

Financial Reporting 2023/24 Quarter 2

Date: 22nd November 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

1. The purpose of this report is to update the Executive Board of the financial position at the end of the first six months of this financial year. The report comments on performance against the 2023/24 Budget which targets resources in support of the council's strategic priorities as set out in the Best City Ambition, whilst also supporting our ongoing journey to strengthen the authority's financial resilience and sustainability. It also updates the Board on the latest position on the Housing Revenue Account (HRA), Council Tax and Business Rates Collection Fund, the Capital Programme Quarter 2 update and the Treasury Management Strategy Update. For full details, please refer to **Appendices A-C**.

Financial Health Monitoring 2023/24 – Month 6 (September) (Appendix A)

2. As at the end of September 2023, we are forecasting an overspend of £30.5m for the General Fund (5.3% of the 2023/24 approved net revenue budget), an adverse movement from the previous month's £29.6m overspend reported to this Board in October. Where known, pressures have been incorporated into the reported financial position, including those due to increased inflation and the resulting cost of living crisis, demand and demography in social care, and the employer's final pay award for 2023/24 (the NJC offer having been accepted on 1st November 2023).
3. The budget for 2023/24 requires delivery of £58.6m of savings and as at Month 6, it is anticipated that most of these budgeted savings will be delivered or mitigating actions found. However, an £11.6m shortfall has been identified, primarily due to the significant pressures within Children's social care. This shortfall is included within the £30.5m overspend being reported today, with further details provided in the appended directorate positions.
4. The overspend needs to be understood within the wider national context: local government finances are in a critical state and there is growing concern as an increasing number of councils are reporting overspends in the current financial year and significant estimated budget gaps in future financial years which provide a challenge to their financial sustainability. The increasing cost of social care, particularly within Children's Services where the significantly higher costs resulting from increasing numbers of children in care, combined with the impact of pay and price pressures which are in excess of the level of government resources provided, has not yet been recognised. As a result, a number of local authorities issuing or raising the possibility of issuing Section 114 notices, effectively giving notice that a council cannot balance its budget. This current and future financial climate for local government represents a significant risk to Leeds City Council's priorities and ambitions.
5. Within Leeds, work continues to review the highest cost / spend areas (notably Children Looked After, Transport and Leeds Building Services) and all services are continuing to explore opportunities to secure in-year savings (such as holding vacancies where this will not have a detrimental effect on critical services and on staff wellbeing) and maximising income. Asset reviews are underway to ensure the council has the right numbers and mix of assets.

6. The freeze on recruitment, agency and overtime spend introduced in 2022/23 within a framework of agreed exceptions remains in place, as does the freeze on non-essential spend, with further controls brought in to strengthen oversight and monitoring. Using our Team Leeds approach, working across the council and with partners, we will continue to take all action necessary to meet our legal requirement to deliver a balanced budget.
7. Any adverse variation to a balanced budget position at the year-end will require further savings to be identified for 2024/25. In addition, any Collection Fund income shortfall arising this year will impact on next year's revenue budget.
8. October's Executive Board noted that the West Yorkshire Combined Authority (WYCA) was proposing a refund of transport levy reserves to the five West Yorkshire local authorities, in recognition of the critical funding pressures being faced. At its meeting on 12th October, WYCA members approved the proposal with a refund to Leeds of £17.7m. As one-off funding, this has been added to the Strategic Contingency Reserve. (For further information, please see the WYCA report, 'Budget and Funding' available online here: Item 9 Budget and Funding.pdf (modern.gov.co.uk).
9. The budget assumes planned use of capital receipts, Invest to Save and Innovation funding and Covid backlog funds to support transformation and the delivery of savings and to support services with the ongoing impact of COVID-19. Appendix A updates the Board on planned spend in 2023/24.
10. With regard to the council's Housing Revenue Account (HRA), an overspend of £1.9m (0.7% of the approved gross HRA expenditure budget) is forecast. Further work is required to balance this position.

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

11. Appendix B 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.
12. The cost of the capital programme is projected to remain affordable within available resources identified in the Medium Term Financial Strategy.
13. The updated capital programme for 2023-2028 requires injections of £22,526.9k.
14. The appendix sets out recent Capital Receipts Incentive Scheme (CRIS) allocations to wards and community committees.
15. Appendix B also details that the spending priority for investment of the Community Infrastructure Levy (CIL) Strategic Fund will be as matched funding contributions for Strategic Highways and Transportation Schemes.

Treasury Management Strategy Update 2023/24 (Appendix C)

16. Appendix C provides a review and update of the treasury management strategy for 2023/24. The Council's level of net external debt at 31st March 2024 is now forecast to be £2,548m, £28m lower than approved in February 2023. This lower forecast is due to a lower capital programme borrowing requirement (£41m), partly offset by lower MRP (£1m) together with balance sheet movements (£12m).
17. Cash resources were used in lieu of external long-term borrowing during 2022/23 and this has continued into 2023/24. However, £2.8m of new long-term borrowing has been taken in 2023/24.
18. The investment of surplus monies will continue to be carried out with due regard for security of capital in accordance with the Council's approved investment strategy.
19. The updated Treasury Management Strategy 2023/24 is currently forecast to deliver a saving of £200k against the budget. This is largely due to lower than forecast borrowing need, offset by higher

interest rates than were forecast when the budget was set. Whilst there remains a risk that interest rates have not yet peaked, there is also scope for the council's borrowing requirement to further reduce during the remainder of the year, and thus some improvement in the current level of savings remains possible.

Recommendations

In respect of **Financial Health Monitoring 2023/24 – Month 6 (September) (Appendix A)**, Executive Board is asked to:

- a) Note that at Month 6 (September) the authority's General Fund revenue budget is forecasting an overspend of £30.5m for 2023/24 (5.3% of the approved net revenue budget) within a challenging national context, and that a range of actions are being undertaken to achieve a balanced budget position.
- b) Note that at Month 6 (September) the authority's Housing Revenue Account is forecasting an overspend of £1.9m for 2023/24 (0.7% of the approved gross expenditure budget).
- c) Note that known inflationary increases, including demand and demographic pressures in Social Care and known impacts of the rising cost of living, including the NJC pay settlement of £1,925 and the JNC pay settlement 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 Board meetings as more information becomes available. Proposals would need to be identified to absorb any additional pressures.
- d) Note that where an overspend is projected, directorates, including the Housing Revenue Account, are required to present action plans to mitigate their reported pressures and those of the council's wider financial challenge where possible, in line with the [Revenue Principles](#) agreed by Executive Board in 2019 (details at Appendix 11 of the linked document).
- e) Note the Month 6 positions with regard to the use of Invest to Save, Covid Backlog and Flexible Capital Receipt resources and also note the additional planned use of £1m of capital receipts in 2023/24 to support transformation projects and deliver savings in addition to the budgeted use approved by the Board in September.

With reference to **Capital Programme 2023/24 to 2027/28 – Quarter 2 (Appendix B)**, Executive Board is asked to:

- f) Approve the following injections into the capital programme, as detailed at Appendix B1 (iii):
 - £15,325.8k of grant funding from West Yorkshire Combined Authority (WYCA) for Active Travel Tranche 3 and 4 Schemes;
 - £3,998.0k of DFE Post 16 Capacity Fund Grant for Pudsey Grammar School;
 - £1,474.8k of Disabled Facilities Grant re Additional Allocations for 23-24 and 24-25; and
 - £1,728.3k of other secured external funding contributions.

The above decision to inject funding of £22,526.9k 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 2 2023/24.
- h) Note the additional Capital Receipts Incentive Scheme (CRIS) allocations to wards and community committees for the period April 2023 to September 2023 of £144.1k.
- i) Agree the spending priority for investment of the Community Infrastructure Levy (CIL) Strategic Fund as matched funding contributions for Strategic Highways and Transportation Schemes.

With reference to **Treasury Management Strategy Update 2023/24 (Appendix C)**, Executive Board is asked to:

j) Note the update on the Treasury Management borrowing and investment strategy 2023/24.

What is this report about?

Financial Health Monitoring 2023/24 – Month 6 (September) (Appendix A)

- 1 Appendix A updates the Board on financial performance against the council's 2023/24 General Fund revenue and Housing Revenue Account budgets for the first 6 months of the financial year. Budget monitoring is a continuous process throughout the year, and this appendix reviews the position of the budget and highlights potential key risks and variations as at the end of Month 6 (September 2023).
- 2 Executive Board will recall that the net revenue budget for 2023/24 was set at £573.4m. The Medium-Term Financial Strategy (refreshed for the period 2024/25 to 2028/29 and considered at September's Executive Board meeting) assumes a balanced budget position for 2023/24 after the application of Government funding, the delivery of savings and the utilisation of earmarked reserves.
- 3 Following the closure of the 2022/23 accounts, the Council's general fund reserve stood 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.
- 4 At Month 6 directorates are reporting an overspend of £30.5m (5.3% of the approved 2023/24 net budget), an adverse movement against the Month 5 position (£29.6m, 5.2% of the net budget) and the HRA is forecasting an overspend of £1.9m. As noted in the summary at the start of this report, this reflects a national picture whereby local government finances are in a critical state.
- 5 Directorate positions are summarised in Table 1:

Table 1: Summary position Month 6 (September), 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	(451)	20,260	(20,261)	0	0
Children and Families	Julie Longworth	932	29,032	(1,183)	27,848	27,848
City Development	Martin Farrington	(1,439)	(5,677)	5,521	(155)	(682)
Communities, Housing & Environment	James Rogers	2,215	15,450	(11,588)	3,861	3,621
Strategy & Resources	Mariana Pexton	6,456	514	3,615	4,129	4,046
Strategic	Victoria Bradshaw	(58)	(2,031)	(3,155)	(5,186)	(5,186)
Total Current Month		7,654	57,549	(27,050)	30,497	29,647

Previous reported (under)/over spend	10,073	57,291	(27,640)	29,647
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- 6 This position reflects the forecast 2023/24 pay increase and the demand and demographic pressures being experienced in social care. It also reflects the latest projections with regard to known inflationary pressures in respect of the costs of electricity, gas, fuel and the impact of the cost-of-living pressures on our residents and 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 any further increases in interest rates and their impact on the council's financial position.

- 7 Four key messages have been reiterated to staff in 2023/24 to remind everyone of the part we all have to play in supporting the financial position:
 1. **Stay within budget** – reduce discretionary spend and minimise recruitment, including agency and overtime.
 2. **Absorb in-year pressures** – directorates required to absorb all in-year pressures.
 3. **Highlight issues early** – use the budget monitoring process to raise issues with Financial Management as soon as possible.
 4. **Robust monitoring is essential** – includes detailed discussion at relevant monitoring meetings.
- 8 In addition, given the significant forecast revenue overspend position reported here, the council's Corporate Leadership Team (comprising the Chief Executive and five directors) 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. Unless an identified vacancy is for an excluded post, services are required to identify how they will cover the costs of the post.
- 9 It has also been agreed to continue the non-essential spend freeze introduced in 2022/23. The directorate positions reported reflect the impact of an initial review of areas of non-essential spend and further work is expected in this area. Following Executive Board's approval in September through the previous Financial Health report, relevant non-essential spend budgets totalling £1.85m have been moved out of respective Chief Officer budgets to specific strategic cost centres within each directorate to prevent further spend where it has been identified that this reduction in spend is not detrimental to the delivery of services.
- 10 Cross-directorate work continues to support and challenge the highest cost/spend areas, such as Children Looked After, Transport and LBS and all services are continuing to explore opportunities to maximise income. Asset reviews are underway to ensure the council has the right numbers and mix of assets and directorates continue to consider where future year savings options identified as part of the Financial Challenge to meet the MTFs funding gap could be brought forward to generate savings during 2023/24. Updates on further in-year savings to contribute towards reducing the current projected overspend will be incorporated into future Financial Health reports. These will include income generation, additional non-essential spend savings and savings resulting from reviews of key areas of expenditure which will both reduce activity levels and rationalise service provision.
- 11 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 the implementation of budget action plans and 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. It is due to the robustness of this monitoring that the projected overspend was identified so early in the financial year, enabling action to be taken.
- 12 Appendix A also updates the Board on the performance of the projects being funded through use of Flexible capital Receipts, Invest to Save and Innovation funding and the Covid backlog funds.
Capital Programme 2023/24 to 2027/28 – Quarter 2 (Appendix B)
- 13 Appendix B provides the Board with an update on the capital programme as at quarter 2, including updates on capital resources and progress on spend.

Treasury Management Strategy Update 2023/24 (Appendix C)

- 14 The 2023/24 treasury management strategy was approved by Executive Board on 8th February 2023. Appendix C provides a review and update of the strategy for 2023/24.

What impact will this proposal have?

Financial Health Monitoring 2023/24 – Month 6 (September) (Appendix A)

- 15 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](#).

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

- 16 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.

Treasury Management Strategy Update 2023/24 (Appendix C)

Borrowing Limits for 2023/24, 2024/25 and 2025/26

- 17 The Council is required to set various limits for 2023/24, 2024/25 and 2025/26 in accordance with the Local Government Act 2003, having regard for CIPFA's Prudential Code (as amended 2021). These limits including prudential indicators are detailed in Appendix A.
- 18 It is anticipated that the Council will continue to remain within the Authorised Limit for 2023/24. Both the Authorised Limit and Operational Boundary are made up of a limit for borrowing and a limit for other long-term liabilities.
- 19 The Chief Officer Financial Services has delegated authority to adjust between the two separate limits for borrowing and other long-term liabilities, provided that the overall limit remains unchanged. No adjustments between the limits have been made, and any such adjustments would be reported to the next available Council meeting following the change.
- 20 Borrowing limits for 2023/24 were approved by Council on 8th February 2023 and remain unchanged.

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

- Health and Wellbeing Inclusive Growth Zero Carbon

- 21 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. 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.
- 22 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 authority 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.

- 23 The Treasury Management strategy secures funding to support the Council's Policies and City Priorities as set out in the Council capital programme and is consistent with the Best City Ambition and 3 pillars.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

Yes

No

- 24 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.
- 25 Appendix C is an update on the Treasury Management Strategy as presented to Executive Board in February 2023. As such no consultation has taken place, however consultation with the Council's treasury advisors takes place regularly throughout the year. The borrowing requirement is an outcome of the capital programme, where consultation is undertaken by individual services in relation to capital investment schemes.

What are the resource implications?

- 26 This is a financial report and as such resource implications are detailed in both the report and the accompanying appendices.

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

- 27 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.
- 28 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.

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

- 29 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.
- 30 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.

31 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.

Treasury Management Strategy Update 2023/24 (Appendix C)

32 The execution of the Treasury Management Strategy and associated risks are kept under regular review through:

- Monthly reports to the Finance Performance Group
- Quarterly strategy meetings between the Chief Officer Financial Services and the Council's treasury advisors
- Regular market, economic and financial instrument updates and access to real time market information

33 The above monitoring mitigates the directorate level risk of "Failure to recover money invested in other financial institutions." In addition, the Treasury Management Strategy is linked to the corporate risk on 'Financial Forecasting'.

What are the legal implications?

34 The council has a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.

35 Section 28 of the Local Government Act 2003 provides that the council has a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the authority must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.

36 In addition, the council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The authority's Chief Finance Officer has established financial procedures to ensure the council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Executive Board to receive information about the revenue and capital budgets as set out in this report.

37 The monitoring of financial information is also a significant contributor to meeting the council's Best Value legal duty and, therefore, this report also demonstrates compliance with that legal duty.

38 Under Section 1 of the Local Government Act 2003 ("LGA") ("Power to borrow"), a local authority may borrow for any purpose relevant to its functions or for "the prudent management of its financial affairs".

39 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) made pursuant to the Local Government Act 2003 require the Council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities ("The Prudential Code"). Regulations 23 and 24

provide respectively that capital receipts may only be used for specified purposes and that in carrying out its capital finance functions, a local authority must have regard to the code of practice in “Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes” (“The Treasury Code”) issued by CIPFA.

- 40 In relation to the Annual Investment Strategy, the Council is required to have regard to the Guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 entitled “Statutory guidance on Local Government Investments 3rd Edition” which is applicable from and effective for financial years commencing on or after 1 April 2018.
- 41 In addition, the Prudential Code and the Treasury Management Code contain investment guidance which complements the Statutory Guidance mentioned above.
- 42 Local authorities are required to have regard to the current editions of the CIPFA codes by regulations 2 and 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended.
- 43 Under the provisions of Section 3(1) and (8) of the Local Government Act 2003, the Council must determine and keep under review how much money it can afford to borrow, and the function of determining and keeping these levels under review is a full Council, rather than an executive function.
- 44 The Council must also have regard to the Guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003 entitled “Statutory guidance on minimum revenue provision.”
- 45 The Prudential Code requires authorities to prepare a capital strategy.

Options, timescales and measuring success

What other options were considered?

- 46 Not applicable

How will success be measured?

- 47 Treasury Management continues to adhere to its governance framework including the CIPFA Code of Practice, the Prudential Codes 2021 and the revised CIPFA guidance notes issued in 2022. All borrowing and investments undertaken have been compliant with the governance framework. Success will therefore be the continued optimal performance of the Treasury Management function within this framework.
- 48 Benchmarking of Treasury Management activity is only undertaken on an ad-hoc basis as the structure of debt portfolios and balance sheets of similar authorities often reflect the timing of past spending and financing decisions and therefore can lead to anomalies. The CIPFA Prudential Code makes it clear that prudential indicators should not be used for benchmarking purposes for this reason. The latest benchmarking exercise was undertaken in January 2021 as at the balance sheet date of 31/03/2020 for a comparison of external debt in relation to fixed assets for the core cities and significant variations in the resultant metrics were noted. Not applicable

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

- 49 Work is ongoing to address the financial challenges outlined in this report and to identify savings to reduce the level of projected overspend. Further updates will be provided in future Financial Health Monitoring reports to this Board.
- 50 The responsibility for identification and actioning of the necessary measures to ensure the delivery of a balanced budget are the responsibility of the Chief Officer - Financial Services, working in conjunction

with departmental directors. A balanced budget must be delivered at Financial Outturn 2023/24, with the outturn position due to be reported to the June 2024 meeting of this Board.

51 This report is to confirm the successful operation of the Treasury Management strategy within the established legal and operational framework and is a continuous and on-going process.

Appendices

52 The following appendices are attached to this report:

- **Appendix A – Financial Health Monitoring 2023/24 – Month 6 (September):** detailed narrative regarding the projected financial positions for directorates, Dedicated Schools Grant (DSG) and the 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 A3** – Expenditure funded through Flexible Use of Capital Receipts
- **Appendix B – Capital Programme 2023/24 to 2027/28 – Quarter 2** – sets out the updated capital programme for 2023-2028, with a forecast of resources available over that period, and a specific update of the 2023/24 programme including progress on spend. Also provided are details of the latest funding allocations from the Capital Receipts Incentive Scheme (CRIS), the Capital Programme Review process and the 10 Year Plan, and details of the spending priority for investment of the Community Infrastructure Levy (CIL) Strategic Fund.
- **Appendix B1** – Capital Programme Funding Statement 2023/24 to 2027/28
- **Appendix B1(i)** – Annual Programmes
- **Appendix B1(ii)** – Major Programmes & Other Directorate Schemes
- **Appendix B1(iii)** – Net Increase in Funding Since February 2023 to end of September 2023
- **Appendix B2** – Capital Receipts Incentive Scheme (CRIS) Funding Statement
- **Appendix B3** – 10 Year Capital Programme
- **Appendix C – Treasury Management Strategy Update 2023/24** - review and update of the treasury management strategy for 2023/24
- **Appendix C1** - Prudential indicators 2023/24 to 2025/26
- **Appendix C2** - Liability Benchmark - Debt
- **Appendix C3** - Prudential Code Monitoring 2023/24 - Debt

Background papers

53 None

Financial Health Monitoring 2023/24 – Month 6 (September)

1. Directorate Positions at Month 6 (September)

- 1.1 The major Directorate variations are summarised in **Table 1** and outlined below, with additional detail provided on the Directorate dashboards at **Appendix A1**.

