

Financial Reporting 2023/24 – Quarter 1

Date: 26th July 2023

Report of: Chief Officer - Financial Services

Report to: Executive Board

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

The purpose of this report is to inform the Executive Board of the financial health of the Authority. The report draws together the following:

Financial Health Monitoring 2023/24 – Quarter 1 (Appendix A)

1. This report sets out the projected 2023/24 financial position in respect of both the General Fund revenue budget and the Housing Revenue Account. The 2023/24 Budget supports 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.
2. At Quarter 1 (June) the position reflects a forecast overspend of £28.5m on the Authority's General Fund Service. Consequently, the freeze on recruitment, agency and overtime spend, and the freeze on non-essential spend introduced in 2022/23 will continue in 2023/24.
3. Any Collection Fund income shortfall arising in 2023/24 will impact on the Revenue Budget in 2024/25.
4. This report comments on financial performance against the 2023/24 budget, which has targeted resources towards the Council's policies and priorities as set out in the Best City Ambition.
5. The current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions. The position remains challenging and the budget for 2023/24 requires delivery of £58.6m of savings. At Quarter 1 it is anticipated that the majority of budgeted savings will be delivered or mitigating actions found.
6. Where known, increased inflation and the rising cost of living, including the employer's final pay offer for 2023/24 have been incorporated into this reported financial position.
7. The Codes of Practice on Capital Finance and Treasury Management require that Prudential indicators are monitored at least on a quarterly basis as part of the Council's overall Financial Health monitoring. The report includes (at paragraph 4.5) an analysis of the Prudential indicators set at the time of the budget in February 2023, showing a comparison to current projections and variances where appropriate (at Appendix C).
8. At Quarter 1 the Housing Revenue Account is forecasting an overspend of £2.7m.

Capital Programme 2023/24 to 2027/28 – Quarter 1 Update (Appendix B)

1. This report sets out the updated capital programme for 2023-2028, split between General Fund and HRA, with a forecast of resources available over that period. A specific update of the 2023/24 programme is also provided. The Council continues to deliver significant capital investment across the city which will provide improved facilities and infrastructure, whilst ensuring the impact on debt costs within the revenue budget is managed.
2. Borrowing required for 2023/24 is currently projected to overspend the agreed 2023/24 debt budget by £0.8m as a result of higher than predicted increases in interest rates, however the cost of the capital programme is projected to remain affordable within available resources identified in the Medium Term Financial Strategy.
3. The updated capital programme for 2023-2028 requires injections of £83,290.3k.

Recommendations

With reference to **Financial Health Monitoring 2023/24 – Quarter 1 (Appendix A)**, Executive Board are asked to:

- a) Note that at Quarter 1 the Authority's General Fund revenue budget is forecasting an overspend of £28.5m for 2023/24. This is comprised of Directorate overspends of £27.4m and an overspend in Strategic of £1.1m.
- b) Note that where an overspend is projected Directorates, including the Housing Revenue Account, are required to present action plans to mitigate their reported pressures, in line with the Revenue Principles agreed by Executive Board in 2019.
- c) Note the Council's intention to continue the freeze on recruitment, agency and overtime spend and the freeze on non-essential spend that were introduced in 2022/23.
- d) Note that known inflationary increases and known impacts of the rising cost of living, including the employer's 2023/24 NJC pay offer of £1,925 and the JNC pay offer of 3.5%, have been incorporated into this reported financial position. These pressures will continue to be reviewed during the year and reported to future Executive Boards as more information becomes available. Proposals would need to be identified to absorb any additional pressures.
- e) Note that due to reducing energy prices there may be a saving on energy budgets. Should this be the case Executive Board are asked to approve in principle that any underspend on energy would be transferred to the Strategic Contingency Reserve.

With reference to **Capital Programme 2023/24 to 2027/28 – Quarter 1 (Appendix B)**, Executive Board are asked to:

- f) Approve the following injections into the capital programme, as detailed at **Appendix B1 (iii)**:
 - £82,105.0k of HRA resources for the roll forward of the Housing Leeds Refurbishment Programme into 2027/28; and
 - £1,185.3k of HRA Resources for the Council House Growth Programme to replace funding utilised during 22/23 closure of accounts.

The above decision to inject funding of £83,290.3k will be implemented by the Chief Officer - Financial Services.

- g) Note the latest position on the General Fund and HRA capital programme as at Quarter 1 2023/24.

What is this report about?

1 **Financial Health Monitoring 2023/24 – Quarter 1 (Appendix A)**

This report updates the Board on financial performance against the Council's 2023/24 General Fund revenue and Housing Revenue Account budgets for the first three months of the financial year.

2 **Capital Programme 2023/24 to 2027/28 – Quarter 1 (Appendix B)**

This report provides the Board with an update on the capital programme as at quarter 1, including updates on capital resources and progress on spend.

What impact will this proposal have?

3 **Financial Health Monitoring 2023/24 – Quarter 1 (Appendix A)**

The budget proposals contained in the 2023/24 Budget have, where appropriate, been the subject of the Council's Equality Impact Assessment process and mitigating measures put in place or planned where appropriate. As such, an Equality Impact Assessment was provided at Appendix 6 to the 2023/24 Revenue Budget and Council Tax Report.

4 Capital Programme 2023/24 to 2027/28 – Quarter 1 (Appendix B)

The capital programme sets out a plan of capital expenditure over future years and further spending decisions are taken in accordance with capital approval processes, as projects are developed. This is when more detailed information will be available as to where in the city capital spending will be incurred, the impact on services, buildings and people and equality considerations as part of the rationale in determining specific projects from capital budgets.

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

Health and Wellbeing Inclusive Growth Zero Carbon

- 5 The Best City Ambition is the strategic plan which sets out the ambitions, outcomes and priorities for the City of Leeds and for the Local Authority. The Three Pillars of health and wellbeing, inclusive growth and achieving zero carbon underpin this vision and these can only be delivered through a sound understanding of the organisation's longer-term financial sustainability which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints.
- 6 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. This report needs to be seen in the context of the requirement for the Council to be financially sustainable and deliver a balanced revenue budget position in 2023/24 so that resources can continue to be targeted at the Council's priorities.
- 7 Each of the three Key Pillars will be addressed across the capital programme and these specific implications will be covered in individual capital scheme approval reports when they come forward.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

- 8 This is a factual report and is not subject to consultation. Public consultation on the Council's revenue and capital budget proposals was carried out between December 2022 and January 2023 and is detailed in the 2023/24 Revenue Budget and Council Tax report presented to this Board in February 2023. Further to this, specific consultation will be undertaken with Ward Members when individual capital scheme approval reports come forward.

What are the resource implications?

- 9 **Financial Health Monitoring 2023/24 – Quarter 1 (Appendix A)** is a revenue financial report and as such resource implications are detailed in the report and appendices.
- 10 **Capital Programme 2023/24 to 2027/28 – Quarter 1 (Appendix B)** details the resource implications.

- 11 Further to this, for the capital programme to be sustainable, the Chief Officer - Financial Services must be satisfied that the cost of borrowing currently included in the capital programme can be contained within the approved revenue debt budget. The updated capital resources position statement set out in **Appendix B1** details the borrowing required for 2023/24. Despite this requirement having decreased since the 2022/23 Outturn position was reported to Executive Board in June 2023, the 2023/24 revenue debt budget is currently projected to overspend by £0.9m as a result of higher than predicted increases in interest rates and for a longer period. However, the cost of the capital programme is projected to remain affordable within available resources identified in the Medium Term Financial Strategy.
- 12 For the HRA, the position outlined at **Appendix B1** details the borrowing required for 2023/24 and the capital programme in total, which will be managed within available resources.

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

Financial Health Monitoring 2023/24 – Quarter 1 (Appendix A):

- 13 The reported budget position is considered in the context of risk to both the in year financial position and the potential impact on the Council's Medium Term Financial Strategy. These risks are included on the Council's corporate risk register.
- 14 Budget management and monitoring is undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget judged to be at risk such as the implementation of budget action plans, those budgets which are subject to fluctuating demand and key income budgets. To reinforce this approach, specific project management based support and reporting around the achievement of key budget actions plans is in place for 2023/24.
- 15 This position reflects the forecast 2023/24 pay increase. Further this position reflects the latest projections with regard to known inflationary pressures in respect of the increased cost of electricity, gas, fuel and the impact of the cost of living pressures on our residents or businesses which has significantly affected the cost of goods and services the Council procures, demand for support and welfare services the Council provides, and the activity levels that support a wide range of income streams. These will continue to be monitored throughout the year as will increases on interest rates and their impact on the Council's financial position.
- 16 Four key messages have been introduced in 2023/24 to advise and support the Council's financial position:
 - Stay within budget – reduce discretionary spend and minimise recruitment, including agency and overtime.
 - Absorb in-year pressures – Directorates required to absorb all in-year pressures.
 - Highlight issues early – use the budget monitoring process to raise issues with Financial Management as soon as possible.
 - Robust monitoring is essential – includes detailed discussion at relevant monitoring meetings.
- 17 However, given the significant forecast revenue overspend position reported here, the Council's Corporate Leadership Team have agreed to continue the freeze on recruitment, agency and overtime spend introduced in 2022/23 and further strengthen the controls through a post-by-post review to identify which posts meet agreed exceptions and can be excluded from the freeze. It has also been agreed to continue the non-essential spend freeze introduced in 2022/23.

Capital Programme 2023/24 to 2027/28 – Quarter 1 (Appendix B)

- 18 One of the main risks in managing the capital programme is that insufficient resources are available to fund the programme. As the capital programme is fully funded this risk lays within the treasury management of the debt budget. Monthly monitoring procedures are in place for expenditure, resources and capital receipts and debt monitoring to ensure that this risk can be managed effectively.
- 19 In addition, the following measures are in place:
- ensuring written confirmation of external funding is received prior to contractual commitments being entered into;
 - quarterly monitoring of the council's VAT partial exemption position to ensure that full eligibility to VAT reclaimed can be maintained;
 - provision of a central contingency within the capital programme to deal with unforeseen circumstances. Individual programmes and schemes will also contain a risk provision for unexpected circumstances;
 - compliance with both financial regulations and contract procedure rules to ensure the Council's position is protected; and
 - ensuring all major programmes are supported by programme boards.
- 20 The Chief Officer - Financial Services will continue to ensure that:
- the introduction / start of new schemes will only take place after completion and approval of a full business case and identification of the required resources;
 - promotion of best practice in capital planning and estimating to ensure that scheme estimates and programmes are realistic; and
 - the use of departmental unsupported borrowing for spend to save schemes is based on individual business cases and in the context of identifying the revenue resources to meet the borrowing costs.

What are the legal implications?

21 There are no legal implications arising from this report.

Options, timescales and measuring success

What other options were considered?

22 Not applicable

How will success be measured?

23 Not applicable

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

24 The Council continues to face significant financial challenges over the next few years. Work is ongoing to address these challenges and to identify savings, which may be addressed in part through review of the Capital Programme and the impact on debt costs within the revenue budget. Further details will be provided to the September 2023 meeting of the Executive Board as part of the Medium Term Financial Strategy proposals. The timetable of future Capital Programme reports is as follows:

- November 2023 Executive Board: 'Capital Programme Quarter 2 Update'

- February 2024 Executive Board: Overall Budget Setting report including a 'Capital Programme Update'.
- June 2024 Executive Board: Overall Final Outturn report including details of the Capital Outturn position.

Appendices

25 The following appendices are attached to this report:

- **Appendix A – Financial Health Monitoring 2023/24 – Quarter 1** – background information, detailed narrative regarding the projected financial positions for directorates, Dedicated Schools Grant (DSG) and the Housing Revenue Account HRA, update on Council Tax and Business Rates including collection performance.
- **Appendix A1** – Individual financial dashboards for directorates, DSG and the HRA.
- **Appendix A2** – Directorate Budget Action Plans.
- **Appendix B – Capital Programme 2023/24 to 2027/28 – Quarter 1** – sets out the updated capital programme for 2023-2028, with a forecast of resources available over that period, a specific update of the 2023/24 programme including progress on spend and details of the 2023 Capital Programme Review process.
- **Appendix B1** – Capital Programme Funding Statement 2023/24 to 2027/28
- **Appendix B1(i)** – Annual Programmes
- **Appendix B1(ii)** – Major Programmes
- **Appendix B1(iii)** – Net Increase in Funding Since 2022/23 Outturn
- **Appendix C1** – Prudential Indicators (as referenced in Appendix A, paragraph 4.5)
- **Appendix C2** – Liability Benchmark (as referenced in Appendix A, paragraph 4.5)
- **Appendix C3** – Gross and Net Debt 2023/24 (as referenced in Appendix A, paragraph 4.5)

Background papers

26 None

Financial Health Monitoring 2023/24 – Quarter 1

1. Purpose of this report

- 1.1. This report sets out for the Executive Board the Council's projected financial health position for 2023/24 at Quarter 1.

Budget monitoring is a continuous process throughout the year, and this report reviews the position of the budget and highlights potential key risks and variations at Quarter 1.

2. Background information

- 2.1 Executive Board will recall that the net budget for the general fund for 2023/24 was set at £573.4m.
- 2.2 Following the closure of the 2022/23 accounts, the Council's general fund reserve stands at £33.2m. The 2023/24 budget assumes a £3m contribution to this reserve as part of measures taken to ensure financial robustness and sustainability in the future.
- 2.3 The Medium Term Financial Strategy assumes a balanced budget position for 2023/24 after the application of Government funding, the delivery of savings and the utilisation of earmarked reserves. Any adverse variation to a balanced budget position at the year end will require the identification of further savings in 2024/25.
- 2.4 Financial monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are deemed to be at risk, for example to the implementation of budget action plans, those budgets which are subject to fluctuating demand and key income budgets. This is reinforced through specific project management based support and reporting around the achievement of key budget actions plans.

3. Main Issues

- 3.1 At Quarter 1 an overspend of £28.5m is projected across directorates, a 4.97% adverse movement from the original budget. As discussed in this report, this position reflects the effects of the employer's 2023/24 pay offer, the known inflationary pressures and the wider impact of rising cost of living pressures on the Council's financial position.
- 3.2 Any Collection Fund income shortfall arising in 2023/24 will impact on the Revenue Budget in 2024/25.
- 3.3 Directorate positions are summarised in **Table 1**.

Table 1: Summary Position Financial Year 2023/24 Quarter 1**Summary Position - Financial Year 2023/24**

Directorate	Director	(Under) / Over spend for the current period				Previous Reported Position
		Staffing	Total Expenditure	Income	Total (under) /overspend	
		£000	£000	£000	£000	£000
Adults & Health	Caroline Baria	(3,830)	6,980	(6,980)	0	
Children and Families	Julie Longworth	(2,159)	13,968	4,204	18,172	
City Development	Martin Farrington	(407)	(2,134)	2,769	635	
Communities, Housing & Environmer	James Rogers	1,687	2,739	1,647	4,386	
Strategy & Resources	Mariana Pexton	5,621	(2,113)	6,337	4,225	
Strategic	Victoria Bradshaw	(62)	1,286	(197)	1,089	
Total Current Month		851	20,726	7,781	28,507	0

Managing the Overspend

As noted in **Table 1**, at Quarter 1 the Council is projecting an overspend of £28.5m for the financial year 2023/24.

