

# Proposed Budget for 2025/26 and Provisional Budgets for 2026/27 and 2027/28

Date: 11<sup>th</sup> December 2024

## Agenda Item 13A

Report of: Interim Assistant Chief Executive – Finance, Traded and Resources

Report to: Executive Board

Will the decision be open for call in?  Yes  No (Rec. d only)

Does the report contain confidential or exempt information?  Yes  No

## Brief summary

The purpose of this report is to recommend the Council's Proposed Budget for 2025/26 and to note the provisional budgets for 2026/27 and 2027/28 for consultation. This includes consideration of the Council's ringfenced accounts – Dedicated Schools Grant and the Housing Revenue Account – and the Capital Programme.

These budget proposals are set within the context of the 2025/26 – 2029/30 Medium Term Financial Strategy (MTFS), which was approved by the Executive Board on 18th September 2024, and which continues the journey commenced in 2019 whereby the Council's revenue budget becomes more financially robust, resilient and sustainable.

Recognising the challenge of bridging the estimated budget gaps for the period of the Strategy, whilst at the same time seeking to ensure that the Council's budget is robust, resilient and sustainable, another savings programme has been established. Reviews have been – and continue to be - carried out across the Authority to identify opportunities to continue to modernise and improve services, reduce costs and generate additional income. The outcome of this work has provided a number of saving proposals for consideration by the Executive Board: an initial set considered at the Board's October meeting with further proposals presented today. This report should therefore be read in conjunction with the accompanying '*Revenue savings proposals for 2025/26 to 2027/28*' reports. Savings approved for implementation, or consultation as required, will subsequently be built into the 2025/26 Budget and Provisional Budgets for 2026/27 and 2027/28.

These proposals have been informed by a review of all council budgets within a consistent prioritisation framework, which aims to reduce the effect on key services and mitigate negative impacts as far as possible. However, it needs to be recognised that we are not funded to provide all the functions we currently do, and so future service provision must be provided within the limited resources available. Alongside a continued focus on securing value-for-money and investing in transformation, services will continue to be reviewed as part of an overall resetting and reshaping of the authority to ensure it remains fit-for-purpose and sustainable in future years.

The Proposed Budget for 2025/26 and the Provisional Budgets for 2026/27 and 2027/28 need to be seen in the context of inherent uncertainty for the Council in respect of future funding and spending assumptions. The Chancellor's Autumn Budget to Parliament on 30<sup>th</sup> October did not provide any further details on a number of key budget areas such as Council Tax referendum limits, the future of Social Care funding and the New Homes Bonus scheme and funding allocations to the sector were provided at a national level. As such, further details are awaited in the Provisional Local Government Finance Settlement in December and some assumptions have been made in these proposals.

The financial position detailed in the Proposed Budget for 2025/26 needs to be understood in the context of a directorate overspend in 2023/24 and the reported £20.7m projected overspend for 2024/25 as reported to the Board elsewhere on today's agenda. This financial position reinforces the requirement for the council to both manage service pressures, especially in social care, within the projected level of resources detailed in this report and to ensure that budget savings proposals are realistic, deliverable and recurring. This will contribute towards this proposed revenue budget for 2025/26 being sustainable, resilient and robust.

The impact of pay and price inflation on the Council's Proposed Budget for 2025/26 has been significant and the respective assumptions are detailed in this report. Cost of living pressures are likely to continue to have a wider impact on the Council with increased demand for support and welfare services, and reduced income across a range of services as Leeds residents and visitors choose to spend differently as a consequence of inflationary pressures on household income.

This Proposed Budget recognises significant increasing demography and consequential demand pressures for social care services, providing an additional £10.6m in Adults and Health and £38.1m in Children and Families.

The MTFS 2025/26 to 2029/30 brought to September's Executive Board reported an estimated revenue budget gap of £194.5m over the next three years, £106.7m of this relating to 2025/26. A subsequent review of assumptions within the MTFS reduced this 2025/26 projected gap by £2.7m to £104.0m.