Table 1: Summary position as at Month 6 (September), 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	(451)	20,260	(20,261)	0	0
Children and Families	Julie Longworth	932	29,032	(1,183)	27,848	27,848
City Development	Martin Farrington	(1,439)	(5,677)	5,521	(155)	(682)
Communities, Housing & Environment	James Rogers	2,215	15,450	(11,588)	3,861	3,621
Strategy & Resources	Mariana Pexton	6,456	514	3,615	4,129	4,046
Strategic	Victoria Bradshaw	(58)	(2,031)	(3,155)	(5,186)	(5,186)
Total Current Month		7,654	57,549	(27,050)	30,497	29,647
Previous reported (under)/over spend		10,073	57,291	(27,640)	29,647	

1.2 Adults & Health

Adult Social Care 2023/24 Budget

Budget Overview

At Month 6 Adults Social Care is projected to deliver a balanced budget. The Net Managed Budget (NMB) for 2023/24 is £198.8m, comprised of £422.5m Gross Expenditure offset by £223.7m income. Reflected in the 2023-24 budget are Budget Action Plans totalling £16.19m of which £5.1m are still to be delivered; an improvement of £0.1m from Month 5. Significant risks remain to deliver this position as outlined in Table 2, particularly around the demand and income budgets for Adult Social Care.

Table 2: Adults & Health 2023-24 Month 6 financial risks potentially impacting on delivery of a balanced budget:

	£'000s	£'000s
<u>Pay</u>		
Agency savings		150.0
<u>Demand:-</u>		
Month 6 reflects rolling 12 month average for OP Residential settings. Should the trend follow 2022-23 then further demand pressure.		1,500.0
Month 6 removal of inflation not yet passported to providers in OP, WAA PI and Other		720.0
Actions plans around demand led pressures still to be delivered in FMS (<i>Relevant BAP owner committed to these actions</i>)		
	Mid Price Range Review LD	500.0
	Individualisation of Block Contracts WAA	250.0
	Direct Payment Supported Bank Account	50.0
	Homecare Performance Management	1,500.0
	CHC Eligibility	150.0
	Social Work review (Front Door & Reassessment)	990.0
	Newton Europe Part year saving	500.0
	Develop a Direct Payment Plan	200.0
Total Demand Budget Actions Plans to deliver		4,140.0
<u>Other</u>		
Passenger Transport costs. Month 5 has a shortfall on the advised pressure from CEL of £1.238m (£7.303m -v- £6.065m budget):-		274.0
Further CEL pressures (Catering, Fleet and Cleaning). Based on previous outturns		150.0
<u>Income:-</u>		
Budget Action Plan for review of mental health replacements still to be reflected in FMS. Also risk around higher demand budget payments. Relates to WAA. Service Manager committed to delivery in full.		850.0
Total Potential Risks		7,634.0

Social Care Grants

Included in the Adult Social Care budget for 2023/24 is additional social care grant funding of £27.6m. On 28th July the DHSC announced £5.04m of new in-year grant funding titled 'Market Sustainability and Improvement Fund – Workforce Fund Grant Determination (2023 to 2024)'. Subject to confirmation later, Leeds City Council are in line for further funding for 2024/25 of £2.83m. This funding comes with tight restrictions around use of the grant, with it being targeted specifically at three target areas:

- Increase fee rates for providers in local areas.
- Increase adult social care workforce capacity & retention.
- Reducing adult social care waiting times.

Reserves

The 2023/24 Budget assumes the use of £4.5m of Adult Social Care & Public Health reserves. At Month 6 the directorate is projecting to utilise an additional £4.153m, comprising of £2.6m Newton Europe Home First programme, £0.8m Leeds Older People's Forum for delivery of the Enhance programme which is funded by Health and delivered by the Third Sector and £0.754m for investment in additional social work capacity. This brings total use of reserves to £8.674m.

Budget Action Plans

At Month 6 there are concerns around the delivery of five Budget Action Plans with a forecast impact of £0.74m, comprising of £0.29m relating to the strategic review for Social Work due to slippage in recruiting staff, £0.12m relating to slippage in the budget action plan for the refurbishment of the 3 LCC run residential homes and their delayed refurbishment and £0.33m slippage in the delivery of commissioning savings. Offsetting this are two actions plans which are over-recovering: £0.5m

Homecare commissioning programme and £0.24m additional income from the roll out of 'billing engine' and the recovery of client income contributions.

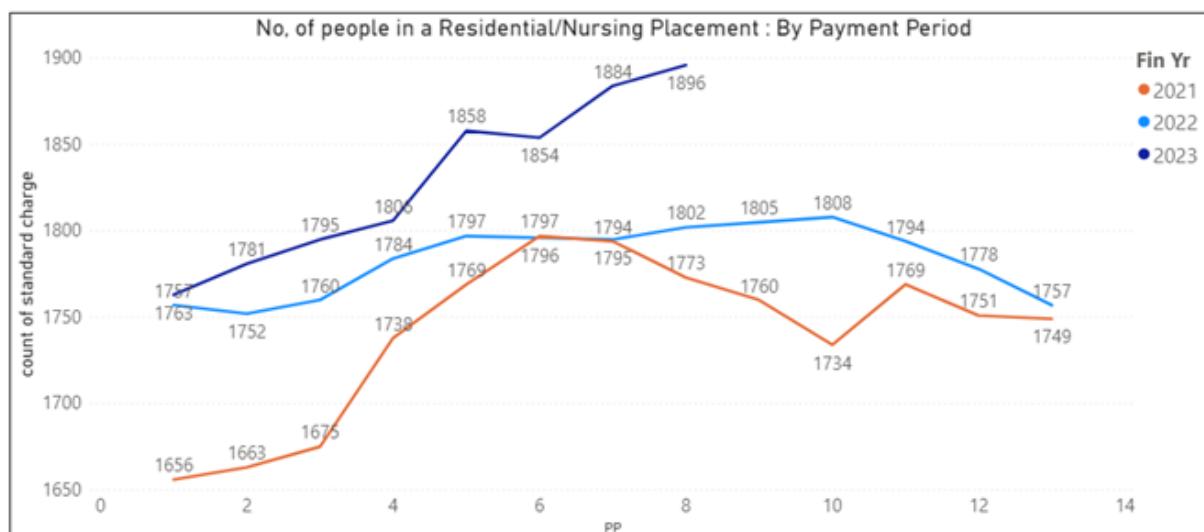
Demand Budgets

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 the £2.84m savings target reflected in the delivery of the 2023-24 budget action plans. The Month 6 projection is a pressure of £8.0m, a split of £3.8m Learning Disability and £4.2m Older People and Working Age Adults Physical Impairment. This projection assumes delivery of £4.14m of the action plans without which the position will be worse off than outlined above. This is an adverse movement of £0.9m from the Month 5 position, principally in residential settings shown below:

- +£1.7m (-£0.5m from Month 5) Working Age Adults and Learning Disability
- -£2.0m (+£0.3m from Month 5) Homecare
- +£9.6m (+£1.7m from Month 5) Residential and Nursing settings.
- -£1.3m (-£0.6m from Month 5) for Direct Payments and Individualised Care.

This pressure will be covered by staff savings and additional income. It should be noted that the projection for older people residential & nursing settings is based on a rolling twelve-month average. Should trend be in line with 2022-23 then there would be a further in-year pressure of +£1.5m. This will not come through in the data until month 7 / 8 reporting. See graph below noting the current high numbers.

Graph 1: No. of people in a Residential/Nursing Placement April 2021 to date



There are further risks around:

- providers challenging the percentage uplift in fees, particularly within the Working Age Adult settings for Learning Disability and Mental Health. This position assumes £0.7m savings on provider inflation uplifts.
- The impact of the Newton Europe Home First programme on demand budgets for both residential and homecare still to be quantified.
- Risk of increasing numbers and winter pressures in the health system.

Income

At Month 6 we are projecting:

- Additional government grant income £8.5m; utilising £1.8m of the £5.0m Market Sustainability Improvement Fund grant mentioned above.
- Additional Health income £9.4m (of which £5.2m for Newton Europe programme mentioned in 'Other' below).
- Additional Income from Service Users £2.4m; £1.6m additional residential & nursing income (excluded from table below), £1.3m additional community-based income, £0.3m shortfall Telecare (offset by staff savings) and £0.2m shortfall Learning Disability income.

Table 3: Income Recovery Highlight Report Month 6

Income Recovery Board (finance) - highlight report								
Financial position reported : period 6 2023-24								
Description	Previous Year Total	Budget 2023-24	Actual YTD	Projection (period 6 2023-24)	Variance to Budget + pressure/- Saving	Assumption (remaining periods)	Projection (period 5 2023-24)	Movement in projection from previous period
Community Based Income (excluding LD & Telecare)	(11,059,067)	(14,540,000)	(6,404,692)	(11,769,850)	2,770,150	Based on latest period + increase in recovery in 2023-24 based on uplift in rates (FNC)	(12,072,741)	302,891
Community Based Income - Billing Engine (Older People & WAA PI)			(977,973)	(4,090,910)	(4,090,910)	Action Plan value excluded from projection - overall reported position for community based income to budget.	(3,788,020)	(302,890)
Telecare	(577,742)	(2,291,000)	(1,344,584)	(1,986,000)	305,000	Income pressure matched to staffing savings reported. Actual income reduced in latest month due to credit notes	(1,986,000)	0
LD	(8,267,970)	(10,482,000)	(3,197,212)	(10,258,806)	223,194	Based on latest periods data.	(10,133,445)	(125,361)
Total	(19,904,779)	(27,313,000)	(11,924,461)	(28,105,566)	(792,566)		(27,980,206)	(125,360)

Pay

The impact of the 2023/24 pay award 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 care grant that was not reflected in the Adult Social Care budget.

Adult Social Care at Month 6 is projecting pay savings of £0.5m. Leeds City Council employee pay savings (-£5.7m), principally around social worker recruitment & retention reflecting the national position and pay savings in Provider Services, are offset by additional use of Agency staff (+£4.4m) and Overtime (+£0.8m). Some of the pressures in Agency are covered by income from Health and DHSC grant funding for specific short-term intervention programmes.

Other staffing issues are around retention payments for Social Workers (£1,220k) to be funded from the DHSC MSIF Workforce Development grant.

Other

Additional CEL charges of £1.2m have been reflected in the Month 6 projection – of which £1.0m is for passenger transport, £0.1m for catering charges and £0.1m vehicle hire.

The Newton Europe, Home First programme commenced in 2023/24. The cost of this programme is £7.8m, £2.6m is from Leeds City Council (funded from reserves above) and £5.2m from Health. Within the Month 6 projection we are assuming

£0.5m of savings from this programme. Significant future savings will be built into the Medium Term 2024/25 to 2028/29 programme.

Leeds City Council is the regional host for the Yorkshire & Humber International Recruitment fund. The grant awarded and received is £1.38m. The majority of funding allocated across the Yorkshire & Humber region is on a relative need's basis and Leeds's allocation is £0.14m.

Public Health 2023/24 Budget

Public Health (PH) Grant funding for 2023/24 is £48.66m; this is an increase of £1.54m from 2022/23 (3.3%). After taking account of the Office for National Statistics population increase for Leeds, the actual increase per head of population is 3.1%. This is the first year of an announced two-year grant funding allocation for Public Health. For 2024-25 the Public Health funding increases by 1.3% to £49.31m, 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 Month 6 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 received £2.79m for 2022/23 and is due to receive £4.45m for 2023/24 and £8.45m for 2024/25. 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.

On 5th October 2023 the Government announced additional investment of £70m per annum to support local authority-led stop smoking services (SSS), covering financial years 2024-25 to 2028-29 (five-years). Leeds City Council will receive additional funding of £980,296 per annum. As part of the conditions existing public health funds earmarked for SSS must continue as well, taking the annual investment up to £1,389,392 per annum.

- 1.3 Children and Families** – The current year-end forecast for the Children and Families directorate is an overspend of £27.848m. This position remains the same as reported at Month 5.

Overall, the main variations included within the Month 6 position are:

	£m
CLA: External Residential Placements	15.498
CLA: Semi Independent / Leaving Care	4.611
IFA Placements	2.854
Little Owls Nurseries	1.046
Secure Welfare	0.388
Transport	1.442
Projected Net Staff savings	(1.640)
Cost of additional pay award	1.225
Mitigation of pay award	(1.225)
Social Worker Retention Payment (allowance)	1.324
Foster Carer fee Uplift (allowance)	1.833
Learning Inclusion	0.747
EHCP Review	(0.200)
Reprofiling of School Balances	(0.500)

Non-Essential Spend Savings	(0.500)
Non-Delivery of Action Plans	0.719
Other Variances	0.226
Total	27.848

Whilst the Month 6 position reflects a General Fund forecast overspend of £27.8m, 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.

- There has been a national increase in social care placements and costs for children and young people, especially since COVID-19.
- In Leeds the rate per ten thousand of Children Looked After (CLA) has remained lower than statistical neighbours since 2017, demonstrating the continued success of the Leeds approach to early help and prevention, in line with the Outstanding Ofsted rating. Although Leeds has still experienced the national increase in numbers and costs, the impact would have been higher without the continued focus and investment in prevention.
- The sequencing of cost increases for Leeds shows that whilst costs have increased by some £46m over 12 years more than half of that increase (£28m) has occurred over the two years since 2021/22. This reinforces the point that recent increases are in part due to growing demand and complexity of need, which is influenced by societal factors and increased pressures on families due to COVID-19 and the cost of living. There are also inflation pressures and market challenges resulting in significant price increases, most notably in the external residential market where demand often exceeds supply, resulting in an increasingly broken market and at times a provider focus on profit.

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.

In addition, the Directorate is participating in the Council's overall response to mitigating costs pressures and is engaging in corporate processes which seek to identify savings in non-essential spend, vacancy control and minimising recruitment (where possible) and income maximisation.

For the main areas of forecast overspend, an additional commentary is set out below:

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 budget for 2023/24 there is a projected overspend of £15.498m. External Residential placements have increased from 95 at the start of the year to 136 at Month 6. The

Month 6 position includes a further contribution from DSG of £821k to reflect the increased external residential placements and a further £3.238m of 2023/24 savings proposals. The projection also assumes the non-delivery of £2.966m of action plan savings against this budget including a proportion of 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 253 placements, including 108 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 £7.11m against this budget. Other Leaving Care costs including fees and allowances is projecting a saving of £27k. This pressure has been further mitigated with projected additional UASC income £1.8m and 23/24 saving proposals of £0.468m.

IFA Placements:

The number of Independent Fostering Agency placements have reduced from 209 to 206 since the beginning of 2023/24. The Month 6 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 £1,046k, a projected income pressure of £2,146k offset by projected staff savings of £1,100k. 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 £1,442k due to further increases in inflation and demand.

Learning Inclusion:

Within the Learning Inclusion service there is a projected budget pressure of £747k which mainly 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, in addition to increased locum costs.

Pay Award:

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

Social Care Worker Retention Payment:

The latest estimated cost of the proposed social worker retention payments equates to £1,324k. It should be noted that this Month 6 forecast includes this as an allowance as currently no formal decision has been taken on the payment.

Foster Carer Fee Uplift:

The proposed cost of the Foster Carer fee uplift for 2023/24 is £1.833m, this is based on a fee uplift of 5% fee uplift and 7% allowance uplift. It should be noted that this Month 6 forecast includes this as an allowance as currently no formal decision has been taken on the uplift.

Additional Savings Proposals 2023/24:

The Month 6 position assumes that all additional savings proposals put forward for 2023/24 will be delivered. The additional savings reflected in the Month 6 projections equate to £5.249m as summarised below:

Table 4: 2023/24 In Year Savings Proposals - Children & Families

Title	Description	£000s
Social Care costs	Placements - numbers/costs	(2,118)
	Financial support - S17 etc.	(67)
	Emergency accommodation	tbc
SEND	EHCP review	(200)
Other costs	Restrict budgets: Non-essential spend/transport/miscellaneous property budget	(570)
	Partnership contributions	(16)
Staffing/service changes	Staffing Reductions	(450)
	Restructure (Workforce Development)	(45)
	Service rationalisation (Little Owls)	(100)
Funding	Placements - ICB funding	(1,588)
	DSG funding for posts	(95)
Total		(5,249)

Budget Action Plans

The budget for 2023/24 included action plan savings of £18.486m, the Month 6 position assumes that £11.792m 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 Month 6 position.
- Review of Placement Commissioning £2.715m: only £1.285m of the £4m action plan saving is currently expected to be delivered; however work continues on this workstream.
- Turning the Curve £3m
- Review of Childrens Centres £0.350m
- Review of Contracts £0.369m
- Efficiencies across the directorate £1.556m
- Transport Efficiencies £0.323m

Dedicated Schools Grants

The approved DSG budget for 2023/24 assumed a balanced in year budget. The position at Month 6 projects an in-year pressure of £0.924m. This projected pressure is within the high needs block and equates to 0.18% of the total estimated DSG funding.

With regards to the surplus balance brought forward from 2022/23 of £9.010m, proposed options to passport a proportion of this balance back out to schools were considered at the Schools Forum held in July.

A proportion of the surplus came from previous contributions from maintained mainstream schools for de-delegated services. As a result, it was agreed £0.5m would be used to fund de-delegated services, thereby reducing contributions required from those schools. In addition, it was agreed £1.25m would be refunded to maintained mainstream schools pro-rata to their original contributions.

Other options were also considered for increasing school funding by effectively reversing the £3.127m schools block to high needs block transfer in 2022/23, which would need to be actioned within the 2024/25 funding formula.

However, the projected overspend in 2024/25 means that a proposed reversal of the 2022/23 transfer from the schools block is no longer recommended.

Taking into account the proposals for using £1.75m de-delegated contributions, plus the Month 6 pressure of £0.924m, DSG reserves at the end of 2023/24 are projected to be a surplus of £6.569m. This comprises £6.136m for general DSG and £0.433m contingency for de-delegated contributions.

- 1.4 City Development** – the financial position for City Development at Month 6 is a projected underspend of £0.16m. 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, as well as other identified service pressures, but it also includes additional savings which have been identified as part of the in-year directorate wide savings programme.

There are still some areas of risk within individual service areas, but it is anticipated that these will largely be mitigated through the implementation of action plans to achieve the reported position at the year end.

The main variations forecast at this stage of the year are:

- **Active Leeds** – the service is projecting an underspend of £1.04m which reflects the cost of the additional pay award of £0.48m offset by vacancies and expected running cost savings of £1.5m. Income receivable is subject to a degree of variability, but current projections assume that it will be in line with the budget.
- **Arts & Heritage** – the forecast underspend of £0.78m reflects the anticipated additional cost of the pay award of £0.27m, as well as projected income shortfalls mainly in respect of Breeze pass charges and Pudsey Civic Hall car parking (£0.2m). These are offset by savings from vacant posts (£0.06m) and

refunds received in respect of Business Rates appeals totalling £1.2m in respect of Heritage Assets.