- 3.4** Where an overspend is projected Directorates, including the Housing Revenue Account, are required to present action plans to mitigate their reported pressures, in line with the Revenue Principles agreed by Executive Board in 2019.
- 3.5** In 2022/23 cross-directorate Task and Finish working groups worked with services projecting overspends to support them to reduce cost pressures. In order to monitor and identify progress on these working groups, savings action plans were developed to record pressures and proposals and to monitor improvement. This process will continue to be used in 2023/24 and the outcome will be reported to future Executive Boards.
- 3.6** Four key messages have been introduced in 2023/24 to advise and support the Council's financial position:
- Stay within budget – reduce discretionary spend and minimise recruitment, including agency and overtime
 - Absorb in-year pressures – Directorates required to absorb all in-year pressures
 - Highlight issues early – use the budget monitoring process to raise issues with Finance colleagues as soon as possible
 - Robust monitoring is essential – includes detailed discussion at relevant monitoring meetings

- 3.7** However, given the significant forecast overspend position reported here, the Council's Corporate Leadership Team have agreed to continue the following two measures that were introduced in 2022/23:

Recruitment Freeze

To continue the freeze on recruitment, agency and overtime spend introduced in 2022/23 and further strengthen the controls through a post-by-post review to identify which posts meet agreed exceptions and can be excluded from the freeze. Unless an identified vacancy is for an excluded post, services will be required to identify how they will cover the costs of the post.

Non-essential Spend

To continue the non-essential spend freeze introduced in 2022/23, with the exceptions being spend on health & safety, to meet statutory service requirements, to prevent further costs, or to support income generation. It is intended to focus monitoring on smaller number of high spend areas applicable to most services and include in Financial Health monitoring reports to Executive Board.

Directorate Positions

- 3.8** The major Directorate variations in Table 1 are outlined below, with additional detail provided on the Directorate dashboards at **Appendix A1** of this report.

3.8.1 Adults & Health

Adult Social Care 2023-24 Budget

Budget Overview

At Quarter 1 Adults Social Care is projected to deliver a balanced budget. The Net Managed Budget for 2023-24 is £198.7m, comprised of £421.7m Gross Expenditure offset by £223m income. This is a small increase of 0.54% from the Net Managed Budget 2022-23 of £197.6m. Reflected in the 2023-24 budget are Budget Action Plans totalling £16.19m. Significant risks remain to deliver this position and are outlined below.

Social Care Grants

Included in the Adult Social Care budget for 2023-24 is additional social care grant funding of £27.6m:

- Additional Social Care Grant of £15.41m.
- New Adult Social Care Discharge Funding of £4.44m. This grant is to be pooled into the Better Care Fund with Leeds Integrated Care Board. Additional to the award to Leeds City Council, Leeds Integrated Care Board have directly received £4.7m; £9.1m combined for the City of Leeds. There are new reporting requirements attached to this funding stream and funding is ringfenced for specific social care discharge activities.
- New Adult Social Care Market Sustainability and Improvement Funding of £7.75m. This incorporates the £2.25m 2022-23 Market Sustainability funding awarded last financial year. Like the Discharge Funding above, this grant comes with new reporting requirements and is ringfenced for specific social care activities, supporting market providers, growing the market, and developing and supporting social care workforce recruitment and retention.

Reserves

The 2023-24 Budget assumes the use of £4.4m Adult Social Care & Public Health reserves. At Quarter 1 the directorate is projecting to utilise an additional £3.4m: £2.6m Newton Europe Home First programme and £0.8m Leeds Older People's Forum for delivery of the Age Friendly programme which is funded by Health.

Budget Action Plans

At Quarter 1 there are concerns around the delivery of five Budget Action Plans with a forecasted impact of £1.0m comprising of £0.6m relating to the strategic review for Social Work due to slippage in recruiting staff, £0.1m relating to slippage in the budget action plan for the refurbishment of the 3 LCC run residential homes and their delayed refurbishment and £0.3m slippage in the delivery of commissioning savings from the individualisation of block contracts. The remaining two have an impact of less than £0.05m.

Mitigating actions have already been identified to ensure the service is projected to deliver a balanced budget with no additional impact on the Medium Term Financial Savings plan, principally through staff savings.

This projection assumes delivery of the remaining £15.19m Budget Action Plans.

Demand Budgets

The 2023-24 demand related budgets reflect £29.83m additional funding for price, inflation, and demand & demography growth, taking the overall size of the demand led budgets up to £280.17m before reducing to £277.33m after netting off £2.84m savings target reflected in the delivery of the 2023-24 budget action plans; principally the Strategic Review for Adult Social Work. The Quarter 1 projection shows a pressure of £1.4m, principally around Residential and Nursing settings and this includes £0.6m relating to delayed hospital discharge beyond 28 days. This pressure will be covered by staff savings.

This projection assumes delivery of the £15.19m action plan savings referenced above.

There is a risk around providers challenging the percentage uplift in fees, particularly within the Working Age Adult settings, and another risk around delays in implementing the new delivery model for mitigating against delayed discharges > 28 days and the financial impact for Leeds City Council. Also, there is a risk of increasing numbers and winter pressures in the health system.

Income

At Quarter 1 we are projecting additional government grant income of £2.65m, additional Health income £7m (of which £5.2m for Newton Europe programme mentioned in 'Other' below, offset by £2.67m shortfall on income from service users); £1m community-based income, £0.39m Telecare (offset by staff savings) and £1.28m Learning Disability income.

Pay

The impact of the employers pay offer is a pressure of £1.1m over and above the 4% pay award built into the 2023-24 pay budget. This will be covered by additional social grant that was not reflected in the Adult Social Care budget. Potentially the impact could be more subject to final pay settlement.

Adult Social Care at Quarter 1 is projecting pay savings of £3.8m, principally around social workers and the national difficulty with recruitment and retention. Other savings on pay are in Provider Services. Some posts are being covered by Agency staff and the Quarter 1 projection reflects £2.2m additional costs, with the projection being £3.4m.

Other

Additional CEL charges of £1m have been reflected in the Quarter 1 projection, made up of £0.8m for passenger transport and £0.2m for catering charges. The Newton Europe, Home First programme commences in 2023-24. The cost of this programme is £7.8m, funded by £2.6m from Leeds City Council (funded from reserves above) and £5.2m from Health. Within the Quarter 1 projection we are assuming £0.5m of savings from this programme. Significant future savings will be built into the Medium Term programme.

Leeds City Council is the regional host for the Yorkshire & Humber International Recruitment fund. The total grant awarded and received is £1.38m and the majority of funding is allocated across the Yorkshire & Humber region on a relative needs basis. For Leeds this is £142,540.

Public Health 2023-24 Budget

Public Health (PH) Grant funding for 2023-24 is £48.663m; this is an increase of £1.537m from 2022-23 (3.3%). After taking account of the Office for National Statistics population increase for Leeds, the actual increase is 3.1%. This is the first year of an announced two-year grant funding for Public Health. For 2024-25 the Public Health funding increases by 1.3% to £49.305m, which will be a challenge in the current inflationary environment. Public Health grant is a ring-fenced account and limited to specific terms and conditions. At Quarter 1 we are projecting a balanced position.

In 2022-23 Leeds was awarded additional Public Health funding for three years for, 'Substance misuse funding for drug and alcohol treatment'. Leeds City Council will receive 2022-23 £2.785m, 2023-24 £4.445m and 2024-25 £8.445m. It should be noted that 2023-24 is the second year of the programme and there are specific terms and conditions attached to this grant award.

3.8.2 Children and Families – The current year-end forecast for the Children and Families directorate is an overspend of £18.185m.

Overall the main variations included within this position are:

	£m
CLA: External Residential Placements	11.089
CLA: Semi Independent / Leaving Care	2.970
IFA Placements	2.669
CLA: Other	(0.731)
Little Owls Nurseries	1.200
Transport	1.212
Projected Net Staff savings	(1.561)
Cost of additional pay award	1.225
Mitigation of pay award	(1.225)

Learning Inclusion	0.497
Non Delivery of Action Plans	0.719
Other Variances	0.121
Total	18.185

Whilst the Quarter 1 position reflects a General Fund forecast overspend of £18.185m, there remains a significant element of volatility in the number of children in high-cost residential placements and the cost of those placements. This reflects a national position of demand and demography challenges along with increasing costs, in part reflecting the wider cost of living challenges experienced more broadly in the economy.

For this initial Quarter 1 forecast a position on external residential placements has been reflected which indicates that placement numbers and costs will remain constant and consistent with the position as formulated at the start of the financial year. This shows some known increase in demand/demography and cost over that which was used when setting the 2023/24 budget and the agreed MTFS. This methodology results in cost increases over and above the established budget but does not reflect any further increases in numbers or cost.

Work continues within the Directorate on seeking to deliver effective practice which results in a lower number of children being subject to these high-cost placements. This continuing work is subject to significant scrutiny and any potential change in the forecast position will be highlighted. However due to the volatility in numbers and costs there is a potential that costs may increase by up to a further £8.565m which would result, if not mitigated, in a higher forecast position of up to £26.765m.

External Residential Placements:

The External Residential budget for 2023/24 is £14.617m. Due to known inflation and demand pressures over and above what was assumed in the MTFS 23/24 there is a projected overspend of £11.089. External Residential placements have increased from 95 at the start of the year to 107 as Quarter 1. This projection assumes the non delivery of £2.966m of action plan savings against this budget, including a proportion of the Turning the Curve and the Commissioning Review which have experienced delays in delivery and a reassessment of potential deliverables.

Care Leavers: Semi-Independent Living:

The budget for Semi-Independent Placements is £6.78m. Currently there are 248 placements, including 156 placements for 16 and 17 year olds, which is an increase from previous years. A continued increase in demand and prices with particular reference to 16/17 year old's requiring higher support packages is seeing a pressure of £4.9m against this budget. Other Leaving Care costs including fees and allowances is projecting a saving of £131k. This pressure has been further mitigated with projected additional UASC income £1.8m.

IFA Placements:

The number of Independent Fostering Agency placements have increased from 209 to 218 since the beginning of 2023/24. The Quarter 1 projection assumes that £2m of action plan savings will not be delivered against this budget.

Little Owls Nurseries:

The Little Owls nursery settings are projecting a net pressure of £1.2m, a projected income pressure of £2.3m offset by projected staff savings of £1.1m. The Covid 19 pandemic had a significant impact on all Little Owls nurseries and whilst settings have reported increased recovery, income levels are still not back to pre-pandemic levels due to the change in working patterns, and a continued reduction in nursery capacity / opening hours due to ongoing staff shortages and recruitment difficulties.

To recognise increased costs, fees for Little Owls did increase by 5% in 2022/23 to £51.70 per day, an increase of £2.50 per day. For comparison, the average market rate in Leeds is between £45 and £58 per day. In addition to the increase in fees there is a more comprehensive review of the Little Owls provision ongoing.

Transport:

The overall transport budget is showing a projected overspend of £1,212k due to further increases in inflation and demand.

Learning Inclusion:

Within the Learning Inclusion service there is a projected budget pressure of £497k which directly relates to the Education Psychologist Team. Due to increased demands on the statutory service and recruitment difficulties the service is projecting a reduction in its trading capacity and so a loss of trading income of £372k, with additional Locum staffing costs of £125k.

Pay Award:

The projected differential between the 4% pay award assumed in the budget and the proposed NJC pay award of £1,925 equates to £1,225k. This pressure will be mitigated from an additional contribution of £1,225k from the Social Care Grant.

Budget Action Plans

The budget 2023/24 included action plan savings of £18.486m. The Quarter 1 position assumes that £11.469m of these action plans will not be achieved as below:

- Diversifying Children's Residential and Fostering provision £3.479m : it has been agreed that the slippage in this action plan will be funded corporately and so is not included as a C&F pressure in the Quarter 1 position.
- Review of Placement Commissioning £2.715m: only £1.285m of the £4m action plan savings is currently expected to be delivered however work continues on this workstream
- Turning the Curve £3m
- Review of Children's Centres £0.350m
- Review of Contracts £0.369m
- Efficiencies across the directorate £1.556m

Dedicated Schools Grants

The approved DSG budget 2023/24 assumed a balanced in year budget, the position at Quarter 1 projects an in year saving of £236k. This projected saving is within the high needs block.

As at the end of 2022/23 there was a DSG balance brought forward of £9.01m. Options to effectively utilise this balance to further support institutions in 2023/24 are currently being considered by DSG Board in consultation with Schools Forum. These options include the redistribution of de-delegated reserves of £1.25m to maintained schools pro-rata to their original contribution.

3.8.3 City Development – at Quarter 1, the directorate is projecting an overspend of £0.6m. However, this position includes the anticipated additional cost of the local government pay award which is currently estimated at £1m (net of amounts charged to capital and grant schemes) over and above the budgeted amount.

Within this position there are a number of areas of risk as described below but it is anticipated that these will largely be mitigated through the development of action plans to achieve the reported position at the year end.

The main variations anticipated at this early stage of the year are:

- **Active Leeds** – the service is projecting an underspend of £0.12m which mainly reflects the cost of the additional pay award of £0.48m offset by expected running cost savings of £600k. Based on income achieved during the first two months of the year, there is a potential risk of £0.5m in respect of swimming and membership income, although this is subject to a degree of variability and current projections assume that it will recover as the year progresses.
- **Arts & Heritage** – the forecast underspend of £0.48m reflects the anticipated additional cost of the pay award of £0.27m, as well as projected income shortfalls in respect of Breeze pass charges and Pudsey Civic Hall car parking (£0.2m). These are offset by savings from vacant posts (£0.02m) and utilisation of the Heritage Assets Business Rates earmarked reserve (£0.92m).
- **Asset Management & Regeneration** – an overspend of £0.1m is currently projected which reflects the additional cost of the pay award. There are potential pressures in respect of the Strategic Investment Fund (£0.6m) and Estate Rationalisation savings targets (£0.5m), however it is anticipated that the service will develop and implement mitigating savings plans to offset these.
- **Highways and Transportation** – the projected overspend of £0.12m includes the net impact of the pay award, vacant posts, anticipated additional external spend to deliver the work programs, and a shortfall in assumed income from the major schemes contractor procurement framework.
- **Markets and City Centre Management** – a shortfall of £0.52m in respect of Markets income is estimated which reflects vacant units mainly within the Kirkgate and Outdoor markets, partially offset by an assumption of additional income from the Block Shops redevelopment in the latter part of the financial year. Whilst this position represents a variation from budget, the budget is based upon a surplus position, therefore the service is currently forecasting a breakeven position. In addition, income shortfalls of £0.42m are projected within City Centre Management in respect of city centre advertising income, income from street café licences and from hiring of event spaces in the city centre. Although the services will look to identify savings where possible to offset the income shortfalls, there is limited scope within these service areas.
- **Planning & Sustainable Development** – the current forecast position is an overspend of £0.1m which reflects the impact of the assumed pay award.