At its October meeting, the Board received an initial 'Revenue savings proposals for 2025/26 to 2027/28' report. The 2025/26 savings proposals considered in October amounted to £37.4m, leaving a projected gap at that stage in the next financial year of £66.6m. This has since been revised down by £21.3m following another review of the assumed pressures and funding within the MTFS - notably following October's Autumn Budget, leaving a gap of £45.3m. A second set of savings proposals is presented today totalling £45.3m which, if approved, would therefore result in a balanced budget position.

The provisional budget positions for 2026/27 and 2027/28 identify estimated budget gaps of £35.2m and £29.6m respectively. The revised gaps for these two years take into account the directorate savings proposals brought to this Board in October and elsewhere on today's agenda through the reports, 'Revenue Savings Proposals for 2025/26 to 2027/28'. Further budget savings proposals to reduce the estimated gaps for 2026/27 and 2027/28 will be brought to this Board for consideration.

As set out in both the Medium Term Financial Strategy 2025/26-2029/30 and this Proposed Budget report for 2025/26, the budget proposals detailed in this report need to be viewed within the context of the longer term approach to increase the financial sustainability, robustness and resilience of the Council's financial position. Specifically, this is to reduce reliance on one off funding sources to fund revenue expenditure and to reduce the Council's expenditure base so that it is affordable with the level of resources that are available to the Council in line with the Council's MTFS.

The headlines for the 2025/26 Proposed Budget when compared to the 2024/25 budget are as follows:

- An increase of £3.5m in the Settlement Funding Assessment (SFA)
- The Proposed Budget assumes a core council tax increase of 2.99% and an option to increase the Adult Social Care precept by 2% and we await confirmation in the Provisional Local Government Settlement. The total contribution of council tax to the Net Revenue Budget is projected to increase by £18.0m in 2025/26.
- Our current forecasts are that retained business rates income will improve by £13.3m compared to 2024/25, comprising of a £5.0m improvement in the deficit and an £8.3m improvement in growth above the baseline.
- Reflecting the above, the Net Revenue Budget for the Council has increased in 2025/26 by £34.8m to £656.8m.

- Overall, pay, price and demand pressures mean that the Council will need to deliver £106.4m of savings by March 2026.

Changes since the Medium-Term Financial Strategy, received by this Board in September, are summarised as follows:

- The Financial Strategy identified an estimated budget gap of £106.7m for 2025/26. Since that report, there has been a net increase in assumed resources of (£43.8m), a net increase in assumed pressures of £17.3m and a net reduction in routine savings identified in the MTFS of £2.5m, resulting in the requirement for £82.6m of further savings.
- The Council's established 'Financial Challenge' programme has continued to identify savings to contribute towards closing this gap. In October this Board received budget savings proposals reports totalling £37.4m; further savings proposals for 2025/26 of £45.3m are presented to this Board through the report on today's agenda, 'Revenue savings proposals for 2025/26 to 2027/28'. Consequently, this report is presenting a balanced budget position for 2025/26.

In respect of the Council's Ringfenced Accounts:

### **Dedicated Schools Grant**

- Based on the October 2023 census, the estimated Schools Budget for 2025/26 totals £1,123.5m, an increase of £38.4m from 2024/25. Final grant will be based on the October 2024 census.

### **Housing Revenue Account**

- The proposals assume the application of the Government's formula of annual rent increases being no greater than CPI+1%. CPI was 1.7% as at September 2024, which would give an allowable rent increase of up to 2.7%. As such the Proposed Budget assumes an increase in rental income of 2.7% in 2025/26.
- Service charges will increase by 2.7% for tenants in multi storey flats and low/medium-rise flats where they receive additional services such as cleaning of communal areas, lift maintenance, staircase heating and lighting and CCTV. An increase of 2.7% is also proposed for sheltered complexes where tenants have access to community facilities and for service charges at extra care schemes.