- **Asset Management & Regeneration** – a shortfall to budget of £0.24m is currently projected which mainly reflects pressures in respect of the Strategic Investment Fund £0.66m and Estate Rationalisation savings targets £0.55m, partially offset by staffing savings of (£0.3m) and other one-off sources of income of (£0.7m) such as release of restrictive covenants and fees relating to capital receipts.
- **Employment and Skills** – a projected underspend of (£0.32m) reflects final balances in respect of programmes which have now concluded and vacant posts.
- **Highways and Transportation** – the overall balanced position includes staffing vacancies offset by the associated loss of income recoveries and additional external spend required to deliver the work programs. In addition, there is an anticipated shortfall in income from operating licences at Park and Ride sites and from the major schemes' contractor procurement framework as well as inflationary Plant and Material costs in the DLO and additional fleet costs across the service. However, further savings of (£900k) in respect of the capitalisation of Highways minor works have been identified as part of the directorate wide savings programme, meaning that the overall reported position for the service is a balanced position.
- **Markets and City Centre Management** – a variation to budget of £0.7m for the Markets service mainly reflects an estimated shortfall of £0.65m in Markets income 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. In addition, income shortfalls of £0.3m 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, which are partially offset by additional income anticipated from the Christmas market.
- **Planning & Sustainable Development** – the forecast position is an overspend of £1.3m which reflects staffing pressures of £0.44m due to the impact of the assumed pay award and a projected shortfall in meeting the budgeted vacancy factor. In addition, based on income received to date there is a significant risk that the budgeted level of planning fee income will not be achieved due to a reduction in planning applications and the forecast position assumes a shortfall of planning fee income of £1m, partially offset by (£0.1m) of additional income in other areas.
- **Resources and Strategy** – the forecast underspend of (£0.59m) relates to further savings identified as part of the in-year directorate wide savings programme. This includes (£0.09m) of anticipated savings from the implementation of tighter vacancy release controls across the directorate (in addition to those reported in individual service areas) and a further (£0.5m) in respect of tighter restrictions on non-essential spending across the directorate.
- **Staffing** – within the overall reported position described above, there is an overall staffing underspend of (£1.4m) reflecting vacant posts offset by the additional cost of the pay award.

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 at this stage within the overall directorate

position. There remains a risk around the achievement of the £250k savings assumption relating to the national planning fee increase that is subject to confirmation by Government of the implementation timeframe.

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.

1.5 Communities, Housing & Environment - At Month 6, an overspend of £3.861m has been projected for the directorate. This is £0.2m higher than the position reported at Month 5. However, there is an additional (£0.3m) forecast saving to the corporate contingency fund relating to Parking income. The position includes. (£1.0m) of new savings within Safer Stronger Communities following a review of charges to grants and balances held, however also adverse movements of +£0.2m on Housing Benefit subsidy income shortfalls, £0.4m for additional waste tonnes attracting higher disposal costs under Persistent Organic Pollutant (POPs) legislation, £0.2m of transport pressures in Green Spaces and further recycling income price/disposal cost pressures +£0.2m.

The projected overspend at Month 6 includes the anticipated additional cost of the local government pay award which is currently estimated at £3.8m, which can be netted down by £1.1m by passing on the impact of the pay award to capital schemes, HRA and grant funding. Other significant pressures have arisen due to changes in Waste Management legislation +£2.1m and Housing Benefits where the Council is unable to claim subsidy +£2.4m alongside other inflation and demand led service pressures.

The staffing projections are primarily based on maintaining existing staffing levels with exceptions around the filling of grant funded/income generating posts. Actions over holding posts vacant, reducing non-essential spend (and other line by line savings), additional use of reserves and maximisation of income have been projected to deliver savings of £8.8m and are embedded within the projections for each service area.

The main variations anticipated are:

- **Waste Management +£3.9m** – The service is facing a significant number of pressures, most of which only became known after the 2023/24 budget was approved.

New guidance has been received 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 now 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 in-year cost to a forecast +£2.1m a temporary sorting solution has been identified.

In late June 2023 the Government announced an intention to remove the ability

of Council's to charge for the disposal of inert waste (typically soil and rubble) at Household Waste Recycling Centres, possibly in the winter of this year – although no date has been confirmed as yet. The in-year pressure is projected to be a minimum of £0.1m, with a greater FYE in 2024/25.

Net income from Green Bin waste is now forecast to be £1.1m lower because the ongoing market price of recycled materials has dropped. Residual and trade waste demand led pressures are expected to be £0.8m for the year based on activity levels during the first four months of the year. An NNDR pressure of £0.1m is anticipated relating to the PFI contract. The impact of the pay award and pressures on staffing is forecast at £1.6m.

Offsetting these pressures is an additional £1.2m income relating to the Veolia RERF contract, £0.3m of which relates to a rebate from 2022/23 following the annual reconciliation of the PFI contract. A further £0.4m can be saved by utilising the Waste Strategy reserve to fund some cost pressures and £0.2m additional recycling income is now expected.

- **Cleaner Neighbourhoods Teams & City Centre +£1.1m.** The variation reflects the impact of the pay award at £0.5m, although there are significant pressures on overtime and achievement of vacancy factor targets within the service.
- **Welfare and Benefits +£1.7m.** 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 £3.7m, with assumed one off recovery of benefit overpayment income of £1.3m. Whilst this projection shows the continuing demand pressures on benefits subsidy income, it does reflect the fact the service has already delivered £0.25m of the budgeted action plan saving of £0.6m at Quarter 1, with a FYE of this action being £0.39m. In addition, there is £0.3m of non-essential spend and income maximisation savings assumed; along with £0.3m from use of the Homelessness reserve to cover Temporary Accommodation subsidy shortfalls.
- **Climate, Energy and Greenspaces +£0.3m.** The service is experiencing pressures across several areas, which are mitigated by staff savings and non-essential spend savings. The key variances are inflationary pressures of +£0.2m on the cultural events programme, net pressures on estates and attractions +£0.3m, Bereavement services income pressures of +£0.4m, transport pressures of £0.2m and Parks operations income maximisation savings of -£0.3m. Within the figures above, the impact of the pay award is £0.7m, but this can be offset with charges to capital and management of vacancies within the service.
- **Elections, Licensing and Registration and Environmental Health +£0.0m –** No significant variations are expected across these services. Operational spend savings and additional registrars income are offsetting the impact of the pay award.
- **Car Parking Services £0m.** Income has continued on a recovery trajectory since COVID-19 lockdowns, and at Month 6 the projected receipts are now in line with budget. This is a £0.3m improvement from the expected £0.3m use of the corporate contingency reported at Month 5. Staffing costs are £0.1m under after pay award and £0.1m of non-pay award related staffing pressures have

been identified.

- **Safer Stronger Communities (£1.1m)** – Staffing pressures +£0.3m are projected. However, has been fully offset by a combination of additional grant and balances and passporting the pay award on to the HRA/grants.
- **Statutory Housing Services (£0.7m)** Staffing savings are projected to cover the cost of the pay award and deliver an overall underspend on employees of £0.5m. It is expected an additional (£0.2m) can be delivered by maximising charges of existing staffing into new grant income and maximise collection from other income streams.
- **Customer Access (£1.5m)** – Review of non-essential spend and grant income maximisation are projected to deliver net savings of £1.7m in 2023/24. NNDR costs are now expected to come in £0.2m below budget. The pay award pressure of £0.4m has been offset by charges to grant/HRA and holding posts vacant.

Budget Action Plans

£6.6m of budget action plans are being monitored each month with an overall positive variance against the plans reported at Month 6 and savings embedded in the projections above. £0.9m of plans have been marked as delivered in full.

- 1.6 Strategy & Resources** - Based on an examination of key risk budgets, the Strategy and Resources Directorate is forecasting a pressure of £4.129m at this reporting period.

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

Finance £38k

A staffing overspend of £762k, including £208k to reflect the additional unbudgeted pay pressure based on the pay award, is being offset by £487k additional income from the maximisation of grant funding, £125k from the COVID-19 recovery reserve and £63k savings from across operational budgets.

Integrated Digital Services (£1,248k)

Staffing underspends of £82k, including pay award £1.05m, contractor projected costs of £1.6m and an assumed vacancy factor of £0.9m. Overspends across supplies and services of £1.1m are being set off by additional income of £1.3m, which includes £1.5m use of unbudgeted Capital Receipts, and a reallocation of £1m equipment costs from revenue to the Essential Services Programme capital scheme.

Procurement £98k

Staffing overspends of £98k to reflect the additional unbudgeted pay pressure based on the pay award.

Legal Services £49k

By not recruiting to posts, a staffing underspend of £273k is now forecast. An agency locum pressure of £207k, and other additional pressures of £206k are partly offset by additional reimbursement income from a legal case of £91k.

Democratic Services £40k

Staffing overspends of £53k, including £37k to reflect the additional unbudgeted pay pressure based on the pay award, are being offset by expenditure savings of £13k.

Shared Services £1,576k

Staffing overspends of £2,585k including the pay award, income pressure of £180k on electronic goods salary sacrifice scheme, are being offset by income mitigations of £573k, additional funding of £250k and other expenditure savings of £365k.

Strategy and Improvement (£40k)

A review of staffing has led to a forecast underspend of £81k, including the pay award pressure. A pressure of £150k of budgeted savings on communications and marketing are being offset by £109k savings on expenditure and additional income.

Human Resources £8k

The staffing overspend of £620k includes provision for the pay award. This is a reduction of approximately £250k on the previously reported month and follows a review of vacant posts. £233k expenditure pressures are being offset by additional funding from Adults and Health for HR support of £81k, income mitigations of £367k and use of reserves of £397k.

Leeds Building Services (LBS) £1,375k

The pressure reflects the current understanding of the level of work likely to be commissioned by clients (£75.4m) relative to the £80.9m required turnover and the consequent impact on the rate of return.

The £147k increase from last month is attributable to a review of the accruals position from the previous two years. Enhanced reporting, developed as a result of the LBS improvement review, has established an additional pressure. This has been partly mitigated by the service through an improvement in chargeable time as a result of the successful recruitment of skilled operatives and an expected reduction in overheads and efficiencies in waste removal.

There remains a risk that any variance from the current understanding of client budget will 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 £512k

The £512k projection reflects pressures from construction inflation, an increased volume of repairs due to a backlog of jobs during COVID-19, a reduced budget and staffing overspends to reflect the additional unbudgeted pay pressure based on the pay award. The service will continue to seek to mitigate the pressure where possible.

School Crossing Patrol (£50k)

Staffing savings of £50k.

Catering £444k

The additional unbudgeted pay pressure based on the pay award results in a projected staffing overspend of £712k, also an increase in food costs of £46k, which the service is partially mitigating through additional income of £314k.

Cleaning £223k

The additional unbudgeted pay pressure based on the pay award results in a projected staffing overspend of £173k, and an increase in transport charges of £50k. This is the net pressure after actions taken by the service to mitigate the overall pressure through increased charges.

Fleet £650k

The Fleet position reflects the ongoing 2022/23 pressure of an aging fleet consequently, increased demand and inflation resulting in increased occasional hire costs to maintain front line service operations. The use of vehicles across the authority is subject to review.

The 2023/24 Fleet Services budget contains a savings target of £1.3m, the achievement of which has been overshadowed by a combination of the impact of inflation on vehicle parts, fuel, and occasional hire together with the impact of maintaining an ageing fleet. In addition, increased demand for services such as passenger transport has resulted in the requirement for more vehicles and hence greater maintenance costs. Together these factors have impacted on the capacity for directorates to absorb the £1.3m savings target. Executive Board have approved the use of £1.3m from the Strategic Contingency Reserve to address this in year pressure and the reported position reflects this contribution from reserve.

Security £70k

The additional unbudgeted pay pressure based on the pay award results in a projected staffing overspend of £70k.

Presto £240k

Staffing overspends of £20k reflect the additional unbudgeted pay pressure based on the pay award as well as £120k income pressure on the Meals at Home service; the service is seeing a reduction in demand following an increase during COVID-19. There is a £100k income pressure on the Civic Flavour service.

Facilities Management £184k

Staffing overspends of £74k to reflect the additional unbudgeted pay pressure based on the pay award, £75k pressure for additional security and £50k pressure for front of house staffing costs, offset by £15k saving due to a reduction in drivers.

Budget Action Plans

A total of £9.2m of budget action plans are being monitored each month. A shortfall of £0.230m is forecast against these plans in respect of; Communications & Marketing synergies £0.15m and BSC Shared Cost Salary Sacrifice £0.08m.

1.7 Strategic & Central Accounts - At Month 6 the projection for the Strategic and Central Accounts is an underspend of £5.2m. The most significant factor within this position is a projected £5.1m of savings which reflects corporate actions identified where the incidence across directorates has not yet been determined.

The Strategic and Central Accounts position also includes a projection that the debt budget will underspend by £0.2m. Although interest rate rises have been higher than was anticipated when the budget was approved, the borrowing requirement has reduced due to anticipated capital programme slippage and the fact that revenue balances have remained robust. This projection assumes that short term borrowing will be obtainable at an average of 5.25% during the year. However, although some recent data on inflation has been encouraging and the Bank of England chose not to raise interest rates at its September meeting, there does remain 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. This pressure has been partly offset by the recognition of £0.2m of residual COVID-19 sales, fees and charges compensation grant income, which had previously been uncertain but is now expected to be received during the current year. The position also reflects a projected loss of £2.4m in the net retained income position in relation to business rates, comprising S31 grants receivable less the levy payable to the regional pool. This is to be funded by a transfer from the S31 grants reserve and so has no impact on the bottom line.

1.8 Budget Action Plans

The budget for 2023/24 requires the delivery of £58.6m of savings. In addition, directorates have identified a further £7.2m of savings actions since the Budget was agreed. Detailed budget action plans have been developed to identify how these savings will be achieved and progress against these action plans will continue to be monitored and reported throughout the year. Further detail is provided at **Appendix A2**.

At Month 6 it is anticipated that most savings will be delivered in full through the identified saving plans or through mitigating actions identified by directorates, however an overall shortfall of £11.6m has been identified and is reflected in the reported directorate positions except where noted:

- Children & Families - £11.8m shortfall on the budgeted 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, Transport £0.323m and efficiencies across the directorate £1.556m. More detail is provided at paragraph 1.3, where it is noted that the target for Children's Residential and Fostering provision £3.479m, which is included in the £11.8m shortfall reported, will be funded corporately and so does not appear in the projected Month 6 position.

- Strategy and Resources – £0.2m shortfall in the budgeted level of savings from the following projects: £0.15m Communications & Marketing synergies and £0.08m BSC Shared Cost Salary Sacrifice.

As discussed at paragraph 1.6, the Strategy and Resources savings position outlined here reflects the use of £1.3m from the Strategic Contingency Reserve to fund budgeted fleet savings which are not deliverable across the Council in year due to the impact of inflation, costs of maintaining an ageing fleet and increased demand for services, as approved at September Executive Board.

As discussed above, where other directorates have indicated shortfalls in regard to fully meeting their targeted budget action plans, they have identified other mitigating measures to offset these shortfalls.

2. Inflationary Pressures

2.1 At the end of Month 6 an overspend of £30.5m is projected against the Council's 2023/24 revenue budget.

2.2 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 the agreed 2023/24 NJC pay award of £1,925 and JNC pay award of 3.5%. Directorates have included any identified pay award mitigation measures in their 2023/24 budget action plans.

2.3 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 a £10.7m or 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. Advice from the Council's energy advisors during this time has therefore 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 to the benefit of overall final unit prices (although recent events in the Middle East have introduced a level of volatility in global market prices). 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 £3.2m lower than allowed for in the 2023/24 General Fund budget. At July's meeting Executive Board approved 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.

- 2.4 Fuel** – The average UK pump prices for diesel and unleaded petrol saw decreases of 11% and 5.2% respectively between September 2022 and September 2023. The 2023/24 budget has 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.
- 2.5 Cost of Living Pressures** – Further to the inflationary pressures detailed here, there has been a wider inflationary impact to the Council due to the severity of 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. The position will continue to be closely monitored.

3. Reserves

General Reserves

- 3.1** 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

- 3.2** 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.
- 3.3** The opening balance on the Strategic Contingency Reserve for 2023/24 was £19.9m with budgeted use of the reserve being £14.3m and a further £0.6m committed to support COVID-19 backlog recovery. As discussed at paragraph 1.6, September's meeting of the Executive Board approved the use of £1.3m from this reserve to fund budgeted fleet savings. A further £3.5m has been allocated against slippage in the Children's Residential and Fostering provision action plan and £0.2m will provide Internship funding in Strategy and Resources.
- 3.4** At its meeting of 12th October 2023, the West Yorkshire Combined Authority (WYCA) confirmed a one off refund of transport levy reserves to member authorities aimed at reducing the financial pressures faced in the region, with Leeds to receive £17.7m. As agreed at the October meeting of this Board, this will be added to the

Strategic Contingency Reserve. This will bring the total projected balance on this reserve to £17.7m as at 31st March 2024.

4. Funding from other Resources

4.1 Flexible Use of Capital Receipts

Under guidance issued in March 2016 and updated in August 2022, Local Authorities are allowed to use capital receipts for funding “expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners”.

Table 5: Expenditure funded through flexible use of capital receipts Month 6

2023/24- EXPENDITURE FUNDED THROUGH FLEXIBLE USE OF CAPITAL RECEIPTS						
Directorate	2023/24 Planned Spend £m	2023/24 Projected Outturn £m	Variation to Budget £m	2023/24 Planned Savings £m	2023/24 Projected Outturn £m	Variation to Budget £m
Adults & Health	2.32	2.04	(0.28)	(4.00)	(4.00)	0.00
Children & Families	1.40	1.40	0.00	0.00	0.00	0.00
City Development	0.63	0.63	0.00	0.00	0.00	0.00
Communities, Housing & Environment	0.12	0.00	(0.12)	(0.12)	0.00	0.12
Strategic & Resources	9.50	9.50	0.00	(2.03)	(2.03)	0.00
Strategic/ Corporate	11.40	10.73	(0.67)	(1.40)	(1.40)	0.00
	25.36	24.30	(1.06)	(7.54)	(7.43)	0.12

Full Council approved allocation of £19m of capital receipts in the 2023/24 budget to support further transformational work/ projects. At the September meeting, the Executive Board approved an additional capital receipts use of £5.3m, of which £2.4m reflects slippage against budgeted use in 2022/23 and £2.9m relates to new transformation spend. In addition, at Month 6 £0.63m has been allocated to additional PACS staff to support transformation projects across the Council and an additional £0.4m to meet in year ELI costs, bringing the total planned spend for 2023/24 to £25.4m, as shown in **Table 5**. The Capital Programme report at Appendix B does not reflect the £0.4m additional use for ELI costs and the position will be updated for the next update to the Board. Further details are provided at **Appendix A3**.

At Month 6 the estimated use of capital receipts for transformational projects is £24.3m and this spend is projected to achieve £7.4m of savings in 2023/24, with further savings in future years.

4.2 Invest to Save/Innovation Fund – The Invest to Save and Innovation Funds are designed to strengthen the Council’s longer term financial resilience. The Invest to Save fund is used for service improvements or transformational projects where a proof of concept has already been delivered and an initial revenue investment would directly generate cost reductions or income for the Council. The Innovation

Fund is designed to provide pump-priming investment for those more conceptual schemes which need to be developed further. It is acknowledged that not all of these schemes will be successful. Any savings generated will be reflected in the directorate positions.

As summarised in **Table 6**, the total funds available for Invest to Save and Innovation Fund schemes at the start of 2023/24 were £3.529m, of which £0.941m relates to funds committed before 2022/23 and £0.318m relates to funds committed in 2022/23. £0.238m of the £0.318m is projected to be spent this year. At the end of Month 6, a further £0.482m has been committed leaving an uncommitted and available balance of £1.788m. It is projected that £0.234m will be spent in year. The most significant uses of the fund approved in 2023/24 relate to a feasibility study on a youth facility in Hunslet (£150k) and the replacement and refurbishment of filtration equipment at Lotherton Wildlife World (£111k). Although no in year savings are currently anticipated, this targeted expenditure will result in savings realised in future years.

Table 6: Invest to Save/Innovation Fund Month 6

	£k	£k	Year End Projected Spend £k	Year End Projected Savings £k
Total Funds at start of 2023/24		(3,529)		
Less Funds Committed before 2022/23		941		
Less Funds Committed in 2022/23:				
City Development	0		0	0
Communities, Housing & Environment	245		165	0
Strategy & Resources	73		73	0
		318	238	0
Less Funds Committed 2023/24 to Qtr 2:				
Children & Families	346		98	0
Strategy & Resources	136		136	0
		482	234	0
Therefore Funds uncommitted and available		(1,788)		

4.3 COVID-19 Backlog Recovery Fund – This fund was established to meet costs related to clearing backlogs caused by the COVID-19 Pandemic. The total funds at the start of 2023/24 were £0.623m. At the end of Month 6, £0.619m has been committed leaving an uncommitted and available balance of £0.004m. It is projected that £0.521m of the £0.619m will be spent in 2023/24. This position is summarised in **Table 7**.