Based on income received in the first 2 months of the year there is a potential risk around the level of planning fee income, but this is subject to a degree of variability and current projections assume that it will recover as the year progresses.

- **Staffing** – within the overall reported position described above, net staffing savings of £0.4m are projected across all services.

Key Budget Action Plans

The 2023/24 budget contained £10.9m of new savings plans. At this stage of the year, it is anticipated that most have been delivered or are on track to be delivered, with only minor shortfalls forecast within the overall directorate position.

In addition, there are also a number of savings plans relating to previous years which need to be delivered, in particular, as referred to above, the existing Strategic Investment Fund, Estate Rationalisation and Highways major scheme procurement framework budget savings plans. Although these may not be achieved within the current financial year as originally envisaged, mitigating savings will be identified where possible to offset these pressures.

3.8.4 Communities, Housing & Environment

At Quarter 1, an overspend of £4.4m has been projected for the Communities, Housing and Environment directorate. The most significant variances are highlighted below:

- **+£3.5m pay award pressures** – The Quarter 1 projection assumes a pay award of £1,925 per person on an NJC pay scale; the cost of which is estimated to be £3.5m higher than the 4% pay award included in the budget. Funded service areas have been able to mitigate some of this cost through ‘passing on’ the additional pay costs.
- **-£2.9m pay award mitigations** - £1.1m of additional income has been projected from passing pay award costs onto capital schemes, the HRA, fees and charges and utilisation of other areas of external funding. Quarter 1 projected staffing costs based on staff in post forecasts that staffing underspends (above the vacancy factor) could realise a further £1.4m net saving after the direct expenditure implications are deducted. A further £0.4m of net expenditure underspends have been targeted.
- **+£1.8m Persistent Organic Pollutants (POPs)** – New guidance has been received (post setting of the 2023/24 budget) that the Environment Agency (EA) will regulate the disposal of upholstered furniture that contain POPs. These materials are now required to be separated and disposed of in accordance with the new EA regulations, resulting in significantly higher disposal costs,

Higher disposal charges are being incurred for all collections (typically collections of bulky waste and the general waste skips at Household Waste sites) that contain any POPs materials. To mitigate the cost in year to a forecast +£1.8m will require capital works at Kirkstall Road (circa £0.3m) and potential

additional collection resources.

- **+£1.8m Housing Benefit subsidy** – Pressures arising from placement of people in Supported Accommodation with providers who are not registered and placement of people in temporary accommodation. The forecast subsidy pressure is £2.5m, with assumed one off recovery of benefit overpayment income of £0.7m.
- **+£0.2m Greenspaces** – An inflationary pressure on cultural events is anticipated.

Budget Action Plans

£6.6m of budget action plans are being monitored each month with a £0.1m positive variance against the plans reported at Quarter 1. £0.9m of plans have been marked as delivered in full.

3.8.5 Strategy & Resources - Based on an examination of key risk budgets, the Strategy and Resources Directorate is forecasting a pressure of £4,225k at this reporting period.

This is summarised into the following areas across the Directorate's services:

- **Finance £Balanced** - Staffing overspends of £392k, including £208k to reflect the additional unbudgeted pay pressure based on the current offer, is being offset by £392k additional income from the maximisation of grant funding.
- **Integrated Digital Services £Balanced** - Staffing overspends of £1.4m, including pay award £1.2m and contractor projected costs of £1.6m being offset by an assumed vacancy factor of £1.5m. Overspends across supplies and services of £1.8m are also being set off by additional income of £2.5m, which includes £2.5m use of unbudgeted Capital Receipts.
- **Procurement £11k** - Staffing overspends of £11k to reflect the additional unbudgeted pay pressure based on the current offer.
- **Legal Services £232k** - Staffing overspends of £188k, including agency pressure of £140k, and other additional pressures of £44k.
- **Democratic Services £74k** - Staffing overspends of £74k this includes £37k to reflect the additional unbudgeted pay pressure based on the current offer.
- **Shared Services £921k** - Staffing overspends of £1,084k including the current offer of pay award, income pressure of £180k on electronic goods salary sacrifice scheme, are being offset by income mitigations of £93k and additional funding of £250k.
- **Strategy and Improvement £352k** - Staffing overspends of £180k, income pressures of £40k, and a pressure of £150k of budgeted savings on communications and marketing.

- **Human Resources -£35k** - Staffing overspends of £74k are being offset by additional funding from Adults and Health for HR support of £93k and income mitigations of £17k.
- **School Crossing Patrol £Balanced**
- **Passenger Transport £Balanced** - Children's Services have been advised to report a pay award pressure of £415k and Adult Social Care a pay award pressure of £307k. The service is aware of continued current pressures on demand within Children's Services which may manifest into a pressure. This will be monitored over the course of the year.
- **Leeds Building Services (LBS) £1,386k** - The pressure reflects the current understanding of the level of work likely to be commissioned by clients relative to the £80.09m required turnover and the consequent impact on the rate of return.

There remain significant risks relating to some activities and at present not all budgets have been confirmed and remain under review. Once this is concluded there may be further impact to the LBS business plan.

LBS are also working to forecast all the inflationary pressures which have been seen throughout the industry which may further adversely impact the position.

- **Corporate Property Management £12k** - Staffing overspends of £12k to reflect the additional unbudgeted pay pressure based on the current offer.
- **Catering £712k** - Staffing overspends of £712k to reflect the additional unbudgeted pay pressure based on the current offer.
- **Cleaning £210k** - Staffing overspends of £210k to reflect the additional unbudgeted pay pressure based on the current offer.
- **Fleet £60k** - Staffing overspends of £60k to reflect the additional unbudgeted pay pressure based on the current offer. There is a risk relating to the cross directorate actions relating to the centralisation of the fleet service which are currently being examined.
- **Security £70k** - Staffing overspends of £70k to reflect the additional unbudgeted pay pressure based on the current offer.
- **Presto £20k** - Staffing overspends of £20k to reflect the additional unbudgeted pay pressure based on the current offer.
- **Facilities Management £199k** - Staffing overspends of £74k to reflect the additional unbudgeted pay pressure based on the current offer, £75k pressure for the security at Kernel House and £50k pressure for front of house staffing costs.

3.8.6 Strategic & Central Accounts - At Quarter 1 the projection for the Strategic and Central Accounts is an overspend of £1.1m. This includes a projected overspend in the debt budget of £0.8m reflecting the extent to which the market expectation of future interest rate rises has changed since the budget was approved. This

projection assumes that the bank base rate will rise to a maximum of 5% during the year. However there remains a risk that interest rates could peak at a higher rate than this, which could further increase the Council's borrowing costs

A pressure of £0.3m has been recognised in the levy payable to WYCA (the West Yorkshire Combined Authority). This arises because, although WYCA's overall budget has remained unchanged, the proportion which is charged to the Council has increased due to changes in the relative population sizes of the five West Yorkshire councils.

3.8.7 Directorate dashboards highlight a projected overspend of £28.5m. Actions will be identified to reduce this overspend position to deliver a balanced budget. Ongoing pressures identified in the current year will be built into the Medium Term Financial Strategy and the 2024/25 budget.

3.9 Budget Action Plans

3.9.1 The budget for 2023/24 requires the delivery of £58.6m of savings. Detailed budget action plans have been developed to identify how these savings will be achieved and progress against these action plans will be monitored and reported throughout the year. Further detail is provided at **Appendix A2**.

At Quarter 1 it is anticipated that the majority of savings will be delivered in full through the identified saving plans or through mitigating actions identified by each Directorate, the exceptions being:

- Children & Families - £11.5m shortfall on the anticipated level of savings from the following projects: diversifying Children's Residential and Fostering provision £3.479m; review of Placement Commissioning £2.715m; Turning the Curve £3m; review of Children's Centres £0.350m; review of Contracts £0.369m and efficiencies across the directorate £1.556m. More detail is provided in paragraph 3.7.2, where it is noted that the target for Children's Residential and Fostering provision £3.479m will be funded corporately and so does not appear in the projected Quarter 1 position.
- Strategy and Resources – £0.5m shortfall in the anticipated level of savings from the following projects: £0.277m Staffing efficiencies, £0.15m Communications & Marketing synergies and £0.08m BSC Shared Cost Salary Sacrifice. More detail is provided in paragraph 3.7.5.

3.9.2 Although other directorates have indicated shortfalls in regard to fully meeting their targeted budget action plans totalling £1.02m, they have identified other mitigating measures to offset these shortfalls.

3.10 Inflationary Pressures

3.10.1 At the end of Quarter 1 an overspend of £28.5m is projected against the Council's 2023/24 revenue budget.,

3.10.2 Pay Inflation – The 2023/24 budget allows for £38.9m of pay inflation. 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; £18.2m for an assumed 2023/24 pay award incorporating a 4% pay award for all other staff and the Real Living Wage of £10.90 at pay scale points 1 and 2 announced in September 2022; £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. The forecast position reflects a projected 2023/24 NJC pay award of £1,925 and the agreed JNC pay award of 3.5%. If the pay award is higher than the current budget assumptions of then directorates will be required to implement contingency savings to offset any additional cost. Directorates have included any identified pay award mitigation measures in their 2023/24 budget action plans.

3.10.3 Energy – The Government’s Energy Bills Discount Scheme, which runs for 12 months from 1 April 2023 to 31 March 2024 for businesses and other non-domestic energy users (including charities and public sector organisations), sets a much higher price threshold above which organisations become eligible for relief than was in effect over the Winter 2022/23, and, for the most part, the Council does not expect to benefit from any discounts based on its forward purchases and current market forecasts. However, the Government has set a lower threshold for relief for what they term as ‘energy trade intensive industries’, which include libraries, museums, historical sites and botanical and zoological gardens, and there may therefore be some eligibility for the Council.

The 2023/24 budget allows for £10.7m or a 53.21% increase in energy costs for gas and electricity. Since the budget was set in February 2023 energy prices have stabilised, with short term commodity prices currently around twice the historical levels (prior to the energy crisis) on average, which, although still high, are much lower than the extremes seen over the last two years. Recent advice from the Council’s energy advisors has largely been to hold off temporarily from forward purchasing energy as the markets have continued to ease, and as such the LCC unsecured volume over recent months has been attracting lower spot market prices and reducing the overall unit price. Alongside the purchasing strategy, actions continue to be taken to review energy usage and implement measures across the Authority’s estate in order to reduce the pressures associated with increased energy costs.

Whilst acknowledging the ongoing volatility of energy prices, recent forecasts indicate that costs could be as much as £3m lower than allowed for in the 2023/24 General Fund budget. Should this be the case Executive Board are asked to approve in principle that any underspend on energy would be transferred to the Strategic Contingency Reserve to support the Council to deal with pressures in other areas.

3.10.4 Fuel – The average UK pump prices for diesel and unleaded petrol saw decreases of 14.3% and 16.3% respectively between May 2022 and May 2023. The 2023/24 budget allowed for an increase of £1.2m, largely attributable to the significant price increases in 2022/23. Fuel costs will continue to be monitored throughout the year.

3.10.5 Cost of Living Pressures – Further to the inflationary pressures detailed here, there has been a wider inflationary impact to the Council due to the impact of the

increased cost of living on our residents and businesses. As expected, we have seen the impact of this in increased 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. The position will continue to be closely monitored.

3.11 Reserves

3.11.1 Following the closure of the 2022/23 accounts, the Council's general fund reserve stands at £33.2m. The 2023/24 budget assumes a £3m Strategic Contingency Reserve contribution to this reserve during the current financial year.

Strategic Contingency Reserve

3.11.2 The 2023/24 budget includes use of reserves to support the Council's General Fund, including use of the Strategic Contingency Reserve which was established in 2020/21 to fund future unforeseen budget pressures and to ensure the Council becomes more financially resilient.

3.11.3 The opening balance on the Strategic Contingency Reserve for 2023/24 is £19.9m with budgeted use of the reserve being £14.3m, as such the available balance in this reserve is currently forecast to be £5.6m at 31st March 2024.

4. Other Financial Performance

4.1 Council Tax

The Council Tax in-year collection rate at the end of May 2023 was 18.57%. Whilst this is only a marginal decrease from the May 2022 in-year collection rate of 18.62% it is significantly lower than the May 2020 in-year collection rate of 19.22%. Due to the challenging conditions following the pandemic, the target collection rate in the fullness of time was reduced for 2022/23 to 98.5%, at a cost to the Council's share of the Collection Fund deficit of £2.0m. It has been assumed collection rates will return to the normal 99% recovery rate from 2023/24 onwards.

The opening deficit on the Collection Fund is £8.761, which includes the deficit from 2022/23 and the final instalment of the deficit from 2020/21, which the Government mandated had to be spread over three years. At the time of declaration these elements were estimated to be £8.778m and are to be repaid by the Council, the Fire Authority and the Police in 2023/24.

This repayment of the 2020/21 and 2022/23 deficits would be expected to generate a surplus on the collection fund, however current projections, based on historical trends of growth and movements in discounts and local council tax support, are that an in-year surplus of only £6.676m will be generated in 2023/24 leaving of projected closing deficit on the collection fund of £2.085m. Leeds share of this projected closing deficit would £1.751m, with the remainder being paid by the Fire Authority and the Police.

The most significant underlying cause of the projected deficit is that new charges in addition to the original billing at the start of the year has been lower than assumed in projections, which, if repeated throughout the year, will generate the projected deficit. However, this projected position only reflects two months data and close monitoring of the growth in council tax liabilities in the city will be required in the coming months.

4.2 Business Rates

The Business Rates collection rate at the end of May 2023 is 21.71%, which is significantly higher than the May 2022 in-year collection rate of 15.63% but slightly lower than the May 2019 in-year collection rate of 23.61% before the pandemic. The budgeted collection rate for business rates is to achieve an in-year collection target of 97.8%, collecting £347.4m of business rates income. The collection rates will continue to be closely monitored in the current year and into future years.

The total rateable value of business properties in Leeds has decreased from £954.44m at the time of the 2023/24 budget to £953.88m as at 31st May 2023, a marginal decrease of £0.56m. The 2023/24 budget includes an expected increase in Rateable Value of £2.5m for the full year. The size of the Business Rates tax base in Leeds continues to be monitored closely.

Leeds' share of the declared Business Rates deficit from 2022/23 (at 31st December 2022) has been incorporated into the 2023/24 budget. The total declared deficit on the Business Rates Collection Fund was £7.16m. Leeds' share of the unfunded declared deficit from 2020/21 was £36.7m, which has been spread over three years in accordance with Government legislation. The final of the three repayments of £12.2m will be paid in 2023/24 and is fixed and included in the £7.16m declared deficit.

After reassessing the level of the bad debt and appeals provisions for end-of-list appeals and reduction in the multiplier cap compensation, the actual closing deficit for 2022/23 was £9.08m; a worsening of £1.93m from the position declared. This will be carried forward as a loss to the 2024/25 budget.

