscellaneous/ General	66	6%
Reduce/Do not increase Council Tax	60	5%
Oppose new parking charges	58	5%
Reduce staff / wages / councillors	56	5%
Increase Children & Families budget	51	5%
Generate income through other means	48	4%
Decrease Resources budget	44	4%
Improve bus service/transport	33	3%
Increase Communities, Housing & Env't budget	30	3%
Too complex / not enough info	29	3%
Increase City Development budget	27	2%
Increase Council Tax	22	2%
Generally agree with proposal	21	2%
Lobby government	17	2%
Do not close nurseries	15	1%
Decrease Adults & Health budget	14	1%
Stop events / vanity projects	13	1%
Decrease Children & Families budget	10	1%
Decrease Communities, Housing & Env't budget	7	1%
Keep bonfire events	7	1%
More staff / pay required	6	1%
Unhappy with LCC services	6	1%
Funding of immigration / asylum seekers	6	1%
Generally disagree with proposal	4	0%



Table 7: Example comments relating to overall proposed budget and savings proposals

Theme	Comments	Example
Increase Adults & Health budget	147	'Can't see how 'Adults and Health' can be cut at a time of pandemic crisis, care and care home costs mounting etc.'
City roadworks / cycle lanes issues	110	'Too much money being spend on unnecessary cycle lanes, road re-designs and pedestrianisation. This is discouraging both residents and tourists from visiting the City Centre'
Decrease City Development budget	106	'I don't think the city development fund should increase by 20% when all others have smaller rises or decreases.'
Make efficiencies & reduce waste	88	'Savings can be made by digging deeper into the running of the council and budget and create a more joined up, holistic approach around where savings can be made and resources released, rather than each directorate doing it's own thing.'
Miscellaneous / General	66	'I think it's a tricky balance all bits of the pie need more money and nobody wants to pay more'
Reduce / Do not increase Council Tax	60	'Bills are so expensive as it is. Increasing the council tax could be the tipping point for a lot of families who are already massively struggling financially.'
Oppose new parking charges	58	'You shouldn't be charging people to use parks in the city. Those parks are for the public. They are green spaces, not commodities.'
Reduce staff / wages/ Cllrs	56	'More should be done to find efficiencies especially at management staffing levels, too many managers and layers of the council.'
Increase Children & Families budget	51	'Money will be saved in the long run by investing in children and families now. That's where the highest budget should go.'
Generate income through other means	48	'There are lots of council buildings boarded up or run down. Should these building be refurbished so they can be put to better use or sold off to gain funds.'
Decrease Resources budget	44	'Increase in Resources allocation should be revisited with a view to reducing it rather than increasing it to the detriment of other services'
Improve bus service / transport	33	'We need a viable public transport system, even though I have a bus pass I rarely use public transport because it is unreliable and takes too long to reach Leeds in particular.'
Increase Communities, Housing & Env't budget	30	'Communities housing and environment should be receive the majority as this affect both adults and children'
Too complex/not enough info	29	'An easier to read summary by Directorate, proposed saving measure, potential impacts, and £ savings, would be helpful to consider rather than needing to try and read the full reports'
Increase City Development budget	27	'Leeds is a great city but I'm surprised that only 7% of budget goes to development. Increase this to make the city more economically productive rather than increasing council tax / cutting services.'
Increase Council Tax	22	'I trust the council to make difficult budgeting decisions, protecting the most vulnerable. Feels like council tax should rise, perhaps to the national average. We must expect to pay for quality services.'

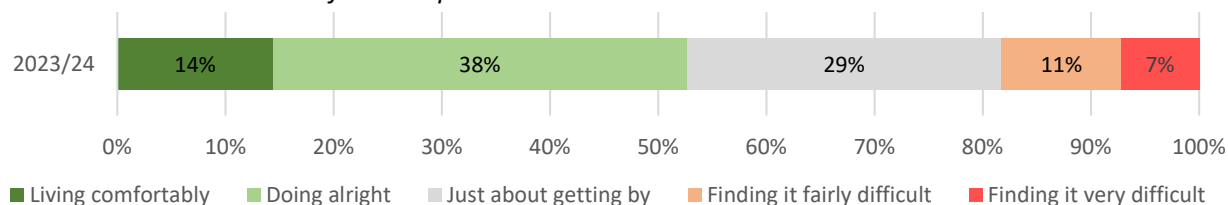
Theme	Comments	Example
Generally agree with proposal	21	'I agree because you can only do the best you can for everyone by being sensible with proposed budgets, but you also have to make savings & this can sometimes mean that some services may not get as much as they expect.'
Lobby government	17	'I think all LA's need to go back to central government to say more resource is needed to meet this demand in a dignified manner.'
Do not close nurseries	15	'Closing any Little Owls Nurseries will deprive children and families of the best start in life. It will also disproportionately impact on children with SEND as they use the Little Owls provision more than the private provision in the city.'
Decrease Adults & Health budget	14	'I feel more investment should be put into children & families rather than adults & health as early intervention and support can scaffold children when they become adults have the right coping mechanisms and support.'
Stop events / vanity projects	13	'Less money should be wasted on culture events when basic statutory services are been cut. Money wasted on Leeds 2023 could cover council tax rises or fill a gap.'

## 7. Household finances and the rising cost of living

Participants were asked about their household finances and which increasing costs are of most concern to them, to understand how the rising cost of living is impacting residents in Leeds and help ensure access to the right support is available. Figure 10 below shows how respondents described their financial position.

Over half of respondents (53%) described their current financial position as living comfortably or doing alright, almost 1 in 5 (18%) said they are finding it fairly difficult or very difficult.

Figure 10. How describe current financial position



### Responses by different groups

Figure 11. How describe current financial position, by different groups

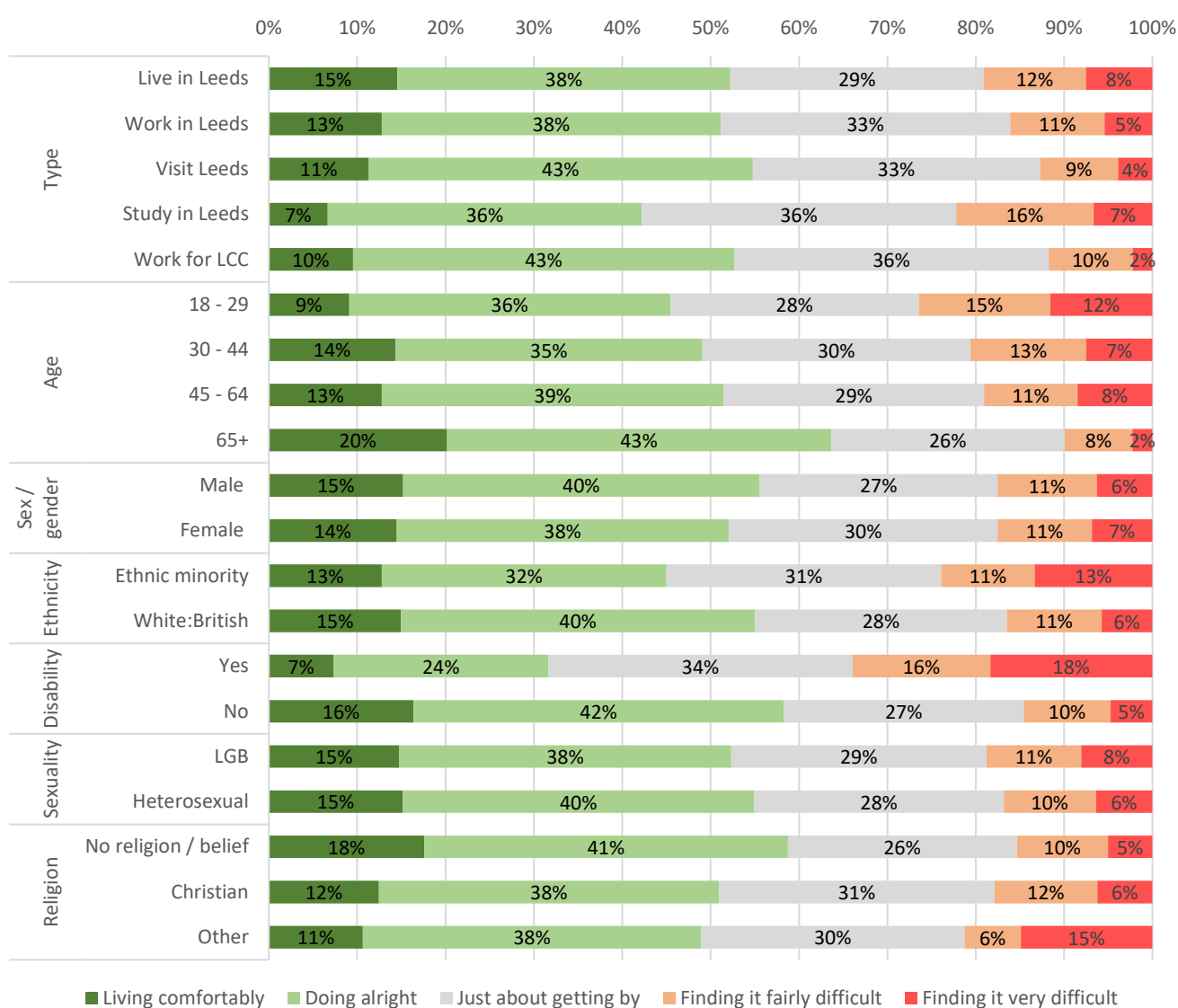


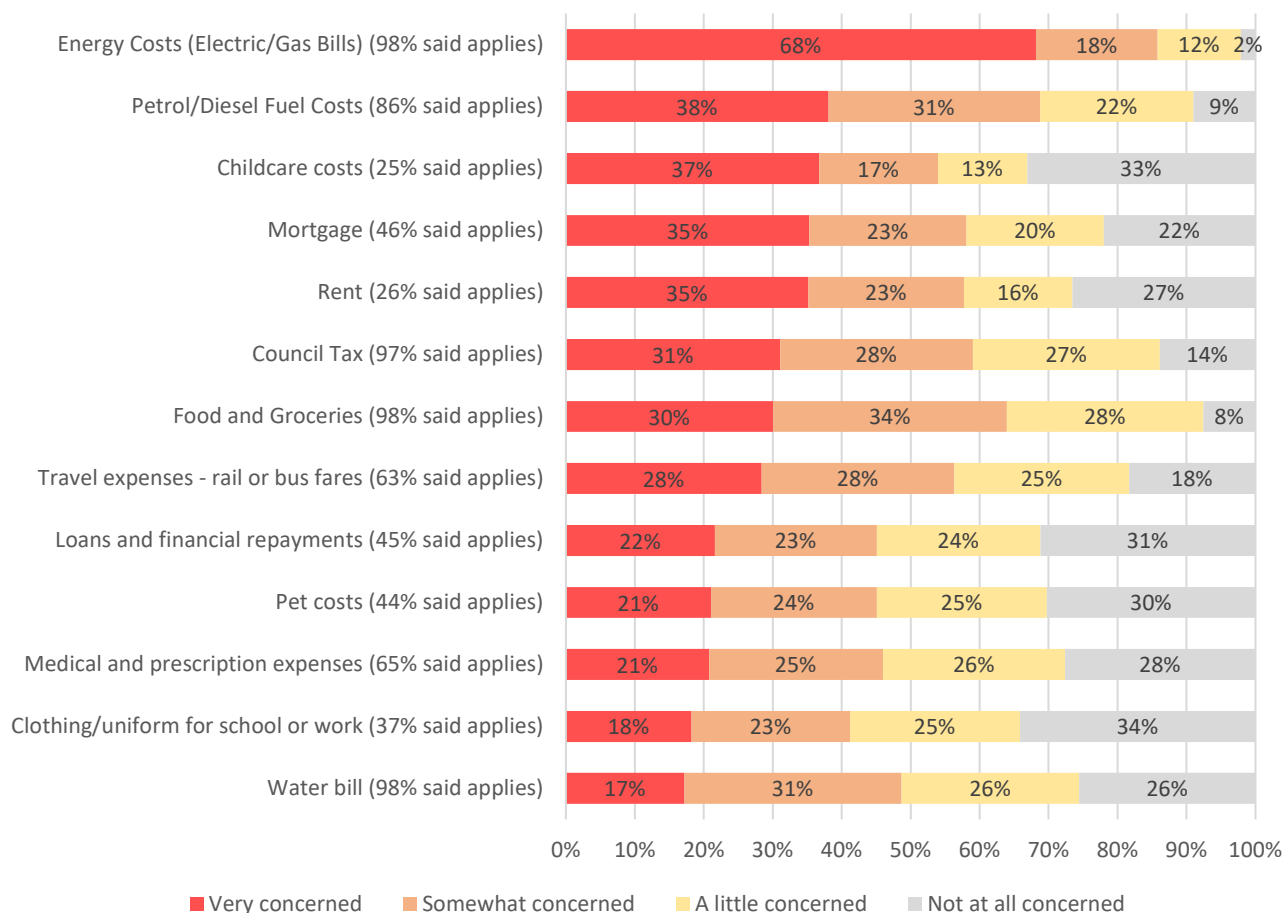
Figure 11 shows the responses made by different groups about their financial position.

- Disabled respondents were very much more likely to say that they are finding it fairly or very difficult (34% compared to 15% of people without a disability).
- Younger people aged 18-29 were much more likely to say that they are finding it fairly or very difficult (27%), than older people aged over 65 (10%)
- Ethnic minority respondents were more likely to say that they are finding it fairly or very difficult (24%), compared to White British respondents (17%).
- Those who study in Leeds were more likely to say that they are finding it fairly or very difficult (23%) although this wasn't statistically significant.

### Costs of products and services

Figure 12 shows how much of a concern the costs of some products and services are for respondents, listed in order of how many were very concerned. Note that results for each show the percentage of respondents that said this cost applies to them only (the figure in brackets states what % this applied to). The percentage that said costs applied to them varied greatly between different products and services: from food & groceries, energy and water bills at 98%, closely followed by council tax at 97%, to childcare costs and rent at around a quarter of respondents.

Figure 12. Where they apply, which costs for goods and services are of most concern



Considering where respondents said a cost applied to them, they were much more likely to be concerned about rising energy costs than other costs, with over two thirds very concerned (68%) and, as noted above, this applied to nearly everyone (98%). Other costs where more than a third were very concerned (of those who said the cost applied to them) were: petrol/diesel fuel (38%) of which most said applied (86%), childcare costs (37%) of which only a quarter said applied (25%), and mortgages and rent (35%), which applied to 46% and 26% respectively.

Thinking about council tax, almost everyone said this cost applied to them (97%) and of these, almost 3 in 5 (59%) said they were at least somewhat concerned, with nearly a third saying very concerned (31%).

### Other costs

When asked if other costs were a concern, the largest number of comments around costs that weren't already listed were for: housing maintenance and repairs (24), days out & leisure activities (15), providing care and support to adults (13) and charges for parking (13). Smaller numbers of comments listed: TV Licence/broadband, insurance and supporting students in higher education. Example comments are provided in Table 8:

*Table 8: Example comments of other costs*

Theme	Comments	Example
Household maintenance/repairs	24	Housing in bad state of repair. I've been warned about outdated electrical installation, but I have no way of paying for maintenance.
Energy costs	21	The main one is the dreadful gas prices and this seems to be a shrug and pay it attitude
Medical costs	18	Private health costs as the NHS becomes more and more inaccessible. Dentistry cost as there are no NHS dentists.
Travel	17	Cost of travel getting to work. I sometimes have to be out every day and travel by bus which can cost me around £60.00 per month.
Council Tax	16	Council Tax still the biggest monthly post- income tax cost, soon to be overtaken by gas/ electricity cost.
Days out / leisure	15	The cost of leisure activities and not been able to afford them which impacts your mental health.
Other	13	Cost of volunteering and keeping active as a pensioner
Care / Support	13	Child counselling costs as no access/availability to NHS
Parking charges	13	Parking charges for green spaces. Our last free small enjoyment in a joyless time
General cost of living	12	Choosing which bills to pay because I'm only just getting by. Was living comfortably with my wage until covid.
Low wages / income	11	I am concerned for living costs for people on less income and benefits

## Responses by different groups

The matrix table Figure 13 below shows the percentage of those from each group for whom each cost applied that were very concerned about them. Conditional formatting has been applied on each cost (per column), to highlight where different groups were more likely to be very concerned. Note that blue denotes less likely to find a cost very concerning and red more concerning.

Figure 13. Where costs of products and services are very concerning (and apply), by different groups

		Food and Groceries	Energy Costs (Electric / Gas Bills)	Water bill	Council Tax	Rent	Mortgage	Loans and financial repayments	Petrol / Diesel Fuel Costs	Childcare costs	Clothing / uniform for school or work	Travel expenses - rail or bus fares	Medical & prescription expenses	Pet costs
Type	Live in Leeds	31%	68%	18%	32%	36%	36%	22%	37%	38%	19%	29%	21%	22%
	Work in Leeds	30%	70%	16%	29%	33%	35%	19%	40%	36%	15%	29%	18%	19%
	Visit Leeds	27%	68%	14%	23%	30%	33%	15%	33%	35%	12%	25%	14%	19%
	Study in Leeds	36%	76%	11%	34%	30%	36%	20%	41%	47%	14%	36%	19%	22%
	Work for LCC	28%	71%	14%	23%	32%	33%	17%	37%	25%	10%	25%	17%	16%
Age	18 - 29	30%	70%	15%	34%	38%	36%	25%	39%	44%	13%	38%	20%	17%
	30 - 44	34%	72%	16%	32%	34%	39%	19%	43%	46%	22%	31%	22%	20%
	45 - 64	30%	67%	17%	30%	34%	32%	23%	37%	22%	15%	27%	22%	21%
	65+	22%	64%	19%	29%	35%	25%	21%	30%	32%	13%	17%	13%	26%
Sex / gender	Male	28%	66%	15%	28%	35%	33%	17%	36%	35%	15%	26%	19%	17%
	Female	30%	70%	17%	31%	33%	37%	24%	39%	35%	19%	29%	21%	25%
Ethnicity	Ethnic minority	38%	72%	26%	43%	48%	49%	28%	53%	55%	23%	40%	34%	33%
	White:British	28%	68%	15%	28%	32%	33%	20%	35%	32%	16%	25%	18%	19%
Disability	Yes	42%	75%	22%	40%	51%	48%	31%	51%	33%	28%	39%	38%	41%
	No	26%	67%	16%	28%	30%	34%	18%	35%	37%	16%	25%	17%	17%
Sexuality	LGB	24%	65%	14%	22%	46%	42%	24%	34%	40%	20%	30%	20%	22%
	Heterosexual	29%	68%	16%	29%	32%	34%	20%	37%	35%	17%	26%	20%	21%
Religion	No religion / be	24%	65%	13%	23%	30%	31%	16%	32%	35%	13%	26%	15%	17%
	Christian	32%	70%	19%	34%	36%	39%	24%	40%	37%	18%	26%	22%	24%
	Other	39%	76%	29%	45%	44%	49%	31%	55%	36%	31%	32%	38%	27%

Figure 13 highlights the % of each group that were very concerned about each cost of products and services (where they applied to them):

- Ethnic minority respondents were generally very much more likely to be concerned across all costs than White:British.
- Those that practise other religions than Christianity were generally very much more likely to be concerned across all costs (except childcare).
- Disabled respondents were generally very much more likely to be very concerned across all costs (except childcare).
- Those who study in Leeds were much more likely to be concerned about energy, food and groceries, childcare and travel expenses.
- Respondents under the age of 45 were generally more likely to be concerned about costs than older people aged over 65+, and in particular about: travel expenses, childcare, energy, rent and mortgages, and food and groceries.

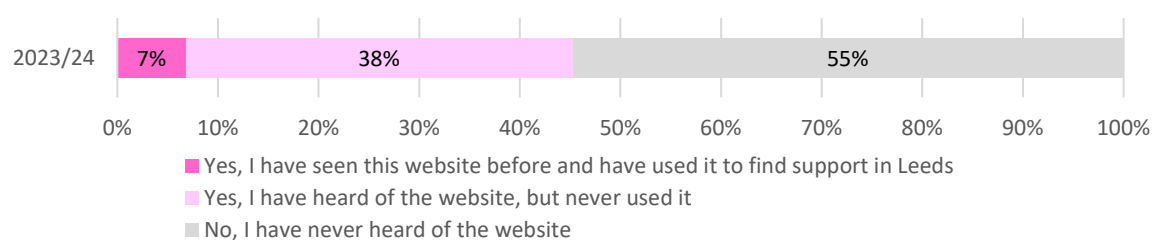


## The Leeds Money Information Centre

Participants were introduced to this website <http://www.leedsmic.co.uk>, which provides links to advice and support in Leeds on money-related matters such as debt, benefits, universal credit, emergency food and energy bills and asked if they were already aware of it or have used it. Results are shown in Figure 14.

When asked, close to half of respondents (45%) said they had previously heard of the Leeds Money Information Centre website, of whom 117 respondents (7%) said they have used it to find support in Leeds.

Figure 14. Awareness and usage of the Leeds Money Information Centre website



Where respondents had previously told us their financial position is difficult or very difficult, 10% said they had used the website and over half (55%) hadn't heard of it.

Analysis by different groups is included as Figure 15 overleaf.

## Responses by different groups

Figure 15. Awareness and usage of the website, by different groups

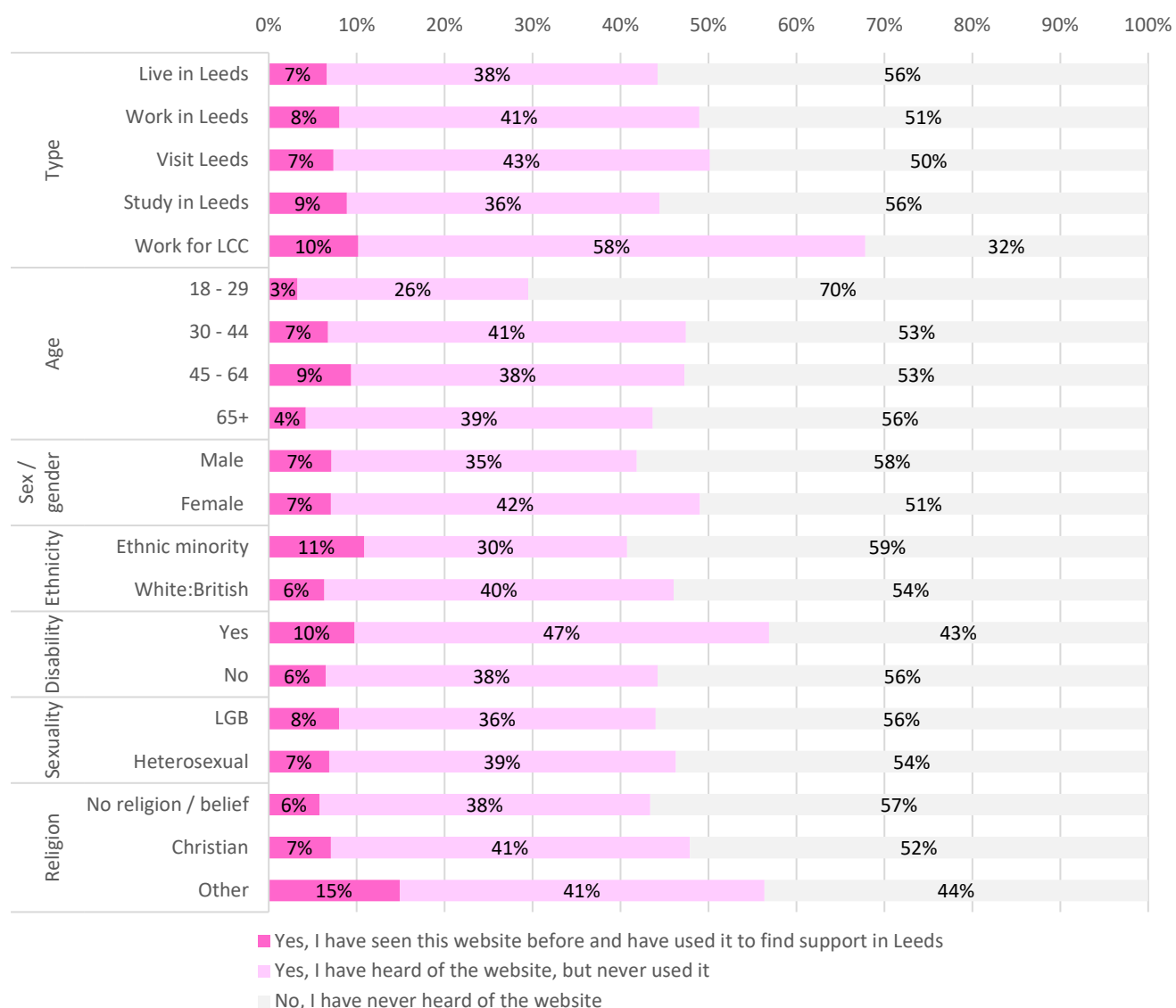


Figure 15 shows the responses by different groups of respondents:

- Those who work for Leeds City Council were very much more likely to have used or heard of the website (68%).
- Younger people aged 18-29 were much less likely to have used or heard of the website (30% rounded).
- Disabled people were much more likely to have used or heard of the website (57%, compared to 44%).
- Those who practise religions other than Christianity were much more likely to have used or heard of the website (56%), and of these they more likely to say they have used it (15%).
- Males were slightly less likely to say they have used or heard of the website (42%, compared to 49% for females).
- Ethnic minority respondents were slightly less likely to say they have heard of the website (41%, compared to 46% for White:British).

## 8. Perceptions of Leeds City Council

Finally, participants were asked how they feel about the way the council runs things, followed by an opportunity to suggest ideas for how the council can improve and do things in more modern and efficient ways.

### 8.1 Satisfaction with the way Leeds City Council runs things

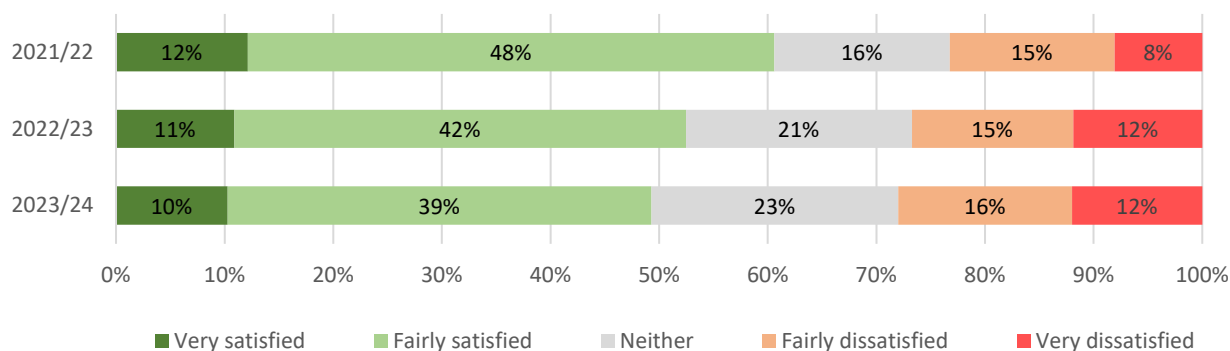
Respondents were asked how satisfied they were with the way Leeds City Council runs things. Results are shown in Table 9 below, and a comparison with the previous years is included in Figure 16.

Table 9. Satisfaction with how Leeds City Council runs things.

Satisfaction with how Leeds City Council runs things	Valid %	Count
Very satisfied	10%	174
Fairly satisfied	39%	661
Neither satisfied nor dissatisfied	23%	385
Fairly dissatisfied	16%	271
Very dissatisfied	12%	203
Don't know / no response	-	48
<b>Total</b>	<b>100%</b>	<b>1,742</b>

Almost half of respondents (49%) were satisfied with the way Leeds City Council runs things, with more than 1 in 4 dissatisfied (28%) and 23% neither satisfied nor dissatisfied.

Figure 16. Satisfaction with the way Leeds City Council runs things, by year



Comparison with last year's consultation for the 2022/23 Budget shows a decrease in satisfaction of 4 percentage points, from 53%. This continues a downward trend from the 2021/22 Budget consultation two years ago when satisfaction was higher at 60%. It is worth noting that residents may have been feeling more positive then, since the survey was carried out during the COVID-19 pandemic when the work the council do was more likely to be recognised and celebrated. (This question on satisfaction was first introduced in the 2021/22 Budget consultation survey.)

## Responses by different groups

The question for overall satisfaction on how the Leeds City Council runs things has been considered by different groups in Figure 17 below.

Figure 17. Satisfaction with how Leeds City Council runs things, by different groups

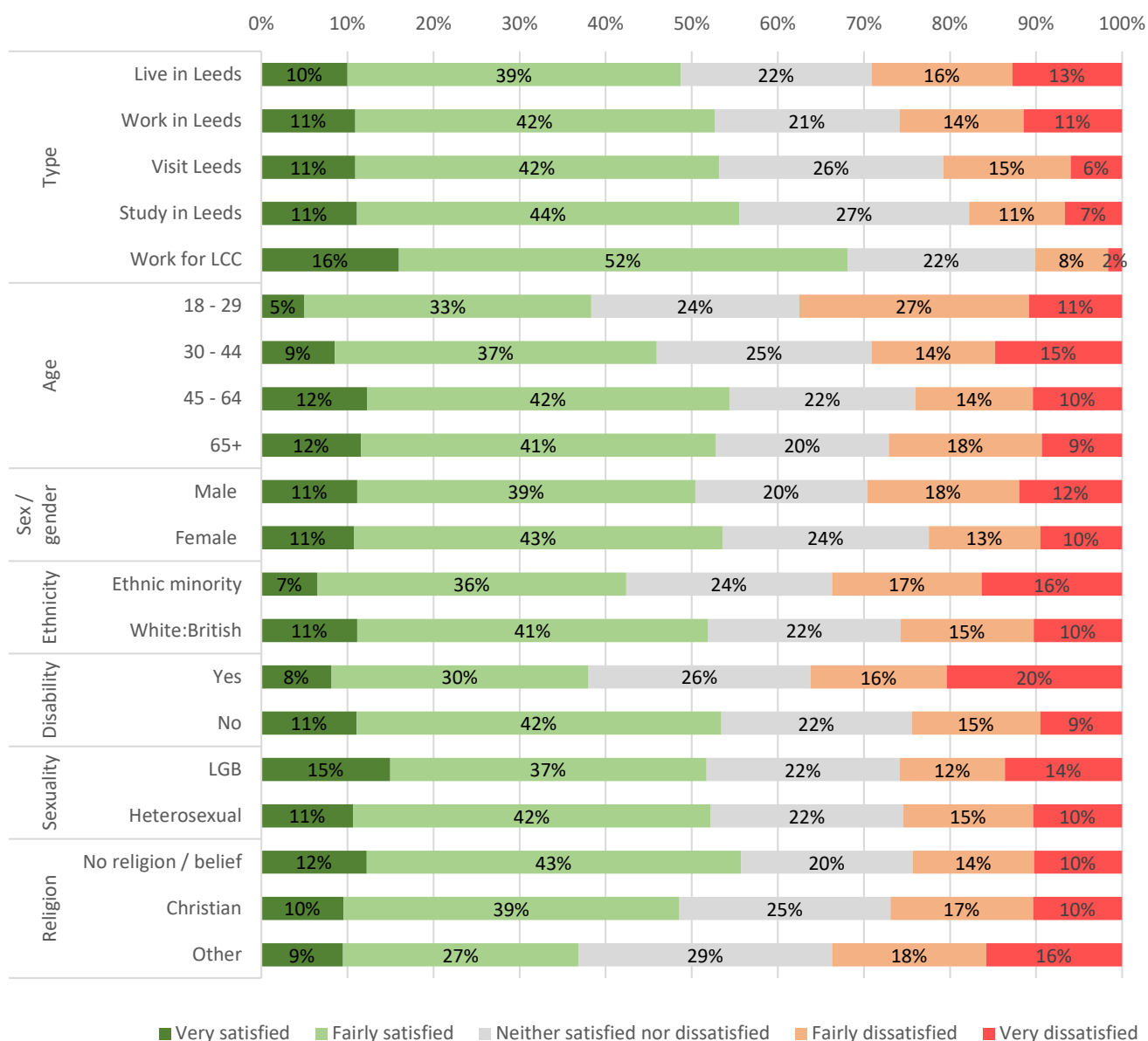


Figure 17 shows the responses made by different groups.

- Those who practise religions other than Christianity were much less likely to be satisfied with how we run things (36%).
- Disabled people were much less likely to be satisfied with how we run things (38%, compared to 53% of people without a disability).
- Younger people aged 18-29 were much less likely to be satisfied with how we run things (38%).
- Ethnic minority respondents were less likely to be satisfied with how we run things (43%, compared to 52% of White: British).
- Leeds City Council staff were much more likely to be satisfied with the way we run things (68%).

## 8.2 Suggestions for improvements

A final open text box asked respondents to share any suggestions they might have on opportunities for the council to do things in more modern and efficient ways and improve the way services are delivered.

In total, 617 people responded with comments and suggestions. These were read and assigned with a 'code' to identify the dominant themes, then gathered into groups of themes. Responses were often found to include more than one idea or statement, and in total 869 comments were identified. Groups of themes of comments are included in Table 10 overleaf, with example comments for the major themes included as Table 11.

- The most comments related to services the council provides, with 23% of the overall comments falling within this group.
  - Within this group, the most popular comments related to efficiencies and improvements within the refuse collection and recycling service, accounting for 5.4% of the overall comments made.
- The second largest group related to the council's ways of working, which accounted for a further 21% of the comments.
  - Within this group, the most popular theme was improvements on how we manage procurements, contractors and contract management. This accounted for 4.1% of the overall comments.
- Overall, the most common single themes were:
  - Improvements to the bus service and public transport, accounting for 8.4% of the overall comments.
  - This was closely followed by respondents expressing concerns over the ongoing improvement work in the city centre and the introduction of cycle lanes, with 7.7% of the overall comments made referring to this theme.
  - Altogether 42 comments, ideas and suggestions were made referring to different ways the council could work to improve the service and generate income.