The most significant uses of this Fund relate to Business Administration support to the Children and Families directorate (£0.250m) and additional staffing resource for Debt Recovery (£0.146m).

Table 7: COVID-19 Backlog Recovery Fund Month 6

	£k	£k	Year End Projected Spend
Total Funds at start of 2023/24		(623)	
Less Funds Committed to 2023/24 Qtr 2*:			£k
City Development	146		48
Communities, Housing & Environment	66		66
Strategy & Resources	407		407
		619	521
Therefore Funds uncommitted and available		(4)	

*To note, where schemes involve two directorates, they have been included under the lead directorate.

5. Other Financial Performance

5.1 Council Tax

The Council Tax in-year collection rate at the end of September 2023 was 52.58%. Whilst this is a slight decrease from the September 2022 in-year collection rate of 53.11% it should be noted that this can be attributed to application of around £4m in £150 cost of living 'rebates' to Council Tax accounts in July 2022, thereby artificially increasing the amount collected at that point in the year and impacting on the comparison.

The current collection rate is still lower than the September 2019 in-year collection rate of 54.43%, however the profile of taxpayers' payments has changed significantly since the pandemic, with many more residents choosing to pay their council tax over twelve months rather than ten. 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 £8.901m, 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 £6.671m will be generated in 2023/24 leaving of projected closing deficit on the collection fund of £2.230m. Leeds share of this projected closing deficit would be £1.873m, with the remainder being paid by the Fire Authority and the Police.

New charges in addition to the original billing at the start of the year have been lower than assumed in projections, which, if repeated throughout the year, will be the most significant underlying cause generating the projected deficit. However, this

projected position only reflects six months of data and close monitoring of the growth in council tax liabilities in the city will be required in the coming months.

5.2 Business Rates

The Business Rates collection rate at the end of September 2023 is 55.83% which is significantly higher than the September 2022 in-year collection rate of 53.11% but slightly lower than the August 2019 in-year collection rate of 56.22% before the pandemic. As with Council Tax, the profile of ratepayers' payments has changed after the pandemic with many more local businesses choosing to pay their rates bill over twelve months rather than ten. 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 £951.66m as at 27th September 2023, a decrease of £2.78m. Around £840k of this reduction is due to hereditaments undergoing redevelopment or major works and so it is anticipated that in time the rateable value of these properties will increase. 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 deficit of £1.41m is projected, driven mainly by a recent increase in reductions to Rateable Value on the 2017 ratings list, which have resulted in backdated repayments to ratepayers that have exceeded the provisions held for those appeals, although this is partially offset by an improvement in bad debt provisions due to improved collection rates and a reduced demand for Empty Rate Relief 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 £3.33m, which will have to be repaid to the collection fund by the Council in 2024/25.

5.3 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 30th September 2023, there were 10 appeals outstanding against the 2010 ratings list and 48 appeals relating to 2010 have 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 thirteen 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 and £1.93m worse than projected at declaration.

As at 30th September 2023, the Council is providing for a net of 618 Checks and Challenges against the 2017 ratings list. The position will be monitored closely over the coming months to ensure that the Council's provisions for the 2017 list remain adequate. There are also 222 Checks and Challenges against the new 2023 ratings list. It is anticipated that because of the move to 3 yearly revaluations from 2023 (previously 5 years) the valuation lists will necessarily be more representative of the current commercial property market, and it is expected that there will be fewer challenges to the lists going forward. The level of appeals against the 2023 ratings list, and the losses incurred, will also 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.

5.4 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 the tax base will require close monitoring.

6. Housing Revenue Account (HRA)

6.1 At Month 6 the HRA is projecting a pressure of £1.904m or 0.7% of gross budget.

As a result of significant pressures on the repairs budget a virement was input at period 3 to reduce the capital investment programme in 2023/24 to fund these pressures.

At this stage the HRA is not able to produce a balanced budget. The position on repairs and capital budgets is being closely monitored and an action plan will be worked up to bring the budget into balance should this position remain.

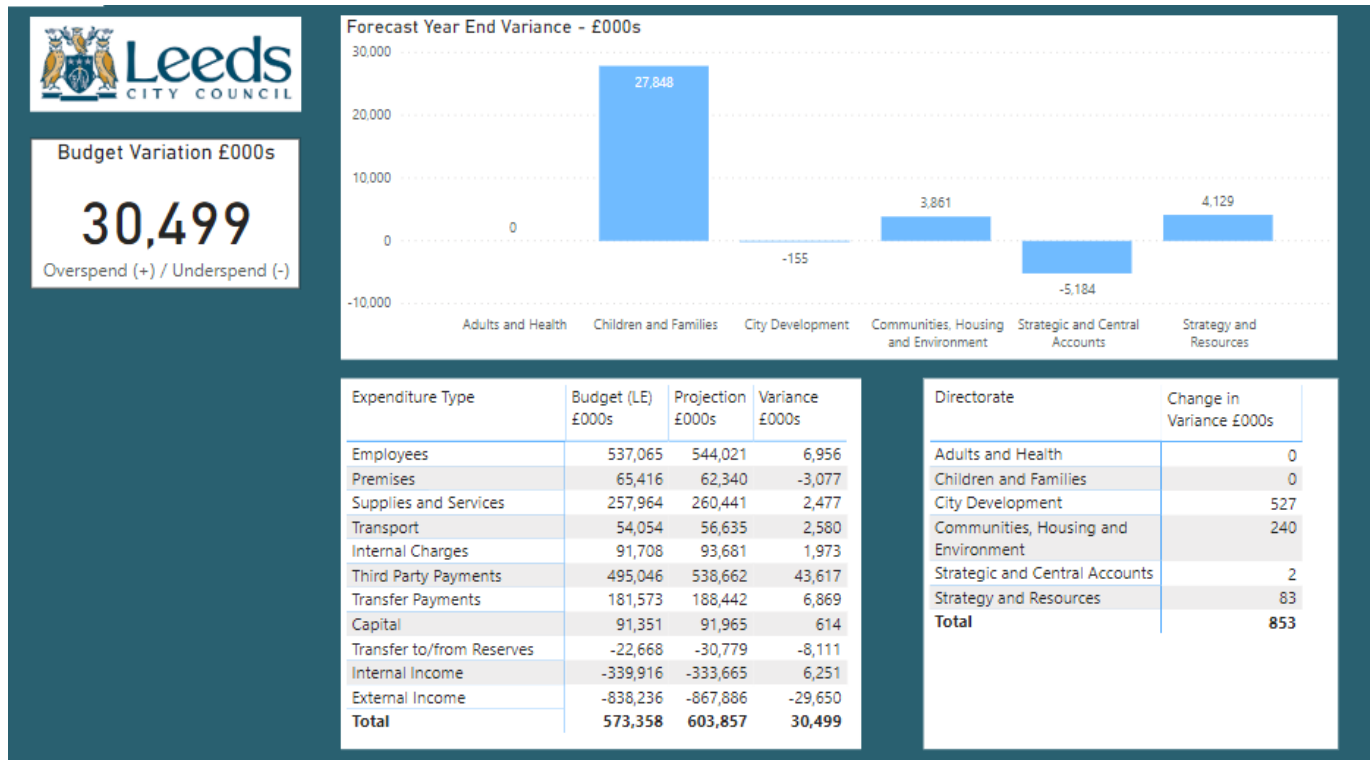
6.2 The key projected variations are:

- Dwellings Rent £709k– a forecast reduction in rental income due to the number of void properties being higher than budgeted and an increase in the projected number of Right to Buy sales compared with the budget.
- Service Charges (£106k) – an additional £106k mainly reflecting the impact of Gascoigne House.
- Employees Net £75k - there is a forecast underspend against the employee budget of (£1,075k) due to vacant posts, this position includes a projection for the pay award. However, this underspend on employee costs is offset with a reduction in capitalised salaries of £934k and a £217k pressure regarding internal services for recharged staff in the Council House Growth Programme.
- Premises (£161k) – reflects the projected costs of utilities following recent reductions in energy costs.
- Internal Services £102k – This pressure reflects the impact of the pay award of £1925 per FTE on charges from internal LCC services.
- Contribution to the capital programme £1,180k – the current forecast level of overprogramming on the capital programme 2023/24.

Overall Summary Sheet

Month 6 (September 2023)

Financial Dashboard 2023/24 Financial Year



Financial Dashboard 2023/24 Financial Year

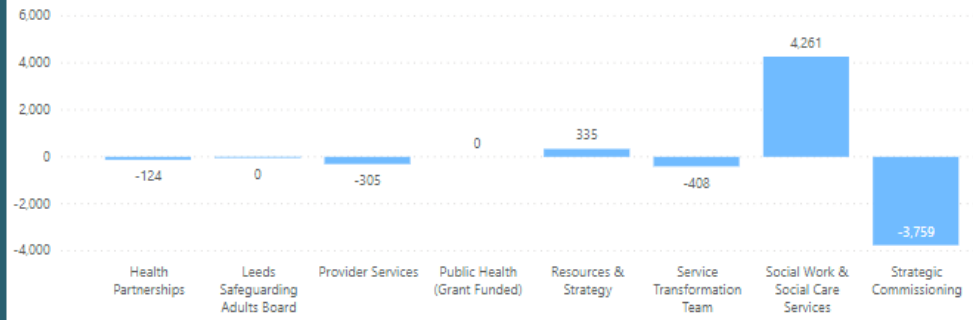


Budget Variation £000s

0

Overspend (+) / Underspend (-)

Forecast Year End Variance - £000s



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	70,451	70,000	-451
Premises	1,381	1,375	-6
Supplies and Services	5,987	14,300	8,313
Transport	1,011	1,026	15
Internal Charges	14,119	15,273	1,153
Third Party Payments	320,681	337,428	16,747
Transfer Payments	13,488	12,130	-1,358
Transfer to/from Reserves	-4,521	-8,674	-4,153
Internal Income	-4,972	-4,717	255
External Income	-218,776	-239,292	-20,516
Total	198,849	198,849	0

Directorate	Change in Variance £000s
Adults and Health	0
Total	0

Financial Dashboard 2023/24 Financial Year

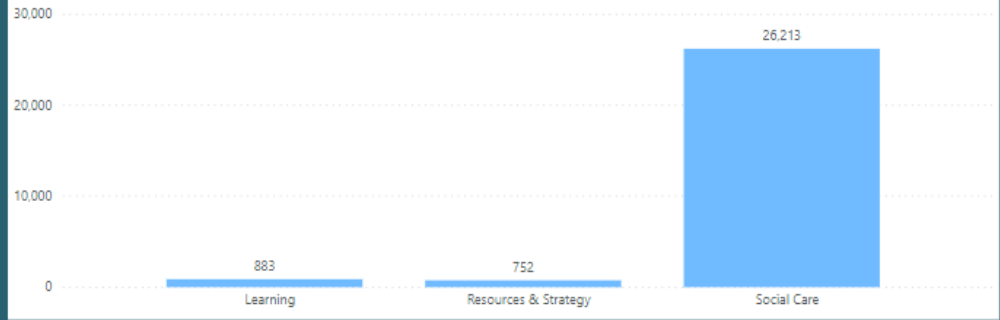


Budget Variation £000s

27,848

Overspend (+) / Underspend (-)

Forecast Year End Variance - £000s



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	110,978	111,211	233
Premises	4,734	4,670	-64
Supplies and Services	65,667	66,225	558
Transport	11,794	11,941	147
Internal Charges	36,206	37,637	1,431
Third Party Payments	113,911	140,379	26,469
Transfer Payments	3,882	3,437	-445
Capital		0	0
Transfer to/from Reserves	-819	-916	-97
Internal Income	-35,733	-35,334	399
External Income	-169,214	-169,996	-782
Total	141,405	169,253	27,848

Directorate	Change in Variance £000s
Children and Families	0
Total	0

Financial Dashboard 2023/24 Financial Year

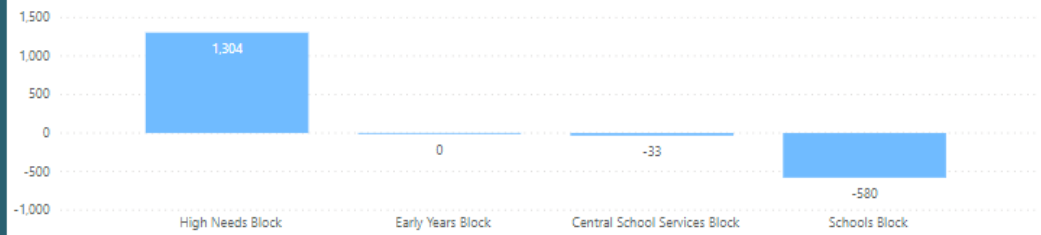


DSG Variation £000s

691

Overspend (+) / Underspend (-)

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



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	-339,322	2,399	341,721	338,742	-2,979	0	-580	-580
High Needs Block	-117,035	-117,171	-136	117,035	118,475	1,440	0	1,304	1,304
Early Years Block	-57,538	-61,989	-4,451	57,538	61,989	4,451	0	0	0
Central School Services Block	-5,106	-5,106	0	5,106	5,073	-33	0	-33	-33
Total	-521,400	-523,588	-2,188	521,400	524,279	2,879	0	691	691

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	-233	1,750	-433
General	-7,060	0	-7,060	924	0	-6,136
Total	-9,010	500	-8,510	691	1,750	-6,569

Financial Dashboard 2023/24 Financial Year

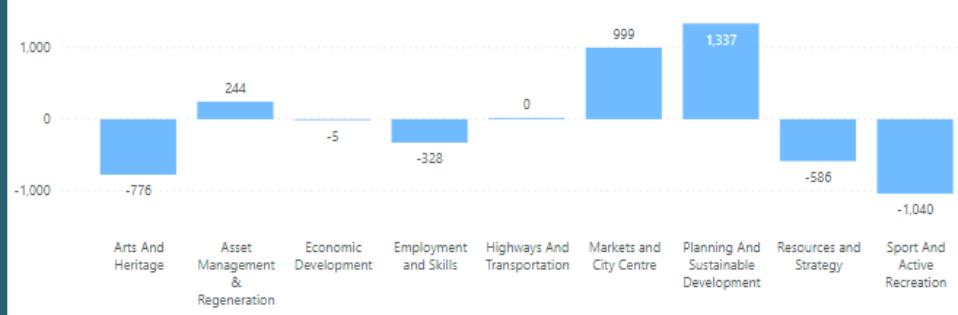


Budget Variation £000s

-155

Overspend (+) / Underspend (-)

Forecast Year End Variance - £000s



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	75,723	74,284	-1,439
Premises	31,499	28,406	-3,093
Supplies and Services	49,487	47,916	-1,570
Transport	6,827	8,417	1,590
Internal Charges	10,566	10,689	123
Third Party Payments	188	188	0
Transfer Payments		0	0
Capital		0	0
Transfer to/from Reserves	-3,550	-4,837	-1,288
Internal Income	-46,364	-42,553	3,811
External Income	-81,981	-80,271	1,710
Total	42,394	42,239	-155

Directorate	Change in Variance £000s
City Development	527
Total	527

Financial Dashboard 2023/24 Financial Year

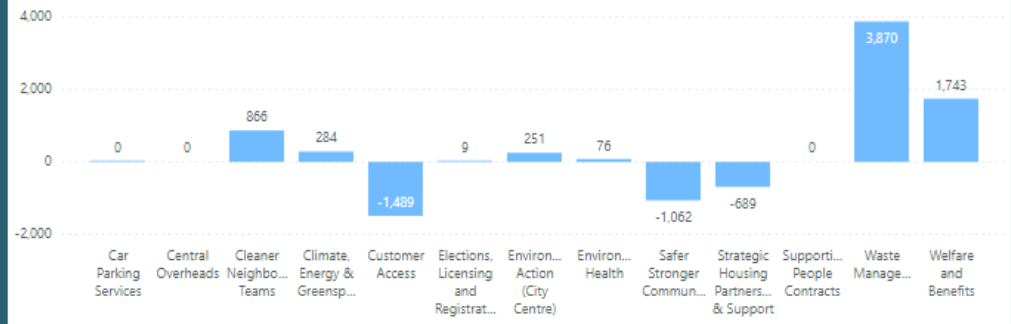


Budget Variation £000s

3,861

Overspend (+) / Underspend (-)

Forecast Year End Variance - £000s



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	108,703	110,918	2,215
Premises	11,825	11,392	-433
Supplies and Services	70,051	75,167	5,116
Transport	11,343	11,712	369
Internal Charges	20,924	20,377	-547
Third Party Payments	23,032	23,131	99
Transfer Payments	163,007	171,786	8,778
Capital		0	0
Transfer to/from Reserves	-1,768	-1,915	-147
Internal Income	-44,974	-45,403	-428
External Income	-267,851	-279,011	-11,160
Total	94,292	98,153	3,861

Directorate	Change in Variance £000s
Communities, Housing and Environment	240
Total	240

Financial Dashboard 2023/24 Financial Year



Surplus (-) / Deficit (+) £000s

1,904

HRA Income	Budget (LE) £000s	Projection £000s	Variance £000s	Change in Variance £000s
▲				
Dwelling Rents	-230,240	-229,531	709	0
Non Dwelling Rents	-3,347	-3,300	47	5
Service Charges	-9,551	-9,660	-109	-4
Internal Income	-9,349	-8,467	882	212
Grants	-21,385	-21,385	0	0
External Income	-1,778	-1,678	100	0
Total	-275,650	-274,021	1,629	214

HRA Expenditure	Budget (LE) £000s	Projection £000s	Variance £000s	Change in Variance £000s
▲				
Disrepair Provision	4,500	4,500	0	0
Repairs to Dwellings	65,103	65,103	0	0
Employees	33,708	32,633	-1,075	-124
Premises	11,732	11,571	-161	0
Supplies and Services	5,185	5,225	40	0
PFI Unitary Charge	12,662	12,783	122	0
Transport	304	304	0	0
Internal Services	39,315	39,633	318	-222
BITMO Management Fee	3,524	3,524	0	0
Provision for Doubtful Debts	1,136	1,136	0	0
Capital Charges	46,666	46,640	-26	-26
Contribution to Captial Programme	51,891	53,071	1,180	-935
Total	275,726	276,123	397	-1,307

Surplus (-) / Deficit (+)	Budget (LE) £000s	Projection £000s	Variance £000s	Change in Variance £000s
▼				
Net Position	76	2,102	2,026	-1,094
Appropriation: Sinking Funds	-326	-448	-122	0
Appropriation: Reserves	250	250	0	0
Total	0	1,904	1,904	-1,094

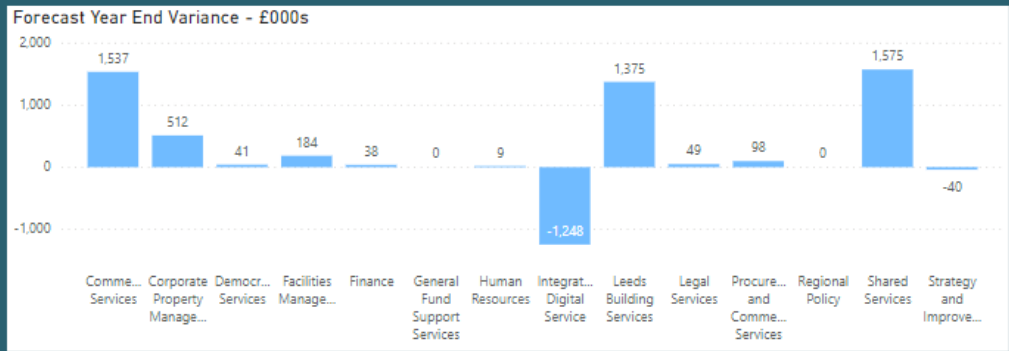
Financial Dashboard 2023/24 Financial Year