In 2023/24, an in-year surplus of £0.68m is projected, driven mainly by a large reduction in the demand for Empty Rate Relief in the first two months of the year compared to the years immediately after the pandemic. When combined with the £1.93m worsening in the closing position for 2022/23 it is currently forecast that there will be a total closing deficit of £1.25m, which will have to be repaid to the collection fund by the Council in 2024/25.

4.3 Business Rates Appeals

The opening appeals provisions for 2023/24 are £36.8m, made up of £4.6m relating to appeals received against the 2010 ratings list and £32.3m estimated costs in relation to the 2017 ratings list. Under 50% Business Rates Retention, Leeds' budget is affected by 49% of any appeals provision made in this year.

On 31st May 2023, there were 58 appeals outstanding against the 2010 ratings list. No 2010 appeals have yet been settled in this financial year. No new appeals have been received in 2023/24.

Before the COVID-19 public health crisis, the introduction of the new Check Challenge Appeal system on 1st April 2017 saw a significant reduction in the number of appeals submitted by ratepayers against their Rateable Value on the 2017 ratings list compared to the 2010 ratings list. Only eleven appeals have so far been submitted to the Valuation Tribunal, the final stage of the new process.

The 2017 ratings list came to an end on 31st March 2023. In most cases this sees the end of the ratepayers' right to appeal against their Rateable Value on that list. As such the number of Checks received by the Valuation Office Agency increased significantly in the last few months of 2022/23. The increase was even greater than expected and although an allowance had been included in the forecast of the declared deficit further provisions were made to outturn at an additional cost of £4.2m to the General Fund.

As at 31st May 2023, the Council is providing for a net of 605 Checks and Challenges against the 2017 ratings list and 83 Checks and Challenges against the 2023 ratings list. It is anticipated that because of the move to 3 yearly revaluations from 2023 the valuation lists will necessarily be kept more accurate and up to date. It is therefore expected that there will be fewer challenges to lists going forward. The level of appeals, and the losses incurred, will continue to be closely monitored in the coming months.

In addition, the Authority has made provisions for specific issues such as the removal of ATMs located in shops from the 2017 list, expected reductions to hospitals, ambulance and fire stations and expected reductions to several GP surgeries which will be reassessed quarterly.

4.4 Impact of Covid 19 and cost of living on the Collection Fund in 2023/24 and beyond

Collection of Business Rates can be seen to be improving following the lifting of restrictions in place due to the Covid 19 crisis. However, the pressures of the cost of living crisis and the long-term impact on collection rates and tax base will require continued close monitoring.

4.5 Treasury Management - Prudential Indicators

The Codes of Practice on Capital Finance and Treasury Management require that Prudential indicators are monitored at least on a quarterly basis as part of the Council's overall Financial Health monitoring. Attached at **Appendix C1** is an analysis of the Prudential indicators set at the time of the budget in February 2023, showing a comparison to current projections and variances where appropriate. This shows following movements:

- Slippage in both the HRA and General Fund Capital programme has occurred during 2023/24; this is a mixture of slippage from 22/23 in to 23/24 and slippage out of 23/24 into 24/25.
- The projected Capital Financing Requirement has likewise fallen reflecting the above slippage
- The Actual External Debt indicator shows a comparison between the projected external debt as at 31/03/2023 during the budget cycle and the latest projected external debt as at 31/03/2024

- Affordability PI's show the projected movement in financing costs between those assumed at the budget and current projections and shows an increase of approximately £1m driven by higher than anticipated short term borrowing costs and offset by slippage
- The Treasury management Indicator for the maturity structure of Borrowing compares the projected year end position as at 31/03/2023 reported at the budget to the current projection for the year end position as at 31/03/2024.

Attached at **Appendix C2** is a graph showing the Liability Benchmark which is also required under the Codes as part of the Financial Health monitoring. This compares the stock of external debt projected forward over a 10 year period and compares this to the Liability benchmark. The Liability benchmark is a calculation of the stock of external borrowing required to finance that element of the CFR that is not funded from internal resources. The gap between these two items is therefore a projection of the need to fund from long term borrowing, and will be funded initially from short term sources until long term borrowing is locked in.

Appendix C3 shows actual gross and net debt for the Council in 2023/24 to date. This confirms that both remain comfortably within both the Operational Boundary and the Authorised Limit set by Council.

5. Housing Revenue Account (HRA)

5.1 At Quarter 1 the HRA is reporting a pressure of £2.69m.

5.2 There are significant pressures on the repairs budget, around £13m, based on the 22/23 outturn position on repairs. There are minimal levels of reserves within the HRA remain to be able to fund this pressure in year.

5.3 As a result, a full review of all budgets has been undertaken and it is proposed to temporarily reduce the HRA capital investment programme in 2023/24 to be able to provide the desired level of funding for responsive repairs. The budget will be realigned to reflect the reduction in the revenue contribution to the investment programme and the appropriate increase in repairs budgets.

5.4 Further work is still required to balance the HRA as there is an over programming pressure of £2.69m with no available funding.

Overall Summary Sheet

Quarter 1

Financial Dashboard 2023/24 Financial Year

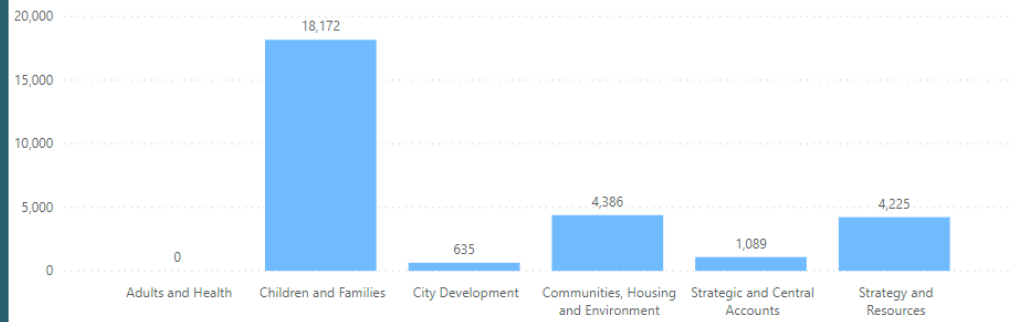


Budget Variation £000s

28,507

Overspend (+) / Underspend (-)

Forecast Year End Variance - £000s



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	534,256	535,107	851
Premises	65,107	65,121	14
Supplies and Services	250,187	252,483	2,295
Transport	52,053	52,097	43
Internal Charges	88,495	90,839	2,344
Third Party Payments	494,368	513,802	19,434
Transfer Payments	181,576	181,288	-288
Capital	91,351	92,397	1,046
Transfer to/from Reserves	-22,412	-27,425	-5,013
Internal Income	-330,673	-321,846	8,827
External Income	-830,951	-831,997	-1,046
Total	573,358	601,865	28,507

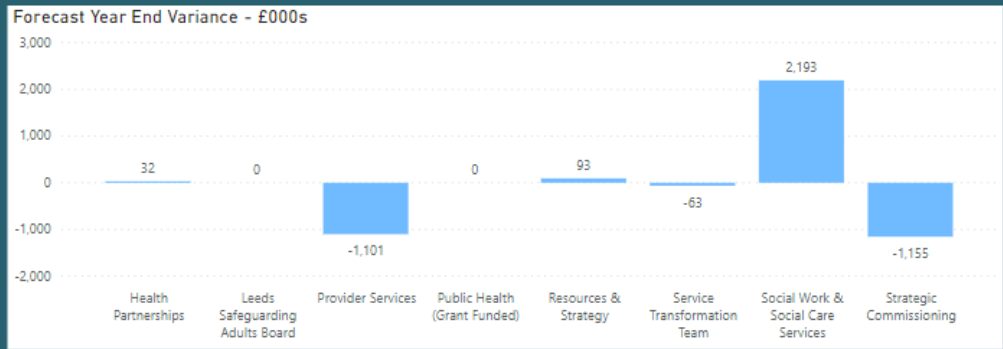
Financial Dashboard 2023/24 Financial Year



Budget Variation £000s

0

Overspend (+) / Underspend (-)



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	70,279	66,449	-3,830
Premises	1,381	1,381	0
Supplies and Services	5,668	14,066	8,398
Transport	1,011	1,011	-1
Internal Charges	13,591	15,057	1,466
Third Party Payments	321,059	326,317	5,258
Transfer Payments	13,488	12,674	-814
Transfer to/from Reserves	-4,428	-7,925	-3,497
Internal Income	-4,969	-4,969	0
External Income	-218,361	-225,340	-6,980
Total	198,719	198,719	0

Financial Dashboard 2023/24 Financial Year

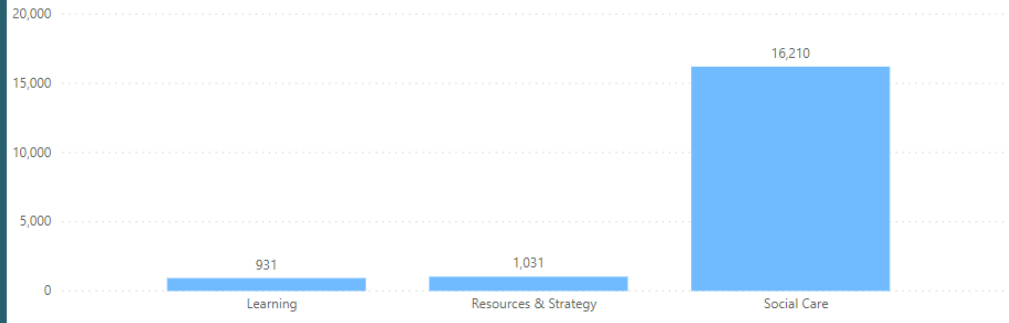


Budget Variation £000s

18,172


Overspend (+) / Underspend (-)

Forecast Year End Variance - £000s



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	111,200	109,040	-2,159
Premises	4,768	4,765	-4
Supplies and Services	65,952	66,757	805
Transport	11,814	11,809	-5
Internal Charges	35,998	37,212	1,214
Third Party Payments	114,880	128,754	13,874
Transfer Payments	3,893	4,136	243
Capital		0	0
Transfer to/from Reserves	-998	-998	0
Internal Income	-36,274	-35,634	640
External Income	-168,396	-164,832	3,564
Total	142,837	161,009	18,172

Financial Dashboard 2023/24 Financial Year

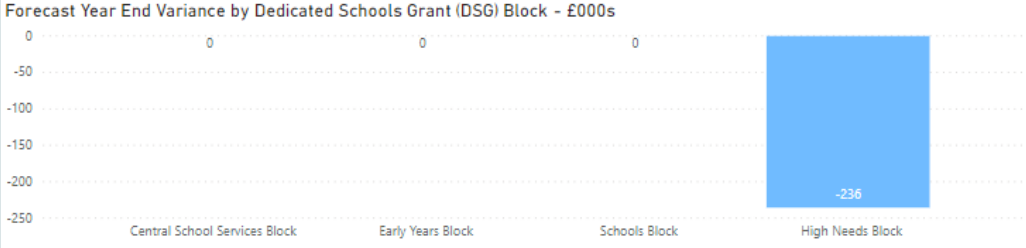


DSG Variation £000s

-236

Overspend (+) / Underspend (-)

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



DSG Block	Variance (£000s)
Central School Services Block	0
Early Years Block	0
Schools Block	0
High Needs Block	-236

Financial Year

2023/24

Cost Period

2

Income / Expenditure

All

Sub-Block

All

Cost Description

All

Net Variations against the Approved Budget

DSG Block	Income Budget	Income Projection	Income Variance	Expenditure Budget	Expenditure Projection	Expenditure Variance	DSG Budget (LE)	DSG Projection	DSG Variance
Schools Block	-341,721	-341,721	0	341,721	341,721	0	0	0	0
High Needs Block	-117,035	-117,035	0	117,035	116,800	-236	0	-236	-236
Early Years Block	-57,538	-57,538	0	57,538	57,538	0	0	0	0
Central School Services Block	-5,106	-5,106	0	5,106	5,106	0	0	0	0
Total	-521,400	-521,400	0	521,400	521,165	-236	0	-236	-236

DSG Reserves

Reserve Type	Balance b/fwd	Net contribution to(-)/from (+) balances	Budgeted Deficit (+) / Surplus (-) c/fwd	Projected in year under(-)/over(+) spend	Planned use of reserves	Projected Deficit (+) / Surplus (-) c/fwd
De-delegated	-1,950	500	-1,450	0	1,750	
General	-7,060	0	-7,060	-235	0	
Total	-9,010	500	-8,510	-235	1,750	

For Reporting

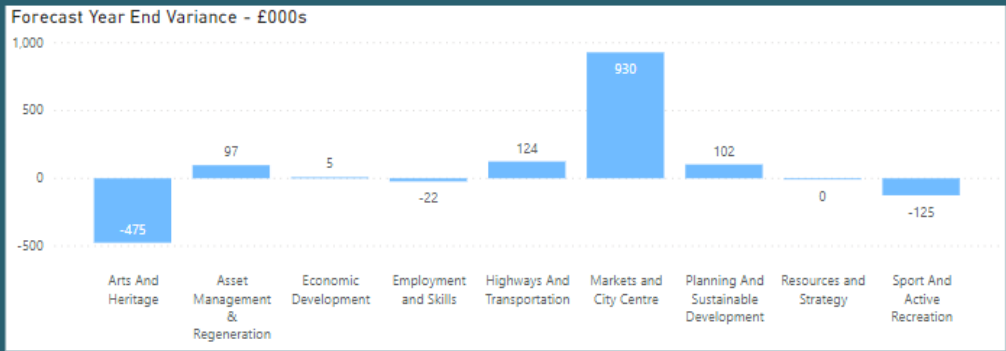
Financial Dashboard 2023/24 Financial Year



Budget Variation £000s

635

Overspend (+) / Underspend (-)



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	75,384	74,977	-407
Premises	31,359	31,359	0
Supplies and Services	48,645	47,840	-805
Transport	6,850	6,850	0
Internal Charges	10,392	10,392	0
Third Party Payments	188	188	0
Transfer Payments		0	0
Transfer to/from Reserves	-3,402	-4,324	-922
Internal Income	-46,375	-45,325	1,050
External Income	-81,123	-79,403	1,719
Total	41,918	42,553	635

Financial Dashboard 2023/24 Financial Year

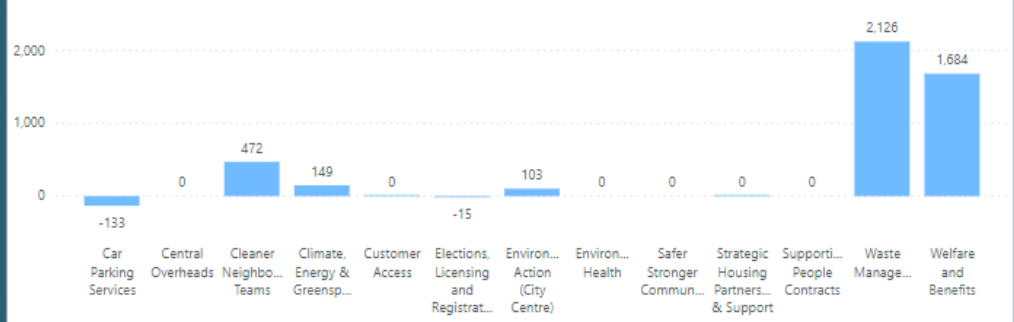


Budget Variation £000s

4,386

Overspend (+) / Underspend (-)