Further, this report summarises the current position for the Council's Capital Programme and references the annual capital programme review process reported to November's meeting of the Board. This report notes the Board's approval for future injection from the CIL Strategic Fund, to be invested for Strategic Highways and Supporting Older People Schemes. The revised programme, provided to the Board in November 2024, totals £1,575m for the five years from 2024/25 to 2028/29.

Savings proposals to address the current Financial Challenge, brought to the Board in October and elsewhere on today's agenda, have been reviewed to ensure that any interdependencies between capital and revenue are given due consideration.

In 2024/25 the Council is a member of the Leeds City Region Business Rates Pool, with 50% business rates retention alongside the other West Yorkshire authorities and York, enabling retention of levy payments within the region that would otherwise have to be made to Government. The Pool has applied to continue these pooling arrangements into 2025/26, and this report seeks approval that, should the application be successful, Leeds City Council becomes a member of the proposed Pool and acts as lead authority for it.

## Recommendations

Executive Board is recommended to:

- a) Note that the Proposed Budget for 2025/26 presented in this report is based on the approval and delivery of £106.4m of directorate savings for 2025/26, £23.8m of which have already been built into the Medium Term Financial Strategy and £82.6m of which have been brought to this Board through the accompanying reports, 'Revenue Savings Proposals for 2025/26 to 2027/28' at its October meeting and on today's agenda.
- b) Agree to consultation on the Proposed Budget for 2025/26. This includes the proposed 2.99% increases in core Council Tax and the 1.99% increase in the Adult Social Care precept. Further to this, that these budget proposals are submitted to Scrutiny Board and for wider consultation with stakeholders.
- c) Note the provisional budget position for 2026/27 and 2027/28 and to note that further savings proposals to address the updated estimated budget gaps of £35.2m and £29.6m for 2026/27 and 2027/28 respectively will be reported to future meetings of this Board.
- d) Approve that, should the application to form a 2025/26 Leeds City Region Business Rates Pool be successful, Leeds City Council becomes a member of the proposed Pool and acts as lead authority for it. The establishment of this new Pool will be dependent upon none of the other proposed member authorities choosing to withdraw within the statutory period after designation.

## What is this report about?

- 1 Executive Board members are required to recommend a balanced Revenue Budget and funded Capital Programme for 2025/26 to Full Council in February. The Proposed Budget provides a key part of the budget setting process.
- 2 This report presents an update to the financial position reported to this Board in September 2024 in the Medium Term Financial Strategy for 2025/26 to 2029/30.

## What impact will this proposal have?

- 3 The Equality Act 2010 requires the Council to have "due regard" to the need to eliminate unlawful discrimination and promote equality of opportunity. The law requires that the duty to pay due regard be demonstrated in the decision making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show due regard.
- 4 The Council is fully committed to ensuring that equality and diversity are given proper consideration when we develop policies and make decisions. In order to achieve this the Council has an agreed process in place and has particularly promoted the importance of the process when taking forward key policy or budgetary changes. Equality impact assessments also ensure that we make well informed decisions based on robust evidence.
- 5 Due regard to equalities will be given to any decisions taken via the delegated decision process on the savings proposals presented in the accompanying 'Revenue Savings Proposals for 2025/26 to 2027/28' report. Equality impact screenings and equality impact assessments will be carried out where appropriate as part of the decision-making process.
- 6 The proposals within this report have been screened for relevance to equality, diversity, cohesion and integration (Appendix 4) and a full strategic analysis and assessment will be undertaken on the 2025/26 Revenue Budget and Council Tax report which will be considered by Executive Board and subsequently by Full Council in February 2025. Specific equality impact

assessments will also be undertaken on all budget decisions identified as relevant to equality as they are considered during the decision-making process in 2025/26.