Budget Variation £000s

4,129

Overspend (+) / Underspend (-)



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	166,481	172,937	6,456
Premises	15,977	16,496	519
Supplies and Services	63,447	57,516	-5,931
Transport	23,080	23,540	460
Internal Charges	4,931	4,684	-247
Third Party Payments	28	28	0
Transfer Payments	66	66	0
Transfer to/from Reserves	-74	-817	-743
Internal Income	-172,701	-168,881	3,820
External Income	-17,938	-18,143	-205
Total	83,297	87,426	4,129

Directorate	Change in Variance £000s
Strategy and Resources	83
Total	83

Financial Dashboard 2023/24 Financial Year

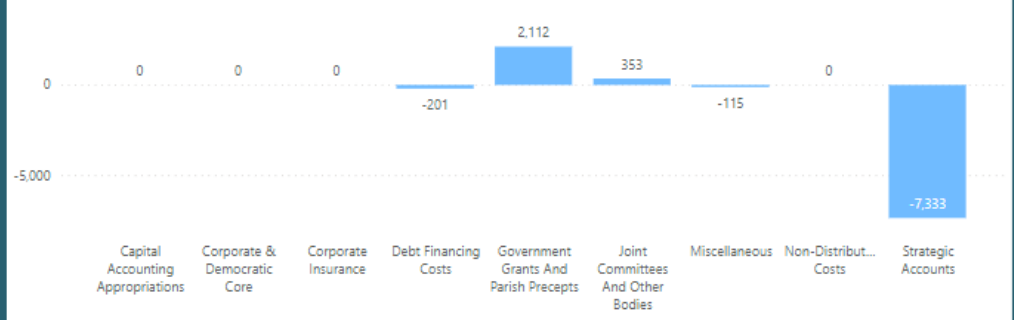


Budget Variation £000s

-5,184

Overspend (+) / Underspend (-)

Forecast Year End Variance - £000s



Expenditure Type	Budget (LE) £000s	Projection £000s	Variance £000s
Employees	4,729	4,671	-58
Premises		0	0
Supplies and Services	3,325	-683	-4,008
Internal Charges	4,962	5,022	60
Third Party Payments	37,207	37,508	302
Transfer Payments	1,130	1,023	-107
Capital	91,351	91,965	614
Transfer to/from Reserves	-11,936	-13,619	-1,683
Internal Income	-35,171	-36,778	-1,607
External Income	-82,476	-81,172	1,303
Total	13,121	7,937	-5,184

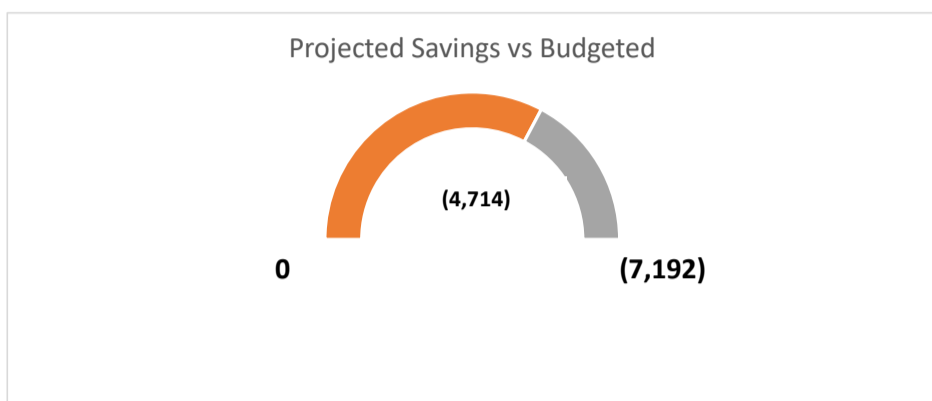
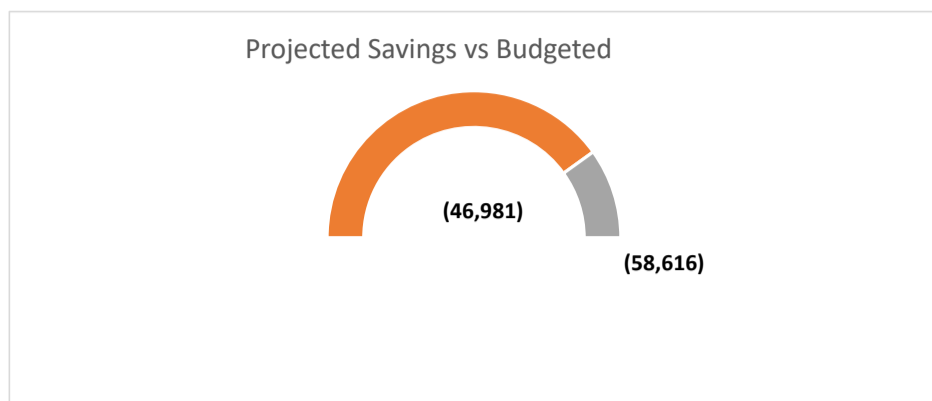
Directorate	Change in Variance £000s
Strategic and Central Accounts	2
Total	2

LEEDS CITY COUNCIL - SUMMARY

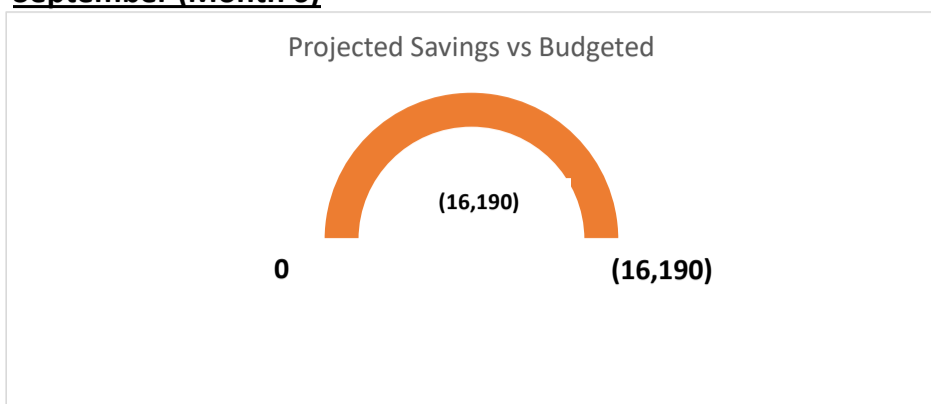
RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	(14,482)	(14,482)	0
On track, no issues	(16,424)	(17,959)	(1,535)
Some risk	(11,802)	(11,431)	371
High risk	(15,908)	(3,109)	12,799
Cancelled	0	0	0
Total	(58,616)	(46,981)	11,635

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	(4,545)	(4,545)	0
Some risk	0	0	0
High risk	(2,647)	(169)	2,478
Cancelled	0	0	0
Total	(7,192)	(4,714)	2,478



September (Month 6)



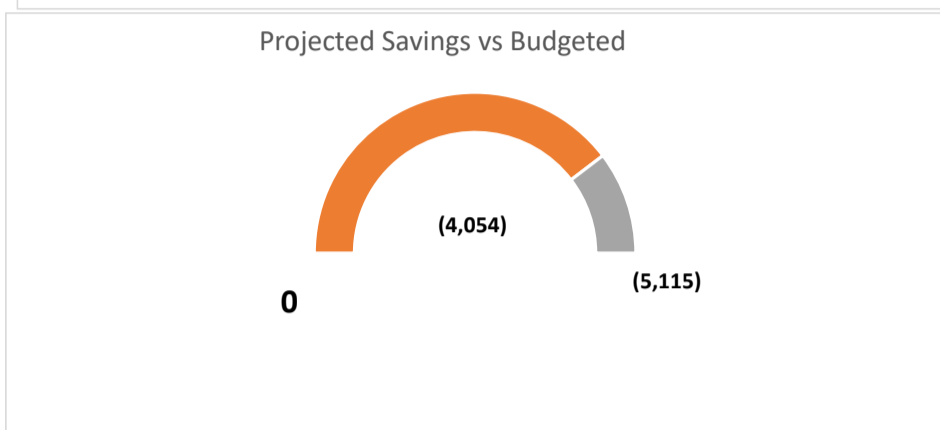
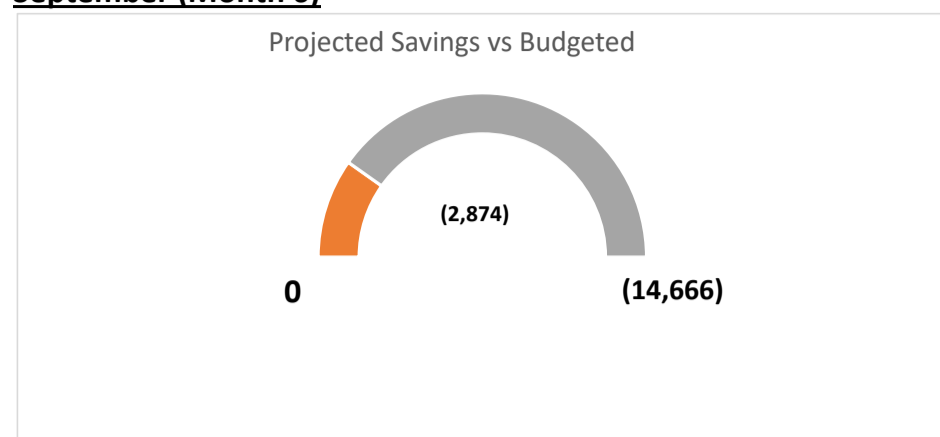
ADULTS & HEALTH - SUMMARY

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	(9,685)	(9,685)	0
On track, no issues	(2,475)	(2,710)	(235)
Some risk	(2,150)	(2,625)	(475)
High risk	(1,880)	(1,170)	710
Cancelled	0	0	0
Total	(16,190)	(16,190)	0

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	BAU	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	BAU	Impact of telecare growth plan	Shona McFarlane	Some risk	(200)	(200)	0	0
Budgeted Savings	BAU	Invest to save proposal for Direct Payments Audit team	John Crowther	Some risk	(100)	(100)	0	only risk is seen as recruitment to the role. DDN approved and recruitment on-going.
Budgeted Savings	BAU	Invest to save proposal for Deputy and appointeeship's team	John Crowther	Some risk	(50)	(50)	0	only risk is seen as recruitment to the roles. DDN approved and recruitment on-going.
Budgeted Savings	SR	Strategic Review of Adult Social Work provision	Shona McFarlane	High risk	(1,120)	(830)	290	risk associated with social work and OT recruitment and therefore f.y.e. Aiming for new model to start May. Potential to be impacted by getting the service ready for the CQC inspection. At Q1 assume 25% non-delivery but in all likelihood could be more.
Budgeted Savings	BAU	Review mid-price range Learning Disability packages	Shona McFarlane	Some risk	(500)	(500)	0	0
Budgeted Savings	BAU	Develop a direct payment plan that is easy to administer for social workers to become the default option; will improve client contributions and reduce instances of incorrect billing	Shona McFarlane	Some risk	(200)	(200)	0	Plan shared with Max & Nyoka. Target setting session with front line social work and targets set for each team.
Budgeted Savings	BAU	Review of mental health placements (s117 health contribution)	Caroline Baria	Some risk	(100)	(75)	25	Alternative savings of £65k identified, Touchstone and their outreach offer which is expensive. WRAP?
Budgeted Savings	BAU	Individualisation of block contracts	Caroline Baria	High risk	(500)	(250)	250	Slow progress re individualisation of block contracts with Aspire and LYPFT. Assume 50% non-delivery Q1.
Budgeted Savings	BAU	Invest to save proposal for Home care - performance management	Caroline Baria	Some risk	(1,000)	(1,500)	(500)	Report approved to recruit 2 new staff. Expected to overachieve against BAP. Awaiting delivery from DIS of software to analyse Home Care provider data.
Budgeted Savings	BAU	Review supported bank account contract (direct payments)	Caroline Baria	High risk	(100)	(50)	50	contract renewal late than originally thought. Sum will be contained within budget - or use of reserves as this is slippage and not non-delivery

September (Month 6)



CHILDREN & FAMILIES - SUMMARY

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	0	0	0
On track, no issues	(212)	(212)	0
Some risk	(1,396)	(723)	673
High risk	(13,058)	(1,939)	11,119
Cancelled	0	0	0
Total	(14,666)	(2,874)	11,792

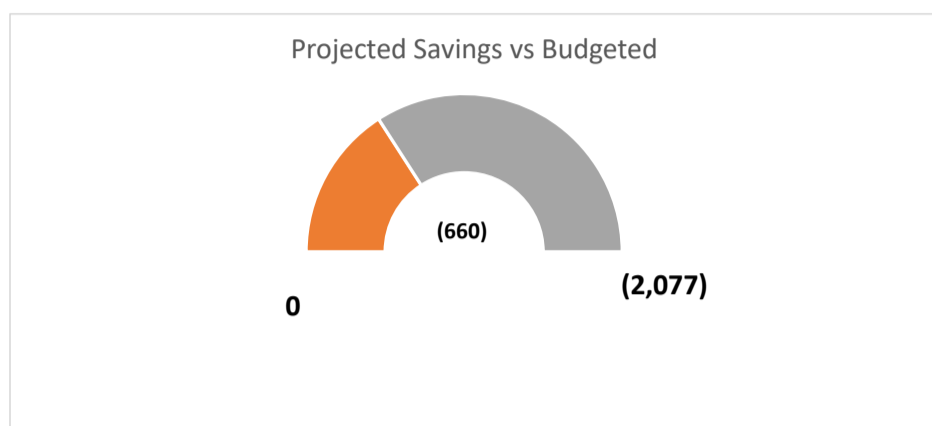
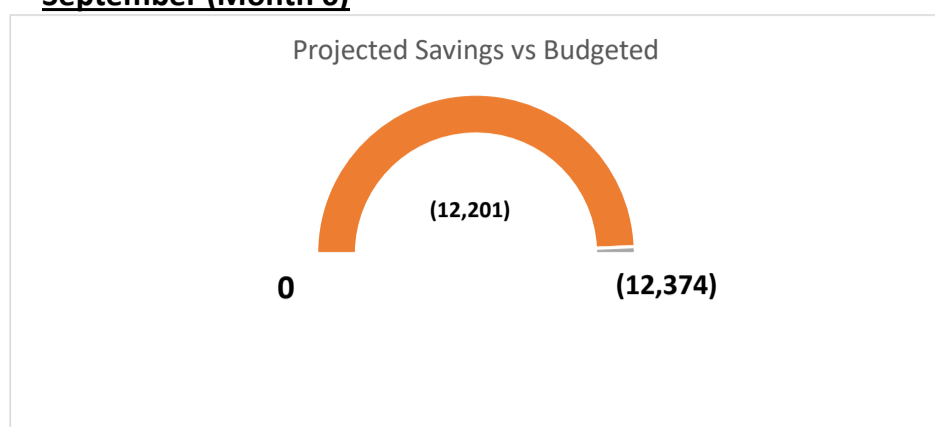
CHILDREN & FAMILIES - Other Savings Measures

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	0	0	0
On track, no issues	(3,915)	(3,915)	0
Some risk	0	0	0
High risk	(1,200)	(139)	1,061
Cancelled	0	0	0
Total	(5,115)	(4,054)	1,061

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	Farrah Khan	High risk	(3,479)	0	3,479	While the project still delivers savings over the longer term, the timing has changed and the original 23/24 savings are likely to be delivered later. 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	Original savings plans assumed delivery of £4,750k savings with £750k investment in staffing. Savings plans are in place. However significant risk for delivery 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	Farrah Khan	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	BAU	Transport: Including independent travel training, personal transport allowances, use of private hire, commissioning an external review	Tim Pouncey	some risk	(946)	(623)	323	High risk budget due to level of control over demand and inflation and data available for projections. Therefore savings could be overtaken by additional costs. However progress is being made by C&F and CEL on implementation of savings proposals.
Budgeted	SR	Review of Children's Centres and Commissioned Family Services	Farrah Khan	some risk	(450)	(100)	350	Unlikely the full £450k will be achieved in 23/24.
Budgeted	SR	Efficiencies in commissioned services through review of a range of contracts.	Phil Evans	High risk	(500)	(131)	369	Work ongoing to identify further savings
Budgeted	SR	Efficiencies across the Children & Families directorate, potentially including staffing reductions	Julie Longworth	High risk	(1,710)	(154)	1,556	Details being worked through, including a review of vacant posts
Budgeted	BAU	Staffing efficiencies: Social Care - Attendance and performance management	Farrah Khan	high risk	(369)	(369)	0	Reduced use of agency staff
Other	0	Little Owls	Farrah Khan	High risk	(1,200)	(139)	1,061	Review ongoing to identify savings

September (Month 6)



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	(7,206)	(7,206)	0
Some risk	(1,408)	(1,235)	173
High risk	0	0	0
Cancelled	0	0	0
Total	(12,374)	(12,201)	173

CITY DEVELOPMENT - Other Savings Measures

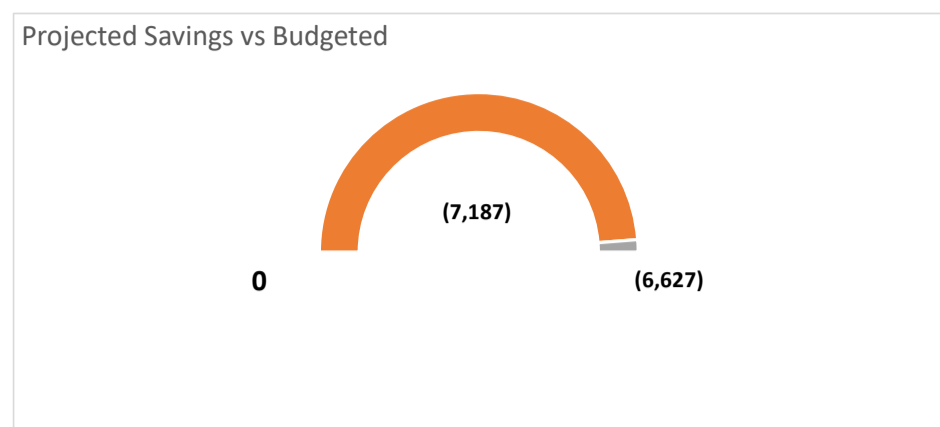
RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	0	0	0
On track, no issues	(630)	(630)	0
Some risk	0	0	0
High risk	(1,447)	(30)	1,417
Cancelled	0	0	0
Total	(2,077)	(660)	1,417

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	1% increased vacancy provision	Phil Evans	Some risk	(677)	(677)	0	0
Budgeted	SR	Leeds Museums & Galleries Invest to Save: relocation of Café	Eve Roodhouse	Some risk	(90)	(67)	23	0
Budgeted	BAU	Additional income from new contractor framework implemented in 22/23	Gary Bartlett	Some risk	(25)	(25)	0	0
Budgeted	SR	Street Lighting: Adaptive lighting via a Central Management System (CMS)	Gary Bartlett	Some risk	(166)	(166)	0	0
Budgeted	BAU	Development Management - generation of additional income from pre-app advice service	David Feeney	Some risk	(100)	(50)	50	0
Budgeted	BAU	Strategic Planning - consultancy advice (e.g. to other local authorities)	David Feeney	Some risk	(50)	0	50	0
Budgeted	BAU	Building Control - additional income through providing expert technical services to other local authorities	David Feeney	Some risk	(50)	0	50	0
Budgeted	BAU	Planning & Levelling Up Bill: National fees	David Feeney	Some risk	(250)	(250)	0	0
Other	BAU	Estate Rationalisation	Angela Barnicle	High risk	(583)	(30)	553	0
Other	BAU	Strategic Investment Fund	Angela Barnicle	High risk	(664)	0	664	0
Other	BAU	Contractor Procurement Framework	Gary Bartlett	High risk	(200)	0	200	0

September (Month 6)

COMMUNITIES, HOUSING & ENVIRONMENT - SUMMARY

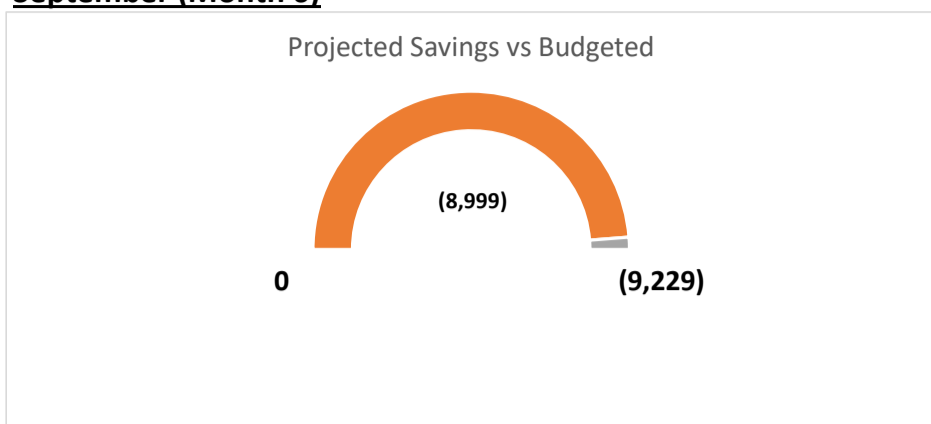


RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	(922)	(922)	0
On track, no issues	(4,108)	(5,408)	(1,300)
Some risk	(857)	(857)	0
High risk	(740)	0	740
Cancelled	0	0	0
Total	(6,627)	(7,187)	(560)

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	Polly Cook	Some risk	(192)	(192)	0	Attractions income is trending towards a pressure at Lotherton where £100k of budgeted savings targeted. However café income is projected to exceed the budget at the three sites with attraction income.
Budgeted	BAU	Benefits - Subsidy - target Supported Accommodation	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. £350k delivered at period 4. No additional progress identified at P5 although measures still continue to be implemented
Budgeted	BAU	Community Centres - strategy to reduce the current subsidy to nil	Lee Hemsworth	Some risk	(32)	(32)	0	Amended charges have been approved - one major client (LCHT) and dependant upon them accepting the increase.
Budgeted	BAU	Recycling Disposal costs	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	Review existing fees and charges beyond those assumed within the MTFS: Increase charge for replacement bins and Weighbridge	John Woolmer	High risk	(740)	0	740	The risk of significant volatility of market price of recycling income was is known when the budget was set. All disposal budgets are monitored each month and due to a reduction in the market price of recyclable materials the actions plan does not look like it will be achieved in 2023/24. This cost pressure has been partially offset by £238k of additional income on the recycling contract prices from October 2023.