Forecast Year End Variance - £000s



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	107,171	108,859	1,687
Premises	11,628	11,569	-59
Supplies and Services	63,637	65,078	1,441
Transport	11,359	11,405	45
Internal Charges	19,779	19,444	-335
Third Party Payments	21,007	21,007	0
Transfer Payments	163,004	163,308	304
Transfer to/from Reserves	-1,574	-1,917	-344
Internal Income	-41,434	-41,458	-24
External Income	-262,550	-260,879	1,671
Total	92,029	96,415	4,386

Financial Dashboard 2023/24 Financial Year

HRA Income	Budget (LE) £000s	Projection £000s	Variance £000s
Dwelling Rent	- 230,870	- 230,870	-
Non Dwelling Rent	- 3,347	- 3,347	-
Service Charges	- 9,551	- 9,551	-
Internal Income	- 9,399	- 8,430	969
Grants	- 21,434	- 21,434	-
External income	- 1,729	- 1,729	-
Total	- 276,330	- 275,361	969
HRA Expenditure	Budget (LE) £000s	Projection £000s	Variance £000s
Disrepair Provision	3,600	3,600	-
Repairs to Dwellings	53,103	53,103	-
Employees	33,758	32,787	- 971
Premises	11,817	11,817	-
Supplies & Services	5,185	5,185	-
PFI Unitary Charge	12,662	12,662	-
Transport	304	304	-
Internal Services	39,615	39,615	-
BITMO Management Fee	3,524	3,524	-
Provison for Doubtful Debt	1,136	1,136	-
Capital Charges	46,396	46,396	-
Contribution to Capital Programme	65,306	67,999	2,693
Total	276,406	278,128	1,722
Surplus (-) / Deficit (+)	Budget (LE) £000s	Projection £000s	Variance £000s
Net Position	76	2,767	2,691
Appropriation: Sinking Funds	-326	-326	-
Appropriation: Reserves	250	250	-
Total	-	2,691	2,691

Financial Dashboard 2023/24 Financial Year

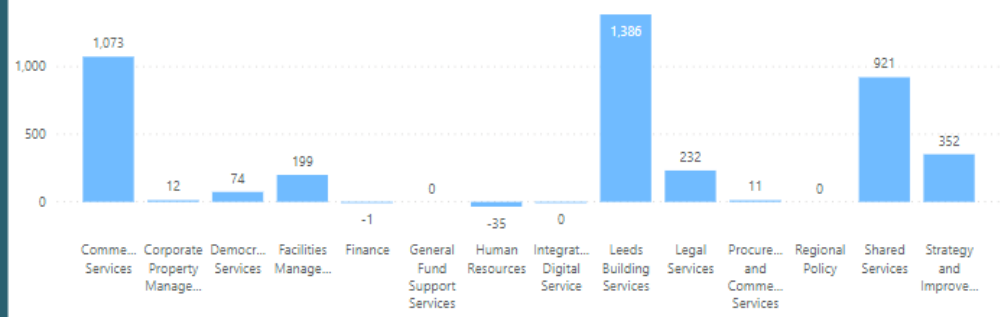


Budget Variation £000s

4,225

Overspend (+) / Underspend (-)

Forecast Year End Variance - £000s



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	165,493	171,114	5,621
Premises	15,970	16,047	77
Supplies and Services	62,960	55,416	-7,544
Transport	21,019	21,023	4
Internal Charges	3,773	3,773	0
Third Party Payments	28	28	0
Transfer Payments	61	40	-21
Transfer to/from Reserves	-74	-324	-250
Internal Income	-166,450	-159,460	6,990
External Income	-18,046	-18,699	-653
Total	84,734	88,959	4,225

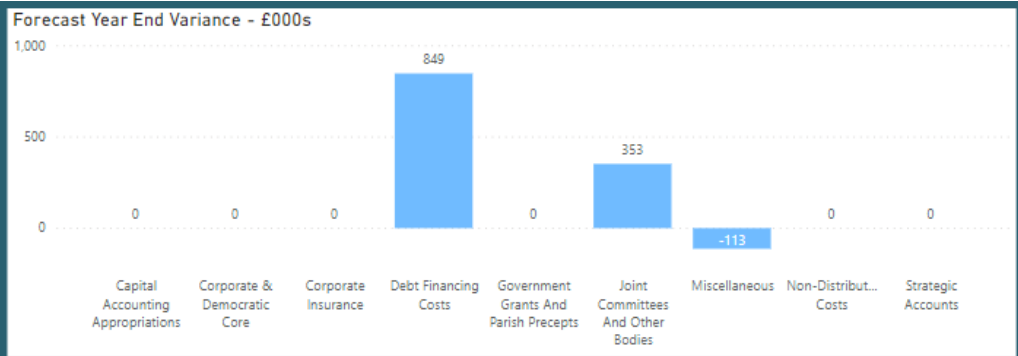
Financial Dashboard 2023/24 Financial Year



Budget Variation £000s

1,089

Overspend (+) / Underspend (-)

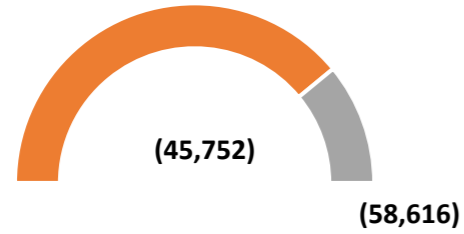


Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	4,729	4,667	-62
Premises		0	0
Supplies and Services	3,325	3,325	0
Internal Charges	4,962	4,962	0
Third Party Payments	37,207	37,508	302
Transfer Payments	1,130	1,130	0
Capital	91,351	92,397	1,046
Transfer to/from Reserves	-11,936	-11,936	0
Internal Income	-35,171	-35,000	171
External Income	-82,476	-82,844	-368
Total	13,121	14,210	1,089

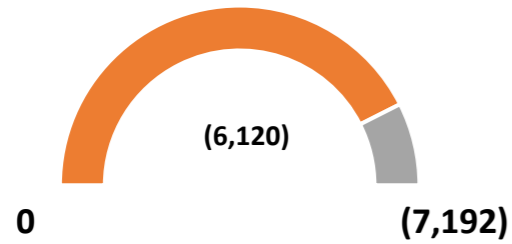
2023/24 BUDGET ACTION PLANS

Quarter 1

Projected Savings vs Budgeted



Projected Savings vs Budgeted



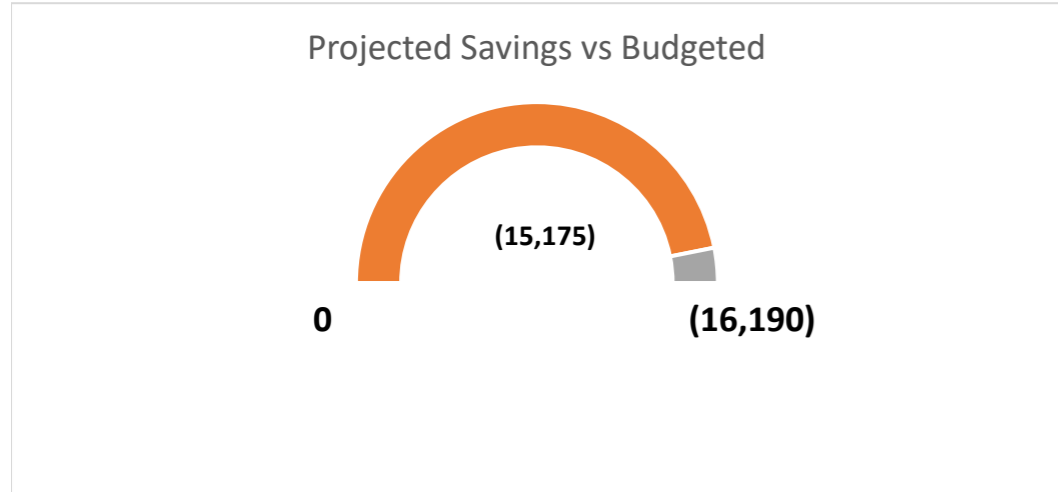
LEEDS CITY COUNCIL - SUMMARY

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	(12,482)	(12,482)	0
On track, no issues	(17,519)	(17,669)	(150)
Some risk	(13,070)	(12,697)	373
High risk	(15,545)	(2,904)	12,641
Cancelled	0	0	0
Total	(58,616)	(45,752)	12,864

LEEDS CITY COUNCIL - Other Savings Measures

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	0	0	0
On track, no issues	(4,525)	(4,525)	0
Some risk	(2,003)	(1,595)	408
High risk	(664)	0	664
Cancelled	0	0	0
Total	(7,192)	(6,120)	1,072

Quarter 1



ADULTS & HEALTH - SUMMARY

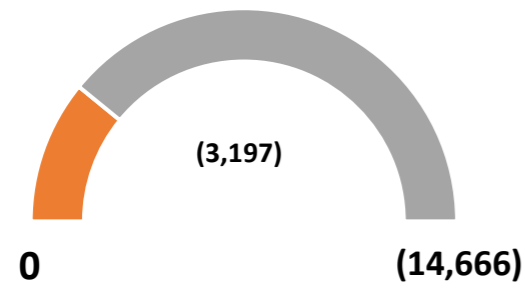
RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	(7,685)	(7,685)	0
On track, no issues	(3,625)	(3,625)	0
Some risk	(2,900)	(2,900)	0
High risk	(1,980)	(965)	1,015
Cancelled	0	0	0
Total	(16,190)	(15,175)	1,015

Amber & Red Risk Areas

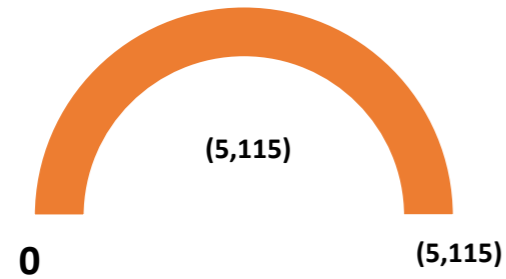
Budgeted savings / Other savings measures	Service Review / Business as Usual	Savings title	Accountable Chief Officer	RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s	Including mitigating actions for Reds & Ambers
Budgeted Savings	Budgeted Savings	Enhance awareness/desirability of in-house provision to encourage attendance and reduce external procurement (against fixed running cost)	Shona McFarlane	High risk	(160)	(40)	120	LBS struggling to let contracts re low interest. One of three properties will have f.y.e. one, half year effect and one little impact next year. Detailed action plan can only be completed once details of works have been obtained. Shortfall will be contained within budget or via reserves as this is slippage and not non-delivery (JC 15/2/23). Spring Gardens complete Q1 23-4. Dolphin & Knowle Manor still to start but both will commence at the same time. Final quotes received and on-line with approved budget. Complete late autumn.
Budgeted Savings	Budgeted Savings	Impact of telecare growth plan	Shona McFarlane	Some risk	(200)	(200)	0	0
Budgeted Savings	Budgeted Savings	Improved collection of assessed client income (billing engine)	Shona McFarlane	Some risk	(1,000)	(1,000)	0	0

Quarter 1

Projected Savings vs Budgeted



Projected Savings vs Budgeted



CHILDREN & FAMILIES - SUMMARY

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	0	0	0
On track, no issues	(1,158)	(1,158)	0
Some risk	(450)	(100)	350
High risk	(13,058)	(1,939)	11,119
Cancelled	0	0	0
Total	(14,666)	(3,197)	11,469

CHILDREN & FAMILIES - Other Savings Measures

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	0	0	0
On track, no issues	(3,895)	(3,895)	0
Some risk	(1,220)	(1,220)	0
High risk	0	0	0
Cancelled	0	0	0
Total	(5,115)	(5,115)	0

includes £1.295m pay award mitigating measures

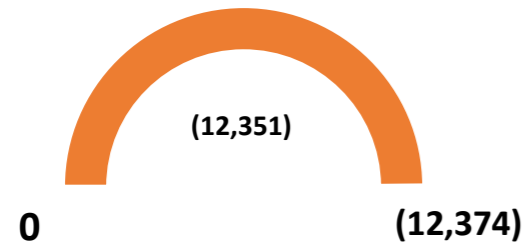
Amber & Red Risk Areas

Budgeted savings / Other savings measures	Service Review / Business as Usual	Savings title	Accountable Chief Officer	RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s	Including mitigating actions for Reds & Ambers
Budgeted	SR	Diversifying children's residential and fostering provision	Ruth Terry	High risk	(3,479)	0	4,500	While the project still delivers the savings over the longer term, the timing has changed and the original 23/24 savings are likely to be delivered later. Agreed with VB this is to be cashflowed to reflect change in phasing of savings.

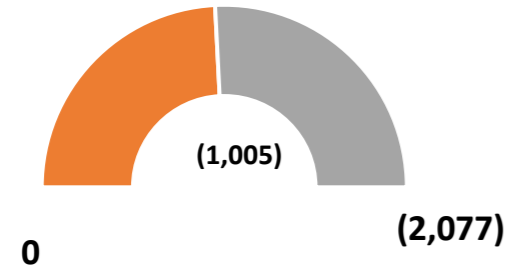
Budgeted	SR	Contracts: reduce costs and build on LCC's regional 'lead' role to maximise opportunities for income generation through additional investment in commissioning, contract management and placement reviews.	Phil Evans	High risk	(4,000)	(1,285)	2,715	Assumes delivery of £4,750k savings with £750k investment in staffing. Plans for staffing being developed. However significant risk for delivery of savings due to scale of savings and likely lead in period for delivery.
Budgeted	SR	Turning the curve – range of workstreams to reduce the forecast increase in Children Looked After number	Ruth Terry	High risk	(3,000)	0	3,000	Original plans required investment in an Edge of Care service to deliver the net savings of £3,000k. However this savings target overlaps with the fostering and residential plans, so is not expected to lead to additional savings in 23/24.
Budgeted	SR	Review of Children's Centres and Commissioned Family Services	Farrah Khan	some risk	(450)	(100)	350	May be offset by some of the new NHS £2m funding. However if savings are to be delivered through staffing it is unlikely the full £450k will be achieved in 23/24.
Budgeted	SR	Efficiencies in commissioned services through review of a range of contracts.	Tim Pouncey	High risk	(500)	(131)	369	£325k savings includes use of £194k of new £2m health funding.
Budgeted	SR	Efficiencies across the Children & Families directorate, potentially including staffing reductions	tbc	High risk	(1,710)	(154)	1,556	Details being worked through, including a review of vacant posts. Some of the target will be offset by new £2m health funding.
Budgeted	BAU	Staffing efficiencies: Social Care - Attendance and performance management	Ruth Terry	high risk	(369)	(369)	0	Reduced use of agency staff
Other	0	Grant income target	tbc	Some risk	(1,220)	(1,220)	0	Details being worked through to establish how grants announced for 23/24 can contribute to this target.