Table 10: Count of comments relating to improving council services

Group	Theme	Group %	Count	% of Comments
LCC Services	Refuse collection efficiencies/improvements	23%	47	5.4%
	Environmental issues		25	2.9%
	Better social care		22	2.5%
	Condition of roads/congestion		20	2.3%
	Poor customer service		19	2.2%
	Support for children		19	2.2%
	Improve housing repairs service		19	2.2%
	Tackle anti-social behaviour		19	2.2%
	More community work		12	1.4%
Ways of Working	Procurements & Contract Management	21%	36	4.1%
	Listen to the public/keep informed		34	3.9%
	Reduce waste		30	3.5%
	Improve Services/Efficiency		26	3.0%
	Digitisation of services		25	2.9%
	Improved IT/Website		20	2.3%
	Use of LCC buildings		13	1.5%
Transport	Improve bus service	18%	73	8.4%
	Stop city roadworks/cycle lanes		67	7.7%
	Lack of parking/free parking		13	1.5%
Ideas and Suggestions	Different ways of working	13%	42	4.8%
	Possible income sources		18	2.1%
	More enforcement/fines		18	2.1%
	Review Council Tax banding		12	1.4%
	Dim streetlights		10	1.2%
	Use volunteers		7	0.8%
	Reduce grass cutting		4	0.5%
Other	Miscellaneous	11%	69	7.9%
	Nothing suggested		28	3.2%
Views on Policies	Tackle climate change	9%	25	2.9%
	Opposed to parking charges/free parking		20	2.3%
	Stop vanity projects		15	1.7%
	More social housing		15	1.7%
Staffing and Pay	Reduce staff/pay	5%	21	2.4%
	Increase staff/fair pay		11	1.3%
	Staffing/performance issues		10	1.2%
	Staff accountability		5	0.6%



Table 11: Example comments around improving council services.

Theme	Comments	Example
Improve bus service	73	'Public transport should be way cheaper and easier. Buses are late or cancelled and travelling is very expensive.'
Miscellaneous	69	'Concentrate on areas of real need and not just areas of demand. None of us have everything we would like. Some are in dire need.'
Stop city roadworks / cycle lanes	67	'Totally dissatisfied with the constant road works in Leeds. There seems to be plenty of money when it comes to making the motorists life a total misery! for very little benefit. This money should be spent on more important services.'
Refuse collection efficiencies / improvements	47	'Family sized bins for those who need them and empty twice a month. Offer home collection of glass for recycling.'
Different ways of working	42	'Developing stronger links with student communities, perhaps offering further internships/apprenticeships. This could potentially be a win-win - extra resources for the city to call upon, and career development for students.'
Procurements & Contract Management	36	'More oversight where contractors are used, in order to ensure that the work is being carried out with quality results in a timely fashion and prioritised properly. Only pay invoices when work done has been evidenced, however small the job.'
Listen to the public / keep informed	34	'Look after your volunteers and listen to tenant led groups on local issues before wasting money on schemes that we don't want, need or feel that they are value for money'
Reduce waste	30	'I received my 3 resident parking permits in 3 separate letters sent first class all arriving on same day. Only small wastage but they all add up!'
Nothing suggested	28	'I think under present circumstances across the country, Leeds Council are doing very well for its citizens.'
Improve Services / Efficiency	26	'Everything takes a long time to happen. Streamline processes, and make change happen quicker.'
Digitisation of services	25	'More opportunities to submit information online but a response would be required. Sometimes it is important to speak to someone but those opportunities are less and less these days.'
Environmental issues	25	'It would be useful to have more litter bins available especially where dog walking footpaths and park entrances on public pavements.'
Tackle climate change	25	'Green solutions should be at the forefront to combat not only climate change and pollution but also energy costs for vulnerable people. I.e. insulate and support renewable energy solutions.'
Better social care	22	'It would be nice if adult social services could act faster when you need help, advice and particularly an assessment. Waiting weeks if not months for one is not acceptable, fair or human'
Reduce staff / pay	21	'There are opportunities for the council to cut down the amount of managers they have in departments, this puts a strain on the workers making a difference'
Improved IT / Website	20	'Web services such as paying for stuff online and doing other things online are awful - hard to navigate, hard to work out what

Theme	Comments	Example
		to do, when I do get there, I sometimes then have to ring someone.'
Condition of roads / congestion	20	'Poor roads. If you maintained properly rather than patching holes you wouldn't keep doing the job over and over again'
Opposed to parking charges / free parking	20	'I'm more concerned about the proposed charges to parking in parks etc, for myself and many other people a walk in the local parks may be the only stress free things available in many cases.'
Poor customer service	19	'Facilities to contact the City Council are very poor, response times are often longer than advertised, and too often no response is received at all.'
Support for children	19	'Having worked within children's services for many years I feel that we fail our children and families. We have few LCC short breaks services in Leeds for young people with SEN.'
Improve housing repairs service	19	'Your contractors need to be more efficient missing appointments turning up when don't have appointments then cancelling jobs. 11 months to complete a repair is appalling service'
Tackle anti-social behaviour	19	'Tackle homelessness, rough-sleeping, street begging and drug-use, now predominant features of Leeds city centre as well as being important social care priorities.'
Possible income sources	18	'Cut down street lighting. Why not rotate Xmas lighting with other councils each year rather than anyone buying new? Take back ownership of car parks and the earnings from them'
More enforcement / fines	18	'Use CCTV from buses to fine people who park in bus lanes/bus stops e.g. Chapeltown Road.'

## Appendix 1: Survey questionnaire

### [Page 1] Leeds City Council Budget Consultation 2023-24

Leeds City Council is asking for views on how it spends its money to deliver vital services and meet its legal requirement to set a balanced budget for 2023/24.

To help tackle an estimated gap of nearly £70m in 2023/24 and set a balanced budget, we're asking for your views on our budget proposals. Councillors will see the results of the consultation before they make a final decision on the budget. Your views will help make sure that the final decision is in the best interests of the city and the people who live, work, visit and study in Leeds.

To help you consider your responses, we've provided a summary of the key points throughout the survey. If you'd prefer to look at the proposals in full, you can read them in the two reports on the council's 14th December Executive Board agenda, '[Proposed Budget for 2023/24 and Provisional Budgets for 2024/25 and 2025/26](#)' and '[Revenue Savings Proposals for 2023/24 to 2025/26](#)'.

The survey should take about 10 minutes to complete and closes at the end of Wednesday 11th January 2023. We'll review every response we get with the results feeding into a report that you will be able to read in February as part of the final Budget papers.

Thank you for taking part.

### Privacy Notice

Your response to this public consultation is being collected by Leeds City Council (as data controller) and will be used to help us make decisions about our budget proposals.

By submitting your response, you are giving your consent for us to use the information you have provided. When results of the consultation are shared publicly or with other organisations, your information is anonymised so you cannot be identified.

We will keep your information safe and secure in line with UK data protection law. Your data will be processed by the relevant services (departments) within Leeds City Council. Our software supplier, SmartSurvey Ltd, will also process your data on our behalf but will never use these for its own purposes. We will store your responses for up to 2 years.

You have rights under UK data protection law including withdrawing your consent for us to use your information. Visit the [ICO website](#) (data protection regulator) to learn more. General information about how Leeds City Council uses your data can be found [here](#).

We use cookies to help improve your experience of using our website. See our [cookies page](#) for more information. If you continue without changing your cookie settings we assume that you are happy with our use of cookies.

## [Page 2] Meeting our financial challenge

Since 2010, the council's core funding from government has reduced by around £263m while at the same time, we have faced significant growing demand for our services, especially those that support some of the city's most vulnerable adults and children. We have continued to protect frontline services as much as possible but have had to make some difficult decisions about the services we provide.

Like other local authorities across the UK, our income and expenditure remain subject to considerable uncertainty: the global energy and fuel situation have affected our financial position; pay and price inflation continue to impact on our citizens and our own costs; and demand in social care and the cost of the services we commission continues to rise. The cost of living pressures that everyone is experiencing are likely to have a wider impact on the council with increased demand for support and welfare services alongside reduced income across a range of services.

These factors led to an estimated gap in the council's budget for 2023/24 of £69.8m – that's about 12.5% of our total proposed net revenue budget for 2023/24. Our budget and savings proposals for 2023/24 set out how we intend to close this gap.

Looking ahead, the council's financial challenge is not going away; we estimate we'll need to find a further £74.7m of savings over the following two years: £48.0m in 2024/25 and another £26.7m in 2025/26. It will be increasingly hard to maintain the level of services we currently provide without considering stopping, changing or charging for services we can no longer afford or that are less of a priority to the people of Leeds.

**These challenges will impact on our ability to deliver the services we currently provide, unless we find other ways of raising money.**

**Which one of these options do you agree with most?**

- ☐ We should raise enough money by increasing council tax and charges, to avoid having to cut services
- ☐ We should raise money by slightly increasing council tax and charges, whilst reducing or cutting some services
- ☐ We should not increase council tax or charges, even if this has a large impact on the services we can provide

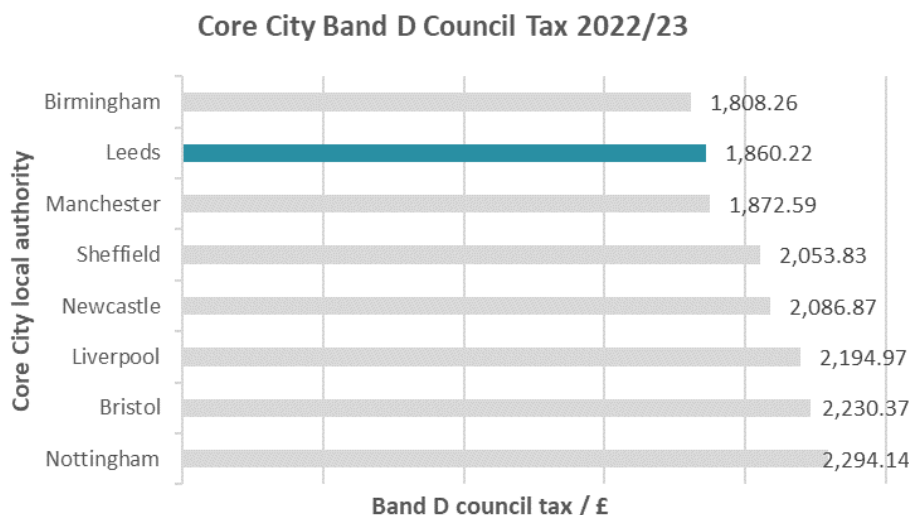
## [Page 3 – *If Options 1 or 2 selected above*] Meeting our financial challenge

**You said that we should raise money to help us to deliver services. How much do you agree or disagree with these statements? (Please select one option for each)**

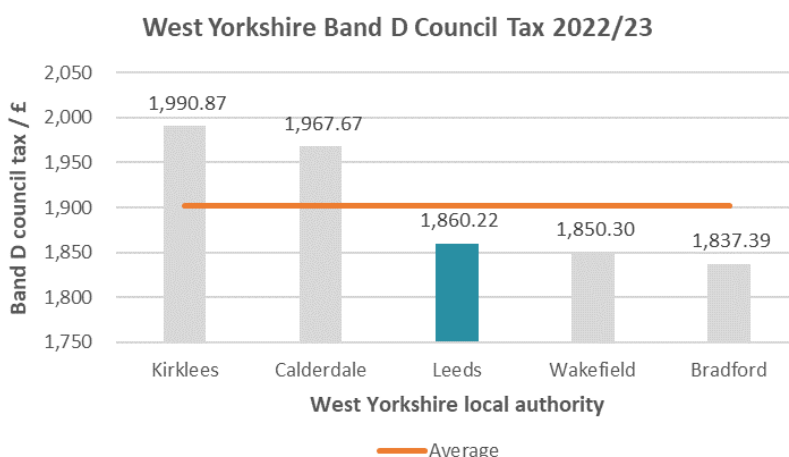
	Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know
Existing charges for services should be increased	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New charges should be introduced for some services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Council tax should increase	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## [Page 4] Meeting our financial challenge

At a local level, we can raise additional income through council tax. Leeds currently has the second lowest rate of council tax compared to England's eight 'core city' (the largest cities outside London) local authorities:



Leeds' council tax is currently below the West Yorkshire district average of £1,901.29:



To help balance our budget for 2023/24, we are proposing to increase the 'core' council tax in Leeds by 2.99%, plus an extra 1.99% adult social care precept. This is an additional amount that government is allowing local authorities to apply specifically to help pay for the ongoing increasing costs and demand in adult social care services.

**How much do you agree or disagree with our approach for increasing council tax in 2023/24: an increase to the core rate of 2.99%, plus 1.99% to support adult social care services?**

- ☐ Strongly agree
- ☐ Tend to agree
- ☐ Tend to disagree
- ☐ Strongly disagree

## [Page 5] Our net revenue budget for 2023/24

The day-to-day costs of running the council are managed through a revenue budget, and we make long-term investments to look after assets Leeds already has or create new ones through capital spend.

Our net revenue budget is funded through the main government support grant, business rates, and the council tax you pay. It represents what we need to cover our day-to-day spending for all our services: the total costs we anticipate paying minus the total income we expect to get.

Leeds City Council's proposed net revenue budget for 2023/24 is £557.1m, up by £35.2m (6.7%) from 2022/23. This reflects an increase in the income we expect to receive from core council tax, the adult social care precept, and business rates. However, because we expect our pay, price and demand pressures to be higher, we still need to deliver nearly £70m of savings in order to balance the budget.

Of the council's proposed revenue budget of £557.1m, £6.8m needs to be allocated to things like covering debt costs, which are classed as 'Strategic', leaving £550.3m to be shared across our five directorates (how we group council services together in our organisational structure). The following page tells you more about the different services provided by the directorates, before we then explain how we propose to share the net revenue budget across them in 2023/24.

## [Page 6] About our council directorates and services

### Adults and Health

This directorate includes Adult Social Care services, providing and commissioning support to adults with sensory impairments, physical disabilities, learning disabilities, a mental health condition or other needs, to help them live independent and fulfilling lives at home, in care homes or elsewhere in the community. The council also has a statutory responsibility to protect vulnerable adults from abuse and neglect.

The Health Partnerships team is responsible for the Health and Wellbeing Board and Strategy, citywide health and care governance, supporting the NHS and third sector integration agenda and working on a number of projects including health and housing/employment and key aspects of inclusive growth, climate change and partnerships with academia.

Public Health is part of this directorate with a role to protect the overall health of the communities we live in through education, promotion of healthy lifestyles, research on disease and injury prevention and responding to outbreaks of infectious diseases such as COVID-19.

### Children and Families

This directorate includes Children's Social Work services, supporting children and young people with the greatest need: those who are disabled, or who need to be adopted or placed in foster care or residential care. The directorate also provides Children's Centres and Early Start services, where facilities, activities and support are offered for people expecting a new baby or with young children. As with adults, the council has a statutory responsibility to protect vulnerable children and young people from harm.

Learning Services are provided by this directorate too, supporting schools to provide a good education to children and young people and help them make a successful transition to adult life. This part of the directorate helps meet the council's legal duty to ensure every child in Leeds has a school place.



## City Development

This directorate provides a range of services that help shape the future of Leeds. It develops and implements major projects that aim to improve and transform city, regenerating the physical environment and boosting the economy. It supports businesses and growing economic sectors, co-ordinating work aimed at creating new jobs and supporting local people into work, training or education opportunities.

Two significant services are Highways - maintaining the city's roads, street lighting, road sign installation and winter gritting – and Planning, through which it deals with planning and building regulations applications and enforcement. The directorate also manages Leeds' museums and galleries and supports arts, cultural activities and events across the city. It manages and oversees retail markets, street trading and the city centre, and its Active Leeds service runs the council's leisure centres and supports people to be more active. The directorate also oversees and manages the council's land and property assets.

## Communities, Housing and Environment

This directorate delivers a number of front-line services, some of which affect every Leeds resident, others that are more targeted to certain parts of the city or people.

It supports our community committees and locality working arrangements, including work in our priority neighbourhoods, to ensure that services meet the needs of local neighbourhoods and communities, especially those who are impacted most by poverty and inequality. Working with the police and other partners, the directorate delivers community safety services, helping to reduce crime, tackle anti-social behaviour, domestic violence and abuse and safeguard communities against extremism and radicalisation. Its community hubs and libraries provide face-to-face customer contact services, access to books, resources, events and computers in local communities. It provides advice and support about welfare and benefits and administers housing benefit, council tax support and free school meals. It also runs a range of initiatives and schemes that aim to reduce the impacts of poverty and low income.

It manages and maintains the council's social housing stock consisting of approximately 55,000 properties, provides homelessness support and housing advice, and regulates private sector housing. It runs the city's waste and recycling services, cleans the city's streets and manages and maintains over 4,000 hectares of green space including the city's parks and cemeteries and crematoria. The directorate also delivers elections services, manages car parking, provides a range of licensing functions including entertainment licensing and taxi and private hire licensing, and delivers a registrars service as well as the provision of a local land charges service.

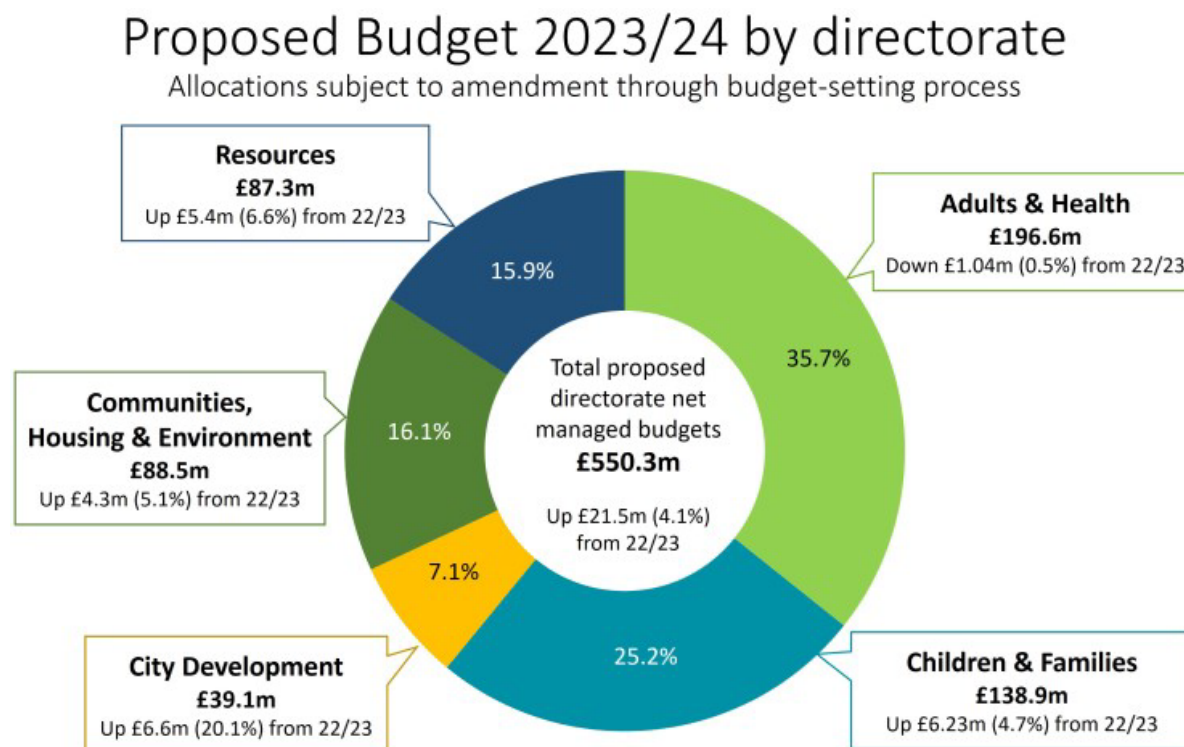
## Resources

This directorate supports the whole organisation and all its services by providing a wide range of functions including Finance, Procurement, HR, IT, Legal, Business Administration, Communications and the Contact Centre. Its Business Support Centre manages the council's supplier payments and employee administration, such as payroll services which it delivers to other organisations too. It also leads the council's response to the climate emergency and air quality strategy.

Civic Enterprise Leeds (CEL) is part of this directorate, providing a range of direct and indirect services across the council and trading externally. These include property maintenance and management, facility management, cleaning, guarding and patrolling, fleet management and maintenance. CEL provides both commercial and welfare catering and a Passenger Transport service which specialises in transporting children and adults who would otherwise find it difficult to travel from home to various settings. It also offers a range of support to Leeds' residents through the Presto service, such as meals at home, gardening, cleaning, companionship and window cleaning services.

## [Page 7] How we propose to spend the money we receive

As we explained earlier, the council's proposed net revenue budget for 2023/24 is £557.1m. After allocating £6.8m to cover our Strategic costs, this leaves £550.3m to be shared across the five directorates, as shown in the chart below.



The '[Revenue Savings Proposals for 2023/24 to 2025/26](#)' report, considered at the Executive Board on 14th December, explains the specific savings proposals for each council directorate. Please click on the link to read this and find out more.

**Overall, to what extent do you agree or disagree with our savings proposals for 2023/24?**

- ☐ Strongly agree
- ☐ Tend to agree
- ☐ Tend to disagree
- ☐ Strongly disagree
- ☐ Don't know

The '[Proposed Budget for 2023/24 and Provisional Budgets for 2024/25 and 2025/26](#)' report, considered at the Executive Board on 14th December, explains the budget in more detail. Please click on the link to read the report and find out more.

**Overall, to what extent do you agree or disagree with how we propose to spend our net revenue budget for 2023/24?**

- ☐ Strongly agree
- ☐ Tend to agree
- ☐ Tend to disagree
- ☐ Strongly disagree
- ☐ Don't know

**Please use this space to tell us more about your answers, or to make any further comments about our proposed budget and savings:**

## **[Page 8] Your household finances**

The recent 'cost of living crisis' is impacting everyone's finances and we have included some questions here to understand how it is impacting residents in Leeds and ensure access to the right support is available.

**Which of the following best describes your current financial position?**

- ☐ Living comfortably
- ☐ Doing alright
- ☐ Just about getting by
- ☐ Finding it fairly difficult
- ☐ Finding it very difficult
- ☐ Prefer not to say

**Prices of goods and services have increased in the last few months and many people are concerned about essential living costs. Where they apply to you, please rate how much of a concern each of the following are to you:**

	Not at all concerned	A little concerned	Somewhat concerned	Very concerned	Not Applicable
Food and Groceries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Energy Costs (Electric/Gas Bills)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Water bill	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Council Tax	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mortgage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Loans and financial repayments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Petrol/Diesel Fuel Costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Childcare costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clothing/uniform for school or work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Travel expenses - rail or bus fares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Medical and prescription expenses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pet costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If other costs are of concern to you, please list them here:

**The Leeds Money Information Centre is a website providing links to advice and support in Leeds that is free, confidential and impartial on money-related matters such as debt, benefits, universal credit, emergency food and energy bills. It can be accessed at [www.leedsmic.org.uk](http://www.leedsmic.org.uk)**

**Are you aware of this website?**

- ☐ Yes, I have seen this website before and have used it to find support in Leeds
- ☐ Yes, I have heard of the website, but never used it
- ☐ No, I have never heard of the website

Leeds City Council has also gathered a range of information sources to help residents with the rising cost of living on the 'Together Leeds' web page: [www.leeds.gov.uk/campaign/cost-of-living](http://www.leeds.gov.uk/campaign/cost-of-living)

**[Page 9] Finally**

As you've seen in the previous pages, Leeds City Council is responsible for running a range of services in your local area and across the city. Overall, how satisfied or dissatisfied are you with the way Leeds City Council runs things?

- ☐ Very satisfied
- ☐ Fairly satisfied
- ☐ Neither satisfied nor dissatisfied
- ☐ Fairly dissatisfied
- ☐ Very dissatisfied
- ☐ Don't know

Lastly, we're really keen to hear where you think there are opportunities for the council to do things in more modern and efficient ways. Have you spotted something in the way we deliver services that could be improved? Please tell us more:

## [Page 10] About you

We would like to know a little more about you so we can be sure we are hearing from a wide range of people from different backgrounds.

Answering these questions will also help us consider how our policies affect people from different backgrounds; we have a legal duty to do this under the Equality Act 2010. All questions are voluntary.

**Do you? (please tick all that apply)**

- ☐ Live in Leeds
- ☐ Work in Leeds
- ☐ Visit Leeds
- ☐ Study in Leeds
- ☐ Work for Leeds City Council

**Please tell us the first part of your post code, for example 'LS8' or 'WF3'.**

**How old are you?**

- ☐ Under 18
- ☐ 18 - 29
- ☐ 30 - 44
- ☐ 45 - 64
- ☐ 65+
- ☐ Prefer not to say

**Sex and Gender Identity:**

- ☐ Male - (including Trans Male)
- ☐ Female - (including Trans Female)
- ☐ Non-binary
- ☐ Other
- ☐ Prefer not to say

**Is your gender the same as the sex you were assigned at birth?**

- ☐ Yes
- ☐ No
- ☐ Prefer not to say

## [Page 11] About you

**Please indicate which best describes your ethnic origin:****White**

- ☐ English / Welsh / Scottish / Northern Irish / British
- ☐ Irish
- ☐ Any other White background

**Mixed / Multiple ethnic groups**

- ☐ White and Black Caribbean
- ☐ White and Black African
- ☐ White and Asian
- ☐ Any other Mixed / Multiple ethnic background

**Asian / Asian British**

- ☐ Indian



- ☐ Pakistani
- ☐ Bangladeshi
- ☐ Kashmiri
- ☐ Chinese
- ☐ Any other Asian background

**Black / Black British**

- ☐ African
- ☐ Caribbean
- ☐ Any other Black background

**Other ethnic group**

- ☐ Arab
- ☐ Gypsy or Traveller
- ☐ Any other background

**Prefer not to say**

- ☐ Prefer not to say

## [Page 12] About you

**Do you consider yourself to be disabled?**

- ☐ Yes
- ☐ No
- ☐ Prefer not to say

**Please indicate which best describes your sexual orientation: (Please note: if you are under the age of 16 years old you do not have to complete this section)**

- ☐ Heterosexual / Straight
- ☐ Lesbian / Gay woman
- ☐ Gay man
- ☐ Bisexual
- ☐ Other
- ☐ Prefer not to say

**Please indicate which best describes your religion or belief:**

- ☐ Buddhist

- ☐ Christian
- ☐ Hindu
- ☐ Jewish
- ☐ Muslim
- ☐ Sikh
- ☐ No religion
- ☐ No belief
- ☐ Other
- ☐ Prefer not to say

**Please now click the Submit button below to save and send your responses to us. Thank you.**

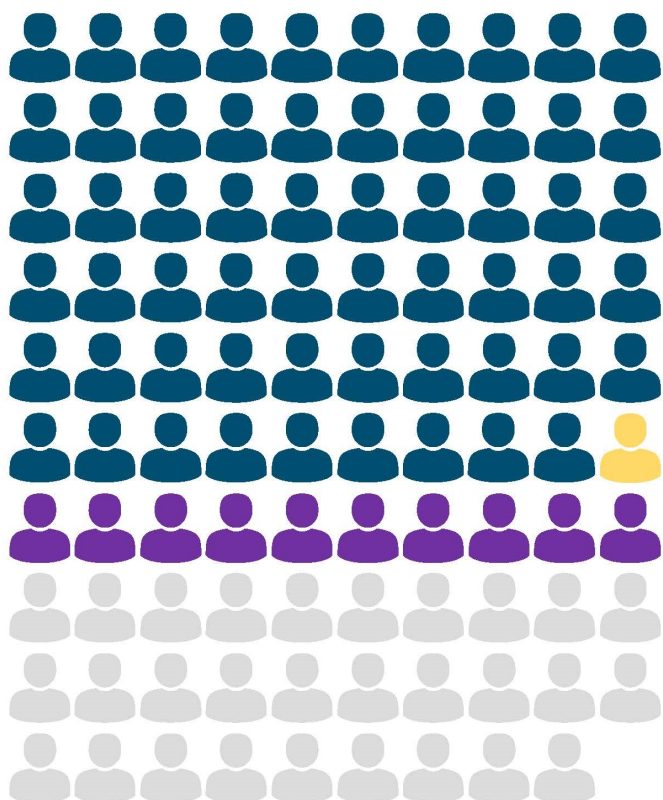
## 2023/24 Budget Proposals

### Summary of Scrutiny Board Consultation

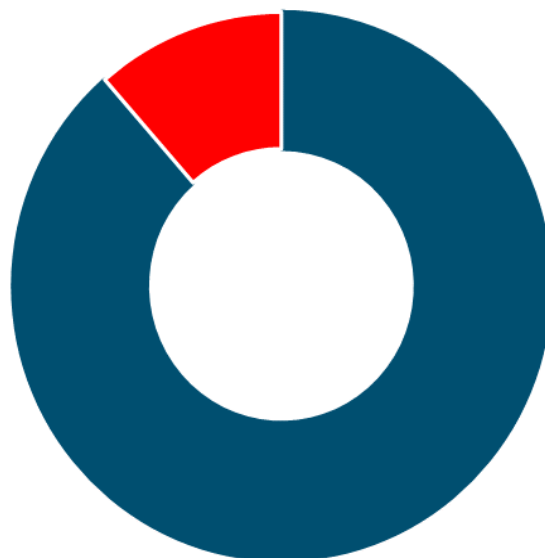
In line with the requirements of the Budget and Policy Framework, this document updates the Executive Board on the outcome of the deliberations of Leeds City Council's five Scrutiny Boards in relation to the Proposed Budget 2023/24 and Provisional Budgets for 2024/25 and 2025/26, as published in December 2022.



# Scrutiny Board Membership 2022/23



Scrutiny Board Membership



■ LCC Councillor ■ Co-Opted



## Councillors who are members of a Scrutiny Board



**Chair:** Cllr Abigail Marshall-Katung



**Chair:** Cllr Alan Lamb



**Chair:** Cllr Barry Anderson



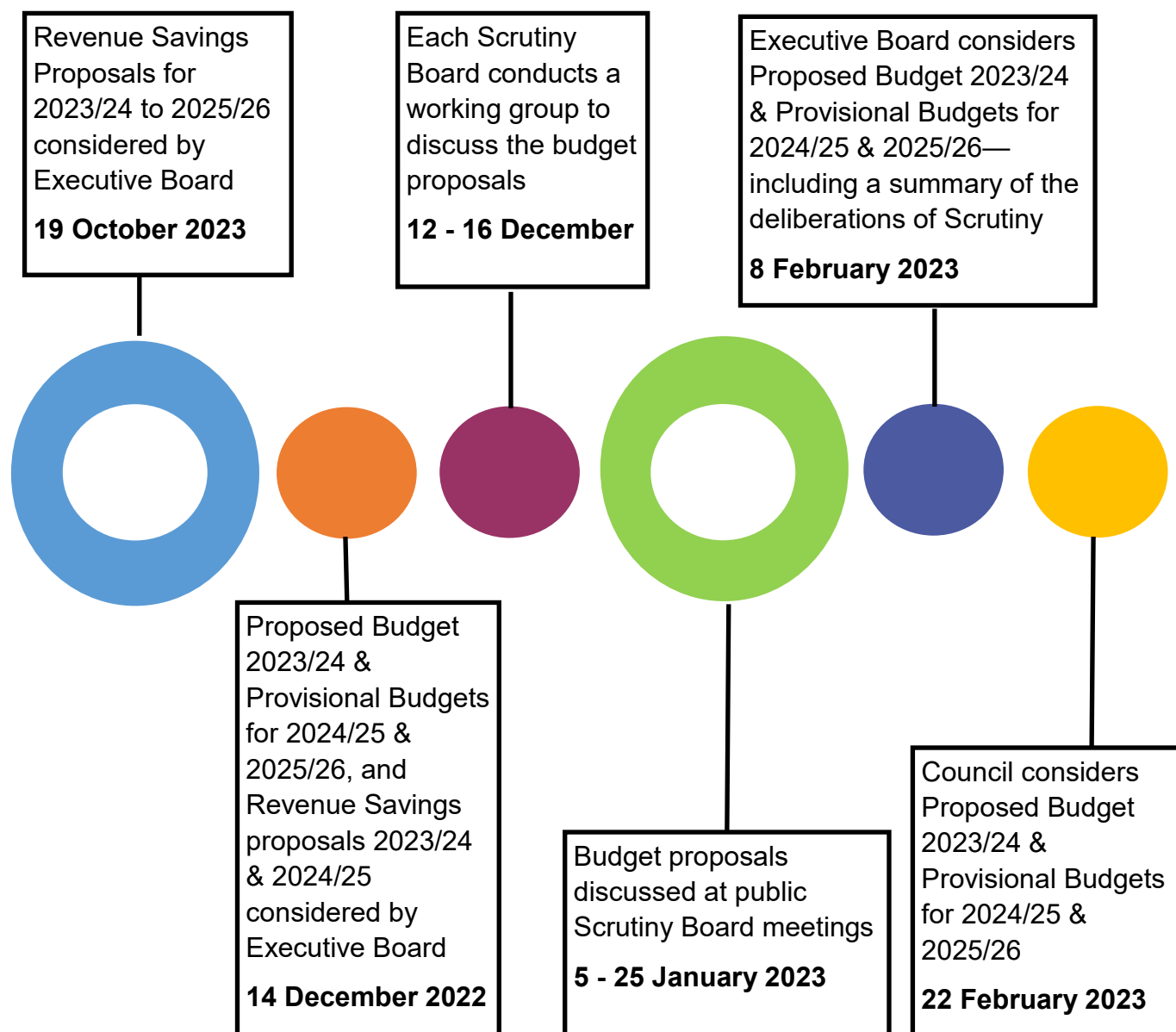
**Chair:** Cllr Paul Truswell



**Chair:** Cllr Andrew Scopes

**Vision for Scrutiny:** “To promote democratic engagement through the provision of an influential scrutiny function, which is held in high regard by its many stakeholders, and which achieves measurable service improvements, adding value for the people of Leeds through a member led process of examination and review.”

# Consultation with Scrutiny Boards



## Proposals Under Consideration

On 14 December 2022 the Executive Board considered the Proposed Budget 2023/24 and Provisional Budgets for 2024/25 and 2025/26. In accordance with the Council's Budget and Policy Framework, the Executive Board referred the proposals to Scrutiny for consideration.

## Savings Programme

The Council has established a programme of financial review to identify opportunities to “modernise and improve services, reduce costs and generate additional income.” The conclusions of that programme have been summarised in two reports, which the Scrutiny Boards have considered in conjunction with the Proposed Budget 2023/24 and Provisional Budgets for 2024/25 and 2025/26. The first of those reports – both of which are entitled Revenue Savings Proposals - was considered by the Executive Board on 19 October 2022. The second report was considered on 14 December 2022.

The “savings proposals” set out in both reports incorporate both efficiencies and income generation and, as in previous years, are categorised as either ‘Business as Usual’ savings or ‘Service Reviews.



# KEY CONSIDERATIONS FOR ALL SCRUTINY BOARDS

1

Scrutiny Boards sought and received assurance around the assumptions reflected in the Proposed Budget 2023/24, including the progress in delivering savings targets for 2022/23. Those assurances were provided by the relevant Leeds City Council officers and Executive Board members.