September (Month 6)



STRATEGY & RESOURCES - SUMMARY

RAG Status	Budgeted Savings £'000s	Year End Projected Savings £'000s	Shortfall/ (Surplus) £'000s
Achieved	(115)	(115)	0
On track, no issues	(2,893)	(2,893)	0
Some risk	(5,991)	(5,991)	0
High risk	(230)	0	230
Cancelled	0	0	0
Total	(9,229)	(8,999)	230

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

2023/24 - Expenditure funded through Flexible Use of Capital Receipts							Appendix A3		
Quarter 2 (Month 6)									
Project Description	Directorate	HOFs/ Contact	Planned Spend	Projected Spend	Variation to	Planned Savings	Projected Savings	Variation to	
			2023/24	2023/24	Planned Spend	2023/24	2023/24	Planned Savings	
			£m	£m	£m	£m	£m	£m	
Adults and Health Service Transformation team (including management) supporting the delivery of key projects	Adults & Health	Alun Ellis	1.98	1.70	(0.28)	(4.00)	(4.00)	0.00	
Adults and Health - specific IDS staff supporting transformation.	Adults & Health	Alun Ellis	0.10	0.10	0.00	0.00	0.00	0.00	
Adults - Service Transformation- Chief Officer	Adults & Health	Alun Ellis	0.24	0.24	0.00	0.00	0.00	0.00	
Children& Families transformation team	Children & Families	Lucie McAulay	1.40	1.40	0.00	0.00	0.00	0.00	
IDS - Highways Enterprise Architecture system	City Development	Michael Everitt	0.63	0.63	0.00	0.00	0.00	0.00	
Providing resources to deliver transformation activity within the Communities Directorate	Communities, Housing & Environment	Kevin Mulvaney	0.12	0.00	(0.12)	(0.12)	0.00	0.12	
IDS - Driving a digital approach across the Council	Strategy & Resources	Patrick McGuckin	0.50	0.50	0.00	(0.50)	(0.50)	0.00	
IDS - Planned recruitment of specialists supporting the delivery of key projects across the Authority	Strategy & Resources	Patrick McGuckin	4.98	4.98	0.00	0.00	0.00	0.00	
Council Tax Atomisation-digitising transactional activity	Strategy & Resources	Patrick McGuckin	0.13	0.13	0.00	0.00	0.00	0.00	
PACS staff delivering innovative solutions to realise Procurement savings	Strategy & Resources	Patrick McGuckin	0.81	0.81	0.00	0.00	0.00	0.00	
CEL staff time spent on Transformational projects	Strategy & Resources	Patrick McGuckin	0.10	0.10	0.00	(1.53)	(1.53)	0.00	
BSC - Staff who supporting the delivery of system changes within the Shared Services.	Strategy & Resources	Patrick McGuckin	0.47	0.47	0.00	0.00	0.00	0.00	
IDS - Additional funding for driving a digital approach across the Council	Strategy & Resources	Patrick McGuckin	0.70	0.70	0.00	0.00	0.00	0.00	
LBS - Service Transformation - supporting the delivery of various projects	Strategy & Resources	Patrick McGuckin	0.24	0.24	0.00	0.00	0.00	0.00	
Legal - Staff supporting the Delivery of DAT (Documents and Time recording system)	Strategy & Resources	Patrick McGuckin	0.06	0.06	0.00	0.00	0.00	0.00	
Corporate Transformation Capacity Team	Strategy & Resources	Patrick McGuckin	0.52	0.52	0.00	0.00	0.00	0.00	
Recruiting to the structure of Corporate Transformation Capacity Team	Strategy & Resources	Patrick McGuckin	0.10	0.10	0.00	0.00	0.00	0.00	
LBS Work Streams	Strategy & Resources	Patrick McGuckin	0.27	0.27	0.00	0.00	0.00	0.00	
Additional PACS staff to support transformation projects across the Council	Strategy & Resources	Patrick McGuckin	0.63	0.63	0.00	0.00	0.00	0.00	
Statutory redundancy payments	Strategic/ Corporate	Naomi Eastwood	1.40	1.40	0.00	(1.40)	(1.40)	0.00	
Driving a digital approach to the delivery of Core Business Transformation Programme	Strategic/ Corporate	Mark Barrett	10.00	9.33	(0.67)	0.00	0.00	0.00	
Total			25.36	24.30	(1.06)	(7.54)	(7.43)	0.12	

Capital Programme 2023/24 to 2027/28 – Quarter 2

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 2, including updates on capital resources and progress on spend.

Overall Capital Programme 2023/24 – 2027/28

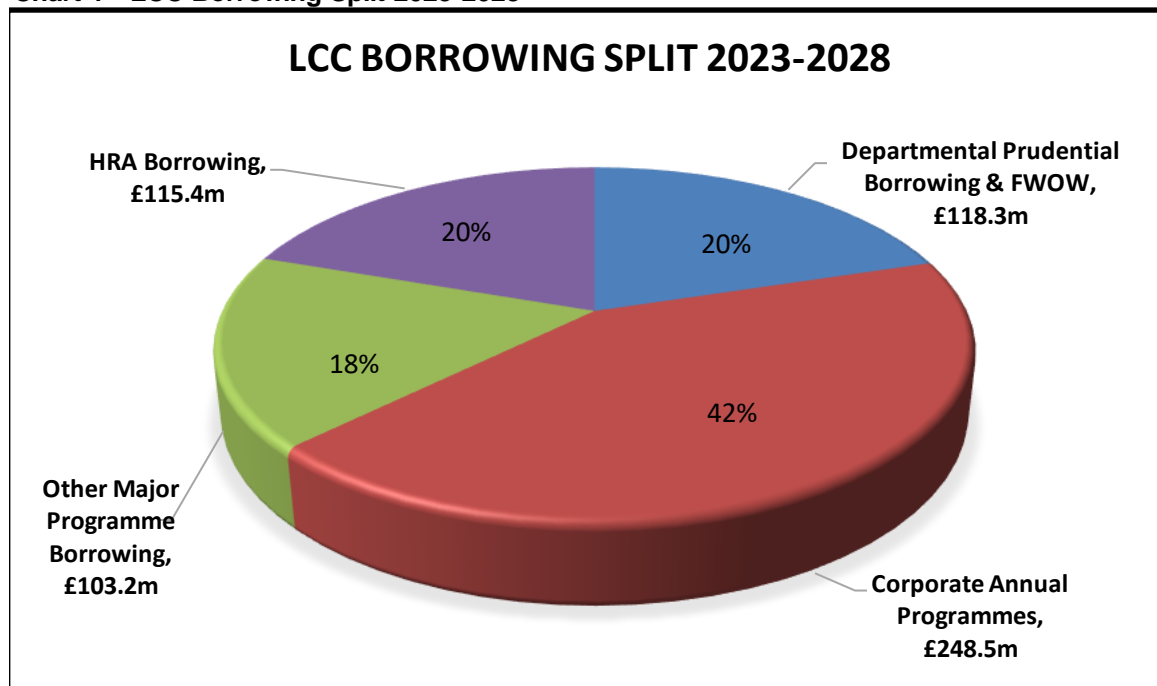
- 2 Table 1 shows the revised capital programme for 2023/24 to 2027/28 as at quarter 2. It totals £1,622.5m, a decrease of £16.4m since the Q1 Capital Programme Update report was reported to July 2023 Executive Board. The decrease relates to:
 - a reduction in the HRA of -£45.7m; primarily relating to a reduction in the Housing Leeds Programme (-£51.0m) following a review of the overall affordability of the HRA - the reduction in capital investment has allowed resources to be redirected to fund revenue void and responsive repairs, offset by an increase in secured grants and matched funding (+£5.3m).
 - An increase in the General Fund of +£ 29.3m; primarily relating to additional secured external funding; +£15.3m for Active Travel Tranche 3 and 4 Schemes, +£6.4m for Public Sector Decarbonisation Schemes, +£6.2m School Schemes.

Table 1 - Restated Capital Programme as at Quarter 2 2023/24 to 2027/28

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Forecast Expenditure	461.4	522.1	308.1	206.1	124.8	1,622.5
Funded By;						
Borrowing	150.0	212.3	110.4	73.0	39.7	585.4
Government Grants	165.7	179.5	87.0	57.6	16.2	506.0
Gen Fund Capital Receipts	23.9	14.7	10.4	0.0	0.0	49.0
Other Grants & Contributions	30.9	8.6	10.7	2.1	0.8	53.1
HRA Self Financing	51.8	58.7	56.9	57.0	55.3	279.7
HRA Right to Buy Receipts	39.1	48.3	32.7	16.4	12.8	149.3
Total Forecast Resources	461.4	522.1	308.1	206.1	124.8	1,622.5

- 3 The programme is further analysed between General Fund and HRA. The General Fund capital programme currently stands at £1,063.5m 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 £559.0m.
- 4 The overall level of borrowing required to fund the 2023-28 capital programme is £585.4m, a decrease of £0.6m since the Q1 report. This level of borrowing remains affordable within available resources identified in the Medium Term Financial Strategy. Borrowing of £482.2m (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 a net increase in funding of £87.2m since the approval of the Capital Programme in February 2023 and the specific injections this report seeks which total £22,526.9k:
- £15,325.8k of grant funding from West Yorkshire Combined Authority (WYCA) for Active Travel Tranche 3 and 4 Schemes;
 - £3,998.0k of DFE Post 16 Capacity Fund Grant for Pudsey Grammar School;
 - £1,474.8k of Disabled Facilities Grant re Additional Allocations for 23-24 and 24-25; and
 - £1,728.3k of other secured external funding contributions.

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

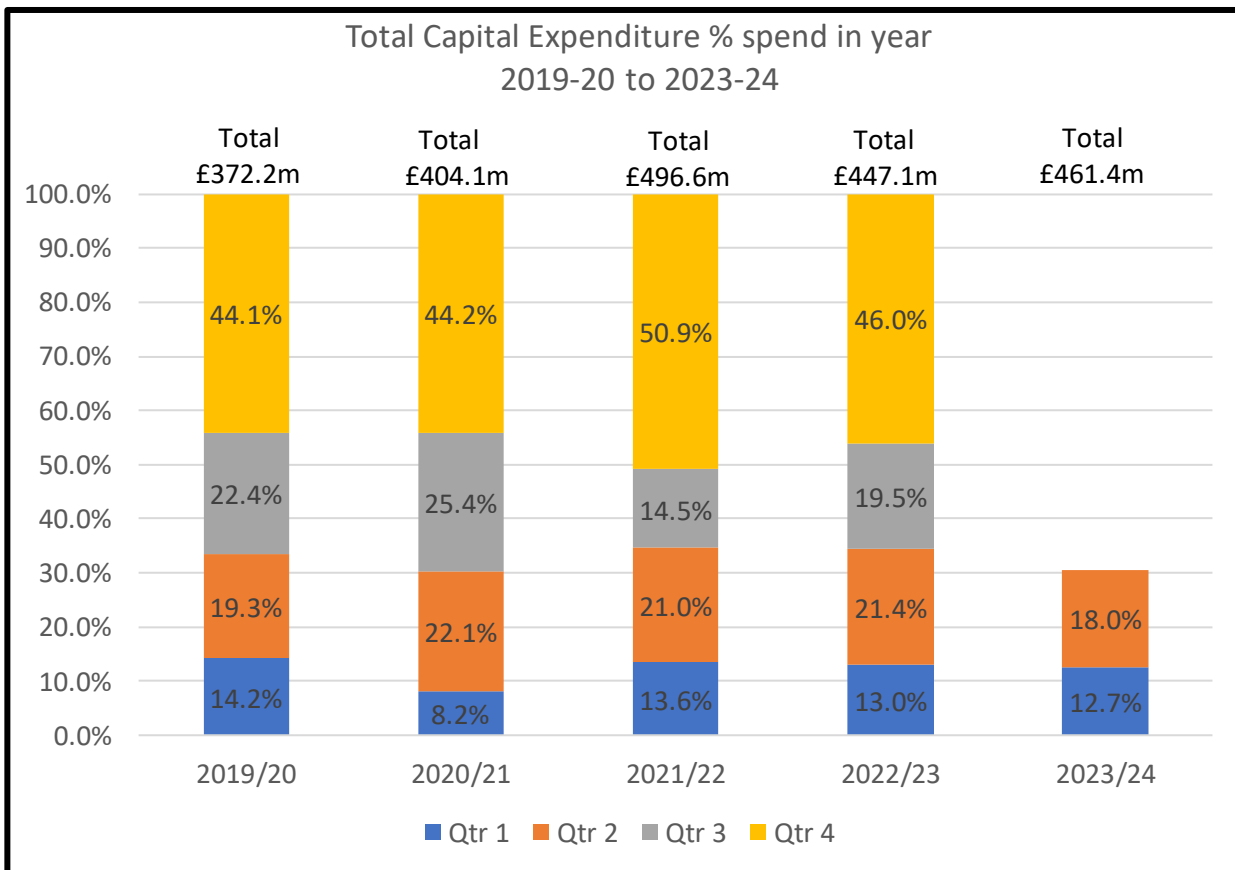
	2023/24				
	February 2023 Capital Programme £m	Restated Capital Programme as at 2022/23 Outturn £m	Capital Programme Q1 £m	Capital Programme Q2 - This Report £m	Variance - This Report to Q1 £m
Forecast Expenditure	518.8	517.4	496.7	461.4	(35.3)
Funded By;					
Borrowing	173.6	193.6	182.4	150.0	(32.4)
Government Grants	189.2	175.4	176.2	165.7	(10.5)
Gen Fund Capital Receipts	19.2	19.8	18.5	23.9	5.4
Other Grants & Contributions	29.5	27.4	29.1	30.9	1.8
HRA Self Financing	65.2	64.6	51.3	51.8	0.5
HRA Right to Buy Receipts	42.1	36.6	39.2	39.1	(0.1)
Total Forecast Resources	518.8	517.4	496.7	461.4	(35.3)

- 8 Table 2 shows that since the Q1 report there has been a decrease of £35.3m from £496.7m to £461.4m in the overall programme to be delivered in 2023/24. This has reduced the use of

borrowing in 23/24 by £32.4m and Government Grants by £10.5m, offset by an increase in the use of General Fund Capital Receipts of £5.4m for Transformational Change. There has been significant reprofiling to the following Major Programmes since Q1; LUF - Connecting West Leeds -£9.3m, Parks & Countryside Schemes -£8.9m, Leeds Integrated Station Masterplan - £7.2m, Morley Town Fund -£5.5m, Kirkgate Market Strategy -£4.2m.

- 9 The level of borrowing has decreased by £32.4m since the Q1 Report. The 2023/24 revenue debt budget is currently projected to underspend by £200.0k as a result of higher than predicted increases in interest rates offset by the lower overall external borrowing requirement and larger than anticipated revenue balances available to defray external borrowing.
- 10 Chart 2 shows the rate of spend compared to previous years. Spend at quarter 2, having been adjusted for unmatched accruals, of £141.1m (30.7%) is low compared with most financial years (2020/21 spend was affected by the initial Covid pandemic lockdown). The current 2023/24 programme value of £461.4m is also high compared with previous years outturn positions (apart from 2021/22). The rate of spend will be closely monitored to challenge the need for programme slippage.

Chart 2 - Percentage Spend Rates per Quarter



- 11 In line with the Capital Receipts Incentive Scheme (CRIS), **Appendix B2** details the additional CRIS allocations to wards and community committees for the period April 2023 to September 2023 of £144.1k and identifies a total balance available of £2,529.8k. A further CRIS injection will be made at final outturn for October 2023 to March 2024 disposals.
- 12 Members will note that there are other reports with capital implications elsewhere on the agenda.

Capital Programme Review

- 13 The annual 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. Executive Board considered the ['Medium Term Financial Strategy 2024/25 – 2028/29'](#) report, which included specific details of the review process, at its September 2023 meeting (details at section 3.1 of the linked document)..

- 14 The review has been undertaken under the direction of the Best Council Team - Strategic Investment Board with final approval to be sought from Executive Board and Full Council in February 2024. Savings proposals to address the current Financial Challenge are also being reviewed to ensure that any interdependencies between capital and revenue are given due consideration.
- 15 The 10 year plan identifies annual programmes across the Council that aim to provide investment in assets to ensure that the Council can continue to operate effectively. The updated 10 year plan is attached at **Appendix B3**. It currently identifies the need to inject £12,646.4k to current annual programmes covering the period 2023/24 to 2026/27 and £66,422.0k to roll forward annual programmes into 2027/28.

Community Infrastructure Levy (CIL) Strategic Fund

- 16 The demand for infrastructure across Leeds is inevitably wide ranging. The Community Infrastructure Levy (CIL) provides one component that contributes to the delivery of infrastructure within Leeds. Executive Board (February 2015), made key decisions around spending of future CIL income, directing it into two main funding streams, a Strategic Fund and a Neighbourhood Fund, plus up to 5% for administrative costs. National planning policy sets out a requirement for Local Authorities to publish an annual Infrastructure Funding Statement (IFS). The IFS sets out current spending details relating to CIL and developer contributions received via Section 106 Agreements, as well as forthcoming infrastructure priorities. The strategy proposed by Strategic Investment Board is to utilise Strategic CIL funding as matched funding contributions for Strategic Highways and Transportation Schemes.
- 17 There are some Strategic Highways and Transportation Schemes within the capital programme with existing matched funding contributions. CIL funding could be utilised for these, allowing resources to be redirected to release Leeds Borrowing to deal with any unforeseen circumstances, ensure sufficient resources are available to fund the capital programme or contribute savings to the overall Financial Challenge by reducing calls on the revenue debt budget.