Quarter 1

Projected Savings vs Budgeted



Projected Savings vs Budgeted



CITY DEVELOPMENT - SUMMARY

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	(3,760)	(3,760)	0
On track, no issues	(6,408)	(6,408)	0
Some risk	(2,206)	(2,183)	23
High risk	0	0	0
Cancelled	0	0	0
Total	(12,374)	(12,351)	23

CITY DEVELOPMENT - Other Savings Measures

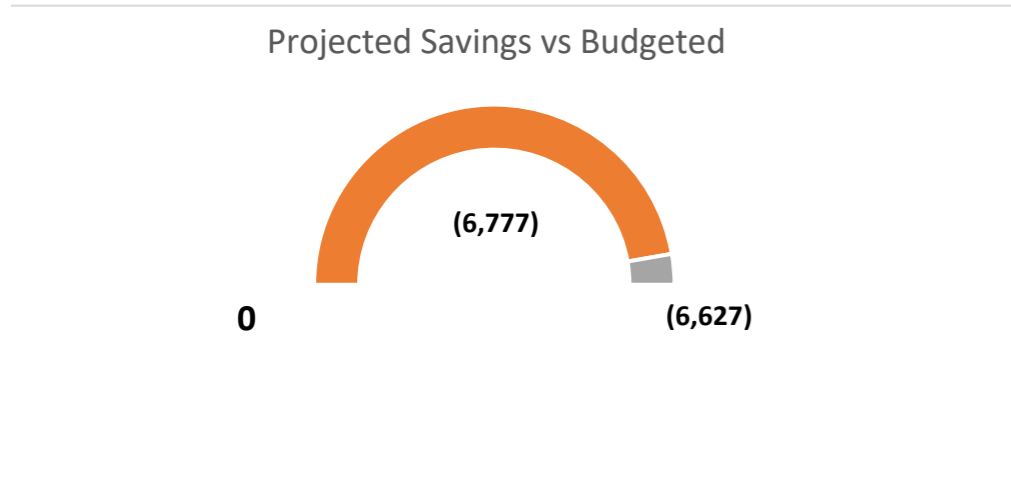
RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	0	0	0
On track, no issues	(630)	(630)	0
Some risk	(783)	(375)	408
High risk	(664)	0	664
Cancelled	0	0	0
Total	(2,077)	(1,005)	1,072

Amber & Red Risk Areas

Budgeted savings / Other savings measures	Service Review / Business as Usual	Savings title	Accountable Chief Officer	RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s	Including mitigating actions for Reds & Ambers
Budgeted	BAU	WYCA Substitution Opportunity- WYCA Gainshare	Phil Evans	Some risk	(1,700)	(1,700)	0	0
Budgeted	SR	Leeds Museums & Galleries Invest to Save: relocation of Café	Eve Roodhouse	Some risk	(90)	(67)	23	0
Budgeted	SR	Street Lighting: Adaptive lighting via a Central Management System (CMS)	Gary Bartlett	Some risk	(166)	(166)	0	0

Budgeted	BAU	Planning & Levelling Up Bill: National fees	David Feeney	Some risk	(250)	(250)	0	0
Other	BAU	Estate Rationalisation	Angela Barnicle	Some risk	(583)	(275)	308	0
Other	BAU	Strategic Investment Fund	Angela Barnicle	High risk	(664)	0	664	0
Other	BAU	Contractor Procurement Framework	Gary Bartlett	Some risk	(200)	(100)	100	0

Quarter 1



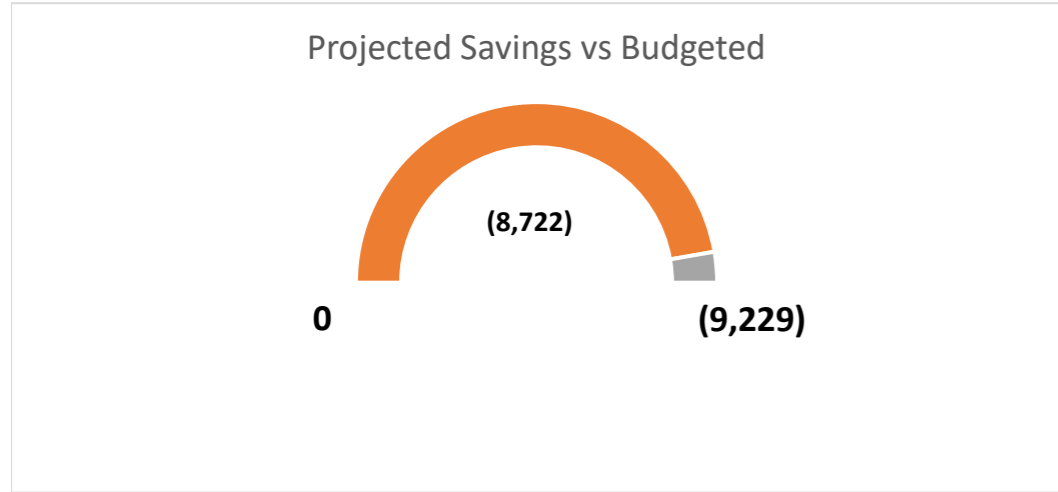
COMMUNITIES, HOUSING & ENVIRONMENT - SUMMARY

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	(922)	(922)	0
On track, no issues	(4,182)	(4,332)	(150)
Some risk	(1,523)	(1,523)	0
High risk	0	0	0
Cancelled	0	0	0
Total	(6,627)	(6,777)	(150)

Amber & Red Risk Areas

Budgeted savings / Other savings measures	Service Review / Business as Usual	Savings title	Accountable Chief Officer	RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s	Including mitigating actions for Reds & Ambers
Budgeted	BAU	Parks attractions income	Lee Hemsworth	Some risk	(600)	(600)	0	Action plan in place with the aim is to reduce or maintain existing pressure. However this is dependent on scale of new growth in legitimate supported accommodation claims.
Budgeted	BAU	Benefits - Subsidy - target Supported Accommodation	Paul Money	Some risk	(33)	(33)	0	Reduced income. Consideration as to whether Net Nil strategy is right. Linked to wider locality asset review.
Budgeted	BAU	Community Centres - strategy to reduce the current subsidy to nil	John Woolmer	Some risk	(740)	(740)	0	Significant volatility of market price of recycling income is possible. All disposal budgets are monitored each month.
Budgeted	BAU	Recycling Disposal costs	John Woolmer	Some risk	(150)	(150)	0	Due to be implemented 1st July 2023 but full saving still anticipated

Quarter 1



STRATEGY & RESOURCES - SUMMARY

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	(115)	(115)	0
On track, no issues	(2,616)	(2,616)	0
Some risk	(5,991)	(5,991)	0
High risk	(507)	0	507
Cancelled	0	0	0
Total	(9,229)	(8,722)	507

Amber & Red Risk Areas

Budgeted savings / Other savings measures	Service Review / Business as Usual	Savings title	Accountable Chief Officer	RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s	Including mitigating actions for Reds & Ambers
Budgeted	BAU	Additional LBS turnover as a result of capital work in the civic estate	Sarah Martin	Some risk	(1,500)	(1,500)	0	Will need to ensure future years' capital programme provision is recurrent in order to sustain the surplus.
Budgeted	BAU	Corporate Property Management - Various initiatives including: maximising Salix funding & review of building maintenance funding.	Sarah Martin	Some risk	(250)	(250)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Cleaning / Facilities Management/Security: Review of cleaning materials procurement, pricing, Presto offer and insourcing.	Sarah Martin	Some risk	(200)	(200)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Catering: Before and After School Clubs, target increased take up, review high school offer to include cross border training, procurement.	Sarah Martin	Some risk	(165)	(165)	0	To be regulary reviewed as part of ongoing internal budget strategy review.

Budgeted	BAU	Fleet Services' efficiencies: including reduction in maintenance spend, introduction of new vehicle types, greater utilisation of existing fleet and an enhanced focus on supplier spend and emerging markets.	Sarah Martin	Some risk	(488)	(488)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	CEL Increased Productivity	Sarah Martin	Some risk	(345)	(345)	0	0
Budgeted	BAU	Cleaning/Facilities Management/Security - Increased productivity	Sarah Martin	Some risk	(30)	(30)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Civic Flavour - Armley Sports Centre Café	Sarah Martin	Some risk	(20)	(20)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Civic Flavour - Weddings	Sarah Martin	Some risk	(20)	(20)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Staffing efficiencies: CEL: Corporate Property Management / Facilities Management	Sarah Martin	Some risk	(163)	(163)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Commercial Services: Improving attendance	Sarah Martin	Some risk	(225)	(225)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Passenger Transport: Improving attendance	Sarah Martin	Some risk	(110)	(110)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Passenger Transport: Review all routes to ensure contracted hours aligned with routes to give maximum efficiency	Sarah Martin	Some risk	(75)	(75)	0	To be regulary reviewed as part of ongoing internal budget strategy review.
Budgeted	BAU	Staffing efficiencies: Finance	Victoria Bradshaw	Some risk	(414)	(414)	0	0
Budgeted	BAU	Staffing efficiencies: Human Resources	Andy Dodman	Some risk	(440)	(440)	0	0
Budgeted	BAU	Staffing efficiencies: Integrated Digital Services: additional 2% vacancy factor	Leonardo Tantari	Some risk	(500)	(500)	0	Both IDS DAPs to be consolidated into one.
Budgeted	SR	Review of Network Management Centre	Leonardo Tantari	Some risk	(370)	(370)	0	This is a full year's cost - any delay will be mitigated by further IDS vacancy factors.
Budgeted	BAU	BSC Shared Cost Salary Sacrifice- This would generate Employer NI savings (as well as savings for the individual).	Andy Dodman	High risk	(80)	0	80	0

Budgeted	BAU	Staffing efficiencies: Business Support Centre	Gemma Taskas	Some risk	(276)	(276)	0	0
Budgeted	BAU	Staffing efficiencies: Contact Centre	Gemma Taskas	Some risk	(125)	(125)	0	0
Budgeted	BAU	Staffing efficiencies: Business Administration Service: additional 2% vacancy factor	Gemma Taskas	Some risk	(275)	(275)	0	0
Budgeted	BAU	Staffing efficiencies: Strategy and Improvement	Mariana Pexton	High risk	(277)	0	277	0
Budgeted	BAU	Communications & Marketing: Synergies from a co-ordinated approach to marketing and promotion	Mariana Pexton	High risk	(150)	0	150	0

Capital Programme 2023/24 to 2027/28 – Quarter 1

What is this report about?

- 1 The purpose of the report is to provide Members with an update on the capital programme as at quarter 1, including updates on capital resources and progress on spend.

Overall Capital Programme 2023/24 – 2027/28

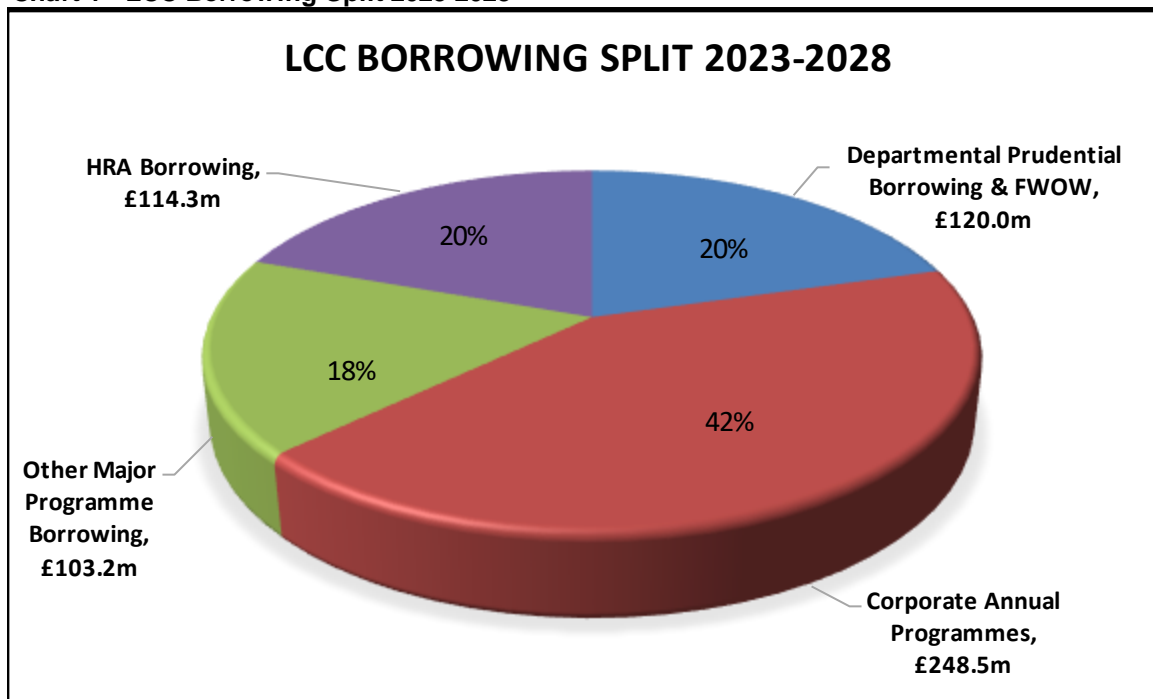
- 2 Since the approval of the Capital Programme in February 2023, the provisional 2022-23 accounts have been completed and the position reported to 21st June 2023 Executive Board. Consequently the 2023/24 and future years capital programme has been restated. Table 1 shows the revised capital programme for 2023/24 to 2027/28 as at quarter 1.

Table 1 - Restated Capital Programme as at Quarter 1 2023/24 to 2027/28

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Forecast Expenditure	496.7	480.6	289.9	260.0	111.7	1,638.9
Funded By;						
Borrowing	182.4	187.3	100.2	86.5	29.6	586.0
Government Grants	176.2	156.7	73.0	67.9	0.0	473.8
Gen Fund Capital Receipts	18.5	13.1	8.9	8.5	0.0	49.0
Other Grants & Contributions	29.1	7.1	8.0	5.7	0.0	49.9
HRA Self Financing	51.3	70.4	73.5	73.5	71.8	340.5
HRA Right to Buy Receipts	39.2	46.0	26.3	17.9	10.3	139.7
Total Forecast Resources	496.7	480.6	289.9	260.0	111.7	1,638.9

- 3 The programme is further analysed between General Fund and HRA. The General Fund capital programme currently stands at £1,034.1m across the five years 2023/24 to 2027/28. It provides for investment in improved facilities and infrastructure and also has an impact on the Leeds economy through supporting jobs, income, and business throughout the city. The HRA capital programme provides for capital investment of £604.8m.
- 4 The overall level of borrowing required to fund the 2023-28 capital programme is £586.0m, which has increased marginally by £0.2m from £585.8m since the 2022/23 Outturn position was reported to Executive Board in June 2023. This level of borrowing remains affordable within available resources identified in the Medium Term Financial Strategy. Borrowing of £482.8m (82%) relates to capital expenditure that is funded by additional income, generates revenue savings or ensures that our assets are maintained to an acceptable standard. The remaining £103.2m (18%) supports the Best City Ambition objectives. The split of LCC borrowing for the full programme is shown in the pie chart below.