2

Following recommendations in February 2022, all Scrutiny Boards welcomed the publication of 'Business as Usual' savings. Scrutiny members recommend that such transparency is maintained in the approach to future budget consultation.

3

All Scrutiny Boards sought assurance as to the deliverability of 'Business As Usual' productivity savings, which incorporate targets to significantly reduce sickness absence in several service areas.

4

Scrutiny members reiterated the importance of considering the context of current economic conditions for citizens, customers and service users ahead of the final budget proposals being referred to Council by the Executive Board.

5

All Scrutiny Boards sought clarification and assurance about the impact of budget proposals on front line services and staff.





# Adults, Health & Active Lifestyles Scrutiny Board

## KEY FINDINGS

1

The Scrutiny Board recognises the significant demographic demand pressures on the service and the further costs associated with increasingly complex care packages for those entering adult care. Members note the risk to the overall Council budget should demand be higher than forecast.

2

It is recommended that further updates are provided to the Board in 2023/24 with regard to the anticipated impact of future national care reforms, particularly given current uncertainty about planned levels of Government funding.

3

The Scrutiny Board welcomed the approach that resulted in the identification of savings related to the pharmacy technicians' payment.

4

Workforce challenges continue to be a source of significant concern for the Scrutiny Board. Scrutiny has explored this issue in 2022/23 and welcomed the local partnership response. It is recommended that further updates on are considered by the Board in 2023/24.

### **Inflationary increases applied to fees & charges:**

The Scrutiny Board recognises the challenge to the Council of uncertainty linked to rising inflation and the need to generate income to off set costs such as the heating of buildings.

However, the Board is concerned about the possible impact on more disadvantaged communities of increases to gym fees and other costs linked to active lifestyles. Members are keen to ensure that increased fees do not become a barrier to opportunities to lead active lifestyles, particularly for families struggling with the cost of living crisis.



Cllr Caroline Anderson



Cllr Sharon Burke



Cllr Luke Farley



Cllr James Gibson



Cllr Norma Harrington



Cllr Conrad Hart-Brooke



Cllr Mohammed Iqbal



Cllr Wyn Kidger



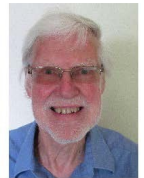
Cllr Abigail Marshall-Katung



Cllr Eileen Taylor



Cllr Eleanor Thomson



Dr John Beal (co-opted member)

**Removal of vacant posts:** The Scrutiny Board received assurance that the removal of vacant posts from provider services would not impact service delivery.

**Introduction of car parking charges at some parks and attractions:** Board members were concerned that the introduction of car parking charges could reduce the number of residents accessing parks and greenspaces to enjoy the environment and participate in walking and other physical activity. It was noted that not all of parks in Leeds are accessible via public transport.

**Real Living wage:** The Scrutiny Board recognises the complex workforce challenges facing the health and care sector. The Scrutiny Board is therefore supportive of the ongoing approach to incorporating funding in the budget to pay both our own staff the Real Living Wage and encouraging services we commission to do the same.



# Children & Families Scrutiny

## KEY FINDINGS



1

Members recognise the challenges facing childcare settings and acknowledge efficiencies could be delivered through the amalgamation of several Little Owls settings. The Board sought assurance that this can be achieved without reducing services to children and families. It is recommended that the Board considers this proposal further once the outcomes of the public consultation and discussions with trade unions are known.

2

The Scrutiny Board is supportive of proposals to establish an Edge of Care Service for adolescents, as part of 'turning the curve' workstreams, to prevent young people entering care and therefore also avoiding significant placement costs.

3

Recognising the pressure of high placement costs on the budget, members are supportive of wider 'turning the curve' proposals, which aim to safely reduce the need for children to become looked after.

4

The Scrutiny Board is supportive of the establishment of a Children & Families' Transformation Service to support long term change and sustainable future savings.

### Joint approach to mental health:

Early intervention and prevention were recognised as fundamental in the approach to supporting young people with complex mental health concerns. Members welcomed the joint funding model developed with health partners.

The Board also reiterated the importance of maintaining and developing integrated working practices across different service areas, to ensure learning is shared between professionals and associated funding is targeted as effectively as possible.

**Staffing efficiencies:** Over the last year the Scrutiny Board has engaged with the service in relation to ongoing workforce challenges. Members remain concerned that resilience must be developed and maintained within the service to empower staff to meet the complex needs of young people in the city. Members welcome and support the regional approach to addressing increasing agency costs.

**Futures Programme:** Members highlighted the importance of the Council's Futures programme which supports young people who have experienced the first time removal of a baby. The Board welcomed the joint approach with Health partners to funding the scheme

**Pandemic pressures:** The Board highlighted the disproportionate and ongoing impact of the pandemic on Children and Families and its budget.



# Environment, Housing & Communities Scrutiny Board

## KEY FINDINGS



Cllr Barry Anderson



Cllr Javaid Akhtar



Cllr Kayleigh Brooks



Cllr Ed Carlisle



Cllr Robert Finnigan



Cllr Pauleen Grahame



Cllr Asghar Khan



Cllr Sandy Lay



Cllr Annie Maloney



Cllr Trish Smith



Cllr Eleanor Thomson



Cllr John Tudor



Cllr Paul Wadsworth

### New Car Parking Charges:

Members sought assurance about the consideration given to potential public health and highways implications, and the level of anticipated investment required in the car parks in question. Clarification was sought regarding blue badge parking and season tickets.

**Cessation of Bonfires:** The Board recommended providing a reduced level of resource to enable community-led activities to be delivered and to ensure the continuation of diversionary activities to reduce anti-social behaviour.

**Well-Being Budgets:** Concern was expressed about the implications for communities and LCC services of 10% reductions to Well Being budgets.

**Equality Impact Assessments:** Clarity was sought as to whether all necessary equality impact assessments been carried out.

1

In light of the proposal to reduce Well Being budgets within Safer, Stronger Communities by 10%, Scrutiny recommends early engagement with elected members on the detail of a new service offer.

2

The Scrutiny Board recommends exploring the potential transfer of Housing Advisory Panel management, reserves and budget to Community Committees.

3

Reflecting on proposals including a 7% rent increase, board members recommend early future engagement with scrutiny on specific proposals as a way in which to add value to the budget setting process.

4

The Board reiterated its support for the ongoing prioritisation within the capital programme of investment in thermal and energy efficiency measures within Council housing stock.

**Rent Increases:** Concern was expressed about tenants for whom a rent increase would not be absorbed via Universal Credit or Housing Benefit, given the wider economic conditions. The Scrutiny Board sought assurances regarding engagement with tenants.

**Sheltered Support Charges:** Members welcomed the proposed reduction in light of legislative changes which would remove such fees from the scope of Universal Credit and Housing Benefit.

**Void Properties & Disrepair:** Members reiterated the importance of rapidly 'turning around' void properties to enable new tenants to move in and to reduce the associated costs of lost rental income.

**Business As Usual Savings:** The Board highlighted some concerns about the deliverability of business as usual savings linked to sickness and productivity, given the particularly high rates of absence linked to muscular skeletal conditions and the physical nature of work in several services.





# Infrastructure, Investment & Inclusive Growth Scrutiny Board

## KEY FINDINGS

- 1 Members welcomed the development of new income generating arrangements with other local authorities. It is recommended that an update is provided to the Scrutiny Board in 2023/24.
- 2 Members sought and received reassurance that benchmarking has taken place in relation to proposed levels of fees and charges within planning and sustainable development.
- 3 Members sought clarification about the risk of volatile energy prices to savings relating to reductions in street light consumption.
- 4 The Scrutiny Board recognises the need to temporarily delay a planned increase in the Service Improvement Team. However, members noted the potentially detrimental impact ongoing delays may have on the longer-term service transformation required to deliver sustainable financial savings in future years.

**Income generation:** The Scrutiny Board welcomed the innovative work that has been undertaken by the service to identify new sources of income and income substitution opportunities.

**Service review staffing reductions:** To address member concerns about providing a view on the service review proposal in its early stages of development, officers outlined the principles upon which engagement with Trade Unions is being undertaken. The Board requested further information once it is available.

Reassurance was sought about the consideration given to staff welfare, and the way in which that is balanced with the requirements to deliver savings and maintain service delivery. It was noted that the demand for several services would prohibit further reductions in those areas.

**Difficulty of recruiting:** Clarification was sought about the impact on the service of challenges with retention and recruitment, particularly in areas such as planning and highways. The Board was informed that the current employment market enables experienced staff within a number of professions to access jobs in the private sector with remuneration packages that exceed those that can be provided within the Council's pay and grading structures. The Board was supportive of ongoing efforts to provide development opportunities to those new to these industries.

**Uncertainty:** Detail was sought about the anticipated impact of cash limited price inflation on services and front line staff, with members highlighting the challenge of current economic volatility for those managing budgets.





# Strategy & Resources Scrutiny Board

## KEY FINDINGS



Cllr Gohar Almass



Cllr Sharon Burke



Cllr Peter Carlill



Cllr Dianne Chapman



Cllr Robert Finnigan



Cllr Sam Firth



Cllr Billy Flynn



Cllr Mahalia France-Mir



Cllr Caroline Gruen



Cllr Kevin Ritchie



Cllr Andrew Scopes

1

Proposed directorate-wide staffing efficiencies should not undermine planned performance improvements in the contact centre, upon which future service standards and broader organisational efficiencies will be reliant. The Board recommends maintaining its ongoing monitoring of the performance of the contact centre in 2023/24.

2

The Scrutiny Board supports the ongoing focus on modernisation of working practices, which has resulted in a substantial reduction in printing costs. Members recommend adopting a similarly robust approach to postage costs, including enabling increased ease of access to digital options for mass communications such as Council Tax bills.

3

The Board notes predicted local economic growth, particularly in sectors such as digital. Members would welcome more detailed advice about the potential benefits and risks for the Council of 100% retention of business rates, with a view to establishing whether the Council should lobby Government on this issue in the coming year.

4

Given current economic volatility and increasing inflation, the Scrutiny board sought assurance as to the overall financial resilience of the organisation. Members sought further clarity as to the sufficiency of reserves, particularly in the context proposals to enhance contributions to the General Reserves from 2024/25.

**Staffing efficiencies:** Where contact centre staffing efficiencies are reliant upon automation reducing demand, members are keen to ensure that digital programmes are effectively resourced and managed so as to avoid delays which could adversely impact on staff wellbeing.

Members further note the importance of HR and finance in facilitating long term service transformation, and seek assurance as to the potential impact of proposed staffing efficiencies in these areas.

**Capital Receipts:** The Scrutiny Board would welcome further detail on whether capital receipts could be used more to support service improvements.

**Car parking charges:** Members considered the significant investment in several city attractions and sought clarity about whether any material impact on revenue is anticipated should proposed car parking charges be implemented.

**Contact Centre Demand:** In the context of the Board's long-standing engagement in contact centre performance, members queried whether there is evidence of demand increasing as a result of the current cost-of-living crisis. The Board recommended ensuring a level of resilience in the context of staffing efficiencies to ensure any such increases could be accommodated until planned automation is delivered.

**More information about Leeds City Council's Scrutiny Service, along with the activity and membership of individual Scrutiny Boards, can be found on the Council's committee webpages.**

**You can also follow @ScrutinyLeeds on twitter.**





Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2023/24 Budget Amount £	Decision Maker
Efficiencies across the Children & Families directorate, potentially including staffing reductions	The option of targeted staffing reduction, with teams/roles identified by Chief Officers for potential deletion was considered. The justification for the proposal was having a more transparent and efficiencies-based approach to identifying the savings target.	Any changes to ways of working, service delivery models, structures and processes etc may impact on the way in which services are currently delivered and therefore experience by the citizens of Leeds.	Consultation has commenced with Trade Unions to explore potential options to deliver the required savings.	An EIA will be undertaken as ideas develop to fully assess equality impacts, in relation to staff, as well as those individuals and communities most in need of our services.	March 2023	1,710k (savings)	Director of Children & Families
Commissioned Services: review of grants and contracts	The option of a blanket 10% reduction in grants and contracts was considered. The justification for this proposal was to provide a more nuanced and contextual	General risks include the potential for services to become financially unviable or reduction in outcomes/ benefits being realised.	Following in-house review of all grants and contracts consultation will commence with partner organisations who may be affected.	An EI assessment will take place once contracts for potential cost reduction have been identified.	17 <sup>th</sup> Feb 2023	£500k (savings)	Director of Children & Families

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2023/24 Budget Amount £	Decision Maker
	approach to identification of where savings could be made with least impact on core priorities.						
Invest to Save proposal: Development of a Children & Families' Transformation Service. <i>This team will support the delivery of a number of the directorate's savings proposals.</i>	The option of continuing to try to use existing service resource (staff) to deliver significant transformation projects was considered, however, due to capacity issues the creation of a dedicated resource to oversee transformation programme deliver was deemed the best solution.	There is a risk that the new service will not achieve its financial savings target. A robust reporting framework will be monitored by the directorate's new Transformation Board to drive the successful delivery of the programme of work.	Consultation with Trade Unions on the proposed new structure has commenced.	There is no assessed detrimental impact on equality, diversity, cohesion or integration. Indeed the creation of this new team will enable delivery of key service improvement projects at greater pace, to the benefit of service users and the citizens of Leeds.	27 <sup>th</sup> January 2023	£1.4m (expenditure)	Director of Children & Families

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2023/24 Budget Amount £	Decision Maker
'Turning the Curve': a range of workstreams proposed to contribute to safely reducing the need for children to become looked after.	A do-nothing option would not see the number of children looked after reduced. The proposal seeks a proactive approach to prevent children entering care, increasing reunification of families and stabilising of placements.	There is a risk that the Turning the Curve Strategy and action plan does not realise the safe reduction in the need for children to be looked after and associated reduction in the number of children in care.	Once workstreams have been fully scoped consultation will take place with staff, and where appropriate service users	The proposal could impact on those young people, and their families whose cases are reviewed and changes made to their current care arrangements/ placements as a result.	17 <sup>th</sup> Feb 2023	£3m (net savings)	Director of Children & Families
Appendix proposal to 'Turning the Curve': Proposal to develop an Edge of Care Service for adolescents, preventing at least 30 young people per year entering into care & therefore avoiding significant placement costs	As above	As above	Consultation will take place with Trade Unions and staff once a proposed staffing structure is in place.	As above	17 <sup>th</sup> Feb 2023	(included in the 'Turning the Curve' savings)	Director of Children & Families

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2023/24 Budget Amount £	Decision Maker
Invest to Save proposal: Commissioning and Market Management	A do-nothing option was considered, however this would only maintain the status quo. The creation of new posts will afford the team the resource and capacity to maximise available resources, enhance quality assurance work and market management activity, improve brokerage and have a relentless focus on value for money.	There are risks around realisation of the envisaged effectiveness of the additional resource, as well as the ability to recruit the right people with the right skills.	Consultation with Trade Unions on the proposed new structure has commenced. Staff within the existing service structure will also be engaged with throughout the process.	There is no assessed detrimental impact on equality, diversity, cohesion or integration. Indeed, the creation of this new team will enable more appropriate and cost effective services to be delivered to children and their families throughout the city.	3 <sup>rd</sup> Feb 2023	£4m (net savings)	Director of Children & Families
Review of Children's Centres and Commissioned Family Services	The option of a review across all children's centres and	Risks will be identified as the review progresses and possible	Once the review is concluded and as recommendations are being	An EIA will be undertaken as the review's	19 <sup>th</sup> May 2023	£450k (net savings)	Director of Children & Families

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2023/24 Budget Amount £	Decision Maker
	commissioned family services was chosen over the option of do-nothing, as efficiencies/ savings need to be made. A review based approach enables a balanced and equitable evaluation of each of the centres within its locality context, along with the benefits that it delivers.	outcomes begin to emerge, at which point there will be consideration of mitigating actions, alongside appropriate management of these.	developed consultation will take place with appropriate stakeholders, such as Executive Members, Ward Cllrs, service users, staff and trade unions.	recommendations begin to emerge.			
Little Owls Nurseries: Proposal to close one setting, review the potential to close a further four, and to commission a wider	A do nothing option was considered but given the service has a significant budget overspend this approach could not be	Risks will be identified as the review progresses and possible outcomes begin to emerge, at which point	Once the review is concluded and as recommendations are being developed consultation will take place with	An EIA will be undertaken as the review's recommendations begin to emerge.	3 <sup>rd</sup> March 2023	£1.2m (savings)	Director of Children & Families

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality Impact assessment</b>	<b>Expected decision date</b>	<b>2023/24 Budget Amount £</b>	<b>Decision Maker</b>
review of the council's provision.	supported. The review will enable a balanced and consistent evaluation of key factors to determine need for each setting within its local context.	there will be consideration of mitigating actions, alongside appropriate management of these.	appropriate stakeholders, such as Executive Members, Ward Cllrs, service users, staff and trade unions.				



## City Development

## Appendix 4

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality Impact assessment</b>	<b>Expected decision date</b>	<b>2023/24 Budget Amount £</b>	<b>Decision Maker</b>
Utilisation of Business Rates Pool Balances as substitution for Leeds 2023 expenditure	Reduces net cost of Leeds 2023 to the Council in 2023/24	None - confirmation received that balances are available	n/a	None	March 2023	£1,633k	Chief Officer – Culture and Economy
Leeds Museums & Galleries – relocation of Abbey House café to the visitor centre at Kirkstall Abbey	Increase turnover of café to achieve additional net surplus	Turnover assumptions not achieved	Internal staffing and member consultation to be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2023	£90k	Chief Officer – Culture and Economy
Leeds Museums and Galleries commercial review	Increase turnover of retail/admissions/ events activities	Turnover assumptions not achieved	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2023	£100k	Chief Officer – Culture and Economy
Directorate wide review of fees and charges	Review of fees and charges implemented in a number of specific service areas, leaving a further target to be achieved for remaining areas	Further areas not identified to deliver target and/or don't achieve required amount of income	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2023	£100k	Chief officer - Operations and Active Leeds

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2023/24 Budget Amount £	Decision Maker
Staffing reductions across the City Development directorate	Staffing reductions necessary to meet directorate savings target for 2023/24 budget. Proposal will be in accordance with Council's Managing Staff Reductions policies.	Staffing reductions identified don't deliver required level of savings	Internal staffing and JCC consultation commenced January 2023	To be undertaken as a part of the decision process	February 2023	£822k	Director of City Development
Street Lighting Adaptive Lighting	Achieve estimated 38% consumption savings on traffic routes, main distributor roads and bus routes whilst remaining compliant with National Guidance and best practice.	Consumption savings lower than estimated	Public and targeted consultation - commenced 16.1.23	No implications	February 2023	£166k	Chief Officer – Highways and Transportation

## Communities, Housing and Environment

## Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2023/24 Budget Amount £	Decision Maker
5% increase in bereavement charges	Proposed price increase reflects savings requirement of the Council and will ensure there continues to be no subsidy for this service	None identified	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2023	£0.38m additional income	Chief Officer – Parks and Countryside
Increase in weighbridge and bin replacement charges	Proposed price increase reflects savings requirement of the Council and will ensure there continues to be no subsidy for this service.  Prices have not increased at the weighbridge since 2019.	Fall in demand impacting upon income – although prices have not increased since 2019.	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	Jan 2023	£0.15m additional income	Chief Officer – Waste Management
Cessation of administration fee for ULEV permit	Proposal reflects savings requirement of the Council and will ensure that all car parking customers pay the same rate	Loss of admin fee £9k and assumed additional fee income (£143k) is not achieved.	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2023	£0.134m additional income	Chief Officer – Elections, Licensing and Registrars

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality Impact assessment</b>	<b>Expected decision date</b>	<b>2023/24 Budget Amount £</b>	<b>Decision Maker</b>
Cessation of bonfires and firework displays			To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2023	£0.085m cost saving from budget AND avoided future costs of £85k	Chief Officer – Parks and Countryside

## Resources

## Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2023/24 Budget Amount £	Decision Maker
Review of Network Management Centre	Use of automation technology to carry out the work currently undertaken by staff. Staff will not be required to work either on site or out of hours to provide the same outcome. Alternative is that current situation continues with consequential cost implications.	Technologies may not be able to automate the work undertaken by the NMC. Additional licenses or software may be required.	Trade union consultation and staff engagement will take place as the service review progresses.	An EIA will be undertaken as ideas develop to fully assess equality impacts, in relation to staff, as well as those individuals and communities most in need of our services.	March 23	£370k (savings)	Director of Resources

**PROPOSED COUNCIL TAX SUPPORT  
PAYMENTS FOR PARISH/TOWN COUNCILS**

**Appendix 5**

<b>Parish</b>	<b>Proposed 2023/24 Payment £</b>
Aberford and District	360
Allerton Bywater	2,164
Alwoodley	837
Arthington	38
Bardsey cum Rigton	679
Barwick in Elmet and Scholes	1,351
Boston Spa	1,554
Bramham cum Oglethorpe	653
Bramhope and Carlton	848
Clifford	592
Collingham with Linton	802
Drighlington	1,197
East Keswick	303
Gildersome	1,455
Great and Little Preston	608
Harewood	20
Horsforth	4,927
Kippax	2,793
Ledsham	97
Ledston	134
Micklefield	3,750
Morley	13,394
Otley	16,318
Pool in Wharfedale	840
Rawdon	1,597
Scarcroft	150
Shadwell	341
Swillington	2,166
Thorner	846
Thorp Arch	243
Walton	81
Wetherby	8,457
<b>TOTAL</b>	<b>69,595</b>



## Equality Impact Assessment 2023/24 Council Budget

### Scope

The Equality Act 2010 requires public bodies to give ‘due regard’ to equality. The council is committed to ending unlawful discrimination, harassment and victimisation and to advancing equal opportunities and fostering good relations. In order to achieve this we need to ensure that equality and diversity are given proper consideration when we develop policies and make decisions. The council has an agreed process in place to do this through the use of equality impact assessments.

This paper outlines the equality analysis and strategic equality assessment of the Leeds Budget and Council Tax for 2023/24 (as detailed in the accompanying reports to the Executive Board meeting on 8<sup>th</sup> February 2023 recommending proposals to Full Council at its meeting on 22<sup>nd</sup> February 2023).

The lead person for this equality impact assessment was Victoria Bradshaw, Chief Officer Financial Services. Members of the assessment team were:

- Coral Main - Head of Financial Strategic Change
- Claire Matson – Head of Human Resources
- Sophia Ditta – Senior Policy Development Officer
- Richard Haslett – Intelligence and Policy Officer
- Samantha Powell – Third Sector and Migration Partnerships Manager
- Geoff Turnbull – Equality, Diversity and Inclusion Manager

### Introduction

The Best City Ambition is the council’s strategic plan which sets out the ambitions, outcomes and priorities for the City of Leeds and for the Local Authority, underpinned by three pillars of Inclusive Growth, Health and Wellbeing, and Zero Carbon.

It is important the Best City Ambition remains rooted in activity on the ground and supports delivery of real progress in this city. For the council’s part, that means alignment is required behind the ambition and goals outlined in the Best City Ambition, and the financial and wider resources invested to deliver. As such, these strategic ambitions can only be delivered through a sound understanding of the organisation’s longer-term financial sustainability which enables decisions to be made that balance the resource implications of the council’s policies against financial constraints. This is the primary purpose of the Medium-Term Financial Strategy which then provides the framework for the determination of the council’s annual revenue budget for which the proposals for 2023/24 are contained in the ‘2023/24 Revenue Budget and Council Tax’ report being considered by the Executive Board in February 2023 for recommendation later in the month to Full Council.

The 2023/24 Revenue Budget was developed in the context of the approach agreed by the Executive Board at its meeting on 14<sup>th</sup> December 2022 through the ‘*Proposed Budget for 2023/24 and Provisional Budgets for 2024/25 and 2025/26*’ report available [here](#) and accompanying ‘*Revenue Savings Proposals for 2023/24 to 2025/26*’ report available [here](#). In accordance with the council’s budget and policy framework and as agreed by Executive Board in December, these proposals were subsequently submitted to all Scrutiny Boards for review and consideration, and have also been used as the basis for wider public consultation.

The Budget proposals are set within the wider strategic context of the council’s Medium-Term Financial Strategy 2023/24 to 2027/28 (available [here](#)) which was approved by the Executive Board on 21<sup>st</sup> September 2022, the Government’s Spending Review 2021 (announced by the Chancellor of the Exchequer on 27<sup>th</sup> October 2021) which covers the three-year period of this current Parliament 2022/23 to 2024/25, the Chancellor’s Autumn Statement 2022 (announced on 17<sup>th</sup> November) and the Provisional Local Government Settlement - the annual determination of funding at a national level to local government - published by the Department for Levelling Up, Housing and Communities on 19th December 2022 (available [here](#)), a one-year settlement for 2023/24.

After considering the impact of the anticipated changes in funding and cost pressures it is forecast that we will need to generate revenue savings, efficiencies and additional income to the order of £58.6 million in 2023/24 to balance to the anticipated level of resources available. The council remains committed to protecting frontline services as far as possible, especially those that provide support to the most vulnerable, and is planning to meet the challenge of the estimated budget gap for 2023/24 through a combination of efficiencies, changes to services and increased income. Details of proposals can be found in the directorate reports at Appendix 8 of the February 2023 Executive Board and Full Council '2023/24 Revenue Budget and Council Tax' report.

The financial climate for local government continues to present significant risks to the council's priorities and ambitions. The council continues to make every effort possible to protect frontline service delivery, and whilst we have been able to balance the budget each year since 2010, have continued to deliver a broad range of services despite declining income, and have avoided large scale compulsory redundancies, it is clear that the position continues to be difficult to manage.

Resource implications will impact on all communities but those who have been identified at being at the greatest potential risk of negative impact include:

- Disabled people – including all impairment groups;
- Ethnic minority communities;
- People from new and emerging communities;
- Women;
- Older and younger people; and
- Low socio-economic groups (within this group, there is over-representation by disabled people and ethnic minority communities).

### **Budget consultation and engagement**

The 2023/24 Budget proposals were developed through consultation with a range of stakeholders, notably with the Executive Board, all Scrutiny Boards, the council's Corporate Leadership Team and other senior officers. They also draw on insights from the priorities set out in council and partnership plans and strategies which have themselves been subject to extensive consultation and engagement.

Following agreement by December's Executive Board, public consultation on the council's Proposed Budget for 2023/24 took place during the four weeks between 14<sup>th</sup> December 2022 and 11<sup>th</sup> January 2023. The survey explored a range of themes including: the principles on how we should be funded, proposed changes to Council Tax, and how we plan to spend the revenue budget. Further questions included satisfaction with how the council runs things overall, and ideas for opportunities for the council to do things in more modern and efficient ways. A new 'Cost of Living' section was included this year, signposting participants to a range of support and information.

The public consultation results are included in full at Appendix 2 to the February 2023 '2023/24 Revenue Budget and Council Tax' report with the results of the consultation with Scrutiny Boards at Appendix 3 to that report.

### **Impact of budget proposals on employees**

Last year, the council's revenue budget for 2022/23 required the authority to deliver budget reduction measures of £20.7m (£16.5m of this through directorate savings), on top of the significant savings already achieved since 2010. Accordingly, on 2<sup>nd</sup> March 2022, following Council approval of the 2022/23 Budget, the authority served notice under Section 188 (S188) 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.

However, the financial challenge continues: as set out in the Medium-Term Financial Strategy 2023/24 to 2027/28 considered at September 2022's Executive Board meeting, a budget gap of £182.6m was estimated for that five-year period, of which £63.6m related to 2023/24. This position included a number of assumptions around external factors that continue to significantly impact on the council's income and expenditure – both in-year and into future years - and remain subject to considerable uncertainty and volatility. In particular, the global energy and fuel situation have impacted our financial position; the cost of living crisis and high inflation continue to impact on our citizens and also our own costs; and demand in social care and the cost of commissioned services continues to grow.

The estimated budget gap has therefore continued to be revised over the year, with the Proposed Budget for 2023/24 report considered at December 2022's Executive Board highlighting the need for the council to deliver nearly £70m of savings in 2023/24 in order for a balanced budget position to be achieved, and that further budget savings proposals would be required in future years to bridge the updated estimated gaps of £48.0m and £26.7m in 2024/25 and 2025/26 respectively. At the same December 2022 meeting, the 2022/23 overspend was estimated to be £15.4m (as set out in the *'Financial Health Monitoring 2022/23 – Month 7 (October)'* report, available [here](#)). (Since the December 2022 meeting, the in-year and future-year positions have been revised, the latest position being reported to the Executive Board in February 2023: the 2022/23 overspend as at Period 9 – December 2022 - is now estimated to be £13.4m, while looking ahead, the refreshed estimated budget gaps are £43.0m in 2024/25 and £28.7m in 2025/26.)

Throughout the 2022/23 financial year, the council has held ongoing discussions with Trade Unions regarding this financial position and our mitigating actions, including a staff recruitment freeze, a restriction on the use of agency staff and overtime, and a freeze on non-essential spend (with certain exceptions). These discussions have also highlighted the savings proposals (as considered by the Executive Board at its meetings in October and December 2022) that, subject to consultation where appropriate, will be taken forward during 2023/24 and beyond. In previous years this has been constructive and has collectively worked to avoid, reduce and mitigate the need for compulsory redundancies in the authority.

The council has operated a voluntary retirement and severance scheme since 2010/11 which has contributed significantly to the reduction in the workforce since this time. Whilst there are other elements that will impact on the fluctuation of the workforce numbers, such as natural attrition and turnover, there has been an overall reduction of around 2,776 full time equivalents (FTEs) or 3,684 headcount up to 31st December 2022. However, as noted above, in order to set and deliver a balanced budget for 2023/24 the council must deliver significant savings. The 2023/24 Budget includes a net decrease of 11.4 FTEs compared to the approved 2022/23 Budget. This is comprised of a proposed increase of 166.0 FTEs (including 8.0 FTEs for the Housing Revenue Account (HRA)) and a proposed reduction of 177.4 FTEs (including 9.0 FTEs for the HRA). This reduction includes the budget savings proposals received at both October's and December's Executive Boards.

Further savings proposals will also be required to close the latest estimated gap in the council's budgets in 2024/25 and 2025/26, which could result in additional reductions in the number of budgeted FTE posts. The council therefore issued an updated Section 188 notice on 21st December 2022, following the Executive Board's approval of the Proposed Budget for 2023/24, in line with our statutory duties to consult with recognised Trade Unions for ways to avoid, reduce and mitigate compulsory redundancies. Any service reviews that arise as part of the further budget savings proposals that could impact upon council staffing will undergo consultation on a service level with the appropriate Trade Union representatives.

In response to the significant change that the council has undergone and will continue to go through, additional support is in place to support individuals and managers through any change and challenges they experience, as well as looking to support people with the opportunities that the changes may present to progress their career and personal development.

## The council's workforce profile

In recent years in response to the financial challenges, the council has significantly reduced its workforce. Working closely with the trade unions and with the take-up of our voluntary leaver scheme we have managed to reduce staffing with relatively few compulsory redundancies. Reducing agency staff costs, overtime, managing sickness (though further work is required in this area) and introducing working from different locations has also brought costs down significantly. Reskilling and redeploying people whose roles are at risk helps continue to create a more flexible and responsive workforce and to minimise redundancies.

In-work poverty and low pay remain issues of national concern. In Leeds, work continues to tackle this, reflecting the commitments in the Low Pay Charter adopted by Council in April 2015.

- From 1st April 2022, the council's minimum hour rate increased to £9.90 which mirrored the Living Wage Foundation's recommended minimum rate of pay.
- Subject to affordability, we remain committed to further increases in the future, as Living Wage Foundation recommendations are made.

These changes will continue to have a positive impact on in-work poverty, particularly for women, those under 25 years of age and part-time workers.

National employers are keen to ensure that appropriate pay awards are agreed to ensure that a headroom is maintained above the National Living Wage, and, as this is predicted to increase, there could be a significant cost to the council. Leeds delivers a number of frontline services itself, and therefore has a higher proportion of lower paid workers than some other local authorities that have outsourced frontline service delivery.

The nationally negotiated 2022 pay award resulted in a monetary award across all pay scales rather than a percentage increase across the board, leading to lower paid staff receiving comparatively higher percentage increases in their salaries. The council remains committed to the national collective bargaining process to annually reviewing pay and continues to engage with national employers regarding the local impact on budgets.

As at 31<sup>st</sup> December 2022 there were 14,147 people employed in the council (excluding schools and casual staff), equating to 12,175 FTEs. The workforce profile of all employees is shown below (all percentages are rounded).

Leeds City Council workforce profile – December 2022		
Profile area	Headcount	% of overall headcount
<b>Gender</b>		
Male (including Trans)	5,537	39%
Female (including Trans)	8,610	61%
<b>Total</b>	<b>14,147</b>	<b>100%</b>
<b>Age / years</b>		
16 – 25	866	6%
26 – 40	4,081	29%
41 – 54	5,154	36%
55 – 64	3,614	26%
Over 65	432	3%
<b>Total</b>	<b>14,147</b>	<b>100%</b>
<b>Ethnicity</b>		
Non-ethnic minority	10,628	75%

Leeds City Council workforce profile – December 2022		
Profile area	Headcount	% of overall headcount
Ethnic minority	2,124	15%
Prefer not to say	35	0%
Not declared	1,360	10%
<b>Total</b>	<b>14,147</b>	<b>100%</b>
<b>Disability</b>		
Disabled	855	6%
Not disabled	11,788	83%
Prefer not to say	134	1%
Not declared	1,370	10%
<b>Total</b>	<b>14,147</b>	<b>100%</b>
<b>Carer</b>		
Carer	1,248	9%
Not a carer	8,011	57%
Prefer not to say	110	1%
Not declared	4,778	34%
<b>Total</b>	<b>14,147</b>	<b>100%</b>
<b>Sexual orientation</b>		
Heterosexual	8,730	62%
Lesbian	129	1%
Gay Man	155	1%
Bisexual	163	1%
Other	63	0%
Prefer not to say	194	1%
<b>Not declared</b>	<b>4,713</b>	<b>33%</b>
<b>Total</b>	<b>14,147</b>	<b>100%</b>
<b>Religion or belief</b>		
Religion stated	9,942	70%
Prefer not to say	163	1%
Not declared	4,042	29%
<b>Total</b>	<b>14,147</b>	<b>100%</b>
<b>Additional gender details</b>		
Same as assigned at birth	3,762	27%
Not same as assigned at birth	41	0%
Not declared	10,344	73%
<b>Total</b>	<b>14,147</b>	<b>100%</b>

## Fact finding – what we already know about the city

### *Demographics: a changing population*

The population of Leeds was recorded as 811,956 people in the 2021 Census of Population (ONS) - an increase of 1.6% (13,000 people) since the ONS's 2020 mid-year estimate. The city's population has increased by over 8.0% (60,471 people) in the ten years since the previous 2011 Census, the third-largest percentage increase in Yorkshire and the Humber behind Selby (which increased by 10.2%) and Wakefield (8.4%). This compares to population increases across the whole of Yorkshire and Humber of 3.7% and 6.6% in England.