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	137,849	195,205	90,782	60,387	21,763	505,986
INVESTING IN MAJOR INFRASTRUCTURE	72,028	39,601	18,241	9,182	0	139,051
SUPPORTING SERVICE PROVISION	40,254	38,938	22,925	16,946	3,233	122,296
INVESTING IN NEW TECHNOLOGY	13,391	6,653	4,214	3,300	0	27,558
SUPPORTING THE LEEDS ECONOMY	14,140	27,590	11,171	5,268	691	58,860
CENTRAL & OPERATIONAL EXPENDITURE	53,499	51,563	40,900	32,855	30,961	209,778
TOTAL ESTIMATED SPEND ON GF	331,160	359,549	188,234	127,938	56,649	1,063,528
HOUSING REVENUE ACCOUNT (HRA)						
IMPROVING OUR ASSETS - COUNCIL HOUSING	130,256	162,505	119,899	78,173	68,186	559,018
TOTAL ESTIMATED SPEND ON HRA	130,256	162,505	119,899	78,173	68,186	559,018
TOTAL ESTIMATED SPEND	461,415	522,053	308,132	206,111	124,835	1,622,546
RESOURCES						
GENERAL FUND (GF)						
Specific Resources						
GOVERNMENT GRANTS	155,651	178,747	87,006	57,617	16,207	495,229
OTHER GRANTS & CONTRIBUTIONS	27,160	8,552	10,651	2,164	822	49,349
RCCO / RESERVES	-49	0	0	0	31	-18
CAPITAL RECEIPTS - Transformational Change	23,900	14,711	10,380	0	0	48,992
Corporate Resources						
BORROWING - Corporate	102,195	130,205	68,243	65,317	37,543	403,503
BORROWING - Departmental	22,302	27,333	11,953	2,840	2,045	66,474
CAP. RESOURCES REQD FOR GF	331,160	359,549	188,234	127,938	56,649	1,063,528
HOUSING REVENUE ACCOUNT (HRA)						
Specific Resources						
HRA SELF FINANCING	51,819	58,665	56,944	57,019	55,300	279,747
R.T.B. CAPITAL RECEIPTS	39,102	48,325	32,736	16,350	12,821	149,334
GOVERNMENT GRANTS	10,068	705	0	0	0	10,773
RCCO / RESERVES	0	0	0	0	0	0
OTHER GRANTS & CONTRIBUTIONS	3,765	0	0	0	0	3,765
BORROWING - Departmental	25,502	54,810	30,219	4,804	65	115,399
CAP. RESOURCES REQD FOR HRA	130,256	162,505	119,899	78,173	68,186	559,018
TOTAL CAP. RESOURCES REQD	461,415	522,053	308,132	206,111	124,835	1,622,546

BORROWING REQUIRED TO FUND THIS PROGRAMME	149,998	212,348	110,415	72,961	39,654	585,376
Average Interest rate (subject to change)	5.25%	4.50%	3.50%	3.50%	3.50%	

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	8,849	11,500	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	2,550	7,388	3,214	4,050	0	17,203
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	500	500	0	0	1,401
Library Books	450	300	200	100	0	1,050
Sports Maintenance	137	100	100	100	0	437
	50,917	54,750	41,948	38,923	5,000	191,538
Supporting Service Provision						
Telecare ASC	600	1,117	600	600	0	2,917
Adaptation to Private Homes	647	470	470	470	0	2,057
Childrens Centres	146	90	50	50	40	376
	1,393	1,677	1,120	1,120	40	5,350
Investing In New Technology						
Digital Development	4,620	3,000	2,500	2,500	0	12,620
Essential Services Programme	6,623	3,100	1,700	800	0	12,223
	11,243	6,100	4,200	3,300	0	24,843
Supporting The Leeds Economy						
Project Support Fund - Groundwork	70	70	70	70	70	350
Central & Operational Expenditure						
Vehicle Programme	10,773	18,815	13,241	16,508	22,530	81,867
PFI Lifecycle Capitalisations	11,980	12,895	13,395	13,504	0	51,774
Transformational Change	14,568	10,504	10,380	0	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	600	500	142	0	0	1,243
	41,762	45,956	39,500	31,455	22,530	181,203
Total Annual Programmes 2023-2028	105,385	108,552	86,838	74,868	27,640	403,283

Major Programmes & Other Directorate Schemes

Appendix B1 (ii)

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Improving our assets - Council Housing						
HRA Housing Leeds & BITMO & Other	76,334	74,367	70,733	69,971	68,078	359,484
HRA Council Housing Growth Programme	53,921	88,138	49,166	8,201	108	199,534
Improving our assets - General Fund						
Capital Maintenance / School Condition Allocation	5,168	5,132	7,091	6,866	13,582	37,838
City Centre Package & Armley Gyrratory	22,272	10,142	0	0	0	32,414
Strategic Investment Fund Acquisitions	200	11,216	10,364	0	0	21,780
Parks & Countryside Schemes	9,606	10,226	728	478	606	21,645
Highways Transport Package	8,735	4,735	3,860	3,860	0	21,190
A660 Woodhouse Lane Gateway (Uni)	960	8,225	8,225	3,025	0	20,435
LUF - Connecting West Leeds	7,397	11,755	0	0	0	19,152
Parklife Programme	682	16,034	0	0	0	16,715
Leeds Town Hall Restoration / Other Heritage Assets	4,626	12,010	0	0	0	16,636
Corridor Improvement Programme (CIP)	4,197	10,454	460	0	0	15,111
Beckett Street Bus Priority Transformation	1,246	6,250	5,250	2,250	0	14,996
Fearnville Wellbeing Centre	913	9,000	3,000	0	0	12,913
Devolved Formula Capital Grant	2,661	2,578	1,478	1,478	2,337	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
Dawsons Corner & Staningley Bypass	2,409	4,000	0	0	0	6,409
Creating Healthier Streets, Spaces & Communities	189	825	2,695	2,420	50	6,179
Assisted Living Leeds	481	5,659	0	0	0	6,140
Community Hubs Programme	1,208	1,200	0	0	0	2,408
Future Ways of Working and Estate Realisation	329	0	0	0	0	329
Other smaller schemes within the objective	7,585	7,480	372	0	189	15,625
	217,187	302,960	168,734	99,637	84,949	873,466
Investing in Major Infrastructure						
Leeds Integrated Station Masterplan	13,267	21,186	12,610	0	0	47,063
Sustainable Active Travel	11,984	10,449	4,952	0	0	27,385
Flood Alleviation Schemes	20,280	5,686	525	525	0	27,017
Decarbonisation Programme & Energy Efficiency	14,814	75	75	499	0	15,463
Clean Air Zone	567	0	0	8,158	0	8,725
Other smaller schemes within the objective	11,115	2,205	79	0	0	13,399
	72,028	39,601	18,241	9,182	0	139,051
Supporting Service Provision						
Learning Places Programme / Basic Need Grant	22,280	25,399	12,376	3,538	751	64,344
Private Sector Renewal - Adaptations / Equity Loans	10,696	9,132	8,564	8,564	1,633	38,589
Childrens Homes	3,402	1,709	50	0	0	5,161
Other smaller schemes within the objective	2,484	1,020	815	3,724	810	8,852
	38,861	37,261	21,805	15,826	3,193	116,946
Investing in New Technology						
Other smaller schemes within the objective	2,148	553	14	0	0	2,715
	2,148	553	14	0	0	2,715
Supporting the Leeds Economy						
Morley Town Fund	2,870	11,212	9,019	0	0	23,102
Kirkgate Market Strategy	2,246	6,353	855	0	0	9,453
British Library at Temple Works	500	4,500	0	0	0	5,000
East of Otley Relief Road	375	0	0	4,218	0	4,593
Local Centres Programme & THI	2,745	1,440	0	0	0	4,185
Other smaller schemes within the objective	5,334	4,016	1,227	980	621	12,178
	14,070	27,520	11,101	5,198	621	58,510
Central & Operational Expenditure						
General Contingencies	1,631	1,400	1,400	1,400	8,431	14,262
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	1,400	8,431	28,575
Total Major Programmes & Other Directorate schemes	356,030	413,501	221,295	131,242	97,195	1,219,263
Annual Programmes - See Appendix B1 (i)	105,385	108,552	86,838	74,868	27,640	403,283
Total Annual & Major Programmes	461,415	522,053	308,132	206,111	124,835	1,622,546

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

Appendix B1 (iii)

	Corporate Borrowing £000	Borrowing Supported by Revenue £000	Specific Resources £000	Total Resources £000
WYCA Grant Injections re Active Travel Tranche 3 and 4 Schemes			15,325.8	15,325.8
DFE Post 16 Capacity Fund Grant Injection re Pudsey Grammar School			3,998.0	3,998.0
Disabled Facilities Grant Injection re Additional Allocations for 23-24 and 24-25			1,474.8	1,474.8
S106 and Other External Injections to Various Highways Schemes			853.3	853.3
Additional CRSTS Grant Injection re UTMC Telecoms Infrastructure			625.0	625.0
Network Rail injection re Morley Town Fund			250.0	250.0
Net Injections sought as part of this report	0.0	0.0	22,526.9	22,526.9
Net Injections with approvals in place	13,565.9	11,997.8	43,053.8	68,617.5
Total Net Injections in place since February 2023	13,565.9	11,997.8	65,580.7	91,144.4
Slippage Movements as at 2022/23 Outturn				-3,982.1
Net Increase in funding since February 2023 to September 2023				87,162.3

Capital Receipts Incentive Scheme (CRIS) Funding Statement

Appendix B2

Ward Based Initiative (WBI) Allocations							
	Initial WBI Allocation from 2008	Total CRIS Injection to Mar '23	CRIS Injection Apr '23 - Sep '23	Total WBI Allocation	Spent / Committed (as at Sep '23)	Total Balance Available	Scheme ref
	£000	£000	£000	£000	£000	£000	
ADEL AND WHARFEDALE	40.0	107.7	0.0	147.7	57.1	90.6	14236\ADL\000
ALWOODLEY	40.0	95.9	0.0	135.9	135.9	0.0	14236\ALW\000
ARDSLEY AND ROBIN HOOD	40.0	57.0	0.0	97.0	75.8	21.2	14236\ARD\000
ARMLEY	40.0	167.5	1.4	208.9	127.8	81.1	14236\ARM\000
BEESTON AND HOLBECK	40.0	116.5	0.0	156.5	128.7	27.8	14236\BEE\000
BRAMLEY AND STANNINGLEY	40.0	98.9	0.0	138.9	104.3	34.6	14236\BRA\000
BURMANTOFTS AND RICHMOND HILL	40.0	116.3	45.9	202.2	113.7	88.5	14236\BUR\000
CALVERLEY AND FARSLEY	40.0	45.3	0.0	85.3	85.0	0.3	14236\CAL\000
CHAPEL ALLERTON	40.0	189.7	0.0	229.7	140.3	89.4	14236\CHA\000
HUNSLET & RIVERSIDE	40.0	552.8	0.0	592.8	461.0	131.8	14236\CIT\000
CROSSGATES AND WHINMOOR	40.0	97.9	0.0	137.9	70.9	67.0	14236\CRO\000
FARNLEY AND WORTLEY	40.0	174.7	0.0	214.7	192.0	22.7	14236\FAR\000
GARFORTH AND SWILLINGTON	40.0	20.8	13.8	74.6	56.1	18.5	14236\GAR\000
GIPTON AND HAREHILLS	40.0	194.3	2.1	236.4	224.8	11.6	14236\GIP\000
GUISELEY AND RAWDON	40.0	0.0	0.0	40.0	40.0	0.0	14236\GUI\000
HAREWOOD	40.0	114.9	0.0	154.9	61.0	93.9	14236\HAR\000
HEADINGLEY AND HYDE PARK	40.0	327.8	0.0	367.8	311.6	56.2	14236\HDN\000
HORSFORTH	40.0	180.3	0.0	220.3	193.3	27.0	14236\HOR\000
LITTLE LONDON AND WOODHOUSE	40.0	497.5	16.8	554.3	275.6	278.7	14236\HYD\000
KILLINGBECK AND SEACROFT	40.0	85.1	0.0	125.1	73.2	51.9	14236\KIL\000
KIPPAX AND METHLEY	40.0	50.7	0.0	90.7	42.7	48.0	14236\KIP\000
KIRKSTALL	40.0	129.8	28.1	197.9	70.1	127.8	14236\KIR\000
MIDDLETON PARK	40.0	94.5	0.0	134.5	116.9	17.6	14236\MID\000
MOORTOWN	40.0	45.9	0.0	85.9	82.2	3.7	14236\MOO\000
MORLEY NORTH	40.0	57.8	0.0	97.8	78.8	19.0	14236\MON\000
MORLEY SOUTH	40.0	30.6	0.0	70.6	63.1	7.5	14236\MOS\000
OTLEY AND YEADON	40.0	183.2	0.0	223.2	43.7	179.5	14236\OTL\000
PUDSEY	40.0	177.2	0.0	217.2	163.7	53.5	14236\PUD\000
ROTHWELL	40.0	168.2	0.0	208.2	65.6	142.6	14236\RTH\000
ROUNDHAY	40.0	62.7	0.0	102.7	76.7	26.0	14236\ROU\000
TEMPLE NEWSAM	40.0	293.2	0.0	333.2	115.1	218.1	14236\TEM\000
WEETWOOD	40.0	165.8	0.0	205.8	160.4	45.4	14236\WEE\000
WETHERBY	40.0	150.0	0.0	190.0	181.6	8.4	14236\WET\000
TOTALS	1,320.0	4,850.5	108.1	6,278.6	4,188.7	2,089.9	

Community Committee Allocations							
	Percentage	Total CRIS Injection to Mar '22	CRIS Injection Apr '22 - Sep '23	Total Community Committee Allocation	Spent / Committed (as at Sep '23)	Total Balance Available	Scheme ref
	%	£000	£000	£000	£000	£000	
INNER SOUTH	14.83%	222.3	5.3	227.6	181.0	46.6	16933\000\000
OUTER SOUTH	9.60%	160.5	3.5	164.0	122.1	41.9	16934\000\000
OUTER EAST	8.83%	153.9	3.2	157.1	63.1	94.0	16935\000\000
INNER WEST	13.02%	181.0	4.7	185.7	164.0	21.7	16936\000\000
INNER NORTH WEST	8.33%	149.9	3.0	152.9	137.1	15.8	16937\000\000
OUTER WEST	8.66%	140.0	3.1	143.1	109.2	33.9	16938\000\000
OUTER NORTH WEST	7.24%	130.0	2.6	132.6	67.4	65.2	16939\000\000
INNER NORTH EAST	7.64%	133.7	2.7	136.4	104.1	32.3	16940\000\000
INNER EAST	16.70%	254.3	6.0	260.3	205.7	54.6	16941\000\000
OUTER NORTH EAST	5.15%	91.3	1.9	93.2	59.3	33.9	16942\000\000
TOTALS	100.00%	1,616.9	36.0	1,652.9	1,213.0	439.9	

Total CRIS Injection Apr '23 - Sep '23 **144.1**

Total CRIS Balance Available **2,529.8**

10 Year Capital Programme

Appendix B3

Annual Programme

	2023/24 £000,	2024/25 £000,	2025/26 £000,	2026/27 £000,	2027/28 £000,	2028/29 £000,	2029/30 £000,	2030/31 £000,	2031/32 £000,	2032/33 £000,	Total £000,
Highways Maintenance	13,000.0	13,000.0	13,000.0	10,889.1	13,000.0	13,000.0	13,000.0	13,000.0	13,000.0	13,000.0	127,889.1
Highways Maintenance - supported by external funding	13,262.5	12,506.2	11,028.2	10,005.0	11,369.3	11,369.3	11,369.3	11,369.3	11,369.3	11,369.3	115,017.7
Highways Maintenance Capitalisations	3,700.0	2,800.0	1,800.0	900.0							9,200.0
Highways Bridges & Structures Maintenance	1,273.3	1,600.0	500.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	17,373.3
Highways Bridges & Structures Maintenance - supported by external funding	6,239.6	4,205.1	4,205.1	3,428.9	4,205.1	4,205.1	4,205.1	4,205.1	4,205.1	4,205.1	43,309.3
Highways Section 278	2,550.0	2,350.0	1,400.0	700.0							7,000.0
Highways Section 278 - external contributions / supported by external funding	0.0	5,038.4	1,814.2	3,350.0	3,500.0	3,500.0	3,500.0	3,500.0	3,500.0	3,500.0	31,202.6
General Capitalisation	3,300.0	2,700.0	1,800.0	900.0							8,700.0
Childrens Centres	146.4	90.0	50.0	90.0	50.0	50.0	50.0	50.0	50.0	50.0	676.4
Vehicle Programme	10,189.6	18,815.3	13,241.0	39,038.0							81,283.9
Vehicle Programme - supported by external funding	582.9										582.9
Adaptation to Private Homes	646.6	470.0	470.0	470.0	470.0	470.0	470.0	470.0	470.0	470.0	4,876.6
Telecare ASC	600.0	1,116.7	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	6,516.7
Library Books	450.0	300.0	200.0	100.0							1,050.0
Sports Maintenance	137.2	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	1,037.2
Project Support Fund (Groundwork)	0.0	0.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	560.0
Project Support Fund (Groundwork) - supported by external funding	70.0	70.0		70.0							210.0
Essential Services Programme	6,622.5	3,100.0	1,700.0	800.0							12,222.5
Digital Development	4,620.0	3,000.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	27,620.0
Corporate Property Management	8,849.3	11,500.0	6,500.0	11,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	47,349.3
Capital Programme Management	541.4	541.4	541.4	542.8	541.4	541.4	541.4	541.4	541.4	541.4	5,415.4
Demolition Programme	400.9	500.0	500.0	0.0	500.0	500.0	500.0	500.0	500.0	500.0	4,400.9
Capitalisation of Interest	600.3	500.0	400.0	300.0	200.0	200.0	200.0	200.0	200.0	200.0	3,000.3
Climate Emergency	258.6	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	5,658.6
Climate Emergency - supported by external funding	795.9	250.0	300.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	3,795.9
Transformational Change to LCC (excl Core Systems Review)	14,567.8	10,503.9	11,607.2	10,471.2	10,471.2	10,471.2	10,471.2	10,471.2	10,471.2	10,471.2	109,977.3
PFI Lifecycle Capitalisations	11,980.0	12,895.0	13,395.0	13,895.0	14,395.0	14,895.0	15,395.0	15,895.0	16,395.0	16,895.0	146,035.0
Total Annual Programmes	105,384.8	108,552.0	88,322.1	113,670.0	66,422.0	66,922.0	67,422.0	67,922.0	68,422.0	68,922.0	821,960.9
23/24 - 26/27 Required Annual Programme Injections:											
Transformational Change	0.0	0.0	1,226.8	10,471.2							27/28 Annual Programme Injections 66,422.0
PFI Lifecycle Capitalisations	0.0	0.0	0.0	390.7							23/24 - 26/27 Annual Programme Injections 12,646.4
Capitalisation of Interest	0.0	0.0	257.7	300.0							Total Injection 79,068.4
Total Annual Programmes Variance	0.0	0.0	1,484.5	11,161.9							