Chart 1 - LCC Borrowing Split 2023-2028



- 5 Capital priorities were set out as part of the February 2023 budget process and the capital programme approved in February 2023 is structured to show schemes under these priorities. This is summarised in **Appendix B1**, with an analysis across Annual and Major Programmes provided at **Appendix B1 (i)** and **Appendix B1 (ii)**.
- 6 **Appendix B1 (iii)** details the injections for which this report seeks approval, which have taken place since the restated capital programme as at 2022/23 Outturn was reported to June 2023 Executive Board. This report seeks a net injection of £83,290.3k, which relates to:
- £82,105.0k of HRA resources for the roll forward of the Housing Leeds Programme into 2027/28; and
 - £1,185.3k of HRA Resources for the Council House Growth Programme to replace funding utilised during the 2022/23 closure of accounts.

Capital Programme 2023/24 Update

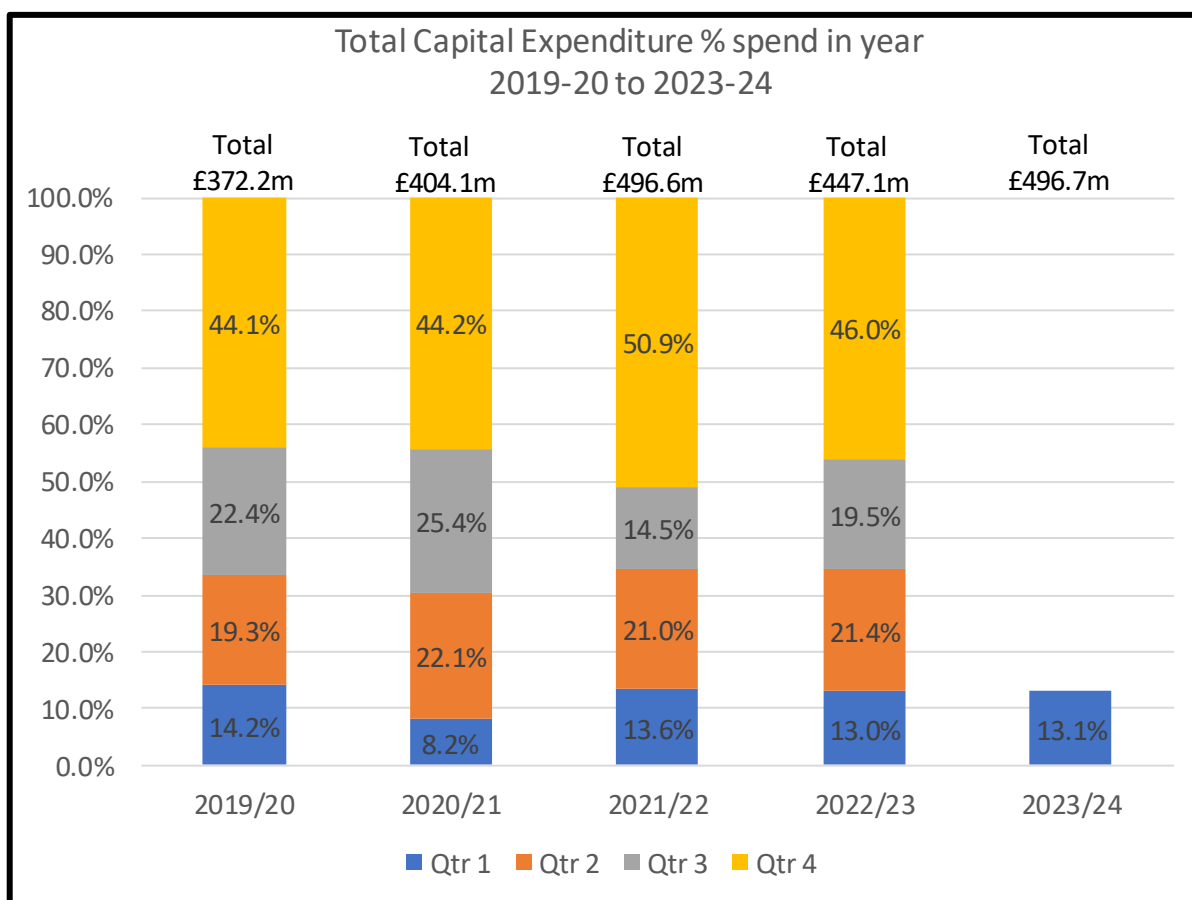
- 7 The latest capital programme resources position for General Fund and HRA in 2023/24 is shown in Table 2.

Table 2 - Capital Resources Position 2023/24

	2023/24			
	February 2023 Capital Programme £m	Restated Capital Programme as at 2022/23 Outturn £m	Capital Programme Q1 - This Report £m	Variance - This Report to 2022/23 Outturn £m
Forecast Expenditure	518.8	517.4	496.7	(20.7)
Funded By;				
Borrowing	173.6	193.6	182.4	(11.2)
Government Grants	189.2	175.4	176.2	0.8
Gen Fund Capital Receipts	19.2	19.8	18.5	(1.3)
Other Grants & Contributions	29.5	27.4	29.1	1.7
HRA Self Financing	65.2	64.6	51.3	(13.3)
HRA Right to Buy Receipts	42.1	36.6	39.2	2.6
Total Forecast Resources	518.8	517.4	496.7	(20.7)

- 8 Table 2 shows that since the restated capital programme reported to June EB the new position at quarter 1 has seen a decrease of £20.7m from £517.4m to £496.7m in the overall programme to be delivered in 2023/24. £18.8m of this decrease relates to a reprofiling of the HRA; £9.6m for the Council House Growth Programme and £9.2m for the Housing Leeds Refurbishment Programme.
- 9 Despite the level of borrowing decreasing by £11.2m since the 2022/23 Outturn position was reported to Executive Board in June 2023, the 2023/24 revenue debt budget is currently projected to overspend by £0.8m as a result of higher than predicted increases in interest rates.
- 10 Chart 2 shows the rate of spend compared to previous years. Spend at quarter 1, having been adjusted for unmatched accruals, of £58.5m (13.1%) is comparable with most financial years, whilst 2020/21 spend was affected by the initial Covid pandemic lockdown. The current 2023/24 programme value of £496.7m is high compared with previous years outturn positions (apart from 2021/22) and the rate of spend will be closely monitored to challenge the need for programme slippage.

Chart 2 - Percentage Spend Rates per Quarter



- 11 Members are asked to note that there are other reports with capital implications elsewhere on the agenda, including the 'District Heating Annual Report 2023' and 'Green Finance Options' reports.

Capital Programme Review

- 12 When setting the 2023/24 Budget in February '23, £95.6m of additional borrowing was injected into the capital programme in 2024/25 and future years. This was largely as a consequence of the injection of a substantial fleet replacement programme which requires significant investment due to the Council's Ambition to be Net Zero by 2030. It was noted that the affordability of this action needed to be considered in the wider financial challenge discussions around the Medium Term Financial Strategy and the setting of the 2024/25 budget. As such, a further review of the capital programme was planned for 2024/25.

- 13 The Capital Programme Review process considers the affordability of the programme and the capital spending requirements over a 10 year time period, better reflecting a more coordinated approach to capital investment requirements whilst ensuring that affordability remains within the Medium Term Financial Strategy. The review is undertaken under the direction of the Best Council Team - Strategic Investment Board with final approval sought from Executive Board and Full Council in February each year.
- 14 In March / April 2023, Strategic Investment Board agreed to continue with its overarching Capital Strategy to support a review of the capital programme, whereby new borrowing would not exceed budgeted Minimum Revenue Provision (MRP), except where this would prevent the delivery of savings or robust prudential borrowing proposals. It also agreed that any revenue savings required due to any increase in the revenue debt budget above the headroom identified by the overarching Capital Strategy and any other identified available funds, would add to the revenue savings targets of relevant directorates. In addition, Directorates were required to review their existing capital programmes to establish that all existing schemes remain priorities and that they are correctly profiled.
- 15 Capital priorities agreed in 2022/23 have been updated to tie in with the Best City Ambition and the Organisational Plan, to ensure that the capital programme reflects the priorities of the Council and the City, and these priorities have been used to assess the priority of new projects / pressures identified by Directorates. The 'gateway' information captured for new projects / pressures included the following questions:
- Which of the Council's Three Pillars in the Best City Ambition does the proposal deliver against: health and wellbeing, inclusive growth and net zero carbon commitment?
 - Which of the main change priorities in Being Our Best, the Council's Organisational Plan, does the proposal deliver against: improving efficiency of how we do business in the council, improving our digital offer, improving how we serve our customers, improving how we work with people and families, and improving the coordination of our services in local areas?
 - Is the proposal essential e.g. health and safety or statutory obligation?
 - Does the investment deliver a return e.g. direct income streams for the Council or leverages in additional funding, or indirect benefits for the city such as inclusive economic growth, housing growth, carbon reductions?
 - Does the investment deliver transformation e.g. improving service quality to reduce or defer costs or prevent further demand, or wider transformation for the city?

Other data captured included implications for IT, staffing / HR, asset management, vat, climate / carbon footprint, finance, both capital and revenue, programme and model of delivery e.g use of internal service providers and partners.

- 16 The capital programme review has been undertaken by senior officers across the Council to consider whether all elements of the existing capital programme remain priorities in the current financial climate and to identify new projects / pressures that require funding. The process has involved peer review and challenge with each directorate discussing the proposals in their respective management teams, and a corporate view taken with regard to the prioritisation of these proposals. The results of the review have been considered by Strategic Investment Board, who have made recommendations and identified how the shortlisted new projects / pressures might be funded sustainably. Any capital and revenue impacts of this review will be reported to the September 2023 meeting of the Executive Board as part of the Medium Term Financial Strategy proposals.

Capital Programme Funding Statement 2023-2028

Appendix B1

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£000	£000	£000	£000	£000	£000
EXPENDITURE						
GENERAL FUND (GF)						
IMPROVING OUR ASSETS	173,671	163,387	86,869	75,775	5,000	504,702
INVESTING IN MAJOR INFRASTRUCTURE	70,116	30,376	7,090	9,182	0	116,763
SUPPORTING SERVICE PROVISION	35,514	36,819	22,022	20,611	0	114,966
INVESTING IN NEW TECHNOLOGY	15,013	5,030	4,214	3,300	0	27,558
SUPPORTING THE LEEDS ECONOMY	29,184	22,398	7,301	1,029	630	60,540
CENTRAL & OPERATIONAL EXPENDITURE	47,432	50,725	39,296	48,188	23,930	209,572
TOTAL ESTIMATED SPEND ON GF	370,930	308,734	166,793	158,085	29,560	1,034,101
HOUSING REVENUE ACCOUNT (HRA)						
IMPROVING OUR ASSETS - COUNCIL HOUSING	125,718	171,905	123,116	101,917	82,105	604,760
TOTAL ESTIMATED SPEND ON HRA	125,718	171,905	123,116	101,917	82,105	604,760
TOTAL ESTIMATED SPEND	496,648	480,639	289,909	260,001	111,665	1,638,861
RESOURCES						
GENERAL FUND (GF)						
Specific Resources						
GOVERNMENT GRANTS	169,819	156,712	73,019	67,927	0	467,477
OTHER GRANTS & CONTRIBUTIONS	25,280	7,113	7,954	5,622	0	45,967
RCCO / RESERVES	-49	0	0	31	0	-18
CAPITAL RECEIPTS - Transformational Change	18,439	13,126	8,919	8,508	0	48,992
Corporate Resources						
BORROWING - Corporate	124,972	111,522	64,505	72,945	29,560	403,503
BORROWING - Departmental	32,470	20,261	12,396	3,053	0	68,180
CAP. RESOURCES REQD FOR GF	370,930	308,734	166,793	158,085	29,560	1,034,101
HOUSING REVENUE ACCOUNT (HRA)						
Specific Resources						
HRA SELF FINANCING	51,319	70,391	73,523	73,520	71,801	340,555
R.T.B. CAPITAL RECEIPTS	39,209	46,006	26,311	17,833	10,304	139,662
GOVERNMENT GRANTS	6,319	0	0	0	0	6,319
RCCO / RESERVES	0	0	0	0	0	0
OTHER GRANTS & CONTRIBUTIONS	3,903	0	0	0	0	3,903
BORROWING - Departmental	24,954	55,508	23,282	10,564	0	114,308
CAP. RESOURCES REQD FOR HRA	125,703	171,905	123,116	101,917	82,105	604,746
TOTAL CAP. RESOURCES REQD	496,633	480,639	289,909	260,001	111,665	1,638,847
BORROWING REQUIRED TO FUND THIS PROGRAMME						
BORROWING REQUIRED TO FUND THIS PROGRAMME	182,395	187,292	100,183	86,562	29,560	585,991
Average Interest rate (subject to change)	5.00%	4.25%	3.50%	3.00%	3.00%	

Annual Programmes

Appendix B1 (i)

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£000	£000	£000	£000	£000	£000
Improving Our Assets						
Highways Maintenance	26,263	25,506	24,028	20,894	0	96,691
Corporate Property Management	11,349	9,000	6,500	6,500	5,000	38,349
Highways Bridges & Structures Maintenance	7,513	5,805	4,705	5,429	0	23,452
Section 278	5,360	5,084	3,209	3,500	0	17,153
Highways Maintenance Capitalisations	3,700	2,800	1,800	900	0	9,200
Climate Emergency	1,055	850	900	950	0	3,755
Demolition Programme	401	250	250	500	0	1,401
Library Books	450	300	200	100	0	1,050
Sports Maintenance	137	100	100	100	0	437
	56,228	49,695	41,692	38,873	5,000	191,488
Supporting Service Provision						
Telecare ASC	517	1,200	600	600	0	2,917
Adaptation to Private Homes	647	470	470	470	0	2,057
Childrens Centres	146	90	90	50	0	376
	1,310	1,760	1,160	1,120	0	5,350
Investing In New Technology						
Digital Development	5,250	2,500	2,500	2,500	0	12,750
Essential Services Programme	7,092	2,500	1,700	800	0	12,092
	12,343	5,000	4,200	3,300	0	24,843
Supporting The Leeds Economy						
Project Support Fund - Groundwork	70	70	70	140	0	350
Central & Operational Expenditure						
Vehicle Programme	10,068	19,520	13,241	16,508	22,530	81,867
PFI Lifecycle Capitalisations	11,980	12,895	13,395	13,504	0	51,774
Transformational Change	9,106	8,919	8,919	8,508	0	35,452
General Capitalisations	3,300	2,700	1,800	900	0	8,700
Capital Programme Management	541	541	541	543	0	2,167
Capitalisation of Interest	700	543	0	0	0	1,243
	35,695	45,118	37,896	39,963	22,530	181,203
Total Annual Programmes 2023-2028	105,645	101,643	85,018	83,396	27,530	403,233