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

Health and Wellbeing       Inclusive Growth       Zero Carbon

- 7 The Best City Ambition sets out our overall vision for the city, focused on improving outcomes across the three pillars of Health and Wellbeing, Inclusive Growth and Zero Carbon. These outcomes can only be delivered through a sound understanding of the organisation's longer term financial sustainability, which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints. This is the primary purpose of the Medium Term Financial Strategy, which then provides the framework for the determination of the Council's annual revenue budget for which the proposals for 2025/26 are contained in this report.
- 8 This report needs to be seen in the context of the Best City Ambition update, the requirement for the Council to be financially sustainable and the requirement to set a balanced budget for 2025/26.

### What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?       Yes       No

- 9 The Authority's financial strategy is driven by its ambitions and priorities as set out in the Best City Ambition. The determination of these ambitions was subject to consultation with Members and officers throughout its development, with additional extensive stakeholder consultation carried out on the range of supporting plans and strategies. This stakeholder consultation process will include public consultation in December and January in respect of the 2025/26 Proposed Budget.
- 10 The Council's Medium Term Financial Strategy 2025/26 – 2029/30, received at Executive Board in September 2024, was informed by the public consultation exercise carried out between December 2023 and January 2024 on the Council's 2024/25 budget proposals. Whilst the consultation covered the key 2024/25 proposals, it also incorporated broader questions around the principles that underlie the Authority's financial plans and sought views on the savings proposals, a number of which covered a three-year period, and so the results are relevant to this report. The full results of the consultation are publicly available in the [2024/25 Revenue Budget and Council Tax report](#) considered by Full Council on 21st February 2024.
- 11 The public consultation on the Proposed Budget for 2025/26 will be carried out through an online survey: with the public via the council's website, social media and the Citizens' Panel; with staff through the intranet; and with other stakeholders, including representatives from the Third Sector and partners. The consultation will begin once this report is initially agreed by Executive Board and will run for four weeks, with findings timetabled to be reported at the following meeting, prior to finalisation of the Budget.
- 12 With regard to the individual savings proposals approved by this Board at its October meeting and those put forward in the accompanying, 'Revenue Savings Proposals for 2025/26 to 2027/28' report for consideration by the Executive Board today, both senior members and staff have been engaged in their development. Trade unions have also been informed in headline

terms of emerging proposals. Where required, further meaningful consultation and engagement has been, and will be, carried out with staff, trade unions, service users and the public as appropriate on the 'Service Review' savings proposals. The outcomes of any consultation will inform the Council's decision-making and, where completed and analysed in time, be incorporated into the 2025/26 Budget Report for consideration at February's Executive Board and Full Council.

- 13 Scrutiny Boards will initially be consulted on the savings proposals (both those brought to the Executive Board in October and those put forward today), as relevant to their remits, through working group meetings held during December. Subject to the approval of Executive Board, this Proposed Budget report will also be submitted to Scrutiny Boards for consideration and review as part of their formal cycle of meetings in January 2025. The outcome of their deliberations will be reported to the planned meeting of this Board on 12th February 2025.

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

- 14 The financial position, as set out in the Medium Term Financial Strategy received at September's Executive Board, identified an estimated budget gap of £194.5m for the period 2025/26 to 2027/28 of which a gap of £106.7m related to 2025/26. This position took account of the estimated level of resources available to the Council. In addition, it reflected the requirement to make the Council's revenue budget more financially resilient and sustainable over the medium term whilst at the same time recognising increased demand pressures for the services that we deliver.
- 15 Proposals to address this position and ultimately to deliver a balanced budget position for 2025/26 are contained within Appendix 1 of this Proposed Budget report.
- 16 The provisional budgets for 2026/27 and 2027/28 have been updated and the estimated budget gaps are now £35.2m and £29.6m for the respective years. Details are contained within Appendix 1 of this Proposed Budget report.