Treasury Management Strategy Update 2023/24**1. Review of Strategy 2023/24**

1.1. The current borrowing forecasts are shown in Table 1:

Table 1

	2023/24 Feb 23 Report £m	2023/24 This Report £m
ANALYSIS OF BORROWING 2023/24		
Net Borrowing at 1 April	2,402	2,397
New Borrowing for the Capital Programme – Non HRA	134	124
New Borrowing for the Capital Programme – HRA	40	26
Debt redemption costs charged to Revenue (Incl HRA)	(65)	(64)
Reduced/(Increased) level of Revenue Balances	65	65
Net Borrowing at 31 March*	2,576	2,548
Capital Financing Requirement		2,886
* Comprised as follows		
Long term borrowing Fixed	2,141	2,214
Variable (less than 1 Year)	95	15
New Borrowing	174	139
Short term Borrowing (Previous years)	206	220
Total External Borrowing	2,616	2,588
Less Investments	40	40
Net External Borrowing	2,576	2,548
% borrowing funded by short term and variable rate loans	18%	14%

Note: The Capital Financing Requirement (CFR) is the maximum level of debt (i.e. borrowing PFI and finance leasing) that the Council can hold for its current year capital purposes. The Council is also allowed to borrow in advance for up to two future years capital programmes. The above reflects only the borrowing element of the CFR

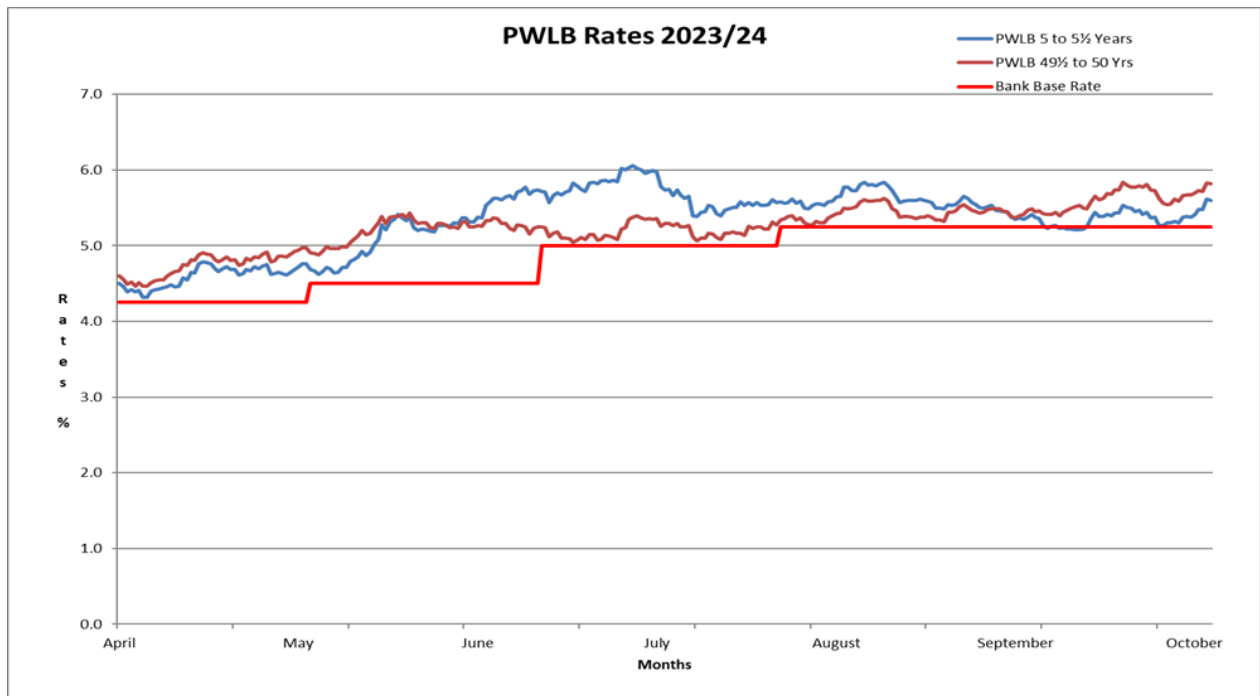
- 1.2. Table 1 above shows that net external borrowing is now forecast at the end of 2023/24 to be £2,548m, £28m lower than in the report to Executive Board on 8th February 2023. The outturn position at 31st March 2023 was £5m lower than forecast, however this was due to 2 factors: slippage in new borrowing for the capital programme into the 2023/24 financial year of £17m and lower revenue balances of £12m. Cumulatively the lower forecast for net borrowing at 31st March 2024 of £28m is due to a lower capital programme borrowing requirement (£41m) partly offset by lower MRP (£1m) together with balance sheet movements of (£12m).
- 1.3. The global economic position and its effect on UK interest rates and therefore on the cost of new borrowing for the Council continues to be uncertain and volatile.
- 1.4. The UK's unemployment rate has risen steadily over the last year from a low point of 3.5% in August 2022 to 4.3% in July 2023. Employment levels have declined by £207k to £32.88m, the biggest such fall since the 3 months to October 2020. Average earnings growth excluding bonuses fell from 7.9% to 7.8% in August, however industrial action in several sectors may result in upward pressure on this statistic.
- 1.5. The UK's Gross Domestic Product (GDP) contracted by 0.5% month on month in July and some of this weakness is thought to be driven by the lost working days due to

industrial action in that month. However, the 2nd quarter posted a small increase of 0.6% year on year indicating a more general cooling in the economy during the year so far. Generally, the economy appears to be losing momentum and a mild recession cannot be ruled out.

- 1.6. CPI inflation continued to ease, falling from 8.7% in April to 6.7% in August and remained at this level in September despite economists expecting a further small reduction. Core inflation however did post a small reduction from 6.2% to 6.1% in September. Oil prices have been volatile during the year with international concerns regarding Ukraine and latterly the Middle East driving markets. Prices had fallen to below \$75 per barrel on the Brent Crude index however this has now spiked back up to the \$95 per barrel level. OPEC+ have also announced production cuts during the year which has resulted in prices remaining elevated.
- 1.7. The Monetary Policy Committee (MPC) have continued steadily increasing the base rate with the current level now at 5.25%, which is an increase of a full 1% since the start of 2023/24. Although the Council's advisors are now predicting this may represent the peak in this rate cycle, further increases cannot be ruled out. The pound started the year at around \$1.24 but did peak above \$1.30 during the summer before falling back to around \$1.21 driven in large part by inflation concerns.
- 1.8. Outside the UK the US has increased its policy interest rates range to 5.25% - 5.50% whilst its inflation rate now stands at 3.70% after falling to 3.0% in June 2023. Non-farm payrolls continue to outperform and indicate the economy is performing well with GDP growth posting a 2.4% increase year on year in the second quarter. The Federal Open Markets Committee (FOMC or the Fed) have issued narrative that rates are likely to remain higher for longer than previously anticipated, and this is being echoed by other central banks including the BOE and ECB. The ECB has continued to increase policy rates and is now at 4.5% although GDP continues to fall and posted 0.5% growth year on year in the second quarter. It should be noted that Germany, the biggest economy in the euro area, has posted negative GDP growth for the first two quarters of 2023/24. Lastly the war in Ukraine remains a major disruption event to the global economy with impact not just on oil but on the global supply of other commodities. This uncertainty has been added to by the events in Israel and the Gaza Strip and fears that the conflict could spread further. The world economy appears to be heading towards a significant slowdown and continues the trend seen since 2021.
- 1.9. During 2023/24, no new PWLB borrowing has been taken. A lender's option to propose an increased interest rate on a Lenders option Borrowers option (LOBO) loan was exercised, which resulted in a £10m loan being repaid without penalty, as detailed in Table 4 below (paragraph 1.14). This has been refinanced by temporary borrowing in the short term. The markets continue to be monitored for further opportunities to secure long term borrowing.
- 1.10. The Council has however taken advantage of 0% long term funding in 2023/24 for energy efficient capital investments and £2.752m of SALIX finance is anticipated to be drawn down during 2023/24. The Council will continue to seek longer term funding opportunities from both the PWLB and other sources.

1.11. The general trend in interest paid on debt is an increase in rates for short term and long term, and this steady increase in rates is proving exceptionally volatile. Chart 1 shows how the cost of longer term borrowing from the Government through Public Works Loan Board (PWLB) loans has performed since the start of the financial year. Long term rates shown by 50-year PWLB have sharply spiked up this year from around the 4.5% mark to approximately 5.80%. Medium term rates as shown by 5-year PWLB have likewise increased from approximately 4.5% to around 5.60%. It should be noted that these are not the peak in these rates seen this year which is more volatile than has been seen in recent years. Please note that the Council is entitled to a reduction of 20bp on all PWLB rates, including those listed above, reflecting its eligibility for PWLB certainty rates. For HRA borrowing from the PWLB a further discount of 40bp is also accessible from June 2023, a discount rate which will be reviewed by the Debt Management Office in June 2024. The Council anticipates a headroom for HRA external borrowing of £173m by the end of 2023/24.

Chart 1



1.12. Market expectations of Bank Rate movements in the UK are at or approaching a peak driven by domestic and international inflation concerns. The Council’s advisors are also now forecasting that the bank base rate is at or close to the peak in this cycle. As a result of these expectations the assumed borrowing rates within the treasury budget have been increased, however these increases have been contained within the overall debt budget due to assumptions already built into the projection, slippage in the capital programme and resilience in the level of revenue balances. Tables 2 and 3 show the Council’s advisors forecast for interest rates and the assumptions contained within the budget projections based on these market expectations, which will be kept under review as the economic situation evolves.

Table 2

25th September 2023	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month Average	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month Average	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month Average	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

Table 3

Budget Rate Assumptions	2023/24	2024/25	2025/26	2026/27	2027/28
Exec Board Feb 23	4.25	3.50	3.00	n/a	n/a
Now	5.25	4.50	3.50	3.50	3.50

1.13. Due to the significant and substantial increase in rates experienced since late 2021/22 and the forecast for rates and assumptions in the budget, the borrowing strategy was revised in 2022/23. It is now clear that taking further long-term borrowing at current rates may lock in higher than necessary interest costs in the future, and therefore managing the Council's borrowing need through its balance sheet strength and from short-term borrowing activity will be employed. This strategy is supported by the Council's Treasury advisors, considering its forecast for rates shown in Table 2. This will of course be subject to constant review, to lock in long-term borrowing as favourable opportunities arise. It should also be noted that due to the previously employed policy of locking in long-term borrowing need at historically low rates, the Council had no short-term borrowing on its books at 31/03/2022 but this increased to £170m at 31/03/2023. This places the Council in a good position to manage the current volatile interest rate environment.

Table 4

Repayments and Funding 2023/24							
Date	Repayments			New / Replacement Borrowing			
	Amount (£m)	Original Rate (%)	Discount Rate	Date	Amount (£m)	Term (Years)	Interest Rate (%)
PWLB				PWLB			
29/07/2023	26.436	4.19%	n/a				
02/04/2023	15.000	3.38%	n/a				
Sub Total	41.436				0.000		
Market Loans				Market Loans			
03/04/2023	0.618	0.00%		Salix	1.376	8 year	0.00%
03/04/2023	0.315	0.00%		Salix **	1.376	8 year	0.00%
01/09/2023	0.024	0.00%					
02/10/2023	0.315	0.00%					
02/10/2023	0.619	0.00%					
02/10/2023	0.321	0.00%					
17/10/2023	10.000	4.50%	Option call				
01/03/2024	0.024	0.00%	*				
Sub Total	12.236				2.752		
Total	53.672			Total	2.752		

* know n maturities that are yet to occur

** Facility Committed not Draw ndow n at this time

- 1.14. Table 4 details the long-term funding activity undertaken during 2023/24 which includes a SALIX finance facility of £2.752m, which is being drawn in tranches during the year.
- 1.15. The Council's current long-term debt of £2.229bn has an average maturity of just over 35 years if all debts run to maturity. Approximately 10% of the Council's long-term debt has lender options for repayment, and if all these options were exercised at the next option date, then the average maturity of long-term debt would be lowered to approximately 31 years. This compares favourably, for example, with the average maturity of the UK Government debt portfolio of 14.3 years. The existing profile of the Council's debt provides considerable certainty of funding costs. Prudential Indicators for the maturity of debt in Appendix C1 show the maturity profile of the Council's debt and highlights that approximately 69% or £1,778m matures in periods greater than 10 years.
- 1.16. The management of the revenue debt budget is currently forecast to deliver a saving against budget of £200k in 2023/24. This is largely due to lower than anticipated MRP offset by marginally higher net interest costs. These net higher interest costs are because of increased interest rates assumed for the remainder of 2023/24 which is offset by lower forecast borrowing need. Whilst on the one hand there remains a risk that interest rates have not yet peaked, there is also scope for the council's borrowing requirement to further reduce during the remainder of the year, and thus some improvement in the current level of savings may be achieved.

2. Investment Strategy & Limits

- 2.1. The Council's external debt is reduced by the availability of revenue balances. The Treasury policy also allows for the external investment of these balances at advantageous rates but with due regard for security of capital invested. At present the Council's surplus monies continue to be held in short periods until required. As market sentiment to counter-party risk improves, together with enhanced returns, surplus monies will be invested in accordance with the approved lending list. This lending list is based upon the assessment of the financial standing of counterparties as determined by international credit rating agencies and further refined and updated by the Council's advisors on a continual basis. The lending list is often further restricted based upon the Council's view of the credit worthiness of counterparties.
- 2.2. The investment strategy, as re-affirmed by Executive Board and full Council in February, allows for the Council to invest in only the most highly rated financial institutions around the world. The Council will only lend up to a maximum of £15m to financial institutions that are rated as excellent. There is also a limit of £5m for financial institutions that are rated as very good. These limits do not apply to deposits with the Council's own bankers, or to deposits with the Government's Debt Management office (the DMO).

Appendix C1 Prudential Indicators 2023/24 to 20/25/26

Financial Year 2023/24

	Notes		Budget	Current	Movement
			DM10e 2022/23	DM 7b 2023/24	
PRUDENTIAL CODE INDICATORS					
CAPITAL EXPENDITURE					
<u>Estimate of Capital Expenditure</u>	a				
General Fund		£k	362,601	331,159	-31,442
Housing Revenue Account		£k	156,153	130,256	-25,897
Total		£k	518,754	461,415	-57,339
<u>Capital Financing Requirement</u>					
Borrowing - General Fund	b	£k	2,129,023	2,100,701	-28,322
Borrowing - Housing Revenue Account		£k	793,847	783,238	-10,609
Sub Total Borrowing		£k	2,922,870	2,883,939	-38,931
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	3,369,425	-38,931
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	464,836	-9,483
Short term (Actual)		£k	0	0	0
Short term (Forecast)		£k	162,500	359,919	197,420
Total Gross External Debt		£k	2,441,991	2,588,492	146,502
Other Long Term Liabilities		£k	519,004	485,486	-33,518
Total Including OLTL		£k	2,960,995	3,073,978	112,984
<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	123,715	626
Net Revenue Stream		£k	573,357	573,357	0
Ratio		%	21.47%	21.58%	0.11%
<u>Including Other Long Term Liabilities - GF</u>	f				
Financing Cost		£k	171,321	171,947	626
Net Revenue Stream		£k	573,357	573,357	0
Ratio		%	29.88%	29.99%	0.11%
<u>External Borrowing Only - Housing Revenue Account</u>	f				
Financing Cost		£k	30,006	30,267	262
Net Revenue Stream		£k	16,390	16,390	0
Ratio		%	11.24%	11.34%	0.10%
<u>Including Other Long Term Liabilities - HRA</u>	f				
Financing Cost		£k	46,396	46,657	262
Net Revenue Stream		£k	16,390	16,390	0
Ratio		%	17.37%	17.48%	0.10%

Appendix C1 Prudential Indicators 2023/24 to 20/25/26

INVESTMENTS

Non Treasury loans		80,000	80,000	0
Non Treasury investments		250,000	250,000	0
<u>Limit on non-Treasury Investments</u>	g	330,000	330,000	0
Estimate of Net Income from Investments for Commercial and Service Purposes	g			
<u>Income</u>	£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

<u>Liability Benchmark for Borrowing</u>	See attached
<u>Liability Benchmark for Investments</u>	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	427,628	17%
12 mths and within 24 mths		0%	20%	52,556	62,900	2%
24 mths and within 5 years		0%	35%	157,060	213,043	8%
5 years and within 10 years		0%	40%	142,782	106,477	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	2,588,473	100.00%

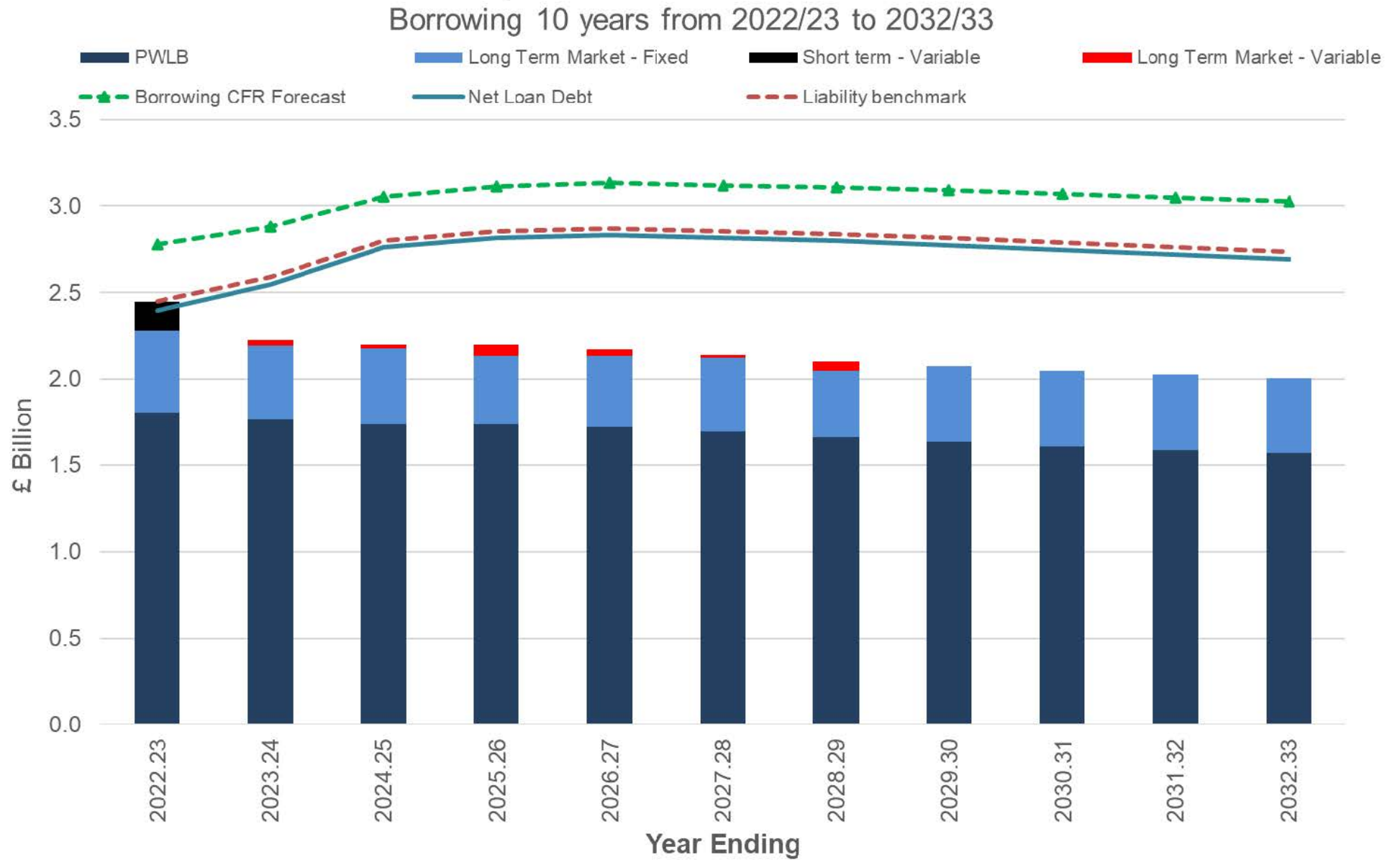
Upper Limit for Long Term treasury investments to mature in following years

<u>Year +1</u>	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

Appendix C2 Liability Benchmark - Debt



Appendix C3 Prudential Code Monitoring 2023/24 - Debt