Based on the 2021 Census, there are estimated to be:

- 51.2% (415,579) female and 48.8% (396,374) male
- 153,482 children and young people aged 0 to 15 years
- 531,704 people of working age (16 to 64 years)
- 126,764 older people aged 65 and over
- Approximately 1 in 11 people (8.7%) in the 20 to 24 age band, reflecting the large student population
- The average median age in the population is 36 years of age

Looking back at the changes over the ten years between the 2011 and 2021 Censuses:

- As noted, the Leeds population is recorded as increasing by 8.0% (60,471 people).
- The working age population had a smaller percentage increase (5.1%) than both the population of children and young people (10.4%) and the population aged 65 and over (13.5%).
- The population of older people aged 65 and above increased by 17,166 people. Although the 65 and above age group still has more women than men, there has been a bigger increase in the number of men, with 9,744 more men aged 65 and over resident in Leeds in 2020 than in 2011 (compared to 7,426 more women).
- There was an increase in the number of primary school age children in Leeds, with an additional 10,476 (10.9%) children in the 0 to 10 age group.

Looking ahead, the city's population is expected to continue to grow. Based on the latest 2018 data released in March 2020 (ONS Population projections for local authorities), the population was predicted to reach around 822,000 by 2031. However, with the more recent Census data recording a population size of nearly 812,000 in 2021 – a figure not forecast until 2027 in the ONS's 2018 data – the projected population in future could easily be in excess of previous forecasts. A new ONS projected population dataset is anticipated later this year.

The makeup of the city is outlined below:

- Leeds continues to become more ethnically diverse. The 2021 Census showed that 26.6% of Leeds population was from an ethnic minority background, an increase from 18.9% in 2011. Around 667,400 Leeds residents said they were born in England (82.2% of the city's population), compared with 647,800 in 2011 (86.2% of the city's population at the time).
- According to the January 2022 Leeds School Census:
  - The proportion of the school population from ethnic minority backgrounds more than doubled since 2005, increasing from 17.4% in 2005 to 38.4% in 2022.
  - The ethnic diversity is slightly higher in younger age groups, with 37.6% ethnic minority pupils in primary schools and 37.0% ethnic minority pupils in secondary schools.
  - In 2022, 20.3% of Leeds school pupils spoke English as an additional language, with the top five main languages being Urdu, Polish, Arabic, Romanian and Panjabi (this excludes the category 'Other than English', which is the second most selected category).



- The religious profile of the city is changing. Between the Censuses of 2001 and 2011 the number of people saying they are Christian decreased from 68.9% to 55.9%. At the time of the 2021 Census, this same figure was recorded as 42.3%. Compared to England and Wales, Leeds had higher than average proportions of people stating their religion as Jewish (0.8% compared to 0.5%), as Muslim (7.8% compared to 6.5%) and as Sikh (1.2% compared to 0.9%). The proportion of persons stating they have no religion increased from 16.8% to 28.2% in 2001 and 2011 respectively. In 2021 this had increased to 40.2% of the population.
- The 2011 Census collected information on civil partnerships for the first time, reflecting the Civil Partnership Act 2004 which came into effect in the UK in December 2005. The 2011 Census recorded 41.5% of adults in Leeds as married and 0.2% of adults in a registered same-sex civil partnership. In 2021 the Census reflected the Same-Sex Marriage Act of 2013 and recorded 39.4% of the city's population as married, of which 0.3% were the same sex. A further 0.1% of the population were in a same-sex civil partnership.
- According to the 2021 Census, 15.8% of adults in Leeds were separated, divorced or widowed (down from 17.5% in the 2011 Census), which is slightly lower than the England and Wales rate of 17.4%. The proportion of single people in Leeds who have never married or registered as living in a civil partnership has dropped from 40.8% in 2011 to 30.8% in 2021, remaining higher than the average for England and Wales which has shown a similarly large drop from 34.6% in 2011 to 26.7% in 2021.
- In the 2021 Census, residents were asked if they had any physical or mental health conditions or illnesses lasting or expected to last 12 months or more. If they answered yes, they were then asked if this reduced their ability to carry out day-to-day activities.<sup>1</sup>
  - The responses identified 7.6% of Leeds residents as being disabled and whose activities were limited a lot, down from 9.4% in 2011. The decrease in the proportion of residents who were identified as being disabled and limited a lot in Leeds (1.8 percentage points) was similar to the decrease across Yorkshire and The Humber (1.7 percentage points, from 9.9% to 8.2%). Across England, the proportion fell by 1.6 percentage points, from 9.1% to 7.5%.
  - In 2021, just over 1 in 10 people (10.4%) identified as being disabled and having their day-to-day activities limited a little, compared with 10.3% in 2011.
  - The proportion of Leeds residents who were not disabled increased from 80.3% in 2011 to 82.0% in 2021.

## Poverty and inequality

At the heart of the Best City Ambition is our mission to tackle poverty and inequality and improve quality of life for everyone who calls Leeds home. The council's approach to equality improvement recognises that people with a number of protected characteristics are disproportionately represented by poverty and financial exclusion.

### *Picture of Leeds*

A significant number of people in Leeds were already being impacted by low income and poverty before COVID-19 took effect in March 2020 and the more recent cost of living crisis. Local authorities are often ranked on the proportion of neighbourhoods in the most deprived 10% nationally. Based on the latest Indices of Multiple Deprivation (IMD) 2019, Leeds has 114 neighbourhoods (24% of its 482) in the most deprived 10% nationally. Leeds is ranked at 33 out of 317 local authorities in England (1 is most deprived) on this measure.

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<sup>1</sup> It should be noted that the wording of the questions in this area and response options were revised between the 2011 and 2021 Censuses, and so caution should be taken when making comparisons. Also, the Census 2021 was carried out during the COVID-19 pandemic, which may have influenced how people perceived their health and activity limitations and thus their responses.

There are two measures which identify local authority districts with large numbers of people experiencing deprivation: the income scale - which ranks local authorities on the number of people experiencing income deprivation -; and the employment scale - which ranks local authorities on the number of people experiencing employment deprivation. Based on the IMD 2019, Leeds had the fourth highest number on the income scale (with Birmingham ranked first, Manchester second and Liverpool third) and the third highest number on the employment scale (with Birmingham ranked first and Liverpool second) out of the 317 English local authorities.

Although the IMD is based on neighbourhoods and is designed to identify pockets of deprivation, the government also publish summary measures for larger areas like local authorities. There is no single 'best' local authority measure, and the ranking of Leeds varies depending on the measure used. For more information including a full set of IMD 2019 results for Leeds, please visit [Leeds Observatory – Deprivation](#).

### **Current context**

The latest data relating to poverty reveals:

- In 2019/20, 22% of the Leeds population (equating to 174,000 people) were living in relative poverty after housing costs are deducted from income<sup>2</sup>.
- 24% of children (36, 496) were estimated to be living in relative low-income families before housing costs in 2019/20<sup>3</sup>.
- It is estimated that 12.5% of all Leeds working residents earned less than the Real Living Wage in 2022, affecting 40,258 FTE residents. It is also estimated that 12,000 workers are on zero-hour contracts<sup>4</sup>.
- In February 2020, pre-pandemic, 33,715 people citywide were claiming Universal Credit (UC). By October 2020, this had more than doubled to 69,477 claims, rising further to a peak of 74,515 in March 2021. The number of claimants then started to fall month-on-month, reaching its lowest post-pandemic level of 69,507 in January 2022. However, since then, UC levels have started to increase steadily again with 72,701 claimants in October 2022, of whom 40% were in employment and 60% not in employment. (Stat-Xplore – People on UC)
- The number of children who are eligible for benefits-related free school meals (FSM) has increased substantially over recent years: according to Leeds School Census data, in January 2020 (pre-pandemic) 25,473 children were eligible; by January 2022 this increased by 7,413 (29%) to 32,886. This accelerated rate of increase is partly due to the introduction of Transitional Protection in April 2018, and also the impact of the pandemic.
- Between 1st April 2021 and 31st March 2022, almost 66,000 food parcels in Leeds were given out informally via Community Care Hubs and Emergency Food providers. This is a 57% drop on 2020/21 where support was at its highest during the pandemic; however it is a 312% rise on pre-pandemic levels when in 2019/20 around 16,000 parcels were distributed.
- In 2020, 17.6% of Leeds' households (60,802 households) were estimated to be in fuel poverty<sup>5</sup> - up 0.8% (by 3,310 households) on 2019, according to the Low Income Low Energy Efficiency (LILEE) definition. The latest fuel poverty data for Leeds is for 2020, and has shown that fuel poverty was increasing before the first fuel cap increase took effect in April 2022.

<sup>2</sup> Relative Poverty measures individuals who have household incomes 60% below the median average. Source: DWP households below average income 2019/20, published March 2021, further details in the [Leeds Poverty Fact Book](#)

<sup>3</sup> Children in Low Income Households Local Area Statistics 2021 (Source: HMRC & DWP Combined data published for the first time in 2020, replacing DWP's Children in out-of-work benefit households and HMRC's Personal Tax Credits: Children in low income families. This local measure provides a picture of children in low income families for both Relative and Absolute measures, but only Before Housing Costs (BHC), further details in the [Leeds Poverty Fact Book](#))

<sup>4</sup> More information on Wages, Household Income and Employment in Leeds can be found in the [Leeds Poverty Factbook](#)

<sup>5</sup> Source: Department for Business, Energy & Industrial Strategy, 2020 results published in April 2022. Details are available online [here](#)

### ***Impact of the cost of living crisis***

Prior to the COVID-19 pandemic, the combined impact of austerity with sustained public sector funding reductions, welfare reform, and an increase in low paid and insecure employment all contributed to increasing and deepening levels of poverty in Leeds and across the UK. Research undertaken in Leeds<sup>6</sup> concluded that in 2018 residents were less resilient and worse prepared for an external shock or crisis than in 2004, with significantly lower propensity to save and higher likelihood of being in debt.

The onset of the COVID-19 pandemic in 2020 proved to be such a crisis, increasing pressures on low-income households and the most vulnerable in society, as well as pushing many additional households to experience financial uncertainty and hardship for the first time.

Many vulnerable groups, including low-income households, were disproportionately affected by issues such as reductions in income due to job losses, and the later removal of national support measures and schemes such as furlough and the £20 Universal Credit uplift, all occurring alongside increasing household costs due to rising bills, energy usage and supply challenges. This has been further exacerbated under the current cost of living crisis, with inflation rising to a 41-year high of 11.1% in October 2022.

Nationally, research is evidencing key groups and demographics impacted by the cost of living crisis:

- The Joseph Rowntree Foundation's report in December 2022<sup>7</sup> details how households on the very lowest incomes are going without food or other basic essentials like clothing or toiletries and in particular, people on Universal Credit, private renters and young adults are all seeing rising and worrying levels of hardship.
- The Child Poverty Action Group estimated in August 2022 that large families with children, lone-parent families and pensioner couples will be most at risk of falling into fuel poverty by January 2023<sup>8</sup>.
- The Runnymede Trust reported in October 2022 that minority ethnic people are heavily over-represented amongst the lowest-income groups and currently experience much higher levels of food insecurity, material deprivation and fuel poverty. The report estimated that 32% of white people are likely to experience fuel poverty this winter compared to 52% of black and minority ethnic people (rising to 66% of Pakistani and Bangladeshi people).<sup>9</sup>

Local evidence for Leeds is also highlighting how the cost of living crisis is affecting those on the lowest incomes. Data from clients accessing support from Citizens Advice Leeds (CAL) and Chapeltown Citizens Advice reveals:

- Fuel debts and Council Tax arrears continue to be the largest debt enquiry areas. Fuel debt and utilities enquiries in particular have increased significantly, attributable to the first price cap increase in April 2022.
- In terms of client demographics, 36% of clients were from households with dependent children, 87% were of working age, 49% had a long-term health condition or disability and 39% of clients were from ethnic minority communities.

Analysis on the latest earnings data from April 2022<sup>10</sup> highlights that it is those on the lowest incomes being hit the hardest by the cost of living, with over 6% of their weekly earnings being lost

<sup>6</sup> Wivk, P., Dayson, K., Curtis, J., (2018) 'Research into financial inclusion in Leeds', Community Finance Solutions, Manchester: University of Salford available at: [Leeds-Financial-Exclusion-and-Poverty-Report-University-of-Salford.pdf](#)

<sup>7</sup> Earwaker, R. (2022), 'Going under and without: JRF's cost of living tracker, winter 2022/23', Joseph Rowntree Foundation. Available at: [Going under and without: JRF's cost of living tracker, winter 2022/23 | JRF](#)

<sup>8</sup> Bradshaw, J. & Keung, A. (2022), 'Fuel poverty: updated estimates for the UK', Child Poverty Action Group, 4 August 2022. Available at: [Fuel poverty: updated estimates for the UK | CPAG](#)

<sup>9</sup> Edmiston, D., Begum, S. and Kataria, M. (2022), 'Falling Faster amidst a Cost-of-Living Crisis: Poverty, Inequality and Ethnicity in the UK', London: Runnymede Trust. Available at: [633d8007a3bfa49bd4cd0fa8\\_Runnymede Briefing Cost of Living FINAL.pdf \(website-files.com\)](#)

<sup>10</sup> More information and analysis on the inflationary impacts on Leeds Wages can be found in the [Leeds Poverty Factbook](#)

to inflationary impacts, whereas earners on median and top 10% incomes are seeing a real-time cut to their weekly earnings of under 2%. In Leeds, for its full-time equivalent (FTE) resident employees, median weekly earnings increased to £536.60, up £36.20 from a year earlier on a nominal basis; but when this is adjusted for inflation, median weekly wages fell by almost £10 per week. Looking at the real-term impact on the lower 10% of earners, FTE residents' earnings had increased nominally by £5 a week on the previous year to £189 per week, but once inflationary impacts are taken into account, wages for the lower 10% of earners in Leeds fell by almost £12 per week in real terms. The top 10% of earners saw their wages increase to £1,061 per week but are losing almost £15 a week in real terms.

The University of Leeds published its Deep Poverty research<sup>11</sup> in October 2022, drawing on data collected via in-depth qualitative interviews with 40 people living on a very low income across Leeds. The research explored the distinctive experiences and support needs of those in deep poverty and highlighted the following areas of concern:

- The rising cost of gas and electric was changing the types of foods that participants bought and the decisions they made within the household, with considerable implications for their physical and mental health.
- Difficulties providing for children were particularly pronounced among large families, subject to the two-child limit cap on welfare benefits. A common practice among parents was to attempt to shield children from hardship through either parental sacrifice or accessing help.
- For the majority of participants, personal borrowing and household arrears were necessary to bridge the gap between needs and incomes but this made it much harder to escape their financial situation.
- More than three quarters of participants had some form of loan, credit card, debt or arrears with many trapped in a 'vicious cycle' of accumulating debts to cover living costs.
- Deductions and recoveries within the benefits system had a large knock-on effect on household finances, with many participants turning to informal lenders, high-interest providers or loan sharks to bridge the gap.
- Many participants were living in poor quality and insecure housing which presented a significant psychological burden, often negatively impacting participants' capacity to plan for their future. Key barriers to safe and stable housing included long waiting lists for social sector housing, discriminatory treatment from private landlords and unresolved complaints about damp and urgent repairs.
- Coping with severe hardship leaves many in a state of poor physical health.
- Stress, anxiety, and depression were also very widespread among participants, with many making references to extreme psychological distress and contemplation of suicide.

### Third sector

The council recognises and values the critical and significant role that the third sector plays in the life of the city and the importance of a diverse sector as articulated in the Leeds Third Sector Ambition Statement. The council has a long tradition of working in collaboration with the third sector in order to deliver the best possible outcomes for the people of Leeds, demonstrating its commitment to the sector in many ways.

#### *Partnership and engagement relationships*

The council invests financial and staff resource in the development and maintenance of partnership and engagement relationships with the sector, including city-wide strategic bodies and a network of locality, service, thematic, community and equality-focused third sector forums. This facilitates strategic engagement with the sector, dialogue between the sector, council and a range of

<sup>11</sup> Edmiston, D., Hyde, E., and Adnan-Smith, T. (2022), 'The cost of not living: everyday financial crisis in Leeds', Leeds: University of Leeds. Available at: [Deep Poverty Report FINAL \(deep-poverty.co.uk\)](https://deep-poverty.co.uk/)

partnerships and forums and enables the council to have better reach into communities through the third sector, resulting in more effective co-production and collaboration on key city and locality agendas. For example, the council provides executive support and plays a leading role in the Third Sector Partnership. This is a key part of the city infrastructure through which the third sector, council, NHS, universities and other public sector partners work together to ensure that collectively the conditions are created for a thriving third sector, so organisations can deliver better outcomes for the people of Leeds.

### ***Investment in third sector infrastructure support***

The council invests in third sector-based infrastructure which provides a range of support to frontline third sector organisations, including: financial management, fundraising, training, legal, constitutional issues and governance, organisational development, volunteer management and brokerage. This investment has a particularly important role in ensuring that there is support for small and emerging groups and those groups from minority and marginalised communities and priority neighbourhoods.

### ***Investment in the wider sector***

The council makes a significant financial investment in the sector each year. An annual analysis of the council's investment in the third sector is produced and presented to the Third Sector Partnership, allowing council colleagues and partners to track trends, scrutinise and build an overview of where investment is made.

Provisional analysis shows the council's overall investment in the third sector to have been £132.1m in 2020/21 with 948 individual third sector organisations and £136.1m in 2021/22 with 1,158 individual third sector organisations. It should be noted that the scale and stability of the council's business with the sector has been broadly maintained in a period of very challenging financial circumstances for the council. In 2021/22, Members Improvement in the Community and Environmental (MICE) allocation totalling £185,478 was invested in third sector-led, community-based initiatives. The council, along with third sector partners, continues to review the analysis of the council's financial relationship with the sector in order to understand whether the approach is supporting our shared ambitions for the sector and the city.

### ***Dialogue with the third sector around budget pressures, future direction of travel and investment in the sector***

There is ongoing dialogue with the third sector regarding the budget challenges and future plans, for example:

- In January 2023, the council's Deputy Chief Officer Financial Services will provide Third Sector Partnership with an overview of the council's financial position and the challenges that will need to be addressed. Further discussion has, and continues to take place on the analysis of council and health third sector spending, alongside analysis from the National Lottery Community Fund and Leeds Community Foundation.
- Council directorates have well-established ongoing arrangements and dialogue with their third sector partners and other interested third sector stakeholders which shapes and informs their approach to the budget challenges and their priorities. The Compact for Leeds (available [here](#)) sets out well-understood expectations for regular detailed discussions with organisations that will be impacted by any budget reductions or changes.
- In September 2022, Third Sector Leeds (TSL) published a 'Response to the Cost of Living Crisis' position paper (available [here](#)), which explored the resilience of the third sector to continue supporting communities, and set out the significant pressures faced by the third sector in light of the cost of living crisis. The third sector held discussions with the council and health authorities, where it was noted that financial pressures are likely to be enduring, at least in the medium term. It was agreed a number of key actions should be taken forward as part of

securing the longer-term resilience of the third sector which will be progressed through the existing third sector partnership arrangements. Within this, there is a clear recognition that there is a need to plan for the longer-term resilience of the sector through the development of a city-owned Third Sector Strategy in order to set out a path for more detailed and longer-term work around key areas such as social value and inward investment. This work recognises there are ongoing opportunities for the third sector to leverage in investment from other areas, lessening the pressure on statutory partners; however, this needs to be better understood and quantified. The Third Sector Strategy builds upon a decade of developing trust, understanding and teamworking approach within the broad framework of the Best City Ambition. It also aims to bring together Leeds policy commitments such as the Compact for Leeds, Third Sector Ambition Statement and Characteristics of a Thriving Community.

- Voluntary Action Leeds and the council published the *'Volunteering and COVID-19 in Leeds'* report in October 2022, which draws together learning from the collective response to the pandemic (available [here](#)). The report sets out the city-wide response through the Community Care Volunteering programme and the tiered approach to volunteering from the provision of support delivered by volunteers to people in their homes and through Community Care Hubs. It details how volunteers became part of the city-wide response to the emergency whereby Community Care Hubs provided 251,166 food parcels, 459,969 befriending calls, and 42,332 other volunteer activities from March 2020 to January 2022. The report works through the response to consider lessons learned, and how this would influence any future response to a crisis, ending with a number of actions which set out a 'blueprint' for future action:
  - Develop Networks to support community-led responses
  - Ensure volunteering infrastructure is in place
  - Articulate a shared vision for volunteering
  - Provide tools to support volunteering
  - Bring strategic leaders together to oversee and shape the response

This work has contributed to Voluntary Action Leeds' current work to coproduce a Volunteering Strategy for the city.

- The Community Care Hubs agenda has led to the Community Anchor Model: a network of third sector organisations being set up in each ward across the city. Each ward will have a third sector organisation acting as the 'Anchor' who will establish close relationships with organisations in their local area, while also having valuable links with organisations and networks from multiple sectors across Leeds. The *'Shaping the 'Community Anchor Model' for Leeds'* report (June 2022) (available [here](#)) contains research exploring the new Community Anchor Model being developed in Leeds, with a range of views included from key stakeholders across the third sector, health and the council.
- Following COVID-19, the Communities of Interest network of community-based organisations was established in partnership between Forum Central, Voluntary Action Leeds, Healthwatch and the council. Its aim is to ensure information and support connects with the most marginalised and vulnerable communities in Leeds. The network brings together representatives from third sector organisations supporting diverse communities from across Leeds to discuss and identify priority needs/issues and opportunities. The network is seeking to widen its aims beyond COVID-19 to address health inequalities more broadly.

### ***Ongoing commitments and developments***

The council continues to drive and support a range of initiatives to ensure that Leeds has a thriving third sector and strong civil society that can deliver for all of the people of Leeds. For example:

- The Third Sector Partnership continue to build on the following policy commitments (all available to download [here](#)):
  - Compact for Leeds



- Third Sector Ambition Statement
  - Characteristics of a Thriving Community
  - Leeds Pledge to Strengthen Civil Society
  - Leeds Commissioning Code of Practice
  - Leeds Code of Practice for Working Together
  - Social Value Charter
- The council is a member of the Keep it Local Network and has adopted the Keep it Local principles to support and encourage a determined focus on the 'local' through: investing in, and building on, local community assets; utilising local investment and resources for maximum local benefit; maximising external investment into the city; promoting collaboration and co-production across sectors for maximum local impact; and through the delivery of locally-focused and delivered, sustainable, people-centred services, saving money and minimising demand on public sector funding. Further work is planned for 2023 to engage with the network and share good practice.
  - The council facilitates the cross-sector Funding Leeds Partnership, which has been leading on ambitions to maximise external investment into Leeds through the third sector by making funding information and support accessible. This includes the Funding Leeds platform: a comprehensive database of funding opportunities with information about local support that is available online and free to access. The platform is a valuable contributor toward a thriving third sector: in 2021/22, organisations and community groups successfully self-declared, obtaining funding to the value of £2,173,861. The council has recently renewed the licence for the Funding Leeds platform until December 2024.
  - The People's Commissioning arrangements in the council, recently renamed Third Sector Commissioning, Collaboration and Partnership Group Meeting, provide a vehicle to ensure that investment, including in the third sector, is coherent and coordinated.

Council colleagues and third sector partners will continue to broker further discussions as necessary on budget, global, national, local and other emerging challenges that impact on Leeds, in order to drive new ways of working and contribute to the delivery of the city ambitions; specifically, to ensure that there is a diverse and thriving sector that continues to involve, engage and meet the needs of all communities.

## **Equality impacts and improvement work**

### ***Introduction***

As described above, we know that some of our communities have poorer outcomes than others and this affects them individually as well as the city as a whole. We are committed to making equality a reality for all the citizens of Leeds. We want Leeds to be a city where people are able to recognise, value and embrace diversity and difference. We will support people from different backgrounds and ages to feel comfortable living together. We will work with organisations across Leeds to promote a clear and consistent message that prejudicial views or behaviour that could result in hate incidents or crimes are not tolerated or condoned. We will work with communities to ensure people are treated with dignity and respect and the causes of unfairness are understood and addressed.

We value the contributions that all citizens in Leeds make to our city and we want everyone to recognise and appreciate these. We will ensure that we show kindness, and empathise with the difficult situations people find themselves in. We will do what we can to work with them to help them alleviate these. We want to live in an equal society which recognises different people's different needs, situations and goals and removes the barriers that limit what people can do and can be. We will consider all the protected characteristics covered in the Equality Act 2010, and we will also widen our considerations to others who are disadvantaged in other ways, for example, by poverty.

## Equality Improvement Priorities

The council's Equality Improvement Priorities were developed to ensure that the authority meets its legal duties under the Equality Act 2010 and to complement its strategic 'Best City' ambition to tackle poverty and reduce inequalities.

Equality analysis continues to be used to set the council Equality Improvement Priorities and has also been used to inform, and is an integral part of, the council's Budget proposals. The Equality Improvement Priorities recognise that there are currently different outcomes and experiences for different groups and communities, highlighting the challenges the city has to address in order to tackle inequalities and help people out of poverty.

Tackling poverty and reducing inequalities has been the council's strategic ambition for a number of years and thus work was already in progress by the council and its partners prior to COVID-19. Improving equality outcomes and tackling inequality are inextricably linked and the impact of the COVID-19 pandemic brought this to the fore: work that was taking place since the start of the pandemic in 2020 demonstrated that there is a disproportionate or differential impact on inequality due to COVID-19 on the city's Communities of Interest and the protected characteristics as required under the Equality Act 2010. This work highlighted that action needed to be taken to address these social, structural and economic inequalities to ensure they did not worsen.

As a result, in July 2021 the council agreed a new approach to the council's Equality Improvement Priorities for 2021 to 2025, developed to take into account the disproportionate and differential impact of COVID-19 on inequality. Three cross-council Equality Improvement Priorities were agreed with a further eight Priorities aligned with the eight Best City priorities as set out in the council's strategic plan at the time, the Best Council Plan 2020 to 2025, helping to hardwire the council's approach to improving equality and tackling inequality into its strategic framework.

Equality Improvement Priorities 2021 to 2025			
Cross-council		Best City aligned	
<ul style="list-style-type: none"> <li>Budget</li> <li>Procurement</li> <li>Employment and Organisational Culture</li> </ul>		<ul style="list-style-type: none"> <li>Age-Friendly Leeds</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Infrastructure</li> </ul>
		<ul style="list-style-type: none"> <li>Health and Wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>Inclusive Growth</li> </ul>
		<ul style="list-style-type: none"> <li>Child-Friendly City</li> </ul>	<ul style="list-style-type: none"> <li>Housing</li> </ul>
		<ul style="list-style-type: none"> <li>Culture</li> </ul>	<ul style="list-style-type: none"> <li>Safe, Strong Communities</li> </ul>

The Strategic Equality Improvement Priorities 2021 to 2025 help ensure the council continues to meet its legal duties but, more importantly, continue to improve equality outcomes and help tackle the barriers to poverty and disadvantage for the citizens of Leeds. The priorities do not include all our work across all the protected characteristics, but highlight those areas where there are significant differences in outcomes for people due to those characteristics. We believe that by addressing these areas we will make Leeds a better city for everyone. We welcome all communities in Leeds and value the contributions that our citizens make to our city.

In addition to delivering these Strategic Equality Improvement Priorities the council has developed a new Equality Vision and Action Plan to assist the council with 'stepping up a gear' (please see the report, 'A refreshed approach to Equality, Diversity and Inclusion' elsewhere on the February 2023 Executive Board agenda). This reflects the significant national and local challenges which have arisen from the pandemic, cost of living crisis, austerity and Brexit, as well as the city's changing demographics outlined in the early Census returns and the increasing expectations of our citizens to make progress on addressing inequality.

## Summary and next steps

The proposed Budget 2023/24 recognises the challenges that the city and the council are facing: rising cost of living and other financial pressures, increased demands on public services and deep-rooted inequalities. Maintaining a clear, strategic vision centred firmly on tackling poverty and

inequalities with a Budget and wider financial strategy that supports this will help tackle these challenges.

Our strategic ambitions and Budget are aimed at tackling inequalities through a range of activity and interventions. This requires an understanding of the potential negative impacts on communities and protected characteristics covered by the Equality Act 2010 and action identified to mitigate against these. The Budget will impact on all communities and, as previously stated, those groups identified at being at the greatest potential risk of negative impact include:

- Disabled people – including all impairment groups;
- Ethnic minority communities;
- People from new and emerging communities;
- Women;
- Older and younger people; and
- Low socio-economic groups (within this group, there is over-representation by disabled people and ethnic minority communities).

Other considerations consider a range of factors including:

- Stakeholder status - for example, whether one is a service user, employee or elected member; and
- Potential barriers - for example, the built environment, location, stereotypes and assumptions, timing etc.

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.

The council is fully committed to ensuring that equality and diversity are given proper consideration when we develop 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. Equality impact screenings were carried out on all 'service review' revenue savings proposals previously approved by the Executive Board for implementation / consultation at its December 2022 meeting, contributing to this proposed Budget. Full equality impact assessments will continue to be carried out as appropriate on specific proposals in relation to implementing the Budget during 2023/24 and beyond through the council's decision-making processes.

This is a high-level strategic analysis and equality impact assessment of the proposed Budget and Council Tax for 2023/24. It has not identified any specific gaps in the equality and diversity information used to carry it out.

### VIREMENT DECISIONS TO AMEND APPROVED BUDGETS

#### Supplementary Votes (releases from the General Fund Reserve)

Supplementary votes, i.e. the release of general fund reserves, will only be considered in exceptional circumstances. The following approvals are required:

Up to £100,000	Chief Finance Officer <sup>(1)</sup>
Up to £5m	Executive Board
No specific limit	Council

#### Delegated Virements

- 1 Virement between budget book service heads, within the appropriate budget document approved annually by council will only be permitted in accordance with the following rules and value limits, summarised in Table 1. The virement limits and rules are set annually by council as part of the budget approval process.

The value limits apply to individual virements and are not cumulative.

- 2 Decisions taken in respect of virements will be executive decisions and should be taken in accordance with the requirements for delegated decisions in the council's constitution. Since by definition decisions which require virements do not fall within an existing budget, they should be treated as significant operational decisions unless they meet the threshold to be treated as key decisions. It is expected that any virement decisions arising from substantive operational decisions will form part of an overall decision making report, rather than being treated as a separate decision.
- 3 It should be noted that, whilst directors have delegated authority to approve virements up to £5 million, as with all executive delegations these are made save where the Leader or relevant Portfolio holder has directed, or where the director believes it is appropriate, that the matter should be referred to Executive Board for consideration.
- 4 Proposals to vary budgets arising as a result of the need to address a potential overspend (including shortfalls in income), recycling of efficiency gains and changed spending plans should satisfy the following criteria prior to approval by the decision taker as outlined within the attached table.

In considering proposals to vary budgets, the decision taker will take account of:

- The reason for the request for virement
- The impact on the council as a whole, including employment, legal and financial implications
- The impact on the efficiency of the service as a whole
- The sustainability of the proposals i.e. long term effects

- Whether the proposals are consistent with the council's priorities outlined within the Corporate Plan
- Whether the proposals are consistent with the Budget & Policy Framework
- The cumulative impact of previous virements

In addition, where a virement request exceeds £125k in value the decision-taker must seek the advice of the Chief Finance Officer as to the council's overall financial position prior to approval of the request.

- 5 Where *fortuitous savings* have arisen in any budget head, these should be notified to the Chief Finance Officer immediately they are known. Fortuitous savings are defined as those savings where their achievement has not been actively managed and may include, for example, savings in business rates or lower than anticipated pay awards. Any fortuitous saving in excess of £100k will not be available for use as a source of virement without the prior approval of the Chief Finance Officer.
- 6 Where wholly self-financing virements are sought to inject both income and expenditure in respect of, for example, approved external funding bids, there is no specific limit to the amount which can be approved by directors.
- 7 All virement and other budget adjustment schedules together with a copy of the Delegated Decision Notice and any supporting documentation should be submitted to the Chief Finance Officer for information and action within the financial ledger.
- 8 The Chief Finance Officer reserves the right to refer any virement to members where there may be policy issues.

## **Other Budget Adjustments**

- 1 There is a de-minimus level for virements of £10k, below which any variations to net managed budgets will be deemed other budget adjustments. Budget movements that are not between budget headings within the approved net managed budget will also be other budget adjustments.
  - 2 The Chief Finance Officer may also approve budget adjustments of unlimited value where these are purely technical in nature. Technical adjustments to budgets are defined as those which have no impact upon the service provided or on income generated.
- (1) The role of the Chief Finance Officer (section 151 officer) is fulfilled by the Chief Officer Financial Services

**Table 1****Maximum delegated limits for revenue virements**

<b>Approval Type</b>	<b>Full Council</b>	<b>Executive Board</b>	<b>Chief Finance Officer</b>	<b>Directors*</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>A) Supplementary Votes (i.e. release of general fund reserve)</b>	<b>No specific limit</b>	<b>5,000,000</b>	<b>100,000</b>	<b>None</b>
<b>B) Virements of the net managed budget into or out of budget book service headings:</b>				
<b>1. Within a directorate</b>	<b>No specific limit</b>	<b>5,000,000</b>	<b>None</b>	<b>5,000,000</b>
<b>2. Between directorates</b>	<b>No specific limit</b>	<b>5,000,000</b>	<b>None</b>	<b>5,000,000</b>
<b>C) Self-financing virements of the net managed budget (from External Funding)</b>	<b>No specific limit</b>	<b>No specific limit</b>	<b>None</b>	<b>No specific limit</b>

\* Any reference to a director within the constitution shall be deemed to include reference to all officers listed in article 12 of the constitution.

Decisions taken by directors would be subject to consultation with the Chief Finance Officer as required under delegated decision procedure rules.



# LEEDS CITY COUNCIL 2023/24 BUDGET REPORT

## Directorate: Adults & Health

### 1. Introduction

- 1.1 This report has been produced to inform members of the main variations and factors influencing the Directorate's budget for the 2023/24 financial year.