Major Programmes & Other Directorate Schemes

Appendix B1 (ii)

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£000	£000	£000	£000	£000	£000
Improving our assets - Council Housing						
HRA Housing Leeds & BITMO & Other	74,611	83,830	83,827	83,824	82,105	408,196
HRA Council Housing Growth Programme	51,107	88,075	39,289	18,093	0	196,564
Improving our assets - General Fund						
Capital Maintenance / School Condition Allocation	5,228	5,562	7,321	20,927	0	39,038
City Centre Package & Armley Gyratory	23,164	8,960	0	0	0	32,124
Strategic Investment Fund Acquisitions	1,419	10,000	10,361	0	0	21,780
Corridor Improvement Programme (CIP)	7,606	13,454	460	0	0	21,519
Parks & Countryside Schemes	18,508	902	728	1,084	0	21,222
Highways Transport Package	8,280	4,915	3,685	3,685	0	20,565
A660 Woodhouse Lane Gateway (Uni)	960	8,225	8,225	3,025	0	20,435
LUF - Connecting West Leeds	16,675	2,247	0	0	0	18,922
Parklife Programme	1,241	15,474	0	0	0	16,715
Leeds Town Hall Restoration / Other Heritage Assets	6,271	10,365	0	0	0	16,636
Beckett Street Bus Priority Transformation	1,246	6,250	5,250	2,250	0	14,996
Fearnville Wellbeing Centre	6,913	6,000	0	0	0	12,913
Devolved Formula Capital Grant	2,661	2,578	1,478	3,816	0	10,534
A6110 Elland Road South Churchwell Hill	577	1,034	5,312	1,087	0	8,010
Streetlighting Replacement LEDs	5,492	2,500	0	0	0	7,992
Creating Healthier Streets, Spaces & Communities	999	2,170	2,170	840	0	6,179
Assisted Living Leeds	481	5,659	0	0	0	6,140
Community Hubs Programme	2,208	200	0	0	0	2,408
Future Ways of Working and Estate Realisation	329	0	0	0	0	329
Other smaller schemes within the objective	7,185	7,196	187	189	0	14,757
	243,161	285,597	168,294	138,819	82,105	917,975
Investing in Major Infrastructure						
Leeds Integrated Station Masterplan	20,487	20,086	6,490	0	0	47,063
Flood Alleviation Schemes	20,466	5,551	525	525	0	27,067
Sustainable Active Travel	8,840	2,989	0	0	0	11,829
Clean Air Zone	567	0	0	8,158	0	8,725
Decarbonisation Programme & Energy Efficiency	7,632	75	75	499	0	8,281
Other smaller schemes within the objective	12,125	1,675	0	0	0	13,800
	70,116	30,376	7,090	9,182	0	116,763
Supporting Service Provision						
Learning Places Programme / Basic Need Grant	18,046	22,487	11,290	6,513	0	58,336
Private Sector Renewal - Adaptations / Equity Loans	8,057	10,099	8,650	8,564	0	35,370
Childrens Homes	3,658	1,479	0	23	0	5,161
Other smaller schemes within the objective	4,444	994	922	4,391	0	10,750
	34,205	35,059	20,862	19,491	0	109,617
Investing in New Technology						
Other smaller schemes within the objective	2,671	30	14	0	0	2,715
	2,671	30	14	0	0	2,715
Supporting the Leeds Economy						
Morley Town Fund	8,349	9,841	4,661	0	0	22,852
Kirkgate Market Strategy	6,432	3,021	0	0	0	9,453
Local Centres Programme & THI	4,059	0	1,934	0	0	5,993
British Library at Temple Works	963	4,037	0	0	0	5,000
East of Otley Relief Road	2,000	2,593	0	0	0	4,593
Other smaller schemes within the objective	7,310	2,835	636	889	630	12,299
	29,114	22,328	7,231	889	630	60,190
Central & Operational Expenditure						
General Contingencies	1,631	1,400	1,400	8,225	1,400	14,056
Core Systems Review	9,333	4,207	0	0	0	13,540
Other smaller schemes within the objective	774	0	0	0	0	774
	11,737	5,607	1,400	8,225	1,400	28,369
Total Major Programmes & Other Directorate schemes	391,003	378,996	204,891	176,605	84,135	1,235,629
Annual Programmes - See Appendix B1 (i)	105,645	101,643	85,018	83,396	27,530	403,233
Total Annual & Major Programmes	496,648	480,639	289,909	260,001	111,665	1,638,861

Net Increase in funding since February 2023 to end of June 2023

Appendix B1 (iii)

	Corporate Borrowing £000	Borrowing Supported by Revenue £000	Specific Resources £000	Total Resources £000
27/28 Housing Leeds Programme			82,105.0	82,105.0
Council House Growth Programme Funding Adjustments		157.8	1,027.5	1,185.3
Net Injections sought as part of this report	0.0	157.8	83,132.5	83,290.3
Net Injections with approvals in place	13,565.9	12,469.0	-1,865.2	24,169.7
Total Net Injections in place since February 2023	13,565.9	12,626.8	81,267.3	107,460.0
Slippage Movements as at 2022/23 Outturn				-3,982.1
Net Increase in funding since February 2023 to June 2023				103,477.9

Financial Year 2023/24

	Notes		Budget	Current	Movement
			DM10e 2022/23	DM3a 2023/24	
PRUDENTIAL CODE INDICATORS					
CAPITAL EXPENDITURE					
<u>Estimate of Capital Expenditure</u>	a				
General Fund		£k	362,601	341,205	-21,396
Housing Revenue Account		£k	156,153	145,396	-10,757
Total		£k	518,754	486,601	-32,153
<u>Capital Financing Requirement</u>	b				
Borrowing - General Fund		£k	2,129,023	2,108,057	-20,966
Borrowing - Housing Revenue Account		£k	793,847	784,918	-8,929
Sub Total Borrowing		£k	2,922,870	2,892,975	-29,895
Other Long Term Liabilities - GF		£k	386,110	386,110	0
Other Long Term Liabilities - HRA		£k	99,376	99,376	0
Sub Total Other Long Term Liabilities		£k	485,486	485,486	0
Total Capital Financing Requirement		£k	3,408,356	3,378,461	-29,895
EXTERNAL DEBT					
<u>Operational Boundary</u>	c				
External Borrowing		£k	2,850,000	2,850,000	0
Other Long Term Liabilities		£k	580,000	580,000	0
Total			3,430,000	3,430,000	0
<u>Authorised Limit</u>	c				
External Borrowing		£k	3,200,000	3,200,000	0
Other Long Term Liabilities		£k	600,000	600,000	0
Total		£k	3,800,000	3,800,000	0
<u>Actual External Debt (year end Forecast)</u>	d				
			2022/23	2023/24	
PWLB		£k	1,805,172	1,763,737	-41,435
Market (Inc LOBO)		£k	474,319	472,084	-2,235
Short term (Actual)		£k	0	0	0
Short term (Forecast)		£k	162,500	355,356	192,857
Total Gross External Debt		£k	2,441,991	2,591,177	149,187
Other Long Term Liabilities		£k	519,004	485,486	-33,518
Total Including OLTL		£k	2,960,995	3,076,663	115,669
<u>Gross Debt and the CFR</u>	e				
External Borrowing			ok	ok	
Other Long term Liabilities			ok	ok	
Total Gross Debt and the CFR			ok	ok	
AFFORDABILITY					
<u>Estimate of Financing Cost to Net revenue Stream</u>	f				
<u>External Borrowing Only - General Fund</u>					
Financing Cost		£k	123,089	124,175	1,086
Net Revenue Stream		£k	573,357	573,357	0
Ratio		%	21.47%	21.66%	0.19%
<u>Including Other Long Term Liabilities - GF</u>	f				
Financing Cost		£k	171,321	172,407	1,086
Net Revenue Stream		£k	573,357	573,357	0
Ratio		%	29.88%	30.07%	0.19%
<u>External Borrowing Only - Housing Revenue Account</u>	f				
Financing Cost		£k	30,006	30,538	533
Net Revenue Stream		£k	16,390	16,390	0
Ratio		%	11.24%	11.44%	0.20%
<u>Including Other Long Term Liabilities - HRA</u>	f				
Financing Cost		£k	46,396	46,928	533
Net Revenue Stream		£k	16,390	16,390	0
Ratio		%	17.37%	17.58%	0.21%
INVESTMENTS					
Non Treasury loans			80,000	80,000	0
Non Treasury investments			250,000	250,000	0
Limit on non-Treasury Investments	g		330,000	330,000	0

Financial Year 2023/24

	Notes	Budget	Current	Movement	
		DM10e	DM3a		
Estimate of Net Income from Investments for Commercial and Service Purposes	g				
Income		£k	6,710	6,710	0
Ratio of Income from Commercial and Service Purposes to Net revenue Stream		%	1.17%	1.17%	0.00%

TREASURY MANAGEMENT CODE INDICATORS

Liability Benchmark for Borrowing	See attached
Liability Benchmark for Investments	Not Applicable

Maturity Structure of Borrowing 2023/24	h	Lower	Upper	At budget 31/03/2023	Current 31/03/2024	%
under 12 mths		0%	25%	314,171	478,256	18%
12 mths and within 24 mths		0%	20%	52,556	62,556	2%
24 mths and within 5 years		0%	35%	157,060	167,011	6%
5 years and within 10 years		0%	40%	142,782	105,273	4%
10 years and within 20 years				95,000	85,000	
20 years and within 30 years				174,123	223,469	
30 years and within 40 years		25%	90%	679,302	679,955	69%
40 years and within 50 years				715,000	665,000	
50 years and above				125,000	125,000	
				2,454,994	2,591,521	100.00%

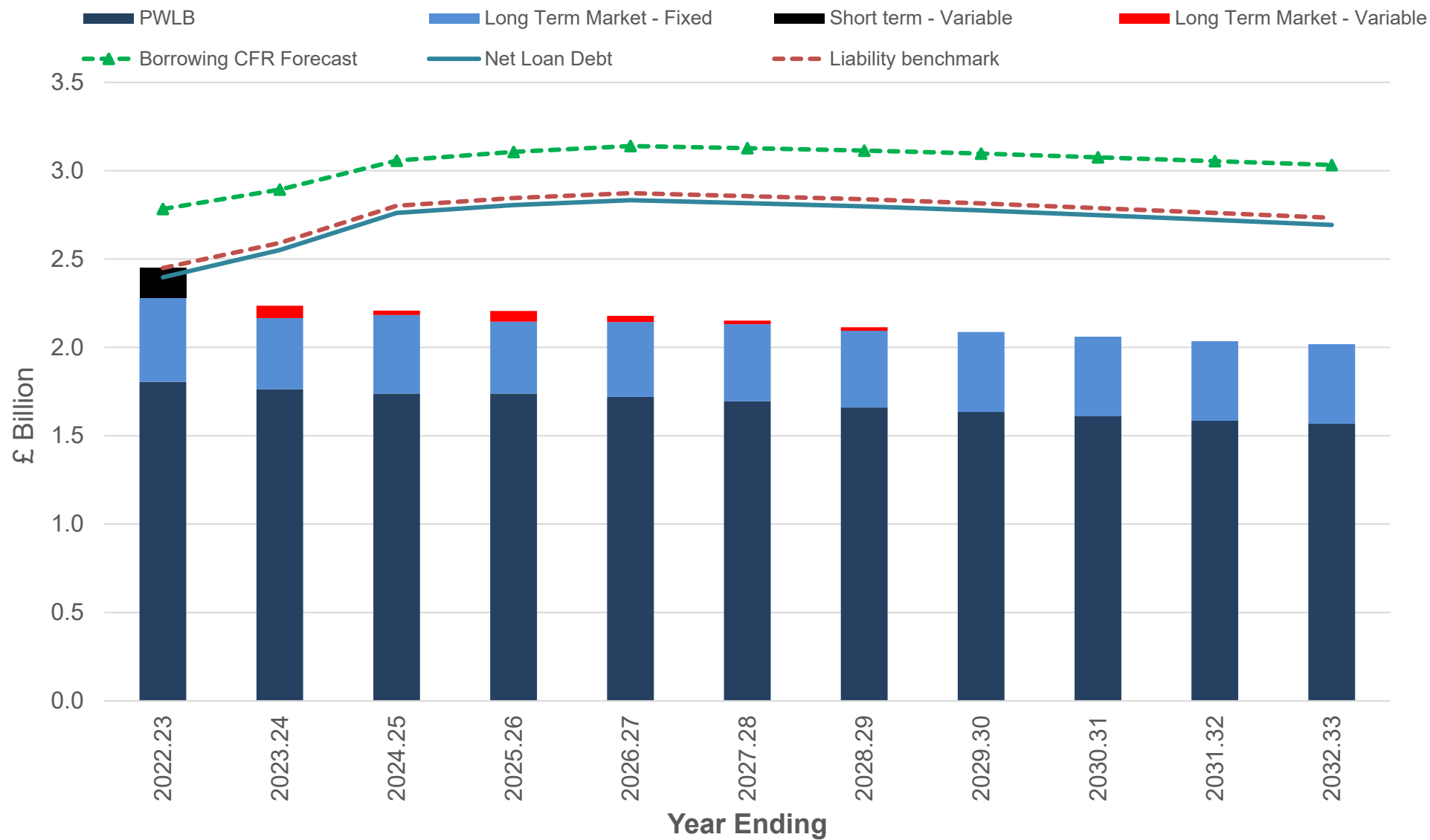
Upper Limit for Long Term treasury investments to mature in following years

Year +1	i	150,000	150,000
Year +2		150,000	150,000
Year +3		150,000	150,000

Notes

- a Forecast of capital expenditure for year at period end, actual at year end outturn
- b Forecast of CFR for year end at period end, actual at year end outturn
- c Authorised limit and Operational Boundary as set at the Budget setting time should only change in exceptional circumstances
- d This is the year end forecast for DEBT and OLTL with Short term being the balancing figure
- e In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that total gross debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement, which is used for comparison with gross external debt. This is a key indicator of prudence. (This is shown as "OK" or "Breach" depending on the result of the above comparison)
- f Code only requires full comparison of debt costs including OLTL to Net revenue Streams however the Council have always reported the external borrowing metrics which are more informative.
- g This is all investments under the code for Service or Commercial purposes and excludes Investments for TM purposes
- h This now includes all external debt including variable and short term external debt
- i This is non specified Treasury Management investments typically with a duration of greater than 364 days

Liability Benchmark Borrowing 10 years from 2022/23 to 2032/33



Prudential Code Monitoring 2023/24 - Debt