### 2 Service Context

- 2.1 The current context for Adult Social Care and Public Health is still influenced by the Covid pandemic and the resultant pressures this has put across the health and care system. It has necessarily changed significantly how, and which, services are commissioned and delivered. This along with the economic situation means the near future remains uncertain; in Public Health sizeable efforts will still need to be directed to managing the pandemic and its after-effects throughout next year and a possible reprioritisation of services funded by the Public Health grant. Adult Social Care will work within an uncertain environment of changes to its service offer mix and whether those changes are permanent or temporary, and a care market significantly affected by the pandemic, workforce, and inflationary pressures. With specificity to each service the following aims to add further context.
- 2.2 **Adult Social Care:** the national context for Adult Social Care continues to be one of demographic increases, increased life expectancy, increasing complexity of need, increasing acuity of need and service user expectations, greater support for people to remain living independently in their own homes for as long as possible, a national drive to improve the quality of social care services and an increasing focus on the integration of health and social care services. These national trends, which are leading to increased cost pressures, have been evident for many years, but the economic climate is putting increasing pressure on public finances and the reductions in public spending have added to the financial challenges faced by Adult Social Care.
- 2.3 To partially mitigate this financial pressure, the Government, in its 2022 Spending Review, announced an increase in the Social Care Grant and that local authorities will be permitted to levy a 2% adult social care precept increase.
- 2.4 There is a concern that, given the scale of demand and cost pressures on adult social care this additional funding will not fully address the financial challenges faced, particularly within the context of continuing funding pressures for the Council as a whole. In September 2021, the Government presented to Parliament proposals for future funding reforms for Health and Social Care, "Building Back Better: Our Plan for Health and Social Care". This programme has now slipped to October 2025. Most of the funding earmarked for implementation from October 2023 has now been allocated as additional Social Care Grant and new Better Care Fund grant requiring close working with the Leeds Integrated Care Board (Leeds-ICB).
- 2.5 The pandemic had had an impact on the mix of care provided, particularly a move from residential to community-based care. The last year has seen this flow reversing and the long-term effects of this may impact on the types and volumes of future provision.
- 2.6 Adult Social Care will continue to develop and implement its approach to design care and support arrangements around the strengths of individual service users and carers (strengths

based social care), and the assets available within their communities empowering them to live the 'Better Life' that they want for themselves. In addition, it will continue to work with NHS partners to develop plans for meeting the needs of the NHS England-led Transforming Care programme and health and social care initiatives.

- 2.7 **Public Health:** Public Health commissions a wide range of providers to deliver Public Health services. These include 3rd sector providers, GPs, Pharmacists and Leeds Community Healthcare. Though the government has announced that Public Health grant will be maintained in real terms until 2024/25, this does not reverse the significant real terms cut to the grant since 2015/16. After several years of cuts and new burdens the service is still operating on a smaller grant than in previous years.

### 3 **Budget Proposals**

- 3.1 This 2023/24 budget has been set at £198,719k representing a net increase of £1k (0.5%) when compared to the adjusted budget for 2022/23. This net increase comprises several changes in resources totalling £20,409k and pressures totalling £37,160k, offset by savings of £16,190k which are explained below.

#### 3.2 **Budget Adjustments and Transfers**

- 3.2.1 Other budget adjustments totalling £515k are reflected in the 2023/24 budget which have an overall net impact of increasing the budget.
- 3.2.2 These include £596k inflation for Passenger Transport delivered in Resources and Housing; split £486k pay inflation, £10k for additional days leave and £100k for fuel inflation.
- 3.2.3 £81k IT (Information Technology) budgets transferred into Digital Information Services within Resources and Housing.

#### 3.3 **Changes in Specific Grant Funding – increase of £27,444k**

- 3.3.1 New Social Care Grant announced in the autumn statement amounting to £25,782k has been included in the 2023/24 A&H budget. The Government will set out further details on the conditions of this funding in due course.
- 3.3.2 Additional Better Care Fund (BCF) grant, £1,662k also announced in the autumn spending review. The funding will be required to be pooled as part of the BCF with the Leeds - Integrated Care Board (Leeds-ICB) and further details on the conditions will be announced in due course.

#### 3.4 **Changes in Use of Reserves and Balances – reduction of £2,035k**

- 3.4.1 A reduction in the use of Social Care reserves totalling £2,035k will be applied in 2023/24. This is represented by the removal of the 2022-23 £5,335k planned use of reserves, offset by £3,300k to support specific Adults & Health innovation programmes in 2023/24 onwards.

#### 3.5 **Changes in Other Resources - reduction of £5,000k**

- 3.5.1 The 2022/23 budget included £5,000k contribution from Leeds Health partners to support Leeds City Council expenditure that directly supports their services. The contribution was to support both Adults & Health and Children & Families services and was always a risk. Due

to additional funding being received, primarily Social Care Grant and Better Care Funding, this target has now been removed from the 2023/24 budget.

### **3.6 Pay Inflation – pressure of £3,985k**

- 3.6.1 This budget provides £3,985k for two elements of pay inflation: the Employers final pay award for 2022/23 not provided for in the 2022/23 base budget and an assumed 2023/24 pay award, which incorporates the recently announced Real Living Wage of £10.90 at scale points 1 and 2 and a 4% pay award for all other staff. This 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 £10.90 per hour which is 48 pence above the National Living Wage rate. Apprentices and new starters on the A1 spinal point will also be paid £10.90 per hour.

### **3.7 Price Inflation – pressure of £30,340k**

- 3.7.1 **Energy Inflation:** The Council's forward purchasing of energy has hedged the Council significantly against the full impact inflationary factors on energy prices, despite which a significant budget impact is forecast. Forecasts assume continuation of a government business energy cap beyond March 2023, and the Budget allows for a 118.5% increase for inflation on gas budgets and a 64.0% increase on electricity budgets, together providing £338k.
- 3.7.2 **Fuel Inflation:** This budget also provides a 27.45% increase for the impact of inflationary increases on the cost of fuel, providing £1k.
- 3.7.3 **NNDR Inflation:** This budget provides £19k for additional NNDR uplift in charges.
- 3.7.4 No provision has been made for inflation on running cost budgets other than demand-based budgets and where there are specific contractual commitments. The main provision for price inflation is £29,982k for care packages and other commissioned demand led services. The modelling for the care packages assumes providers delivering residential care pay staff a minimum of the Real Living Wage (RLW) of £10.90 and for Homecare RLW + 40p. This is an increased commitment over previous years where for residential settings the National Minimum Wage (NMW) was built into the model for framework prices and for Homecare NMW plus 40p.

### **3.8 Actuarial Review – saving of £79k**

- 3.8.1 The 2023/24 budget reflects a reduction in the Employers Pension contribution percentage to the West Yorkshire Pension Fund of 0.2% to 15.7%, saving an estimated £79k.

### **3.9 Capitalised Pension Costs – saving of £60k**

- 3.9.1 The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £60k.

### **3.10 Demand and Demography – pressure of £2,311k**

- 3.10.1 Additional provision of £2,311k has been made to reflect the demand and demographic pressures forecast for the 2023/24 for care packages. In recognition of the financial challenges facing the council the Directorate intends to put measures in place to carefully manage this demand and ensure the costs of care packages represent value for money.

Whilst the additional provision has been allocated across placements, domiciliary care, direct payments and the learning disability pooled budget, the type of service will reflect client needs and choices so each element of the community care packages budget cannot be predicted with absolute accuracy.

### **3.11 Other budget pressures – £664k**

- 3.11.1 Several corporately managed areas have had a small impact on the Adults and Health 2023/24 budget: reduction in insurance provision, £8k; increased Apprentice Levy provision, £22k. The increased insurance costs reflect changes in the number and value of insurance claims.
- 3.11.2 As part of the 2022/23 pay settlement an additional day's leave has been awarded to NJC (National Joint Council) staff; impact for Adults & Health is £249k additional pay costs.
- 3.11.3 Following a review of charges into the HRA (Housing Revenue Account), a budget adjustment of £401k has been made to Adults & Health 2023/24 budget to reflect the current cost of services provided.

### **3.12 Savings**

### **3.13 Business As Usual – £15,020k**

- 3.13.1 Since February 2022, A&H Directorate has had 48 Business As Usual proposals approved at the February, September and December 2022 Executive Board meetings. These can be grouped up into 6 themes as detailed below.
- 3.13.2 Employee savings proposals of £577k for increasing the budgeted vacancy factor, where appropriate, by 1%, to an average of under 4%. This reflects current recruitment difficulties in a very challenging and tight job market.
- 3.13.3 Commissioning savings proposals of £2,880k have been proposed. £1,130k for contract reviews across all areas; £1,000k for homecare and increased performance of the demand led budget; £500k savings from switching from block contracts with providers to individual packages; £250k to reduce hospital stay cover for homecare from 3 weeks to two weeks.
- 3.13.4 Demand management savings proposals of £1,480k have been proposed. £500k from reviewing Learning Disability (LD) packages; £430k reduction in the budget for Shared Lives / Short Breaks reflecting historical and current trend; £350k LD betterment in trend for both expenditure and income; £200k relaunch of Direct Payments offer.
- 3.13.5 Invest to Save proposals of £310k have been proposed. £160k for increasing occupancy of in-house provision and £150k in Adult Operational Services for increased income collection.
- 3.13.6 Income proposals of £8,700k have been proposed. £3,600k for increase in client income from residential homes, recognising existing trends; £2,500k for improved collection of financially assessed client income; £2,000k increase in client income resulting from the uplift in government benefits from April 2023; £350k additional dowry income from the growth in the Transforming Care programme; £200k new business plan for the in-house telecare service and £50k workforce development increased income target.
- 3.13.7 Other proposals of £1,073k have been proposed. £575k from reviewing back office and non-demand led budgets; £103k for charging the staffing costs for the Chief Officer Service

Transformation Team into the capital receipts and flexibilities corporate fund; £120k contribution towards a jointly commissioned contract (Touchstone); £255k general reduction in trend, care record system and pharmacy technician contracts; £20k Leeds Safeguarding Board.

### 3.14 **Service Review £1,170k**

- 3.14.1 Further savings from the review of Adult Social Work provision, where areas for consideration were (a) changes in Social Care at 'the front door,' to maximise capacity to meet growing demand for information, advice, and a social care assessment of needs, embedding an 'independence first' approach that uses Occupational Therapy staff; (b) Changes to Social Work reviewing functions to maximise capacity to meet statutory social care duties by piloting a new Community Reviewing Team. This will include Occupational Therapy and Social Work staff to enhance the capacity of the current Adult Reviewing Team to deliver an increased reviewing schedule, will generate a further saving of £1,120k.
- 3.14.2 Further savings from aligning in-house mental health provision with strategic commissioning work & reviews, leading to increased partner contributions, greater alignment to care pathway (i.e., provision supporting more individuals who would have otherwise needed another mental health care package elsewhere), reduction in void costs, better use of internal resources and increased move on, further saving £50k.

## 4 **Risk Assessment**

- 4.1 In determining the 2023/24 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 as carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2023/24 budget for the Adult & Health Directorate are:
- 4.2 For Adult Social Care, a significant ongoing risk relates to the demand led nature of the services provided, together with the statutory responsibility to ensure that all assessed eligible needs are met, which means that the expenditure requirements to be met from the Adult Social Care budget cannot be predicted with absolute certainty.
- 4.3 The impact of the continuing pandemic and the change on the current mix of care provided only enhances this risk. The budget is based on realistic demographic information using trends experienced in Leeds and national and local indicators that are available to the Council. However, the nature of demand for these services can be volatile and subject to demand factors that Adults & Health cannot directly control. The numbers of service users and the complexity of their needs may exceed the provision made within the budget; a modest percentage variance in numbers can give rise to a substantial cash variance. In this context, delivering several of the savings included within the 2022/23 budget carries some risk. The overall budget for demand led commissioned services is over £280m, as such just a 1% variance equates to £2.8m.
- 4.4 Over the last three years significant increases in client income contributions has been reflected in the A&H Budget. 2023/24 reflects additional client income of nearly £12m, taking the overall client income for 23/24 up to £51m. Some of this requires the go-live of a new IT platform, Billing Engine. Given the overall uplift in client income there is a risk that we do not achieve this level of income.

- 4.5 For Public Health, outside of the uncertainties that the Covid pandemic continues to provide, there is a continued risk of harm to health and an increase in health inequalities due to the impact of the reduced funding led cuts on commissioned services and programme budgets over the last few years. Though the grant was increased in 22/23 it is still lower than several years ago. Details of 2023/24 will not be announced till April 2023, at the earliest.
- 4.6 A risk of newly endorsed NICE (National Institute for Clinical Excellence) treatments becoming a cost pressure due to the Council's Public Health responsibilities. The Office of the Director of Public Health is responsible for several contracts which are activity based. There is a financial risk, based on the possibility of fluctuation of demand, some of which is determined by NHS tariff.
- 4.7 There is an overarching risk covering public health and social care relating to changes in national policy, practice, and legislation e.g., Agenda for Change, Transforming Care Programme.

Briefing note prepared by: Alun Ellis (Head of Finance)  
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**Directorate - Adults & Health**

	2023/24 £m	FTEs
<b>Net managed budget 2022/23</b>	197.64	
<b>Adjustments</b>	0.515	
<b>Adjusted net managed budget</b>	198.16	
<b>CHANGES IN RESOURCES</b>		
<b>Grant Reductions/Fallout</b>		
<b>Grant Increases</b>		
Better Care Fund (BCF)	(1.66)	
Social Care Grant and new burdens	(25.78)	
<b>Changes in the use of Reserves &amp; Balances</b>		
Remove 2022-23 Use of Reserves	5.34	
23-24 Use of A&H Reserves to pump prime future years savings	(3.30)	
<b>Changes in Other Resources</b>		
West Yorkshire - Integrated Care System	5.00	
<b>Total Change in Resources</b>	<b>(20.41)</b>	<b>0.00</b>
<b>PRESSURES</b>		
<b>Inflation:</b>		
<b>Pay</b>	3.99	
<b>Energy</b>	0.34	
<b>Fuel</b>	0.00	
<b>Other</b>		
Commissioned Demand Led Budgets reflecting paying the Real Living Wage	29.98	
NNDR	0.02	
<b>Employers Pension</b>	(0.08)	
<b>Capitalised Pensions</b>	(0.06)	
<b>Demographic and demand pressures</b>		
Demand & Demography	2.31	
<b>Other</b>		
Impact of additional days leave	0.25	
Insurance	(0.01)	
Apprentice Levy	0.02	
Review of charges into the HRA	0.40	
<b>Total Pressures</b>	<b>37.16</b>	<b>0.00</b>
<b>SAVINGS</b>		
<b>Business As Usual</b>		
<b>Staffing</b>		
Additional 1% vacancy factor & deletion of budgeted posts (not impacting upon service delivery)	(0.58)	
<b>Commissioning</b>		
Home care - reduction of hospital stay cover from 3 weeks to 2 weeks (removal of Covid measure)	(0.25)	
Review of mental health commissioned services for efficiencies	(0.10)	
Review of contracts for efficiencies in preparation for scheduled tender exercise	(0.08)	
Continued Value for Money work on high costs packages (working age adults)	(0.50)	
Continued review of CHC eligibility (older people and mental health)	(0.25)	
Review of mental health contracts (£117 health contribution)	(0.10)	
Individualisation of block contracts	(0.50)	
Invest to save proposal for home care - performance management	(1.00)	2.00
Review supported bank account contract (direct payments)	(0.10)	
<b>Demand Management</b>		
Shared Lives / Short Breaks - reflecting level of historic spend	(0.43)	
Review mid-price range learning disability packages	(0.50)	
Learning Disability - betterment in trend (income and expenditure)	(0.35)	
Direct Payment efficiencies	(0.20)	
<b>Invest To Save proposals</b>		
Increase utilisation of in-house residential provision	(0.16)	
Invest to Save proposal for Operational Finance Team	(0.15)	5.00
<b>Income</b>		
Launch of new business plan for Telecare Service	(0.20)	10.20
Workforce Development - additional traded income	(0.05)	
Improved collection of financially assessed client income	(2.50)	
Increase in client income - residential homes (recognition of trend)	(3.60)	
Increase in client income - impact of government benefits uplift	(2.00)	
Dowry funding regarding Transforming Care Programme	(0.35)	
<b>Other</b>		
Review back-office/non-demand budget spend	(0.58)	
Recovery of cost of Chief Officer Service Transformation from capital receipts flexibilities	(0.10)	
Other	(0.40)	
<b>Service Review</b>		
Year 2 further savings from the strategic review of Adult Social Work (front door & reassessment)	(1.12)	
Year 2 further savings from the in-house strategic mental health review	(0.05)	
<b>Total Savings</b>	<b>(16.19)</b>	<b>17.20</b>
<b>Net Managed Budget 2023/24</b>	<b>198.72</b>	<b>17.20</b>



# LEEDS CITY COUNCIL

## 2023/24 BUDGET REPORT

### Directorate: Childrens and Families

#### 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 2023/24 financial year.

#### 2 Service Context

The Children & Families directorate continue to deliver high quality, nationally recognised services to support and protect those most in need, recognised in our achievement of an 'outstanding' Ofsted judgement following inspection in early 2022. Within this context there are still significant challenges, with Leeds experiencing (in line with national trends) increased demand for services, at the same time as facing recruitment and retention challenges across a number of critical professional fields, e.g. social care and education psychology.

The current financial and cost of living crisis is having a disproportionate effect on our most in need families. According to the most recent publication from the DWP for the year ending 2020, 39,016 of Leeds children live in absolute low income - an increase of 4% compared to 2020 and 24% since 2016/17. 45,726 children in Leeds live in relative low income, which is an increase of 1.6% compared to 2019/20 and 31% since 2016/17. 28,374 (62%) of these children live in working families. The ONS has released data from the 2021 census, which shows that the population of Leeds increased by 8.1% since 2011, which is higher than the overall increase for England (6.6%) and for Yorkshire and the Humber (3.7%). The increase in the population under the age of 15 between 2011 and 2021 is 12.4%. The result is more families requiring support, as well as an increase in the number of children looked after (following a plateau during the previous two covid years) of around 100 over the last 12 months. Analysis shows this is due to increased numbers entering the care system, at the same time as a reduction in those ceasing to be looked after. A similar increase in demand has been seen within Learning, for instance the number of applications for Education Health & Care Plan assessment has risen rapidly, in the context of struggles to recruit and retain Educational Psychologists (a role critical to the completion of EHCP assessments). This increase in demand, coinciding with the workforce challenges has resulted in capacity issues within the directorate over 2022. A range of initiatives have been delivered to address these capacity issues, and the directorate is moving forward with a programme of transformation to further increase capacity, achieve efficiencies and future proof services

#### 3 Budget Proposals

- 3.1 This 2023/24 budget has been set at £142,837K representing a net increase of £8,439k (5.99%) when compared to the adjusted budget for 2022/23. This net increase comprises a number of changes in resources totalling £1,944k and pressures totalling £24,647k offset by savings of £14,666k which are explained below.

#### 3.2 Budget Adjustments and Transfers – increase of £1,368k

- 3.2.1 There have been a number of organisational changes and other budget adjustments which are reflected in the 2023/24 budget:

3.2.2 Following a review of charges into the HRA, an in year adjustment of £1,325k has been made to reflect the cost of services to the HRA

3.2.3 There is an adjustment of £380k relating to the transfer of IDS budgets from Childrens and Families to the Resources directorate. With a further budget transfer of £427k from CEL to offset the increased charges on passenger transport due to pay inflation.

### 3.3 **Changes in Specific Grant Funding – increase of £1,944k**

3.3.1 There is additional Social Care funding of £1,944k in relation to Children’s social care services.

### 3.4 **Changes in Use of Reserves and Balances**

3.4.1 There are no changes in the use of reserves and balances for 2023/24.

### 3.5 **Changes in Other Resources**

3.5.1 There are no changes in other resources for 2023/24.

### 3.6 **Pay Inflation – pressure of £6,823k**

3.6.1 This budget provides £6,823k for two elements of pay inflation: the Employers final pay award for 2022/23 not provided for in the 2022/23 base budget and an assumed 2023/24 pay award, which incorporates the recently announced Real Living Wage of £10.90 at scale points 1 and 2 and an assumed 4% pay award for all other staff. This 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 £10.90 per hour which is 48 pence above the National Living Wage rate. Apprentices and new starters on the A1 spinal point will also be paid £10.90 per hour.

### 3.7 **Price Inflation – pressure of £9,792k**

3.7.1 **Energy Inflation:** The Council's forward purchasing of energy has hedged the Council significantly against the full impact inflationary factors on energy prices, despite which a significant budget impact is forecast. Forecasts assume continuation of a Government business energy cap beyond March 2023, and the Budget allows for a 118.5% increase for inflation on gas budgets and a 64.0% increase on electricity budgets, together providing £1,503k.

3.7.2 **Fuel Inflation:** This budget also provides a 27.45% increase for the impact of inflationary increases on the cost of fuel, providing £12k.

3.7.3 **Price Inflation:** £8,277k has been provided for increased demand on Children Looked After (CLA) and financially supported non-CLA budgets (which include arrangements that prevent children from becoming looked after, such as special guardianship orders). The increase is partly offset by savings proposals detailed later in this report.

### 3.8 **NNDR - saving of £142k**

3.8.1 The provisional 2023/24 Business Liability assessment has indicated an estimated saving of £142k.

**3.9 Actuarial Review – saving of £132k**

3.9.1 The 2023/24 budget reflects a reduction in the Employers Pension contribution percentage to the West Yorkshire Pension Fund of 0.2% to 15.7%, saving an estimated £132k.

**3.10 Capitalised Pension Costs – saving of 94k**

3.10.1 The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £94k.

**3.11 National Living Wage - Commissioned Services – pressure of £590k**

3.11.1 Provision of £590k has been included for the estimated cost of the increase in the national living wage for external placement costs.

**3.12 Demand and Demography – pressure of £1,588k**

3.13 £1,588k has been provided for increased demand on Children Looked After (CLA) and financially supported non-CLA budgets (which include arrangements that prevent children from becoming looked after, such as special guardianship orders).

**3.14 Other budget pressures – £6,619k**

3.14.1 Provision has been included in the budget for an additional £4,500k of passenger transport costs, reflecting increased demand for passenger transport services that support special educational needs and disabilities.

3.14.2 £500k has been included for repayment towards previous borrowing against school balances, which supported early intervention and preventative services in Children's Services.

3.14.3 A further £50k has also been included in the budget for direct payments reflecting increased demand. An additional £37k has also been included to reflect increased apprentice levy payments.

3.14.4 A pressure of £1,944k is included in the budget to reflect the existing level of contribution from Health funding to support Children and Families services that deliver Health outcomes.

3.14.5 An additional £60k has been included to offset the cost of the additional days leave announced with the 2022/23 pay award.

3.14.6 Additional grant income of £320k has been included to reflect inflationary pressures against services supported by grants due to the pay award.

3.14.7 Fees and charges there is a proposed increased of 5% across all Children and Families traded services which will equate to additional income of £103k.

3.14.8 Due to a decrease in the funding of the Central Schools Services Block there is an income pressure of £95k.

- 3.14.9 An additional £150k has been included to reflect an increased demand for Childrens equipment.
- 3.14.10 A saving of £394k has been included for insurance costs, which reflects changes in the number and value of insurance claims.
- 3.14.11 An additional £100k has been included for school premature retirement costs and Further Education pension costs, based on recent trends.

### 3.15 **Savings**

### 3.16 **Business As Usual – £1,527k**

- 3.16.1 Savings of £1,024k have been included against Passenger transport in particular home to school transport provided through the children's transport provision.
- 3.16.2 Savings of £503k have been included for staffing efficiencies across the Directorate.

### 3.17 **Service Review £13,139k**

- 3.17.1 The current Children and Families contract register will be reviewed to identify efficiencies of £500k within commissioned services which will then be agreed with providers in accordance with the Compact for Leeds regarding notice.
- 3.17.2 A service review of the Commissioning and Market managements team is proposed this will include a full restructure of the service with an investment in new posts to allow the team the resource and capacity to generate efficiencies from commissioned activity based on the corporate model. It is anticipated that this review will deliver net savings of £4,000k primarily against the CLA budgets.
- 3.17.3 The Turning the Curve service review will consider the care plans of a number of children to determine if reunification with family is possible as well as providing additional scrutiny of a number of practice areas to safely reduce the need for children to become looked after. The Turning the Curve strategy and plan will be supported by additional capacity to secure pace and measurable progress against the agreed net savings proposals of £3,000k.
- 3.17.4 The budget also includes a net saving of £3,479k from the delivery of plans to diversify residential provision and foster care, as previously set out in the 2022/23 budget.
- 3.17.5 A further review will commence consultation with our recognised Trade Unions and engagement with staff across the Directorate about ways in which savings of £1,710k can be delivered through efficiencies and/or workforce reductions. Ideas generated from the consultation and engagement process will be considered in developing more detailed and specific proposals
- 3.17.6 A review of Children's Centres and Commissioned Family Service will consider possible means to generate service efficiencies by way of either savings, or the generation of new income. A savings target has been set of £450k.
- 3.17.7 To drive the directorates invest to save and service review proposals a Transformation Service will be established to provide the necessary grip and pace to the various workstreams that make up the directorates Transformation plan. This will provide much

needed additional capacity that will position the directorate well for national and regional income generating opportunities arising from the national Care Review and other national and regional initiatives' is estimated that this service will cost £1.4m which will be met by achievement of additional savings or additional contributions from partners.

- 3.17.8 A wider review of the Little Owls nursery provision will consider the local authority role in provision of day care, as well as the viability of the current business model with the aim of identifying further opportunities to achieve efficiencies across the Little Owls service. There is an estimated £1.4m in-year budget pressure for Little Owls which is not included in the budget gap for 2023/24. Therefore, savings up to this amount will not reduce the budget gap but will be significant in ensuring a robust and sustainable budget for 2023/24.

## **4 Risk Assessment**

- 4.1 In determining the 2023/24 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 as carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2023/24 budget for the Childrens and Families Directorate are:
- 4.2 There is an increasing number of children with special and very complex needs. This impacts in particular on the Children and Families placements budget for Children Looked After, financially supported non-CLA and on the transport budget. These budget proposals provide for increased demand and inflation, however there is a risk that both demand and inflation may increase beyond current projections . The Directorate continues to develop innovative approaches to the delivery of services to mitigate the demand pressures, including a focus on preventative Early Help services.
- 4.3 Combined with the reductions in people choosing to study social work, the national picture indicates that the sector, and local authorities in particular, are struggling to attract and retain social workers at the beginning of their careers to replace those retiring at the end of their careers. The position within Yorkshire and the Humber is particularly acute. Four out of the 15 local authorities are currently rated as inadequate, which has an impact on their ability to recruit and retain social workers, thus driving up their need to rely on agency workers; one authority in the region is currently employing over 100 agency social workers. The high demand and competition in the region has driven an increase in the cost of agency workers of around 20%, with regional research indicating that mainstream agency social workers can earn around £21,000 per year more than their local authority equivalents. While the associated benefits of local authority employment (e.g. career development opportunities, pension, holiday entitlement etc) bring the overall package up to a more comparable level, in the context of a cost-of-living crisis, agency social work is currently an attractive financial option in Yorkshire and the Humber, which is having an impact on recruitment and retention in Leeds.
- 4.4 The Service reviews proposed by Childrens and Families assume significant budget savings, there is a risk that if the service reviews are not delivered there would be additional budget pressures in 2023/24.
- 4.5 The Directorate's proposed budget assumes grant income based on previous trends, however a number of grant allocations will be announced after the budget has been prepared and there is a risk that the final allocations will be less than projected. There is

also a risk there will be reductions in traded income as more schools become academies, resulting in reduced demand for services.

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# Directorate - Childrens and Families

	2023/24 £m	FTEs
<b>Net managed budget 2022/23</b>	133.03	
<b>Adjustments</b>	1.37	
<b>Adjusted net managed budget</b>	134.40	
<b>CHANGES IN RESOURCES</b>		
<b>Grant Reductions/Fallout</b>	0.00	
<b>Grant Increases</b>		
Funding for childrens social care	(1.94)	
<b>Changes in the use of Reserves &amp; Balances</b>	0.00	
<b>Changes in Other Resources</b>	0.000	
<b>Total Change in Resources</b>	(1.94)	0.00
<b>PRESSURES</b>		
<b>Inflation:</b>		
Pay	6.82	
Price	8.28	
Energy	1.50	
Fuel	0.01	
NNDR	(0.14)	
<b>Actuarial Review</b>	(0.13)	
<b>Capitalised Pensions</b>	(0.09)	
<b>Demographic and demand pressures</b>		
Demand and demography	1.59	
<b>National Living Wage - commissioned services</b>		
National Living Wage/Ethical Care Charter	0.59	
<b>Income Pressures</b>		
Public Health funding	1.94	
Additional days leave	0.06	
Increased inflationary charges to grants	(0.32)	
Fees and charges	(0.10)	
<b>Other</b>		
Repayment of borrowing	0.50	
Direct Payments	0.05	
Apprenticeship Levy	0.04	
School premature retirement costs and FE pensions	0.10	
Central Schools Services block	0.10	
CHAD	0.15	
Passenger Transport	4.50	
Insurance	(0.39)	
<b>Total Pressures</b>	25.05	0.00
<b>SAVINGS</b>		
<b>Business As Usual</b>		
Passenger Transport	(1.03)	
Staffing efficiencies	(0.50)	(9.30)
<b>Service Review</b>		
Children looked after proposals	(6.48)	13.50
Commissioning Service proposal	(0.50)	
Commissioned contracts proposals	(4.00)	13.00
Directorate efficiency proposals	(1.71)	(12.50)
Childrens Centres	(0.45)	
Transformation Board		20.00
Little Owls		(15.00)
<b>Total Savings</b>	(14.67)	9.70
<b>Net Managed Budget 2023/24</b>	142.84	9.70



# LEEDS CITY COUNCIL

## 2023/24 BUDGET REPORT

### Directorate: Childrens and Families

### The Schools Budget 2023/24

#### 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 2023/24 financial year.

#### 2 Introduction

- 2.1 This report has been produced in order to inform members of the main variations and factors influencing the Schools budget for the 2023/24 financial year.

#### 3 Context

- 3.1 The schools budget is mainly funded by the Dedicated Schools Grant (DSG), the majority of which is passed on to schools, with a small proportion of the grant being retained to support the Council's education responsibilities. The DSG funding allocations for schools and the Council are agreed following consultation with schools and the Leeds Schools Forum, a statutory board with some decision making powers in relation to the use of DSG.
- 3.2 The Council makes two main decisions about the DSG budget both of which are made following consultation with Schools Forum and all maintained schools. One of these relates to the formula used to distribute the core funding for mainstream maintained schools and academies. This is taken as an annual Key decision by the Director of Children and Families. The other decision relates to the budget for High Needs, which provides funding for Special Educational Needs and Disabilities (SEND). This decision is taken by Full Council as part of this budget report.
- 3.3 As the decisions made in relation to DSG affect maintained schools, academies and some private providers, the details within this appendix provide information about the DSG funding available across the city as a whole. However it should be noted that the Council does not administer payments for all of this funding, as some is paid directly to academies by the Education and Skills Funding Agency (ESFA).
- 3.4 In addition to DSG, schools are also provided with a number of other specific grants from the ESFA, details of which are provided below. The Council receives this funding on behalf of maintained schools and distributes the funding to those schools in line with ESFA requirements. The Council does not receive this funding for academies, who are paid directly by the ESFA. However the amounts for academies are included in the figures that follow, in order to provide consistency with the DSG funding figures and enable a meaningful year on year comparison of funding within Leeds, as maintained school figures on their own would reduce due to academy conversions.

## **4 Budget**

4.1 The 2023/24 expected schools funding for Leeds is £987.47m representing a net increase of £63.41m (6.86%) when compared to the adjusted funding for 2022/23. This increase comprises a number of changes in grant funding which are explained below.

### **4.2 Dedicated Schools Grant**

4.2.1 The schools budget is mainly funded by the Dedicated Schools Grant (DSG). The DSG is a ring-fenced grant and can only be applied to meet costs that fall within the schools budget. Any under or over spend of grant from one year must be carried forward and applied to the schools budget in future years.

4.2.2 The Dedicated Schools Grant (DSG) for 2023/24 continues to be funded in four separate blocks for early years, high needs, schools and central school services.

4.2.3 A National Funding Formula (NFF) was implemented in April 2018 by the ESFA for high needs, schools and central schools services. However, local authorities will continue to set local formulae for schools as a transitional arrangement until full implementation of the NFF. Full implementation has been delayed until at least 2024/25.

### **4.3 DSG Early Years Block**

4.3.1 The Early Years Block funds the early education of eligible vulnerable 2 year olds, 15 hours per week of free early education for all 3 and 4 year olds, and a further 15 hours per week for working families of 3 and 4 years olds. The funding hourly rate has been confirmed as £5.87 for 2 year olds (increased from £5.57 in 2022/23) and £5.28 for 3 and 4 year olds (increased from £5.12 in 2022/23).

4.3.2 The early years pupil premium is also included in this block and is payable to providers for eligible 3 and 4 year olds. The hourly rate for 2023/24 for this element is £0.62 per hour, an increase of £0.02. In addition, the Disability Access Fund rate will increase by £28 to £828 per eligible child for 2023/24.

4.3.3 The grant received during 2023/24 will be based on the January 2023 and January 2024 censuses and is estimated at £62.3m.

### **4.4 DSG High Needs Block**

4.4.1 The High Needs Block supports Special Educational Needs and Disabilities (SEND) in a number of ways. This includes places and top-up funding in special schools, resourced provision in mainstream schools and alternative provision; top-up funding for early years, primary, secondary, post-16 and out of authority provision; central SEND support and hospital & home education. A grant allocation of £127.46m for 2023/24 has been notified by the ESFA, an increase of £13.58m compared to 2022/23, although adjustments to this figure are expected up until July 2023. The allocation includes a new additional high needs funding of £5.17m. Excluding this new grant, the increase is £8.41m on a like for like basis.

4.4.2 In line with the national picture, Leeds has experienced an increase in SEND demand and complexity in recent years, with this trend expected to continue. Although funding has increased for Leeds, there is currently a cap on gains which means that the Leeds allocation for 2023/24 will be £1.86m less than the full National Funding Formula. Leeds has historically been underfunded in comparison to some other local authorities, and although

the National Funding Formula is moving towards funding local authorities based on need, the funding increases are currently capped during the transitional period. Between 2018/19 and 2023/24 this has resulted in Leeds receiving £24.61m less for High Needs than would have been due under the full National Funding Formula.

- 4.4.3 Despite the £8.41m like for like increase in funding for 2023/24, the anticipated increase in special school places and pupils eligible for additional top-up funding means that there is expected to be on going funding pressures for the High Needs Block and there is a risk that costs exceed the budgeted assumptions as a result of the increasing demand.
- 4.4.4 A key issue is that local authorities have a statutory duty to meet the special educational needs of children which are identified through an education, health and care plan (EHCP), and these needs are increasing in the city. Leeds operates a funding system (Funding for Inclusion, FFI) which provides additional funding for high level needs without the need for a statutory EHCP. This reduces the numbers and costs of undertaking and maintaining EHCPs compared to statistical neighbours and supports inclusion within mainstream schools. Leeds still has statistically lower numbers of EHCPs than comparators, however the city has seen increases in the numbers and complexity of needs of pupils in line with the national picture.
- 4.4.5 A medium-term action plan to address the projected future pressures on the High Needs budget continues to be developed, further details of which are provided in section 4.8 below. As part of addressing these pressures in 2023/24, Schools Forum has agreed to transfer £3.34m from the Schools Block to the High Needs Block, following consultation with schools. A budget has been set within the funding available, however there is a risk that demand will rise further. The position on the High Needs Block will therefore be closely monitored during the year.
- 4.4.6 The proposed budget for 2023/24 taking into account the known and estimated changes is as follows:

	2022/23 £000	2023/24 £000	Variance £000
<b>High Needs Block DSG Income</b>			
High Needs Block baseline	109,725	122,294	12,569
Places funded directly by the ESFA	-13,018	-13,763	-745
Transferred from Schools Block	3,127	3,338	211
Supplementary Funding	4,147	5,166	1,019
<b>Total High Needs Grant</b>	<b>103,981</b>	<b>117,035</b>	<b>13,054</b>
<b>High Needs Block Expenditure</b>			
<b>Funding Passported To Institutions</b>	<b>95,107</b>	<b>107,615</b>	<b>12,508</b>
<b>Commissioned Services</b>	<b>2,539</b>	<b>2,701</b>	<b>162</b>
<b>Directly Managed By Children &amp; Families</b>	<b>6,335</b>	<b>6,719</b>	<b>384</b>
<b>Total High Needs Expenditure</b>	<b>103,981</b>	<b>117,035</b>	<b>13,054</b>

#### 4.5 DSG Schools Block

- 4.5.1 The Schools Block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11. The grant for 2023/24 is based on pupil numbers (including those in academies and free schools) as at October 2022. The final schools block funding for 2023/24 has been confirmed by the ESFA as £690.12m, an increase of £46.50m compared to 2022/23. This includes a new £22.04m Mainstream Schools Additional grant, it is expected that this additional funding is for 2023/24 only and will then be incorporated onto core budget allocations from 2024/25 onwards. Excluding this new grant, the increase is £24.10m on a like for like basis.
- 4.5.2 Schools have been consulted on options for the local funding formula in 2023/24. The results of the consultation have been reported to Schools Forum to enable further discussion with a final decision being made by the Director of Children and Families in early 2022. As part of the consultation a majority of schools which responded supported a proposal to transfer 0.5% (£3.34m) to the High Needs Block from the Schools Block. Schools Forum approved this transfer at their meeting in November 2022.
- 4.5.3 A majority of schools who responded to the consultation also supported a proposal for maintained schools to continue to contribute funding of £150k towards severance costs incurred by the council for school staff. Schools Forum also approved this contribution.

#### 4.6 DSG Central School Services Block

- 4.6.1 The Central School Services Block (CSSB) includes the funding which was previously delivered through the retained duties element of the Education Services Grant along with specific ongoing responsibilities and historic commitments. The allocation for 2023/24 was

issued in December 2022 at £5.11m, a reduction of £0.03m compared to 2022/23. This is due to a 20% reduction on the historic commitment element in line with previous DfE statements to reduce this funding.

#### **4.7 DSG transfers**

- 4.7.1 The ESFA guidance for 2023/24 allows for funding to be moved within the DSG blocks. Schools Forum have previously agreed a transfer of £3.34 from the schools block to the high needs block.

#### **4.8 DSG balance**

- 4.8.1 At the end of 2022/23 it is projected that there will be a surplus balance of £1.730m on the DSG compared to a surplus balance of £0.119m at the end of 2021/22. The projected surplus equates to 0.2% of the total DSG funding 2022/23. This position will continue to be closely monitored throughout the remainder of 2022/23 with updated projections to be presented to Schools Forum and Executive Board. The balance will be carried forward into 2023/24.
- 4.8.2 The Children and Families directorate continues to develop a medium-term DSG Management Plan which looks to consider future pressures on the High Needs Block to ensure any projected future DSG deficits are addressed, to the extent this is possible given any limitations in funding and increases in demand. The current version of the DSG Management Plan includes several workstreams that will help identify opportunities to explore. The Directorate is working with the Leeds Schools Forum on the continued development of the plan, including providing regular budget monitoring reports and updates on progress with identifying options.
- 4.8.3 In the context of growing needs within the city and the cap on High Needs funding increases, options for managing within the available funding will be carefully considered and consulted on as appropriate to develop proposals. Consideration will be given to the fact that the High Needs budget supports the education of some of the most vulnerable children in the city and that benchmarking shows costs are comparatively low in this area. Invest-to-save options that result in outcomes being maintained or even improved, while also reducing costs, would be prioritised.

#### **4.9 Post 16 funding**

- 4.9.1 Funding for mainstream post-16 provision is provided by the ESFA separately to DSG and is estimated at £26.83m for 2023/24. Funding for high need post-16 pupils is included in the DSG High Needs Block figures shown earlier in this report.

#### **4.10 Pupil Premium grant**

- 4.10.1 Pupil Premium grant is paid to schools and academies based on the number of eligible Reception to Year 11 pupils on the schools roll in January each year. The value for 2023/24 is estimated at £48.55m. The rates for 2023/24 have been set at: primary £1,455, secondary £1,035, for each pupil registered as eligible for free school meals (FSM) at any point in the last 6 years and £335 for children of service families. The pupil premium rate for children looked after and children who have ceased to be looked after by a local authority because of adoption, a special guardianship order, a child arrangements order or a residence order has been set at £2,530.

#### 4.11 Primary PE grant

- 4.11.1 The Primary PE grant will be paid in the 2022/23 academic year to all primary schools at a rate of £16,000 plus £10 per pupil. It is expected these rates will remain the same for the academic year 2023/24, resulting in a total grant of £4.34m.

#### 4.12 Universal Infant Free School Meals grant

- 4.12.1 A grant for the universal provision of free school meals for all pupils in reception, year 1 and year 2 was introduced in September 2014. Funding for the 2022/23 academic year is based on a rate of £2.41 per meal taken by eligible pupils, giving an annual value of £427.90. The total value of the grant is estimated at £9.18m. Data from the October and January censuses will be used to calculate the allocations for the academic year.

#### 4.13 COVID funding

- 4.13.1 Since 2020/21 the Government has provided a range of funding streams to support children and young people to catch up following the disruption caused by COVID-19. For 2023/24, grants totalling £13.94m are expected for School Led Tutoring and Covid Recovery Premium.

#### 4.14 Schools Funding Summary

- 4.14.1 The grants expected to be received for Leeds in 2023/24 are summarised in the table below. These figures include payments made directly by the ESFA to settings, for example academies. The figures shown are also before any transfers between the DSG blocks, which were detailed earlier in this report. Some of the 2023/24 amounts are estimates and are subject to final confirmation by the ESFA.

##### 1. Estimated Schools Funding

	2022/23 Current £m	2023/24 Estimate £m	Change £m
DSG - Schools Block	643.62	667.72	24.10
DSG - Central Schools Services Block	5.14	5.11	-0.03
DSG - High Needs Block	113.88	127.46	13.58
DSG - Early Years Block	60.21	62.30	2.09
ESFA Post 16 Funding	25.41	26.83	1.42
Pupil Premium Grant	46.21	48.55	2.34
PE & Sports Grant	4.33	4.34	0.01
Universal Infant Free School Meals Grant	9.07	9.18	0.11
Teachers Pay Grant	0.48	0.00	-0.48
Teachers Pension Grant	2.07	0.00	-2.07
School Led Tutoring	6.44	5.95	-0.49
Covid Recovery Premium	6.73	7.99	1.26
Other Grants	0.47	0.00	-0.47
Mainstream Schools Additional Grant	0.00	22.04	22.04
	924.06	987.47	63.41

## 5 School Reserves

5.1 The School Reserves Statement reflects the anticipated movement in reserves between April 2023 and March 2024.

Projected Financial Position on Reserves	Projected Reserves b/f Apr-23	Projected Use of Reserves	Projected Contribution to Reserves	Closing Reserves Mar-24
	£000s	£000s	£000s	£000s
School Led Extended Schools	-2,809	0	0	-2,809
School Balances	-37,035	0	0	-37,035
PFI Surplus / Deficit	-1,020	750	0	-270
Dedicated Schools Grant	-1,730	0	0	-1,730
<b>Total</b>	<b>-42,594</b>	<b>750</b>	<b>0</b>	<b>-41,844</b>



# LEEDS CITY COUNCIL

## 2023/24 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 2023/24 financial year.

#### 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. The service is also responsible for the strategic planning of the Council's property portfolio, including the disposal and leasing of properties along with responsibility for the Council Housing Growth team.
- 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 co-ordinating 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 2023/24 budget has been set at £41,918k representing a net increase of £9,472k (29.2%) when compared to the adjusted budget for 2022/23. This net increase comprises a number of changes in resources totalling £2,114k and pressures totalling £18,282k, offset by savings of £10,924k 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 2023/24 budget. For City Development an adjustment of £823k has been made to reflect the decision to centralise IDS related expenditure budgets to achieve economies of scale and ensure that spending plans are in line with the Council's digital strategy. In addition, £98k reflects the transfer of the Condition Survey budget from City Development to Communities, Housing and Environment following the transfer of function.

3.2.2 The overall impact of these adjustments is to reduce the Directorate's 2022/23 net managed budget by £921k, giving an adjusted 2022/23 budget of £32,446k.

#### **3.3 Changes in Specific Grant Funding – increase of £2,195k**

3.3.1 The budget provides for new UK Shared Prosperity Funding (UKSPF) of £2,195k in 2023/24. The Lead Authority is WYCA and the primary goal of the UKSPF is to 'build pride in place and increase life chances across the UK'. The funding will provide for local investment up to the end of March 2025 and as expenditure will be incurred across the Council, appropriate budget adjustments will be made in-year to the relevant Directorates.

#### **3.4 Changes in Use of Reserves and Balances – increase of £4,309k**

3.4.1 The 2022/23 Highways and Transportation budget included the one-off utilisation of £2m of Highways commuted sum balances as well as a further balances of £100k which were available to support the revenue budget. The 2023/24 budget therefore reflects the fallout of these short term funding sources in 2023/24.

3.4.2 Additional short-term resources within Planning and Sustainable Development were implemented during 2021/22 to address the backlogs that had arisen because of the COVID pandemic, funded in both 2021/22 and 2022/23 from the Council's COVID reserve. The budget reflects both the fallout of this funding of £375k and associated reduction in expenditure (paragraph 3.9.5).

3.4.3 As part of the 2022/23 budget setting process, £867k of Business Rates Pool balances were utilised to substitute for the Council's core budget contribution to Leeds 2023 in 2022/23, together with a proposal to utilise a further £133k in 2023/24. The 2023/24 budget therefore reflects the fallout of the net amount of £734k of this short term funding.

3.4.4 In order to reflect changes to the accounting arrangements in respect of the Merrion House reserve, the budgeted contribution from reserves of £1,100k is to be removed from the Directorate's budget and a corresponding resource allocation adjustment made to the same value.

### **3.5 Pay Inflation – pressure of £4,980k**

- 3.5.1 This budget provides £4,980k for two elements of pay inflation: the Employers final pay award for 2022/23 not provided for in the 2022/23 base budget and an assumed 2023/24 pay award, which incorporates the recently announced Real Living Wage of £10.90 at scale points 1 and 2 and a 4% pay award for all other staff. This 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 £10.90 per hour which is 48 pence above the National Living Wage rate. Apprentices and new starters on the A1 spinal point will also be paid £10.90 per hour.

### **3.6 Price Inflation – pressure of £8,464k**

- 3.6.1 **Energy Inflation:** The Council's forward purchasing of energy has hedged the Council significantly against the full impact inflationary factors on energy prices, despite which a significant budget impact is forecast. Forecasts assume continuation of a Government business energy cap beyond March 2023, and the Budget allows for a 118.5% increase for inflation on gas budgets and a 64.0% increase on electricity budgets, together providing an additional £6,221k.
- 3.6.2 **Fuel Inflation:** This budget also provides a 27.45% increase for the impact of inflationary increases on the cost of fuel, providing an additional £102k.
- 3.6.3 The overall provision for other price inflation within the Directorate is £2,141k which includes £1,230k in respect of PFI contracts for Street Lighting and three Leisure Centres, £236k in respect of Business Rates and £675k in respect of essential supplies & services across all services. By reviewing the inflation requirement across the Directorate and restricting provision for inflation to demand led budgets and where there are contractual commitments, the Directorate has been able to identify savings of £1,550k from the initial position reported in the Medium Term Financial Strategy.

### **3.7 Actuarial Review – saving of £89k**

- 3.7.1 The 2023/24 budget reflects a reduction in the Employers Pension contribution percentage to the West Yorkshire Pension Fund of 0.2% to 15.7%, saving an estimated £89k.

### **3.8 Capitalised Pension Costs – saving of £4k**

- 3.8.1 The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £4k.

### **3.9 Other net budget pressures – £4,930k**

- 3.9.1 A number of other pressures have been recognised in the 2023/24 budget. As referred to in paragraph 3.3.1, expenditure of £2,195k is estimated to be incurred in respect of new UKSPF funding, although not all of this will be in City Development and appropriate budget adjustments will be made in-year to the relevant Directorates.
- 3.9.2 A further £748k has been provided to increase the Council's contribution to the Leeds 2023 Trust, reflecting the agreed payment schedule. However, the Council's total contribution in 2023/24 will be partially offset by funding from Business Rates Pool balances as described in paragraph 3.11.10.

- 3.9.3 An adjustment of £90k has been made to the capital receipt fee income budget to reflect the estimated capital receipts schedule and £302k has been included to provide for the net impact of prudential borrowing costs associated with capital schemes across the directorate.
- 3.9.4 The cost of insurance is estimated to increase by £395k in 2023/24 which reflects changes in the number and value of insurance claims.
- 3.9.5 The additional short-term resources within Planning and Sustainable Development implemented during 2021/22 to address the backlogs that had arisen because of the COVID pandemic will no longer be required in 2023/24 and the budget reflects both the reduction in cost of £375k and associated short-term funding (paragraph 3.4.2).
- 3.9.6 In order to enhance the financial sustainability of the Council, £1,575k has been provided to reflect both a reduction in the level of capitalisation of Highway maintenance minor works spend to help reduce the overall level of Leeds City Council borrowing within the 2023/24 capital programme and a reduction in charges made across the Directorate to the Housing Revenue Account to ensure that the charges reflect the current cost of services provided.

### 3.10 Savings

#### 3.11 Business As Usual – £9,936k

- 3.11.1 The costs associated with the assumed level of pay award referred to in paragraph 3.5.1 can be mitigated by passporting the inflationary increase, where appropriate, to capital works and grant funded schemes. This is estimated to reduce the impact on the Directorate's base budget by £2,150k in 2023/24.
- 3.11.2 Implementation of tighter vacancy management controls across the directorate and a review of current levels of vacancy factor are anticipated to save an additional £677k in 2023/24.
- 3.11.3 The budget reflects inflationary increases applied to existing fees and charges in a number of service areas to help offset additional costs. These include:
- Commercial rents within Asset Management and Regeneration, where existing agreements allow for indexation. This is anticipated to generate an additional £300k.
  - Highways and Transportation fees and charges are reviewed and amended on a yearly basis as part of the annual review of fees and charges for various Highway functions and services and this is estimated to generate an additional £95k.
  - A review of fees and charges at Leisure Centres has been undertaken within Operations and Active Leeds, although the principle of supporting vulnerable or priority groups through pricing will remain a key element of the pricing policy with smaller increases across the Leeds Card Extra prices. The inflationary increases are anticipated to generate £610k for casual pay and play fees and other miscellaneous fees with an additional £160k estimated from increases to Health and Fitness memberships.
  - A further £100k is estimated to be generated from other fees and charges increases across the remaining areas of the directorate.

- 3.11.4 Within Planning and Sustainable Development, a review of income generating areas across the service has identified a number of potential areas for additional income. An additional £100k is anticipated from a review of categories of pre-application fees and an additional £140k is estimated in respect of Community Infrastructure Levy administration fund charges (reflecting estimated activity levels) and for implementing charging for information requests where regulations allow for this.
- 3.11.5 A further £250k is estimated as the net effect of the anticipated significant increases in fees for planning applications, based upon national changes in approach to Planning reform, which would need to cover the additional costs associated with the changes and is currently subject to consultation by Government.
- 3.11.6 Additional income of £100k is estimated across Building Control and Strategic Planning to reflect the identification of income generating opportunities through areas such as the provision of technical services/consultancy advice to other Local Authorities.
- 3.11.7 Within Highways & Transportation, a major schemes procurement framework was established during 2022/23 for the delivery of the ongoing programme of infrastructure work giving Leeds direct access to the contracting market, and it is estimated that further savings of £25k are achievable in 2023/24. In addition, net income of £50k is estimated from the identification of income generating opportunities through offering consultancy services to other bodies such as WYCA or other Local Authorities.
- 3.11.8 A £500k saving is also anticipated from additional fee recoveries in respect of Highway maintenance schemes which reflects an increase in the externally funded element of the Highway Maintenance capital programme for 2023/24.
- 3.11.9 Further savings of £190k within Highways and Transportation have been estimated in respect of the continuing rollout of the Street Lighting LED conversion scheme which continues to deliver significant energy consumption savings.
- 3.11.10 Within Culture and Economy it is proposed to utilise an additional £1,500k of uncommitted Business Rates Pool balances to substitute for the Council's core budget contribution to the Leeds 2023 Trust in 2023/24. This is in addition to the utilisation of £133k agreed during the 2022/23 budget setting process as referred to in paragraph 3.4.3.
- 3.11.11 It is also proposed to utilise UK Shared Prosperity Funding to substitute for Council activity in Culture and Economy, with estimated savings of £75k in 2023/24.
- 3.11.12 As part of the 2022/23 budget setting process, the Leeds Museum and Galleries service (LMG) outlined proposals to develop an invest to save business case around the relocation of the café at Abbey House Museum to the visitor centre at Kirkstall Abbey, and this is currently being progressed with the aim of delivering further estimated net savings of £90k in 2023/24.
- 3.11.13 In addition, following a commercial review of its operations, LMG anticipate that additional net income of £100k can be achieved through a combination of reviewing its retail, admissions and events activities.
- 3.11.14 LMG have also estimated that savings of £200k can be achieved by delivering museums and galleries exhibitions through a charitable company owned by the Council which will enable the company to access the Government's Museums and Galleries Exhibition Tax

Relief scheme which is designed to provide financial support to exhibition production companies that develop exhibitions/displays.

- 3.11.15 Recent tribunal decisions on business rates payable for heritage properties have indicated that the Council will have a lower rating liability for Museums and Galleries premises moving into the future. The potential annual saving is estimated at £450k. In addition to this, the tribunal decisions will have a retrospective impact and therefore it is anticipated that the Council will receive a one-off refund for previous years. Although detailed work on this is ongoing to confirm the exact amount of the refund, it is currently estimated that this will be £1.5m.
- 3.11.16 Within Asset Management and Regeneration, the review of Elland Road Car Park cash collection methods agreed in 2022/23 is estimated to generate an additional £14k in 2023/24.
- 3.11.17 A saving of £160k has been identified within Resources & Strategy by delaying a planned increase in the capacity of the service improvement team. This saving is one-off for 2023/24 as the additional resource is considered crucial to support the Directorate with key national, regional and local policy areas and contribute to the successful delivery of major transformational projects and programmes.
- 3.11.18 In addition, further one-off expenditure reductions of £150k in respect of the directorate wide projects and contingency funding have been identified.
- 3.11.19 A saving of £250k has also been assumed within Resources and Strategy to reflect anticipated Gain Share funding from the West Yorkshire Combined Authority (WYCA) as part of £1,700k funding anticipated in total for the Council (with the balance held in Resources Directorate). Once specific priorities and outcomes have been agreed with WYCA the funding will be allocated to the appropriate Directorates and service areas.

## 3.12 **Service Review £988k**

- 3.12.1 The Directorate has sought where possible to avoid savings which will have a detrimental impact on service delivery. However, given that 45% of the Directorate's gross budget is spent on staffing costs, it has not been possible to fully insulate the Directorate from a reduction in headcount. The Directorate has therefore estimated that savings of £822k are achievable through reviewing staffing levels across the Directorate. The review process will follow the Council's agreed processes around managing staff reductions and will seek wherever possible to avoid compulsory redundancies.
- 3.12.2 The Highways & Transportation service has estimated that net savings of £166k can be achieved through implementing Street Lighting Adaptive Lighting technology using a Central Management System. This proposal will not apply to residential streets but will enable the Council to dim the streetlights on traffic routes, main distributor roads and bus routes by at least one lighting classification and still remain compliant with National Guidance and best practice. The proposal will facilitate estimated electricity consumption savings of 38%.

## 4 **Risk Assessment**

- 4.1 In determining the 2023/24 budget, consideration has been given to all of the risks, which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered as carrying the highest risk and therefore requiring careful and regular monitoring has been prepared.

#### 4.2 The key risks in the 2023/24 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 Culture and Economy 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 current economic climate continues. The potential financial impact of reduced income resulting from the cost of living crisis has not been factored into the Directorate's budget.
- In addition, a number of the 2023/24 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 continuing 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 2023/24 budget, together with the additional staffing savings assumptions, 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.

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# Directorate - City Development

	2023/24 £m	FTEs
<b>Net managed budget 2022/23</b>	33.367	
<b>Adjustments</b>	(0.921)	
<b>Adjusted net managed budget</b>	32.446	
<b>CHANGES IN RESOURCES</b>		
<b>Grant Increases</b>		
UKSPF funding	(2.195)	
<b>Changes in the use of Reserves &amp; Balances</b>		
Highways & Transportation - fallout of use of balances	2.100	
Planning staffing - fallout of use of Covid backlog funding	0.375	
Leeds 2023 - fallout of use of Business Rates Pool balances	0.734	
Merrion House reserve	1.100	
<b>Total Change in Resources</b>	<b>2.114</b>	<b>0.00</b>
<b>PRESSURES</b>		
<b>Inflation:</b>		
Pay	4.980	
Energy	6.221	
Fuel	0.102	
Price	2.141	
<b>Employers Pension</b>	(0.089)	
<b>Capitalised Pensions</b>	(0.004)	
<b>Other</b>		
UKSPF related expenditure	2.195	
Leeds 2023 - increase in agreed payment schedule	0.748	
Capital receipts fees	0.090	
Prudential Borrowing	0.302	
Insurance	0.395	
Planning staffing - covid funded posts	(0.375)	
Financial Sustainability - review of capitalisation/HRA charges	1.575	
<b>Total Pressures</b>	<b>18.282</b>	<b>0.00</b>
<b>SAVINGS</b>		
<b>Business As Usual</b>		
Directorate wide - Mitigation of pay award increase by charging to capital/grants	(2.150)	
Directorate wide - Increased Vacancy Provision	(0.677)	
AM&R - Commercial Rent increases	(0.300)	
H&T - Inflationary increases applied to existing fees/charges	(0.095)	
O&AL - Inflationary increases applied to existing fees/charges for misc fees and 'Pay as you Go'	(0.610)	
O&AL - Inflationary increases applied to existing fees/charges for general membership fees	(0.160)	
Directorate wide - Fees and Charges Review	(0.100)	
P&SD - Review of pre-app charging potential/CIL charges and currently non charged for services	(0.240)	
P&SD - Planning & Levelling Up Bill - National Fee increase	(0.250)	
P&SD - Building Control/Strategic Planning income generation	(0.100)	
H&T - Income Generation	(0.050)	1.00
H&T - Additional income from contractor framework established in 22/23	(0.025)	
H&T - Increased charges to capital reflecting increased programme	(0.500)	
H&T - Street Lighting consumption savings	(0.190)	
C&E - Substitution of Leeds 2023 funding by Business Rates Pool - one-off	(1.500)	
C&E - Substitution Opportunity with Shared Prosperity Fund	(0.075)	
LMG - Museums and Galleries Cafe	(0.090)	
LMG - Commercial Review	(0.100)	(4.78)
LMG - Museums and Galleries Exhibition Tax Relief	(0.200)	
LMG/AMR - Business Rates Reduction	(0.450)	
LMG/AMR - Business Rates Reduction – Refund of previous years payments - one off	(1.500)	
AM&R - Elland Road Car Park income	(0.014)	
R&S - delay in increasing capacity of Service Improvement Team - one-off	(0.160)	
R&S - expenditure reductions - one-off	(0.150)	
R&S - WYCA Substitution Opportunity	(0.250)	
<b>Service Review</b>		
Directorate wide - Staffing Reductions	(0.822)	(16.00)
H&T - Street Lighting Adaptive Lighting	(0.166)	
<b>Total Savings</b>	<b>(10.924)</b>	<b>(19.78)</b>
<b>Net Managed Budget 2023/24</b>	<b>41.918</b>	<b>(19.78)</b>

# 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 2023/24 financial year.

### 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 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 work 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, improving insulation in social housing, vehicle replacement programmes and many energy saving initiatives.
- 2.5 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
- Improving air quality, reducing pollution and noise
- Improving the cities infrastructure and the natural environment, reducing flooding and other risks from climate change
- Promoting a more competitive, less wasteful, more resource efficient, low carbon economy

2.6 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 2023/24, the Directorate's 2023/24 budget submission will nevertheless seek to protect services which support these priorities as far as possible.

### 3 **Budget Proposals**

3.1 This 2023/24 budget has been set at £92,028k representing a net increase of £6,062k (7.1%) when compared to the adjusted budget for 2022/23. This net increase comprises a number of changes in resources totalling (£1,724k) and pressures totalling £14,291k offset by savings of £6,505k 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 2023/24 budget. These include:

- £1,356k transfer of the Sustainable Energy and Air Quality (SEAQ) function from the Resources Directorate plus £98k for stock condition surveys from City Development.
- Following a review of charges into the HRA, an in year adjustment of £348k to reflect the cost of services to the HRA
- Other budget adjustments total (£886k) and mainly reflect adjustments to IDS budgets to remove the need to recharge.

3.2.2 The overall net impact of these adjustments is to increase the Directorate's restated 2022/23 budget by £916k, giving an adjusted 2022/23 budget of £85,966k.

#### 3.3 **Changes in Specific Grant Funding – increase of £1,574k**

3.3.1 The Local Council Tax Support Administration Subsidy grant of £1,127k was previously a grant income line in the Benefits service. This has now been rolled up into the Council's Revenue Support Grant.

3.3.2 The Homelessness Prevention Grant has been increased by £100k to £2,429k.

3.3.3 Grant funding of £304k (£152k in 23/24 and 24/25) has been approved by DLUHC to help create and sustain private sector tenancies as part of the Accommodation for Ex Offenders

programme.

- 3.3.4 The Rough Sleepers Fund for 23/24 now totals £1,395k. Although the base budget was £1,109k, in 2022/23 a sum of £1,570k is expected as notification of the 22/23 grant was late. As expenditure is adjusted to match the grant award, there is no overall impact on the Council's budget.
- 3.3.5 A grant of £1.2m (£453k in 23/24) has been awarded to the Council for the Supported Housing Improvement programme (SHIP). The aim of SHIP is to drive up quality of accommodation and support and improve oversight of supported housing. All local authorities involved in the programme will be expected to deliver against a number of activities including enforcement activity, through a multi-disciplinary team, to improve quality of accommodation, to review and assess the support provided and to undertake Housing Benefit scrutiny.
- 3.3.6 A grant of £678k (£485k relating to 2023/24) has been awarded from the Pathfinder programme aimed at driving up housing standards and regulation in the private rented sector.
- 3.3.7 Grant income relating to new commitments for the Homes for Ukraine and Afghan relocation assistance scheme is budgeted at £895k.
- 3.3.8 Funding as part of new burdens responsibilities relating to Domestic Violence has increased by £216k.
- 3.3.9 New burdens funding of £251k will be received as part of the requirements of the Election Act.
- 3.3.10 The budget assumes the continuation of Household Support Fund income from the DWP at £14.2m, the same level as being received in 22/23.
- 3.3.11 The base budget within Customer Access and Welfare is supported by £429k of ESIF Grant. This grant will reduce by £107k in 2023/24 and fully fall out in 2024/25.
- 3.4 **Changes in Use of Reserves, Balances and Other Resources – Increase of £150k**
- 3.4.1 The budget proposes a one-off use of £150k of the Social Inclusion Fund reserve.
- 3.5 **Changes in prices – Total Pressure of £12,553k**
- 3.5.1 This budget provides £8,410k for two elements of pay inflation: the Employers final pay award for 2022/23 not provided for in the 2022/23 base budget and an assumed 2023/24 pay award, which incorporates the recently announced Real Living Wage of £10.90 at scale points 1 and 2 and a 4% pay award for all other staff. This 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 £10.90 per hour which is 48 pence above the National Living Wage rate. Apprentices and new starters on the A1 spinal point will also be paid £10.90 per hour.
- 3.5.2 **Price Inflation – pressure of £4,143k**
- 3.5.3 **Energy Inflation:** The Council's forward purchasing of energy has hedged the Council significantly against the full impact of inflationary factors on energy prices, despite which a significant budget impact is forecast. Forecasts assume continuation of a Government

business energy cap beyond March 2023, and the Budget allows for a 118.5% increase for inflation on gas budgets and a 64.0% increase on electricity budgets, together providing £1,251k

- 3.5.4 **Fuel Inflation:** This budget also provides a 27.45% increase for the impact of inflationary increases on the cost of fuel, providing £737k.
- 3.5.5 A sum of contractual price inflation of £1,452k which includes £1,319k in respect of waste disposal contracts, and £133k for grounds maintenance costs.
- 3.5.6 Inflation on the uplifting of benefits is expected to cost approximately £600k as not all benefits recover at 100% subsidy.
- 3.5.7 Other minor inflation amounts total £103k including increases for postages and benefit audit fees.
- 3.6 **Actuarial Review – saving of £141k**
- 3.6.1 The 2023/24 budget reflects a reduction in the Employers Pension contribution percentage to the West Yorkshire Pension Fund of 0.2% to 15.7%, saving an estimated £141k.
- 3.7 **Capitalised Pension Costs – saving of £197k**
- 3.7.1 The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £191k
- 3.8 **Demand and Demography – pressure of £208k**
- 3.8.1 Anticipated household growth in the city will impact on the volume of waste generated. Additional budget provision of £208k has been made for the increased disposal costs of this waste at the Recycling and Energy Recovery Facility.
- 3.9 **COVID Related Demand – Saving of £2,400k**
- 3.9.1 As COVID restrictions have been lifted and residents return to pre pandemic activity and working there has been a reduction in the volume of residual waste being collected from residents across the City. Black bins tonnages are now budgeted at 2.4% higher than 2019/20 levels rather than the 10% assumed in the base budget. This reduction in volume and the removal of associated support routes will save around £2,400k.
- 3.10 **Financial Sustainability - £472k**
- 3.10.1 The libraries income budget has been reduced by £250k to reflect a reduction in the charge to capital. This is part of the medium term strategy to reduce the overall level of borrowing within the capital programme.
- 3.10.2 Following a review of charges into the HRA, provision has been made for a further reduced charge of £222k to reflect the current cost of services provided. Additionally, where support services charge into the HRA this income will now be shown in the service budget, as opposed to the strategic budget, to allow for greater transparency of charges from individual services.

### **3.11 Other budget pressures – £3,796k**

- 3.11.1 The Council has responsibility to maintain horticultural features across the city including within the highway network and several transport infrastructure improvements, including the East Leeds Orbital route (ELOR) and City Park; collectively an additional £623k of revenue maintenance funding is provided for in 2023/24.
- 3.11.2 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 £300k in 2023/24.
- 3.11.3 Income receivable from Parish Councils will contribute £100k towards the costs of Elections in 2023/24.
- 3.11.4 There are reductions in insurance costs of £44k which reflects changes in the number and value of insurance claims and the cost of business rates is reduced by a further £192k, mainly due to the closure of the Castle Street and Lisbon Street car parks and £226k will be saved as a result of the government decision not to charge Business Rates on General Fund District Heating Networks
- 3.11.5 Income within Customer Hubs and Libraries will be reduced by £245k to reflect historic trends in income.
- 3.11.6 An additional budget of £322k is required to meet the legal obligations in relation to stock condition surveys on historic buildings
- 3.11.7 As referenced in paragraph 3.3.2 to 3.3.10 there will be additional grant funded spend totalling £2,808k in 23/24 on the following:
- Homeless Prevention Grant £100k;
  - Accommodation for Ex-offenders £122k
  - Rough Sleepers Initiative £286k
  - Supported Housing Improvement Programme £453k
  - Private Rented Sector Pathfinder Project £485k
  - Homes for Ukraine and other programmes £895k
  - Domestic Violence Responsibilities £216k;
  - Elections Act funding £250k
- 3.11.8 There are other minor pressures across the Directorate totalling £60k across the Directorate.

### **3.12 Savings**

### **3.13 Business As Usual – £6,420k**

- 3.13.1 Across the Directorate a review of vacancy factors and targeted improvements in productivity is estimated to save £1,223k.
- 3.13.2 Passporting the cost of the pay award for services that are partially funded by grant, capital and HRA will generate income of £904k.

- 3.13.3 By maximising the substitution of base budget with grant funding, a sum of £800k can be saved by charging existing staff to the Homes for Ukraine and Household Support Fund to reflect the work they are doing supporting these programmes.
- 3.13.4 Where existing levels of income are above the current budget, these budgets will be increased to this level. This will contribute a sum of £441k to the budgeted savings figures in Waste Management and Registrars.
- 3.13.5 The Directorate will increase fees and charges across several areas to generate an additional £765k, mainly comprising
- Bereavement fees will be increased by 5% which is estimated to increase income by £380k.
  - Some parking charges, mainly on-street, have been increased in January 2023. This is expected to generate £170k in a full year.
  - Increased charges at the Waste transfer stations and for replacement bins £150k
  - Increased interpretation and translation charges £32k
- 3.13.6 The current budget for the cost of recycling green bin waste is £740k. Due to improvements in the market prices of income for recycled material witnessed in 22/23, it is now forecast that this contract can be delivered at nil cost to the Council, saving £740k.
- 3.13.7 Within Leeds Benefits Service, a target saving of £600k is included for Supported Housing reviews where 100% benefit is not currently recoverable.
- 3.13.8 Additional income of £192k is budgeted from the Parks attractions plan.
- 3.13.9 It is proposed to remove the current policy of allowing Leeds residents with a ULEV vehicle to park for free in Council car parks (Subject to a permit fee of £30 per annum generating £9k). The permit charge will be removed and assuming existing permit holders park on average 1 day per week, an extra £134k of fee income will be generated.
- 3.13.10 Within the Communities budget, it is proposed to reduce the Well Being budget by 10% to save £133k. A new offer combining Well Being and Youth Activity Funds budget will be taken forward following engagement with Members.
- 3.13.11 The pest control service has been in sourced (Autumn 2022) and it is expected to deliver annual full year savings of £116k
- 3.13.12 A line-by-line review of operational expenditure across the Directorate has saved £372k, including reductions to the third sector grants of £43k.

### 3.14 **Service Reviews - £85k**

- 3.14.1 The proposal to cease community bonfires and firework displays will save the Council around £170k (Net £85k removal of the bonfires budget and the avoidance of a further pressure of £85k had the bonfires and firework displays recommenced).



## 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 2023/24 is budgeted at £20.7m, an increase of £2.4m from the 2022/23 base budget. As spend on all Migration Yorkshire grants is matched to the grant income, there are no bottom-line effects on the Directorate or Council budget.

## 5 Risk Assessment

- 5.1 In determining the 2023/24 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 2023/24 budget for the Directorate are:

- The level of budgeted car parking fee 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.

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Directorate - Communities, Housing and Environment

	2023/24 £m	FTEs
<b>Net managed budget 2022/23</b>	85.05	
<b>Adjustments</b>	(0.54)	1.8
Transfers of SEAQ from Resources	1.06	33.0
Transfer of CPM to SEAQ	0.30	
Transfer of stock condition survey budgets from City Development	0.10	
<b>Adjusted net managed budget</b>	85.97	34.8
<b>CHANGES IN RESOURCES</b>		
<b>Grant Reductions/Fallout</b>		
Customer Access ESIF Grant	0.11	
Council Tax Support Admin Grant	1.13	
<b>Grant Increases</b>		
Homelessness Prevention Grant	(0.10)	
Rough Sleeper Fund	(0.29)	
Accommodation for Ex Offenders	(0.12)	
Supported Housing Improvement Programme	(0.45)	
Private Rented Sector Standards - Pathfinder	(0.49)	
Homes for Ukraine / Migration grants	(0.90)	
Domestic Abuse New Burdens	(0.22)	
Elections Act - New Burdens	(0.25)	
<b>Changes in the use of Reserves &amp; Balances</b>		
Social Inclusion Fund - One off Use of Balances	(0.15)	
<b>Total Change in Resources</b>	<b>(1.72)</b>	<b>0.0</b>
<b>PRESSURES</b>		
<b>Inflation:</b>		
Pay	8.41	
Energy	1.25	
Fuel	0.74	
Waste PFI and Recycling Contracts	1.32	
Grounds Maintenance Contract	0.13	
Other Inflation	0.70	
<b>Employers Pension - Reduction in Employers Contribution</b>	<b>(0.14)</b>	
<b>Capitalised Pensions - Fall Out</b>	<b>(0.20)</b>	
<b>Demographic and demand pressures</b>		
Waste Disposal - Allowance for Household Growth	0.21	
Removal of COVID related Waste Management budgets	(2.40)	(15.0)
<b>Other Pressures</b>		
Parks Maintenance - ELOR and City Park	0.62	8.0
Housing Benefit Income	0.30	
Capitalisation of Library Books	0.25	
Income at Community Hubs and Libraries	0.25	
Business Rate reductions	(0.42)	
Insurance Charges	(0.04)	
Elections - Income from Parish Councils	(0.10)	
Review of Charges to HRA	0.22	
Stock condition surveys	0.32	
Other Pressures	0.06	1.0
<b>Changes in Grant Expenditure</b>		
Homelessness Prevention Grant	0.10	
Rough Sleeper Fund	0.29	
Accommodation for Ex Offenders	0.12	
Supported Housing Improvement Programme	0.45	7.0
Private Rented Sector Standards - Pathfinder	0.49	
Homes for Ukraine / Migration grants	0.90	17.6
Domestic Abuse New Burdens	0.22	4.0
Elections Act - New Burdens	0.25	1.5
<b>Total Pressures</b>	<b>14.29</b>	<b>24.1</b>
<b>SAVINGS</b>		
<b>Business As Usual</b>		
Income trends - Waste and Registrars	(0.44)	
Increases in Fees and Charges	(0.77)	
Reduction in Cost of SORT (Green Bin) Recyclable waste	(0.74)	
Removal of free parking and current admin charge for ULEV vehicles	(0.13)	
Staffing - Additional productivity and vacancy factor savings	(1.22)	(2.9)
Passport additional cost of pay award to grants, capital & HRA	(0.90)	
Maximise substitution of base budget through grant funding opportunities	(0.80)	
Reduction in Well Being Budgets	(0.13)	
Insourcing of Pest Control	(0.12)	5.7
Housing Benefit Subsidy	(0.60)	
Parks Attractions Income	(0.19)	2.0
Third Sector Grant Reductions	(0.04)	
Review of all lines of operational expenditure/income	(0.33)	
<b>Service Review</b>		
Cease bonfires and firework displays	(0.09)	
<b>Total Savings</b>	<b>(6.51)</b>	<b>4.8</b>
<b>Net Managed Budget 2023/24</b>	<b>92.03</b>	<b>63.7</b>

# **LEEDS CITY COUNCIL 2023/24 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 2023/24 Housing Revenue Account (HRA) budget.
- 1.2 The 2023/24 budget has been prepared at outturn prices. This means that allowances for inflation have been included in the budget submission.
- 1.3 The annex below sets out a summary of the HRA budget for 2023/24.

#### **2. HRA Budget Strategy**

- 2.1 An increase in accordance with the Government's rent cap of 7% set out during the Autumn Statement is proposed. This overall 7% rise equates to approximately £14.3m 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 rent cap, there are inflationary pressures and significant variations as outlined in the key movement areas 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 - 2023/24**

##### **3.1 Rent Policy**

In 2017, the Government confirmed a return to allowing up to a CPI+1% rent increase for five years from 2020/21. An increase in accordance with the Government's rent formula of CPI (10.1% as at September 2022) +1% would have given an allowable rent increase of up to 11.1%. However, following a

DLUHC consultation to cap social housing rent increases it was announced on 17th November as part of the Autumn Statement that rent increases would be capped at 7%.

It is therefore proposed that rents are increased by 7% in 2023/24 for all 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. Additional costs of around £1.7m for this service, mainly made up of energy increases at 78% are included in the budget therefore it is proposed to increase service charges for tenants. Further details are set out in 4.3.1.

### **3.3 Charges for Sheltered Support**

Tenants in sheltered accommodation receiving a support service are charged for this service. Recent guidance received from DWP relating to the treatment of service charges resulted in a review of the charging model. The outcome of the review has resulted in a reduction in the sheltered support charge for these tenants. 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 is £86.5m in 2023/24. The 2023/24 programme includes around £8.8m 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 £179.6m to 2026/27, with £68m budgeted for in 23/24.

## **4. Key movements 2022/23 to 2023/24 - Income**

### **4.1 Dwelling Rents**

As detailed in 3.1, it is proposed to increase rents to all properties, in accordance with the government rent cap for rent increases in 2023/24, by 7% to generate around £14.3m in additional rental income.

Increasing average rents by 7% equates to an increase of £5.64 per week /£293 per year as shown in the table below, however, the impact of this on individual tenants will vary.

<b>Average rent</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Increase</b>
<b>£ per week</b>	78.25	83.89	5.64
<b>£ per year</b>	4,069	4,362	293

The budget for 2023/24 assumes that 560 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 £2.2m in a full year.

A void level of 1% has been assumed which is the same as the budgeted void level in 2022/23. 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 204 new homes through the Housing Growth programme, 60 brought back into the HRA from the Right of First Refusal policy and the purchase of a 4 new 'off the shelf' homes.

#### **4.2 Other rents**

It is proposed to apply a 7% rental income increase for garages and traveller's sites in line with rental increases. 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 £216k in 2023/24. 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. Additional costs of around £1.7m for this service, mainly made up of energy increases at 78% are included in the budget therefore it is proposed to increase service charges for tenants in low/medium rise flats from £3.50 per week in 2022/23 to £4.83 per week in 2023/24 and for tenants in multi storey flats from £8.26 per week in 2022/23 to £11.40 per week in 2023/24.

##### **4.3.2 Charges for Retirement Life Support**

Tenants living in sheltered housing schemes across Leeds are supported by Support Officers who provide housing related support. This support includes wellbeing checks, support with tenancy and repairs issues, scheme health and safety and providing additional support to residents to enable tenants to live independently in a safe environment.

The charge for this service in 2022/23 is £15.62 and following the review of the charging model the proposed charge for 2023/24 is £8.51 per week, a reduction of over £360 per year for these tenants. This charge is eligible for Housing Benefit.

#### **4.3.4 Retirement Life – Access to Communal Facilities**

In 2021/22 a charge was introduced for the provision of services provided to communal areas of schemes with standalone community centres, e.g. heating, laundry facilities, furniture and carpets. At the same time the charge for communal facilities in complexes was increased to be aligned to service charges for MSFs. In 2023/24 the proposed charge for complexes will be increased to £11.40 and standalone Community Centres increased to £4.83.

#### **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 2023/24 the standing charge for these district heating schemes will increase by 12.6% in line with RPI and it is proposed that the District Heating Schemes unit rate will be 10p per Kwh in 2023/24. An increase of 30% is proposed for sheltered complexes with heat consumption charges to recover the increase in costs.

#### **4.3.6 Leaseholders Charges**

The 2023/24 budget reflects contributions from leaseholders for service charges, leaseholder management fees and where their properties have benefited from capital investment. The 2023/24 budget assumes an income budget of £1,048k, although this will vary dependent upon the capital works undertaken.

#### **4.3.7 Extra Care**

In 2023/24 it is proposed that tenants living in the Wharfedale View extra care scheme will have the annual service charge increased from £34.36 per week in 2022/23 to £47.41 per week in 2023/24. In addition, the support charge for the Wharfedale View extra care scheme will increase by 9% in 2023/24 to reflect the increase in staffing costs.

#### 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 7%, 96% tenants will pay more in 2023/24 than in 2022/23 as outlined in the table below, with the majority (80%) paying between £3.14 and £6.67 per week more. Around 4% will see no increase or a small reduction.

% of Tenants	Number of Tenants	Average Increase / (Decrease) £/week
4.1	2194	(1.82) - (0.20)
2.97	1589	1.04 - 3.13
79.94	42802	3.14 - 6.67
12.99	6955	6.68 - 8.06

Where relevant these increases will be funded through Housing Benefit for eligible tenants and tenants eligible for Universal Credit (UC) will receive payments for this increase. Approximately 37% of tenants are in receipt of Housing Benefit with a further 30% in receipt of UC, a total of 67%. For those in Sheltered Accommodation, this figure rises to 69%.

#### 4.5 PFI Grant

The 2023/24 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 2022/23 and will remain fixed for the life of the PFI scheme.

#### 4.6 Internal Income

The 2023/24 budget for internal income is £959k lower than in 2022/23. The 2023/24 budget assumes that the costs of an accounting adjustment for IAS19 (accounting for future pension costs) is not transferred to the capital programme, these costs will be accounted for within the revenue budget. The capital budget has been adjusted down accordingly but there will be no impact on the capital programme delivery. The budget for capitalised salaries has been inflated in line with the proposed pay award.

#### 4.7 External Income

The decrease of £79k from 2022/23 to 2023/24 reflects the removal of £213k ERDF (European Regional Development Fund) funding which has fallen out in 2023/24. Additional funding of £145k Feed In Tariff income and £147k Renewable Heat Initiative income has been included in the budget.

### 5. Key movements 2022/23 to 2023/24 - Expenditure

#### 5.1 Employees

The 2023/24 budget for employees has increased by £2m when compared to the base budget 2022/23, with the most significant elements shown below:



- The budget assumes a pay award of 4% for 2023/24. The impact of the current pay award offer of £1,925 per employee for 2022-23 has also been budgeted.
- 8 new posts have been created in the Property and Investment section to ensure that the requirements set out in the Building Safety Act 2022 are met.

## **5.2 Repairs to dwellings**

Repairs to dwellings remains a priority budget. The budget will be set at £51.8m in 2023/24, an increase of £5m from 2022/23 to take account of the inflationary costs on the budget.

## **5.3 Premises**

The premises budget reflects a net increase of £3.3m. Projected increases in the price of energy have been reflected, with an additional £1.75m in the budget for gas and electricity costs in 2023/24.

A budget of £1m has been provided to fund the costs of the Future of the Alderton Heights and Gipton Gates high rise scheme which was approved at Executive Board in October 2022.

The pay award on cleaning recharges has resulted in additional costs of £0.5m in 2023/24.

## **5.4 Supplies & Services - Payments to PFI contractor**

The increase in payments to the PFI contractors of £1.6m between 2022/23 and 2023/24 is consistent with the final model for the PFI programme that was agreed and received at Executive Board.

## **5.5 Supplies & Services - Other**

A contingency budget of £1.5m has been provided in 2023/24 to help manage any unforeseen pressures within the HRA.

## **5.6 Charges for internal services**

A fundamental review of all charges in the HRA has been undertaken to ensure that all expenditure charged remains appropriate within the ringfence and accurately reflects the level of services provided to tenants. With Council budgets being reduced, especially those in the traditional support services functions, it is appropriate that the HRA receives an appropriate reduction in the charges. The 2023/24 budget for internal recharges has been reduced by £5.5m.

## **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 £289k to £3.5m 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.

Following a review of all budget lines it is proposed that there will be a 10% reduction in the Housing Area Panel (HAPs) and Environmental budgets which will realise a saving of £60k in 2023/24.

## **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 £1.2m to £3.6m in 2023/24.

### **(b) Bad debts**

The budgeted contribution to the bad debt provision has been kept at 2022/23 levels for 2023/24.

## **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 2023/24 is £500k and remains consistent with the amount provided in 2022/23.

## **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 204 new build, 4 off-the-shelf and 60 homes through the Right of First refusal process delivered in 2023/24. The overall cost of borrowing is anticipated to increase by £513k.

## **5.11 Revenue Contribution to Capital**

The 2023/24 budget includes £63.5m to fund the housing capital programme/investment plan, an increase of £2.8m from 2022/23.

The overall capital programme, excluding the Housing Growth Programme, is £86.5m including the decarbonisation programme and back-to-back housing

scheme funding of £8.8m, this means that the HRA will fund an estimated £77.7m of schemes in 2023/24.

	2022/23 £k	2023/24 £k
Capital Programme	92,821	86,527
HRA Revenue Contribution (RCCO)	-60,769	-63,489
RtB Receipts (Allowable Debt)	-16,346	-14,175
Gov't grant / EU Grant	-15,350	-8,792
Other Funding	-356	-71

The 2023/24 budget includes £1.7m to fund the Belle Isle Tenant Management Organisation (BITMO) capital programme.

5.12 The budget for the Council House Growth Programme (CHGP) is shown below and the impact of the cost of borrowing is included in the figures in 5.10.

	2022/23 £k	2023/24 £k
Capital Programme	59,547	67,878
Borrowing	-35,734	-39,535
RtB Receipts (Allowable Debt)	-22,355	-27,943
Gov't grant	-410	-400
Other Funding	-1,048	0

### 5.13 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 2023/24 the use of the Sinking Fund is budgeted to be £326k.

## 6. HRA Reserves

- 6.1 The HRA Reserves Statement reflects the anticipated movement in reserves between April 2023 and March 2024..
- 6.2 The HRA General Reserve current balance is £7.375m and represents 2.7% of the annual budget. It is proposed, over the next 10 years to contribute £250k per year to the reserve with the aim of increasing this percentage to provide increased financial sustainability.
- 6.3 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 2023/24 it is budgeted to use £4k of reserves for the Little London scheme and £322k of the Swarcliffe PFI reserves in line with the approved PFI model. The

value of both reserves is expected to be £6.9m by March 2024.

- 6.4 A contribution to the Major Repairs Reserve is proposed at £65.3m in 2023/24, and this will be fully utilised in year to support the capital programme.

## 6.5 **Forecast Level of HRA Reserves**

Projected Financial Position on Reserves	Projected Reserves b/f Apr 2023	Projected Use of Reserves	Projected Contribution to Reserves	Closing reserves March 2024
	£000	£000	£000	£000
<b>HRA General Reserve</b>	<b>(7,375)</b>	<b>0</b>	<b>(250)</b>	<b>(7,625)</b>
<b>Earmarked Reserves</b>				
Housing Advisory Panels	(109)	0	0	(109)
Wharfedale View	(53)	0	0	(53)
Repair / Disrepair Reserve	(95)	0	0	(95)
	<b>(257)</b>	<b>0</b>	<b>0</b>	<b>(257)</b>
<b>PFI Reserves</b>				
Swarcliffe PFI Sinking Fund	(3,696)	322	0	(3,374)
LLBH&H PFI Sinking Fund	(3,553)	4	0	(3,549)
	<b>(7,249)</b>	<b>326</b>	<b>0</b>	<b>(6,923)</b>
<b>Capital Reserve</b>				
MRR	(5,155)	65,306	(65,306)	(5,155)
	<b>(5,155)</b>	<b>65,306</b>	<b>(65,306)</b>	<b>(5,155)</b>
<b>Total</b>	<b>(20,036)</b>	<b>65,632</b>	<b>(65,556)</b>	<b>(19,960)</b>

## 7. **Risks**

There are a number of risks which, should they materialise would have a significant impact upon the 2023/24 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 cost-of-living crisis 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 and approvals from the contingency budget. Use would also be made of the reserves on the HRA balance sheet identified at 6.5, along with specific provisions for doubtful debt and disrepair.

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

**HRA 2023/24 Budget**

Budget Heads	Original Estimate 2022/23 £000s	Original Estimate 2023/24 £000s	Variance £000s
<b>Income</b>			
Dwelling Rents Income	(216,541)	(230,870)	(14,329)
Other Rents (Shops & Garages)	(3,306)	(3,346)	(40)
Service Charges	(9,335)	(9,552)	(216)
PFI grant	(21,385)	(21,385)	0
Internal Income	(10,359)	(9,400)	959
External Income	(1,857)	(1,778)	79
<b>Total Income</b>	<b>(262,784)</b>	<b>(276,331)</b>	<b>(13,547)</b>
<b>Expenditure</b>			
Employees	31,525	33,573	2,048
Repairs to dwellings	46,795	51,843	5,048
Premises	9,739	13,084	3,345
Supplies & Services - Payments to PFI contractor	10,953	12,525	1,572
Supplies & Services - Other	3,359	4,997	1,638
Transport	305	304	(0)
Recharges from General Fund	45,010	39,546	(5,464)
Payments to BITMO & Area Panels	3,745	3,960	215
Provisions			
- Disrepair	2,400	3,600	1,200
- Bad debts	1,136	1,136	0
Capital charges	45,942	46,534	591
Revenue Contribution to Capital (Investment)	62,543	65,306	2,763
<b>Total Expenditure</b>	<b>263,453</b>	<b>276,407</b>	<b>12,955</b>
<b>Appropriations</b>			
<b>General Reserve</b>	0	250	250
<b>Sinking Funds</b>			
LLBH&H PFI	(29)	(322)	(293)
Swarcliffe PFI	(383)	(4)	379
<b>Earmarked Reserves</b>			
Efile Reserve	(257)	0	257
<b>Net (surplus)/deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

# LEEDS CITY COUNCIL

## 2023/24 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 2023/24 financial year.

#### 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 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 2023/24 budget has been set at £84,735k representing a net increase/decrease of £5,207k (6.55%) when compared to the adjusted budget for 2022/23. This net increase/decrease comprises pressures totalling £20,875k, offset by savings of £15,668k 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 2023/24 budget. These are detailed below;
- £3,537k reflects the centralising of those Integrated Digital Services (IDS) budgets which will lead to economies of scale, will ensure that spending plans are in line with the authority's digital strategy and will ensure compliance with IT security requirements.
  - £1,356k reflects the transfer of the Sustainable Energy and Air Quality (SEAQ) function from the Resources Directorate to the Communities, Housing and Environment directorate.
  - £1,023k reflects that the Passenger Transport service is delivered by Commercial Services but the budget is held by the Children and Families directorate.
  - £35k reflects the transfer of a post to the Waste Management function.
  - £56k reflects the transfer of a post from Communities, Housing and Environment to IDS.



### 3.3 Financial Sustainability

- 3.3.1 Following a review of charges into the HRA, budget adjustments have been made to services to reflect the current cost of services provided. Additionally, where support services charge into the HRA this income will now be shown in the service budget, as opposed to the strategic budget, to allow for greater transparency of charges from individual services. The impact of this is Resources is a transfer of income targets from Strategic to Resources totalling £5,495k.

### 3.4 Pay Inflation – pressure of £11,713k

- 3.4.1 This budget provides £11,713k for two elements of pay inflation: the Employers final pay award for 2022/23 not provided for in the 2022/23 base budget and an assumed 2023/24 pay award, which incorporates the recently announced Real Living Wage of £10.90 at scale points 1 and 2 and a 4% pay award for all other staff. This 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 £10.90 per hour which is 48 pence above the National Living Wage rate. Apprentices and new starters on the A1 spinal point will also be paid £10.90 per hour.
- 3.4.2 The pay inflation figure above includes provision for a Member's pay increase from 1 April 2023.

### 3.5 Price Inflation – pressure of £3,375k

- 3.5.1 **Energy Inflation:** The Council's forward purchasing of energy has hedged the Council significantly against the full impact inflationary factors on energy prices, despite which a significant budget impact is forecast. Forecasts assume continuation of a government business energy cap beyond March 2023, and the Budget allows for a 118.5% increase for inflation on gas budgets and a 64.0% increase on electricity budgets, together providing £1,377k.
- 3.5.2 **Fuel Inflation:** This budget also provides a 27.45% increase for the impact of inflationary increases on the cost of fuel, providing £305k.
- 3.5.3 **Other price inflation** totalling £1,693k has been provided for as follows;
- £1,064k inflationary pressures within IDS on equipment and licencing
  - £139k postage
  - £475k catering
  - £15k for cleaning materials.

### 3.6 Actuarial Review – saving of £232k

- 3.6.1 The 2023/24 budget reflects a reduction in the Employers Pension contribution percentage to the West Yorkshire Pension Fund of 0.2% to 15.7%, saving an estimated £232k.

### 3.7 Capitalised Pension Costs – saving of 416k

- 3.7.1 The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £416k.

### **3.8 Other budget pressures – £6,435k**

- 3.8.1 £2,296k reflects the removal of corporate wide procurement savings targets in 22/23 from the Resources Directorate base budget. Savings proposals involving contract management are included withing individual directorates.
- 3.8.2 £1,700k has been provided within the revenue budget to reduce the capitalisation charge to the Vehicle Programme (£800k) and the IDS Essential Services Programme (£900k).
- 3.8.3 £241k represents the income pressure in traded services of the impact of an additional public holiday for the King's coronation.
- 3.8.4 £410k has been included for the additional cost of Microsoft licences as the authority continues to move to cloud storage.
- 3.8.5 £415k has been provided to reinstate the corporate graduate apprentice scheme.
- 3.8.6 £419k has been provided for Human Resources initiatives to streamline recruitment and retention.
- 3.8.7 £492k increase in the cost of External Audit as advised by the Public Sector Audit Appointments Ltd.
- 3.8.8 £286k has been included for increased insurance costs which reflects changes in the number and value of insurance claims.
- 3.8.9 £352k represents additional budget to meet the legal obligations in relation to stock condition surveys on historic buildings.
- 3.8.10 £180k represents the sum of a number of minor budget variations such as changes in Business Rates, increased legal support to the Children and Families directorate and the cost of energy certificates.

### **3.9 Savings**

#### **3.10 Business As Usual – £9,802k**

- 3.10.1 The proposals include £1,528k for increased savings already planned in the setting of the 22/23 budget, that is, a continuation of actions that have been in place for the year. These are in the following areas; Electric Fleet Replacement, Review of Fleet – stores, Corporate Property Management, Cleaning, Facilities Management, Catering, Telematics / Logistics.
- 3.10.2 £1,225k increased return are in relation to additional LBS turnover as a result of capital work in the civic estate.
- 3.10.3 A review of Fees and Charges within Commercial Enterprise Leeds was undertaken in 22/23 to ensure costs were being recovered, particularly considering the higher than budgeted pay award. The impact of this in 23/24 is £780k additional income.
- 3.10.4 The combined impact of the 2022/23 pay award and the 23/24 budgeted pay award for Leeds Building Services will be passed to clients in the usual way leading to a net increase in income within the Resources Directorate of £1,700k
- 3.10.5 £2,529k of staffing efficiencies through a combination of vacancy control, review of vacant posts, synergies from new ways of working and a review of attendance management across the directorate are proposed as follows;
  - Strategy and Improvement (Budgeted FTE impact: -6.0), £277k
  - Finance (Budgeted FTE impact: -6.0), £414k
  - Human Resources (Budgeted FTE impact: -10.0), £440k
  - CEL: Corporate Property Management / Facilities Management (Budgeted FTE impact: -6.5), £163k
  - Business Support Centre (Budgeted FTE impact: -9.0), £276k
  - Contact Centre (Budgeted FTE impact: -2.0), £125k

- Business Administration Service: additional 2% vacancy factor, £275k
  - Integrated Digital Services: additional 2% vacancy factor, £500k
  - Vacancy controls across smaller services (Budgeted FTE impact: -1.0), £59k
- 3.10.6 A one year only 'Gain Share' saving of £1450k reflects the results of discussions with the West Yorkshire Combined Authority.
- 3.10.7 £150k of savings from Communications & Marketing as a result of Synergies from a co-ordinated approach to marketing and promotion
- 3.10.8 £335k Commercial Services Improving attendance within Commercial Services and Passenger Transport.
- 3.10.9 £75k Review all Passenger Transport routes to ensure contacted hours aligned with routes to give maximum efficiency
- 3.10.10 £30k of proposals have resulted from the sum of several small budget savings and adjustments across a number of areas.
- 3.11 **Service Review £370k**
- 3.11.1 £370k savings in IDS to change the delivery of an overnight Network Management Centre service to an automated.

## 4 Risk Assessment

- 4.1 In determining the 2023/24 budget, consideration has been given to all of the risks, which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered as carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2023/24 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.
  - School meal numbers may be lower than the level budgeted.
  - Turnover within LBS is reliant on client departments' programme of work. These programmes may be impacted by changes in economic circumstances.

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

**Directorate - Resources**

	2023/24 £m	FTEs
<b>Net managed budget 2022/23</b>	78.35	
<b>Adjustments</b>		
IDS permanent virement	3.54	
Transfer of Sustainable Environment and Air Quality Function to C,H&E	(1.36)	(33.00)
Transfer Passenger Transport to Children's Services	(1.02)	
Transfer of post to Waste Management	(0.04)	(1.00)
Transfer of post from Communities, Housing and Environment to IDS	0.06	1.00
<b>Adjusted net managed budget</b>	79.53	(33.00)
<b>CHANGES IN RESOURCES</b>		
<b>Grant Reductions/Fallout</b>	0.00	
<b>Grant Increases</b>	0.00	
<b>Changes in the use of Reserves &amp; Balances</b>	0.00	
<b>Changes in Other Resources</b>	0.00	
<b>Total Change in Resources</b>	<b>0.00</b>	<b>0.00</b>
<b>PRESSURES</b>		
<b>Inflation:</b>		
Pay	11.71	
Energy	1.38	
Fuel	0.31	
Other		
Price	1.69	
Actuarial Review	(0.23)	
<b>Employers Pension</b>		
<b>Capitalised Pensions</b>	(0.42)	
<b>Demographic and demand pressures</b>	0.00	
<b>Other</b>		
Procurement Savings	2.30	
Unwind Capitalisation	1.70	
Impact of additional Days Leave	0.24	
Microsoft Licences	0.41	
Corporate Graduate Scheme	0.42	
HR Streamlined Recruitment	0.42	
Audit Fee	0.49	
Insurance	0.29	
Sum of minor budget heading pressures	0.18	
<b>Total Pressures</b>	<b>20.88</b>	<b>0.00</b>
<b>SAVINGS</b>		
<b>Business As Usual</b>		
Prior Year Savings	(1.53)	
LBS Turnover - increased return	(1.23)	
District Heating	(0.00)	
Commercial Enterprise Leeds - review of fees and charges	(0.78)	
Leeds Building Services - passing on pay award	(1.70)	
Staffing Efficiencies	(2.53)	(39.94)
West Yorkshire Combined Authority - Gain Share	(1.45)	
Communications and Marketing - synergies from coordinated approach	(0.15)	
Commercial Services Improving attendance	(0.34)	
Review all Passenger Transport routes	(0.08)	(2.30)
Small budget savings	(0.03)	
<b>Other</b>		
HRA Income	(5.50)	
<b>Service Review</b>		
IDS Network Management Savings	(0.37)	(6.00)
<b>Total Savings</b>	<b>(15.67)</b>	<b>(48.24)</b>
<b>Net Managed Budget 2023/24</b>	<b>84.74</b>	<b>(81.24)</b>

# LEEDS CITY COUNCIL

## 2023/24 BUDGET REPORT

### Directorate: Strategic Central Accounts

#### 1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Strategic Central Accounts budget for the 2023/24 financial year.

#### 2 Service Context

- 2.1 The Central accounts hold a variety of corporate budgets which do not relate directly to individual services, as well as council-wide budgets which largely for timing reasons have not been allocated to individual services. Generally these council-wide budgets will be allocated to services in year, once their impact is known. Corporate budgets include the Council's capital financing costs and associated entries relating to the complexities of the capital accounting requirements. Other budgets within Central accounts include contributions to joint committees and levies.

#### 3 Budget Proposals

- 3.1 This 2023/24 budget has been set at £13,121k representing a net increase of £21,679k (318%) when compared to the adjusted budget for 2022/23. This net increase comprises a number of changes in resources totalling £3,730k and pressures totalling £21,052k offset by minor savings of £3,104k. Each of these changes are explained below.

##### 3.2 Budget Adjustments and Transfers

- 3.2.1 There has been one item falling within the category of service transfers and other budget adjustment which is reflected in the 2023/24 budget.
- 3.2.2 Budgets of £3.06m for organisational change which were included in the 2021/22 Strategic budget have been allocated to the appropriate directorates.

##### 3.3 Changes in Specific Grant Funding – reduction of £3,745k

- 3.3.1 The Central Accounts budget for 2023/24 reflects reductions of £6,003k in the Services grants, including £1,245k for the removal of the Lower Tier Services grant.
- 3.3.2 This has been partially offset by a budgeted increase of £2,258k in the New Homes Bonus grant.

##### 3.4 Changes in Use of Reserves and Balances – reduction of £22,611k

- 3.4.1 The overall reduction in the use of earmarked reserves for 2023/24 includes a £24,133k reduction in the use of S31 grants relating to one-off business rates reliefs which are carried forward in reserves to align with the impact on the business a rates precept of those reliefs. The budget also includes the use of £3,238k of covid related Tax Income Guarantee grant brought forward in reserves, which is now being applied to coincide with the impact of local taxation losses on Collection Fund precepts.

- 3.4.2 The Central Accounts budget for 2023/24 also includes a budget for the use of £3,815k from the Strategic Contingency reserve to support the bottom line, which represents a reduction of £1,269k in comparison to 2022/23.
- 3.4.3 The 2023/24 budget also reflects the fall-out of a £3,116k budget for the use of the covid contingency reserve, which is no longer required. A budget from 2022/23 to contribute £2,866k to the Energy Reserve has also been removed for 2023/24.
- 3.4.4 A budget to contribute £1,100k to the Merrion House reserve has been removed, with the corresponding budget within the City Development directorate to use the same amount from the reserve also being removed. This change reflects the removal of unnecessary budgets following the proposal for the remaining capital receipt relating to the Merrion House lease to be applied to eligible spend in 2022/23.
- 3.4.5 A budget to contribute £970k to Adults reserves is included within Central Services, to restore amounts which were used to support the bottom line in previous years.
- 3.4.6 The budget for 2023/24 also includes a transfer of £3,000k from the Strategic Contingency Reserve to the General Fund Reserve.
- 3.5 Business rates income - increase of £22,626k**
- 3.5.1 The budget for 2022/23 includes projected increases of £22,828k in S31 grants relating to business rates relief.
- 3.5.2 This is partially offset by a projected increase of £202k in the levy payable to the regional business rates pool.
- 3.6 Increase in Debt costs - £11,196k**
- 3.6.1 The budget for external debt costs has increased by £5,287k, reflecting the ongoing need to borrow for the capital programme and projected increases in interest rates. This is partially offset by a budgeted increase in investment income of £460k.
- 3.6.2 The budget for debt costs includes an increase in the Minimum Revenue Provision (MRP) budget of £3,936k, reflecting the expected impact of new borrowing to fund the capital programme.
- 3.6.3 There is a further MRP pressure of £4,657k reflecting the fact that the council no longer intends to fund its MRP requirement for PFI schemes by the use of capital receipts to redeem debt. This is partially offset by savings of £2,299k due to annual fluctuations in PFI accounting models.
- 3.7 Changes to levies and other contributions – increase of £116k**
- 3.7.1 From the information available to date, contributions to joint committees and other bodies will increase by £116k. The most significant change is an increase of £96k in the levy payable to the West Yorkshire Joint Services Committee. Information on the proposed budget for the regional flood defence levy has not yet been received, but an allowance of £20k has been budgeted for.

- 3.7.2 The following table gives details of the contributions and levies. In approving these contributions, Members will note that they are not approving the individual budgets of the Joint Committees, but the estimated effect on the Council's budget.

	Leeds' contribution			
	2022/23 £m	2023/24 £m	Variation £m      %	
<b>Joint Committees</b>				
Joint Services	1.55	1.64	0.091	6%
<b>Other Bodies</b>				
Flood Defence Levy	0.42	0.44	0.02	5%
Combined Authority and Transport Fund	33.08	33.08	0.00	0%
Coroners	1.69	1.69	0	0%

### 3.8 Other budget pressures – £9,741k

- 3.8.1 The Central accounts budget includes reductions of £8,197k in recharges to the HRA, a reduction of £700k in the budget for S278 income from developers, and a reduction of £450k in the target budget for general capitalisation.
- 3.8.2 A budget for £392k of funding from the regional Business Rates Pool has been removed, as there are no proposals for the Pool to fund member authorities in this way in 2023/24. Any residual surplus from the Pool after agreed funding commitments for projects will be distributed to member authorities.

### 3.9 Savings

#### 3.10 Business As Usual – £3,104k

- 3.10.1 The 2023/24 budget includes a reduction of £2,608k for the removal of the contingency for ongoing covid pressures, which was included in 2022/23.
- 3.10.2 Internal income budgets have been increased by £500k as a result of a decision that the public health budget should be recharged for IAS19 pension costs.

## 4 Risk Assessment

- 4.1 In determining the 2023/24 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 2023/24 budget for the Strategic Central accounts are:
- 4.2 The budgeted external debt costs are based on assumptions about market interest rates during 2023/24. If rates are greater than forecast then the actual borrowing costs incurred

could be greater.

- 4.3 There is a budget of £2.8m for the use of section 278 contributions. This budget remains a risk, as it is dependent on the authority receiving these contributions from developers, and the related capital works being progressed on schedule.

Briefing note prepared by: Mary Hasnip (Head of Finance)  
Telephone: 3789384



## Directorate - Strategic Central Accounts

	2023/24 £m	FTEs
<b>Net managed budget 2022/23</b>	(5.50)	
<b>Adjustments</b>		
Transfers of function	(3.06)	
Other adjustments		
<b>Adjusted net managed budget</b>	(8.56)	
<b>Grant Fallout</b>		
Services Grant	4.76	
Lower Tier Services Grant	1.24	
<b>Grant Increases</b>		
New Homes Bonus	(2.26)	
<b>Changes in the use of Reserves &amp; Balances</b>		
General Fund reserve	3.00	
S31 business rates reliefs grant reserve	24.13	
Local tax income support grants reserves	(3.24)	
Strategic contingency reserve	(1.73)	
Covid reserve	3.12	
Other earmarked reserves	(2.67)	
<b>Business Rates Income</b>		
Reduction in Business Rates levy	0.20	
Increase in S31 grants for business rates	(22.83)	
<b>Total Change in Resources</b>	<b>3.72</b>	<b>0.00</b>
<b>Budget Pressures:</b>		
<b>Inflation</b>		
<b>Debt costs</b>		
Increases in external Debt costs	5.29	
Increase in external interest income	(0.51)	
Increase in MRP contribution from revenue	3.94	
Reduction in use of capital receipts to fund MRP on PFI	2.88	
Capitalisation of PFI lifecycle costs	(0.52)	
Reduction in prudential borrowing recharges to directorates	0.12	
<b>Other</b>		
Reduction in capitalisation target	0.45	
Reduction in S278 income	0.70	
Reduction in recharges to the HRA	8.20	
Reduction in funding from NDR Regional Pool	0.39	
<b>Levies and other contributions</b>	0.12	
<b>Total Pressures</b>	<b>21.06</b>	<b>0.00</b>
<b>Savings Proposals:</b>		
Reduction in Covid contingency budget	(2.60)	
Minor cost reductions	(0.50)	
<b>Total Savings</b>	<b>(3.10)</b>	<b>0.00</b>
<b>Net Managed Budget 2022/23</b>	<b>13.12</b>	<b>0.00</b>

### Strategy for the flexible use of capital receipts

#### Purpose

This report provides background information with regards to the statutory guidance on the flexible use of Capital Receipts and its application within this authority. As part of the finance settlement for 2022/23 the government announced a further extension of the flexible use of capital receipts up to 2024/25.

The direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform. Local authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered. This direction allows for the revenue resources to be directed to service areas to facilitate further service redevelopment and mitigates the financial pressures of the Authority for the current and future years.

#### 1. Background

- 1.1 Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not permitted by the regulations.
- 1.2 The Secretary of State is empowered to issue directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.
- 1.3 The Secretary of State for Communities and Local Government issued guidance in March 2016, giving local authorities greater freedoms with how capital receipts could be utilised. This Direction allows for the following expenditure to be treated as capital;  
*“expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.”*
- 1.4 In order to take advantage of this freedom, the Council must act in accordance with the Statutory Guidance issued by the Secretary of State. The recently updated Statutory Guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy, with the initial strategy being effective from 1st April 2022 with future Strategies included within future Annual Budget documents. The Local Government Finance Settlement for 2021/22 extended these capital receipts flexibilities for a further three year years which will cover the period up to and including 2024/25.

- 1.5 There is no prescribed format for the Strategy, but the underlying principle is to support the delivery of more efficient and sustainable services by extending the use of capital receipts to finance costs of efficiency initiatives that deliver significant savings. A list of each project should be incorporated in the strategy along with the expected savings each project is expected to realise.
- 1.6 The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators. Since the Council's current capital programme does not assume the use of capital receipts as a source of funding for schemes there will be no change to the council's Prudential Indicators as a result of using capital receipts in this flexible way.

## **2. Flexible Use of Capital Receipts Strategy**

- 2.1 Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

*“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.” Further details regarding qualifying expenditure, criteria to be used and specifications to statutory redundancy payments are found in the “Guidance on the flexible use of capital receipts (updated)” report.*

## **3. Flexible Use of Capital Receipts – Revised 2022/23 position**

- 3.1 Under guidance issued in March 2016 and updated on the 2nd August 2022, Local Authorities are allowed to use capital receipts for funding “expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners”.

The Council's 2022/23 Month 9 Financial Health Report submitted to the Executive Board on 8<sup>th</sup> February 2023, notes the budget for 2022/23 is £14.43m. The budget was agreed by Executive Board and incorporated into the Council's 2022/23 budget by Full Council in February 2022. The Month 9 Financial Health Report notes that it is planned to utilise £17.2m capital receipts flexibilities. This is an increase of £2.74m on the budgeted position for the year. The increases are due to the new projects detailed in Table 1.

*Table 1 – New projects in 2022/23*

<b>Project Description</b>	<b>Directorates</b>	<b>Planned Spending 2022/23 £m</b>
IDS - Additional funding for driving a digital approach across the Council	Resources	0.70
Leadership Team - Service Transformation	Children & Families	0.12
Service Transformation - supporting the delivery of various projects	Resources	0.70
Early Help - Service Transformation - supporting the delivery of various projects	Children & Families	0.53
Adults - Service Transformation- Chief Officer	Adults & Health	0.10
IDS - Service Transformation	Resources	0.32
LBS - Service Transformation - supporting the delivery of various projects	Resources	0.27
<b>Grand Total</b>		<b>2.74</b>

Where these projects have later year impact, this is shown at Table 2.

The budgeted level of savings to be realised through the flexible use of Capital Receipts in 2022/23 is £10.51m. Planned savings are incorporated into the Financial Health Report for Period 9 which is received at February's Executive Board.

#### **4. Flexible Use of Capital Receipts – Budget 2023/24**

- 4.1 In total the 2023/24 budget plans for £19.0m of expenditure to be funded through capital receipt flexibilities and this will contribute towards the delivery of £7.03m of savings next year with further anticipated savings in future years. The schedule in Table 2 and the following paragraphs presents the projects that will be funded through flexible use of capital receipts, and associated revenue savings or future cost avoidance. In some cases there is a direct link between a project and the realisable financial benefit. In others, the project contributes to enabling the savings in other business cases or provide a wider benefit, which would not otherwise be realised. Some of the expenditure incurred in 2023/24 will significantly contribute towards the realisation of savings in future years through the transforming the way that the Council delivers some of its services.

*Table 2 – Budgeted Flexible Use of Capital Receipts 2023/24*

Project Description	Planned Spending 2022/23 £m	Planned Savings 2022/23 £m	Planned Spending 2023/24 £m	Planned Savings 2023/24 £m
Restructure costs associated with staff leaving through ELI	1.00	(1.00)	1.00	(1.00)
IDS - Driving a digital approach across the Council	0.50		0.50	(0.50)
IDS - Staff supporting the delivery of key projects across the Authority	3.14		3.14	
Staff supporting the delivery of the key Core Business Transformation Programme	5.83		10.00	
Council Tax Automization	0.38		0.08	
PACS staff delivering innovative solutions to realise Procurement savings	0.78	(4.00)	0.81	0.00
Adults and Health Service Transformation team (including management) supporting the delivery of key projects	1.94	(4.00)	1.98	(4.00)
Adults and Health - specific IDS staff supporting transformation.	0.10		0.10	
CEL staff time spent on Transformational projects	0.12	(1.52)	0.10	(1.53)
Legal - Staff supporting the Delivery of DAT (Documents and Time recording system)	0.06		0.00	
BSC - Staff who supporting the delivery of system changes within the Shared Services.	0.47		0.47	
Providing resources to deliver transformation activity within the Communities Directorate	0.12		0.12	
IDS - Additional funding for driving a digital approach across the Council	0.70		0.70	
Leadership Team - Service Transformation	0.12		0.00	
Service Transformation - supporting the delivery of various projects	0.70			
Early Help - Service Transformation - supporting the delivery of various projects	0.53			
Adults - Service Transformation- Chief Officer	0.10			
IDS - Service Transformation	0.32			
LBS - Service Transformation - supporting the delivery of various projects	0.27			
<b>Grand Total</b>	<b>17.17</b>	<b>(10.51)</b>	<b>19.00</b>	<b>(7.03)</b>

- 4.2 Capital receipt flexibilities of £1m will be used to contribute towards the severance redundancy costs associated with the transformation of the Council. This will be done within the limits set out in the Guidance on Flexible Use of Capital Receipts which states: “...*discretionary redundancy payments cannot be qualifying expenditure and must not be capitalised under the direction. An authority may capitalise redundancy payments that are necessarily incurred and limited to the amounts available as statutory redundancy payments, where such costs are otherwise qualifying expenditure Authorities should not use the proceeds from asset sales to fund redundancy costs in excess of what is required by statute. This restriction does not apply to other severance costs, including pension strain costs; the treatment of these costs remains unchanged from the previous direction.*” Where this criteria is met, staff exiting the Authority through the Council’s Early Leavers Initiative scheme (ELI) will be subject to the production of business cases which demonstrates that savings can be realised through releasing staff.
- 4.3 As in previous years £0.5m will be used to fund expenditure within IDS (Integrated Digital Services) which is associated with the digitalisation of services in the Council. Specific work around digitalising processes to realise cashable efficiencies is planned within Property Assets and Facilities, Highways, Waste Management and Licencing.
- 4.4 In 2023/24 £3.14m capital receipts will be invested in Integrated Digital Services (IDS) 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. The application rationalisation programme will reduce the number of applications supported thereby reducing the support and maintenance costs and simplifying business processes. Savings from this work programme will assist in delivering those transformational activities throughout the authority which are built into the Medium Term Financial Strategy and are dependent upon an information technology solution.
- 4.5 As detailed in the report to Executive Board in September 2020, capital receipts will be used to resource the Core Business Transformation Programme which seeks to bring about fundamental changes in the way Finance, Procurement, Human Resource (HR) and Payroll activities are undertaken across the Council. A further Executive Board report in October 2022 identified that £10.48m of capital receipts is required to deliver Phase 1 (replacement of Finance System). A further Executive Board report is scheduled for February 2023, identifying a requirement for a further £8m of capital receipts to deliver Phase 2 (replacement of HR & Payroll systems). The CBT Programme supports the Council’s aim set out in its People Strategy to be the best place to work, with staff provided with the right tools for the job, the Leeds City Digital Strategy which aims to transform how we work using the many opportunities provided by digital technology and deliver savings

through more efficient ways of working and application rationalisation. In 2023/24 the scheme is budgeted to utilise £10.0m of flexible use of capital receipts, this includes spend from both Phase 1 and Phase 2.

- 4.6 Within Finance Services specific provision of £0.08m, funded through capital receipts, will fund transformational activity relating to digitising transactional activity in the service to enable the reduction in manual processes within the Council Tax and Business Rates functions. This in turn will realise cashable savings which will contribute towards the Council being able to present a balanced budget position in future financial years.
- 4.7 Within Procurement and Commercial Services £0.81m will be utilised to support the delivery of procurement savings that have been built into the 2023/24 budget. Specific activities include:
- Ongoing feasibility work/pilot scheme with a view to improving commercial capacity and capability within services.
  - Supporting service reviews/reconfiguration/investment/improvement (including in relation to Contract Management and Social Value) with a view to generating efficiency savings, added value from procurement activity and/or service transformation.
  - Embedding the new e-tendering system and developing the contract management system to ensure integration with wider Council systems, and developing digital approach to monitoring and reporting in order to support the delivery of more efficient public services.
  - Improving systems and processes to help tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy (including training to services).
  - Setting up (both within PACS and services) commercial or alternative delivery models (including through Social Value commitments from suppliers etc) to deliver public services more efficiently and bring in revenue (for example, through selling services to others).
- 4.8 Within the Adults and Health Directorate £2.08m of capital receipts is required to the staff who are responsible for the delivery of the transformation programme from which savings of £4m have been incorporated into the 2022/23 budget. Specifically the transformation programme covers:
- Delivery of the budget action plans and support for the Adults and Health Budget Review Group Board.
  - Working with social work practitioners to design the most efficient pathways for clients. Delivering on the Independent Living project, supporting people to live independent lives for longer.
  - Working with NHS to ensure pathways for transfer are right first time.
  - Develop invest to save business case for increasing capacity in the care market, e.g. new homes for dementia and autistic, refurbishment programmes. Designed in conjunction with external partners and Cross-Council.
  - Work on design of the IT systems and workflows to ensure data input right first time, accurate, timely. Also, where income due this is collected in full. Development of the A&H Client recording system, HCAIT and the creating of the new billing system, Billing Engine. (HCAIT – Home Care Analysis & Information Tool system).

- 4.9 Capital Receipt flexibilities of £0.10m will be used to resource Senior Management Team time within CEL which is spent on driving forward the transformational change within Civic Enterprise Leeds to deliver the ongoing efficiency savings of £1.52m which are detailed in the Resources Directorate Appendix 8 pages of this report.
- 4.10 With regard to BSC, £0.47m of capital receipts flexibilities will be used to resource staff involved in transformational work both within the Shared Services function and the Contact Centre. The work undertaken will complement and help realise the benefits and costs reductions that will be realised through the implementation of the Core Systems Transformation Programme. Savings realised from this work will be incorporated into future Medium Term Financial Strategies
- 4.11 Within the Communities, Housing and Environment Directorate £0.12m is required to resource the Working Together in Neighbourhoods & Communities - Strategic Transformation Review. This review will look to transform the way in which services are delivered to communities from the Council, Health partners and third sector. It will explore opportunities for closer more integrated collaboration on the efficient and effective use of resources to achieve our Best Council/Best City ambitions, Joint Partnership plans (e.g. Health and Well Being Strategy) partners' plans (e.g. left shift blueprint, integrating care), and our overall ambition to reduce inequalities within the city.
- 4.12 An additional £0.7m is required for IDS projects and Transformational changes. IDS are fundamental to the development and implementation of transformational programmes throughout the Council. £0.7m additional work to produce these improvements has been identified. A further £1m of work to support change has been identified in other divisions within the Resources directorate as follows; CEL senior management team, Internal Audit, Heads of Finance, SEAQ and LBS.
- 4.13 The strategy aims to deliver a more integrated approach to delivering services and deliver greater VfM with productivity improvements resulting from: better partnership working; different and more joined-up activities and solutions; and timely and flexible interventions to prevent problems escalating. The work will also look at geographical intervention, use of assets, commissioning and budgets, workforce requirements and the role of technology in sharing and using data to inform the approach and deliver outcomes.



Description of Reserve	Projected Balance 1st April 2023	Budgeted Contributions (To) Reserve	Budgeted Contributions From Reserve	Projected Balance 31st March 2024	Reason for the Reserve
	£k	£k	£k	£k	
<b>GENERAL FUND</b>	<b>(33,248)</b>	<b>(3,000)</b>	0	<b>(36,248)</b>	
<b>EARMARKED RESERVES</b>					
S256 funding for health inequalities	(1,823)			(1,823)	Specific funding from Leeds South and East CCG for tackling health inequalities.
Health and Social Care (CCG)	(7,759)			(7,759)	To fund Health and Social Care priorities
Prisons	(79)			(79)	CCG funding for social work in prisons
Drugs	(133)			(133)	Carry forward of external income for drug and alcohol priorities
Transforming Care	(2,340)		1,800	(540)	Provision to mitigate against costs associated with the NHS England led transfer of care packages to a community setting, in accordance with 2017/18 budget report
Social Care Development	(471)			(471)	Provision to meet costs associated with development of social care models e.g. Recovery Model in accordance with 2017/18 budget report
Resilience	(837)			(837)	Provision to mitigate against unforeseen demand pressures e.g. caused by hot summers, cold winters, flu outbreaks etc., in accordance with 2017/18 budget report
Safeguarding (Adults)	(228)			(228)	Independent Safeguarding Board - carry forward of partner contributions.
Spring Budget	(1,547)		1,500	(47)	Carry forward of Spring Budget monies from DCLG.
Skills for Care	(193)			(193)	To provide funding for training of Care Workers
Henry 5-12 project	(18)			(18)	Public Health funding to support a healthy weight programme for families with children aged 5-12 years old.
Health & Wellbeing	(167)			(167)	S31 Grant to provide training and advisory support to schools and colleges on mental health and wellbeing.
Families First	(17)			(17)	To fund potential future years clawback of Stronger Families Grant Funds a
Safeguarding (Children's)	(117)			(117)	Independent Safeguarding Board - carry forward of partner contributions to fund serious case reviews
Social Inclusion Fund	(505)		150	(355)	Social Inclusion Fund as per casino licence bid
Local Welfare Support Fund	(362)			(362)	To provide ongoing funding to the Local Welfare Support Fund service who provide support to Leeds residents experiencing financial hardship
Economic, Social and Environmental Wellbeing Fund	(987)			(987)	Carry forward balances on the wellbeing budgets of Community Committee.
Communities Innovation Fund	(28)			(28)	To fund work with the 3rd Sector to develop future financial sustainability in the sector.
Waste Management	(697)			(697)	Balance of waste disposal contract savings secured in 19/20 to support the delivery of the Refuse route review and the developing waste strategy.
Homelessness Prevention Fund	(809)			(809)	To fund Homelessness prevention
Civil Penalties	(250)			(250)	To fund potential legal costs/future shortfalls in income from Civil Penalties.
Lord Mayor	(10)			(10)	Balance of budget carried forward.
Low Carbon Programme	(158)			(158)	To support delivery of work on Air Quality
Energy Efficiency Reserve - LCC	(235)			(235)	Energy efficiency reserve to fund invest to save energy efficiency initiatives.
Section 256	(942)			(942)	Funding from the CCG to be utilised by DIS to fund development of Digital Solutions for Personalised Care
General Insurance	(7,671)			(7,671)	To help fund cost of future insurance claims
Mutual Municipal Insurance	(11)			(11)	Reserve to fund potential claw backs of past insurance receipts from MMI.
Legal Cost of VAT claims	(63)			(63)	Funds set aside from £8.4m VAT claim refund received in 10/11 (originally £100k) to help fund legal costs for remaining VAT cases
Capital Reserve	(2,709)			(2,709)	Directorate contributions towards borrowing costs of capital schemes. Contributions received over life of asset and released back to revenue to cover debt costs over life of loan. Reserve now exhausted.
Merrion House Reserve	555			555	In year roundings between budget & actual.
S31 Business Rates reserve	0			0	Reserve to carry forward S31 NDR relief grants received in 20/21 and apply in relevant year
Strategic Contingency Reserve	(32,235)	(2,811)	17,412	(17,634)	To fund future unforeseen budget pressures and to ensure the Council becoming more financially resilient; to fund the recovery of affected services following the COVID pandemic
COVID Reserve	(141)			(141)	To be applied to COVID pressures identified in 2022/23 Budget proposals
Council Tax TIG reserve	(2,234)			(2,234)	Income guarantee funding for COVID Council Tax losses in 20/21, to be spread over next 3 years.
Business rates TIG reserve	(1,003)			(1,003)	Income guarantee funding for COVID Business Rates losses 20/21, to be spread over next 3 years.
Energy contingency reserve	0			0	To provide contingency funding should energy costs exceed provision in the budget
Investment/Innovation	(814)	(1,047)		(1,861)	Fund to get projects off the ground to generate future revenue savings.
Business Rates Distribution	(937)			(937)	To carry forward 2018/19 Business Rates Pool surplus and funding allocated to projects.
<b>Sub-total GF Earmarked Reserves</b>	<b>(67,975)</b>	<b>(3,858)</b>	20,862	<b>(50,971)</b>	
<b>Total GF non-ring fenced Reserves</b>	<b>(101,223)</b>	<b>(6,858)</b>	20,862	<b>(87,219)</b>	
<b>RING FENCED RESERVES: GENERAL FUND</b>					
Rapid test Fund	(115)			(115)	Funding from Central Government to support testing of individuals
Community Discharge Grant	(1,627)			(1,627)	Funding from Central Government for transitions costs from Hospitals back to Community Settings
Public Health Grant	(2,784)			(2,784)	Unspent government grant primarily related to non-settlement of 'agenda for change'
Taxi & Private Hire Licensing Surplus	(173)			(173)	Ring fenced reserve for taxi and private hire licensing service.
Energy Efficiency Reserve - Salix	(737)			(737)	Energy efficiency reserve to fund invest to save energy efficiency initiatives.
Staffing and Management Support	(475)			(475)	To support HR initiatives.
Revenue Grants	(5,086)			(5,086)	Various
<b>Sub-total GF ring fenced reserves</b>	<b>(10,997)</b>	0	0	<b>(10,997)</b>	
<b>Total General Fund Reserves</b>	<b>(112,220)</b>	<b>(6,858)</b>	20,862	<b>(98,216)</b>	

### Revenue & Capital Principles

#### **A. REVENUE BUDGET PRINCIPLES**

The revenue budget principles have been developed to support the budget process and need to be complied with in conjunction with compliance with the Council's Budget and Policy Framework, the Budget Management Accountability Framework and detailed guidelines provided for setting the 2023/24 to 2025/26 budget.

The budget position is based on a number of significant subjective assumptions. To enable the Council to react to changes in these assumptions in a timely fashion, these principles should be adhered to, which should support a balanced budget being set.

The current financial year will also have a significant impact on future years budgets being set and therefore a number of the principles relate to the current financial year.

#### **1. Budget Principles for Future Years Budgets**

1.1 The budget will initially be prepared on the basis that current resources support existing service levels in line with budget assumptions and with the exception of:

- (a) The full year effect of previous year's savings proposals and spend.
- (b) Consequences of the approved capital programme.
- (c) Where expenditure needs to be reduced with regard to adjustments in relation to specific 'one year only' allocations and other time expired funding.
- (d) Other specific Council decisions.
- (e) Directors and Departmental Chief Officers, supported by Finance Services, are responsible for:
  - i. Business cases (rationale) need to be developed for growth and invest to save proposals, with evidence based justification for increasing demand included in business cases to be considered as part of the budget gap. These are to achieve the priorities in the Best City Ambition.
  - ii. All savings within their Directorate are to be agreed by the Executive Member, however if a saving is not approved then an alternative must be found. If an approved saving is not delivered in year, then a reason why this hasn't happened needs to be considered by the Council's Corporate Leadership Team (CLT) and an alternative found
  - iii. Identifying potential savings with No options for savings being off the table. Savings are to be presented to Executive Members at the earliest opportunity to obtain Members views as to whether these are to be progressed.
  - iv. Contingency Action Plans – The value of any risks / pressures in the Directorates managed budgets should be quantified. As a contingency, savings proposals which can be implemented quickly are to be identified. These proposals will be actioned if the service goes into an overspend position during the financial year.
  - v. Budget Action Plans – Saving proposals to manage:

- The savings requirement for the Directorate
- Pressures identified within the service
- Future developments

The contingency and Budget Action Plans must be robust and fit for purpose. Each Director will be required to verify that the actions contained in the plan are achievable.

**1.2 Salary budgets** are to be prepared with reference to the 2022/23 budget (net of any vacancy factor) adjusted for pay awards, approved service changes, savings and other approved variations. The salary budgets can only be used to employ staff in established posts on approved grades in line with the following conditions:

(a) All changes to the approved staffing budget where Council funding is available in full must be approved by Executive Board, or within the requirements of the Scheme of Delegation.

(b) All changes to the approved staffing budget where resource implications arise, even if the costs are met entirely from external funding, must also be approved by Executive Board, or within the requirements of the Scheme of Delegation.

(c) Posts funded from external sources must be established as temporary or specific purpose posts unless it can be demonstrated that:

- the external funding is permanent, or specific approval has been given, or future years' costs can be contained within current budgets.

**1.3. Discretionary Fees and Charges.** Directors are to provide a report to CLT on their proposals to generate income from within the Directorate.

(a) Fees and charges are to be varied to achieve an overall annual increase in income for each Directorate in line with the Fees and Charges Policy. Increases can be implemented at any time subject to the overall financial target being achieved.

(b) If the target cannot be achieved by varying fees and charges then alternative savings must be identified. Claims by Directors to exempt or apply a lesser increase to any part of their service must be justified in the context of their Directorate policies and plans and referred to CLT.

### **1.4. External Funding**

(a) Wherever possible external funding should be used to reduce pressure on current expenditure, thereby releasing resources for redirection into priority areas.

(b) All legal, human resources, financial and administrative support costs required to manage grant conditions and fulfil the role of the accountable body should be charged, wherever possible, against the funding regime.

## **2. Current Year Principles**

2.1 In regard to Revenue Grants received in the year, agreement to be reached at CLT whether substitution of general funding should be identified before the grant is utilised.

2.2 Contributions to a non-ring fenced reserve can only be made if a directorate is forecast to be underspending. Contributions needs to be agreed by the Chief Officer - Financial Services.

2.3 Carry forward of budget into the next year will be considered by CLT and will only be considered if the service is forecast to be underspending at the reported provisional outturn position.

2.4 Directors must balance service requirements against the need to manage within their budgets when taking decisions to fill vacant posts or employ temporary staff.

2.5 No overspend in budgets should be incurred unless there is a safeguarding / statutory need and these, where possible, should be agreed by the Director. A report with a budget action is to be provided to CLT and Executive Board detailing proposals as to how this variation will be managed within the Directorate's approved budget.

2.6 When a revenue grant received from Central Government stops the Directorate will need to manage the reduction in both expenditure and loss of income. The Director, with support from Finance Services, will be required to provide an exit strategy or an evidence based business case to set out why this expenditure should be added to the base budget.

2.7 Services need to manage budget pressures identified within the service. Any pressures which the service identifies which cannot be managed need to be agreed by CLT and Executive Board with a robust business case being developed.

2.8 Where in year saving proposals have not been achieved in the current financial year, the Director will need to identify budget savings options to mitigate and prevent the Directorate from going into an overspend position. These savings options will be incorporated into Financial Health reports which are received initially at Executive Board and then subsequently at both Strategy and Resources and the respective service Scrutiny Boards.

## **B. CAPITAL PROGRAMME PRINCIPLES**

The Capital principles have been developed to enable focus on the purpose of the Capital Programme and to seek agreement for the use of limited resources.

### **1. Capital Programme Principles**

1.1 The Capital Programme is compiled for the years 2022/23 through to 2031/32. The format of the capital schemes submissions, which are to be supported by a business case, will be determined by the Financial Challenge: Strategic Investment Board (SIB) The Capital schemes being considered by SIB are to meet the priorities identified in the Business Case Guidance.

1.2 The profiling of capital expenditure into the correct financial years and over a project's development will be key to ensure the amount of re-profiling of capital

resources from one year to another is kept to a minimum, and to minimise the amount of revenue budget required to finance the project.

1.3 When a Capital Scheme has been completed, the business case and outcomes will be reviewed to ensure the specified outcomes have been achieved and a lessons learnt document will be produced to be used for future capital programmes.

1.4 Capital Resources are to be used as follows:

- Decisions on the use of Capital Receipts will be considered as part of the budget process. Should any in-year decisions on the additional use of Capital Receipts be required these will be considered within quarterly capital reporting to Executive Board.
- Unring-fenced and ringfenced externally funded grants are considered on a case by case basis for their utilisation by SIB.
- Any external funding secured after the Capital Programme is set is to be used to replace any internal funding sources including Corporate or Prudential borrowing of any relevant scheme in the first instance, where conditions allow, to provide maximum flexibility in the use of available resources.
- Approval of any new borrowing must be considered alongside the implications for the revenue budget position.

1.5 Capital projects for approval where no funding solution is identified are:

- Considered by Executive Member for the service who agrees to the Directorates putting forward a request for funding the Capital Scheme. Ward members in relevant localities affected by the capital investment will also be consulted on the proposals.
- Completed to ensure all implications of the Capital Scheme are included in the 'Business Cases'. Business cases are to be developed and a scheme will only be included in the Capital Programme when considered by SIB and CLT and ultimately approved by the Executive Board in line with the Budget and Policy Framework.
- Supported by business cases which are developed by the Directorates with support from Financial Services. The ongoing monitoring of the Capital Schemes is the responsibility of the Director in accordance with the Financial Regulations.
- Profiled accurately across the relevant financial years.

1.6 External Funding is maximised before the use of internal funding sources, including Corporate or Prudential Borrowing, is considered.

1.7 Capital Expenditure is reviewed to ensure the capital scheme provides value for money, is sustainable in the future and meets the priorities detailed in the Best City Ambition. In order to ensure that schemes meet Council priorities and are value for money, the Chief Officer – Financial Services Officer will continue to ensure:

- the introduction of new schemes into the capital programme will only take place after completion and approval of a full business case and identification of the required resources; and

- the use of prudential borrowing by directorates is based on individual business cases and that revenue resources to meet the borrowing costs are identified.
- All revenue implications of the Capital Programme (regardless of the capital funding of those schemes) are considered and are reviewed by FPG and, where relevant, by SIB to enable informed decisions to be made, for example regarding:
  - Ongoing operating costs and life cycle costs
  - Cost of any prudential borrowing including both MRP and Interest

1.8 Capitalisation of expenditure (including staffing costs) must be in line with CIPFA Guidance.

### **C. General Principles**

The budget process shall adhere to the approved timetable.

# Housing Leeds – tenant priorities to inform 2023/24 budget consultation

January 2023



## Background

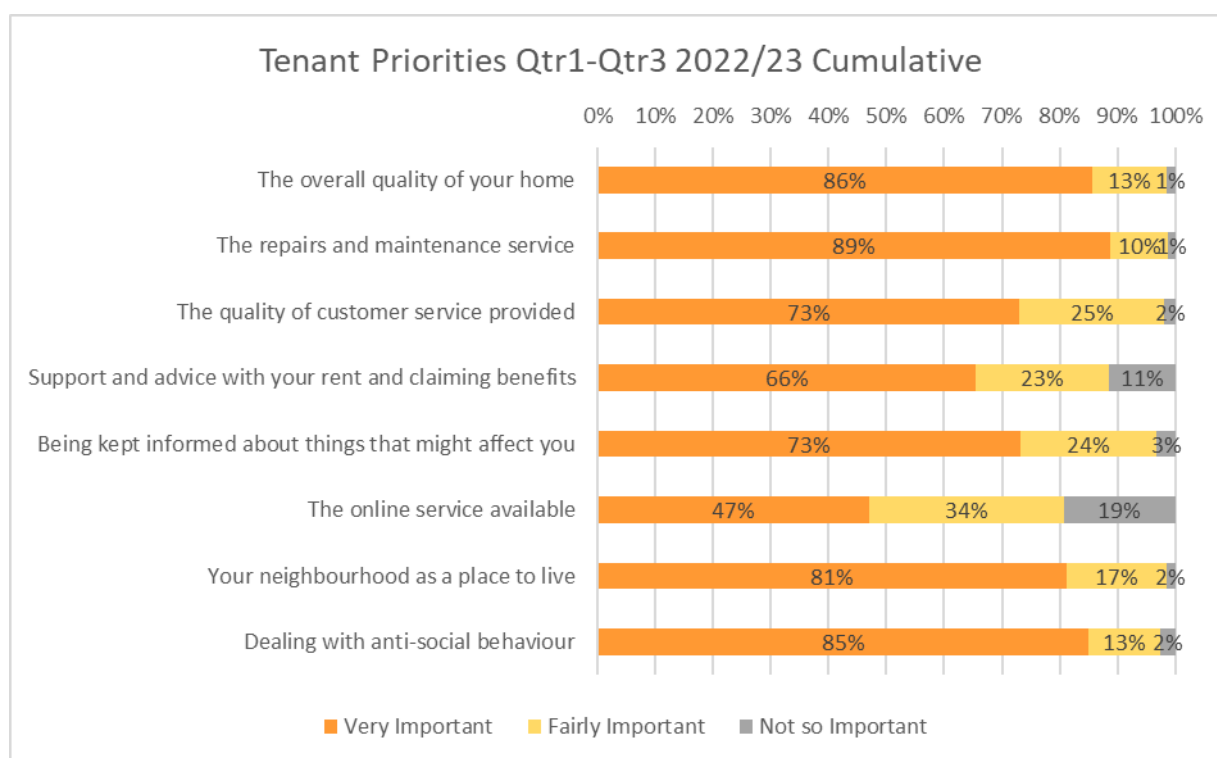
In line with the Housing Leeds Service Plan commitment to '*maximise the use of customer feedback*' the service has integrated into its quarterly tenant satisfaction survey programme questions to help us understand tenants service priorities, which in turn can be used to help inform annual budget setting.

The satisfaction programme was launched in April 2022, with quarterly online and paper surveys sent to a sample of tenants across the city. Between April 2022 and the end of December 2,069 responses have been received.

The survey asked the following question: '*We would like to understand what our service priorities should be for you. Thinking about the services we provide, please tell us how important the following are to you*'.

## Summary of survey findings:

- The most important services to tenants were reported as:



The repairs and maintenance service, the overall quality of the home, dealing with anti-social behaviour and the neighbourhood as a place to live were the four most important aspects of our service.

- In line with national trends, overall satisfaction with services has fallen below pre-covid levels. Whilst there has been some positive trends in various areas of performance, a full year of data is not yet available to be formally reported. However, from the first three quarters of

22/23 survey returns suggest some of the key areas of dissatisfaction linked to tenants' priorities (% reported as dissatisfied or very dissatisfied) are:

- Approach to handling anti-social behavior (56%)
- The neighbourhood as a place to live (41%)
- The quality of the home (38%)
- Repairs and maintenance (34%)

There is now the opportunity to consider budget prioritisation, supporting the areas that are both most important to tenants and where perceptions of the service are lower.