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

- 17 The Proposed Budget 2025/26 and the provisional budgets for 2026/27 and 2027/28 need to be seen in the context of significant inherent uncertainty for the Council in terms of future funding and spending assumptions. The Government's current Spending Review covers only one year until the end of March 2026. with a multi-year Spending Review will follow in spring 2025.
- 18 The Council's current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way, in that the Council cannot balance its Revenue Budget, is identified as one of the Council's corporate risks, as is the Council's financial position going into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the Council's risk-based reserves policy. Both these risks are subject to regular review.
- 19 Failure to address these issues will ultimately require the Council to consider even more difficult decisions that will have a far greater impact on front-line services including those that support the most vulnerable and thus on our [Best City Ambition \(leeds.gov.uk\)](https://www.leeds.gov.uk) in respect of Health and Wellbeing, Inclusive Growth and meeting our zero carbon target.
- 20 Financial management and monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach will continue to be included in the in-year financial reports brought to Executive Board.



- 21 In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required.
- 22 Specific risks relating to some of the assumptions contained within this Proposed Budget are identified at Appendix 1 to this report.
- 23 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and the Interim Assistant Chief Executive – Finance, Traded and Resources has responsibility for these arrangements. If in undertaking this statutory role it is clear that the Council cannot deliver a balanced budget position then it is incumbent on the Section 151 Officer under the Local Government Finance Act 1988, Section 114 (3) to “make a report under this section if it appears....that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure. Under S115 of the Local Government Finance Act 1988 Councillors have 21 days from the issue of a Section 114 report to discuss the implications at a Full Council meeting and before the consideration of an emergency budget.
- 24 Financial Management Corporate Risk Assurance is included in the Corporate Risk Register and is addressed in the Annual Corporate Risk and Resilience report most recently provided to this Board in July 2024; available here at [Item 24: Annual corporate risk report](#).

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

- 25 Under Section 151 Local Government Act, the Council must make arrangements for the proper administration of its financial affairs and the Council’s Interim Assistant Chief Executive – Finance, Traded and Resources has responsibility for the administration of those affairs.
- 26 The Council is under a statutory responsibility to set a balanced budget. Under Section 28 of the Local Government Act 2003 the Council is required 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 Council 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.
- 27 Under Section 3 of the Local Government Act 1999, the Council, as a best value authority, must make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This Proposed Budget is one of the ways in which the Council can secure best value within its resources envelope. Under Section 15 of the Act, the Secretary of State has the powers to intervene if satisfied that the Council is failing to meet its best value duty. This includes the power to issue direction that the function of the Authority be exercised by the Secretary of State, or a person nominated by them for a specified period.
- 28 This report has been produced in compliance with the Council’s Budget and Policy Framework. In accordance with this framework, the Proposed Budget, once approved by the Board, will be submitted to Scrutiny for their review and consideration. The outcome of their review will be reported to the February 2025 meeting of this Board at which proposals for the 2025/26 budget will be considered prior to submission to Full Council on 26<sup>th</sup> February 2025.
- 29 The Proposed Budget will, if implemented, have implications for Council policy and governance and these are explained within the report. The budget is a key element of the Council’s budget and policy framework, but many of the proposals will also be subject to separate consultation

and decision making processes, which will operate within their own defined timetables and be managed by individual directorates.

- 30 In accordance with Executive & Decision Making Procedure Rule 8.1.1, the power to Call-In decisions does not extend to those decisions made in accordance with the Budget and Policy Framework. As such, recommendations a., b. and c. are not eligible for call in, as the budget is a matter that will ultimately be determined by Full Council. The report referred to in Recommendation a., 'Revenue Savings Proposals for 2025/26 to 2027/28', which appears elsewhere on today's agenda, is separately subject to call-in.
- 31 However, Recommendation d., regarding the Council's participation in the 2025/26 Leeds City Region Business Rates Pool, is a decision of the Executive Board and as such is subject to call-in.
- 32 With regard to the individual savings proposals considered at the October meeting of this Executive Board and additional proposals put forward in the accompanying, 'Revenue Savings Proposals for 2025/26 to 2027/28' report on today's agenda, decisions giving effect to the Business as Usual proposals can be taken by the relevant Director or Chief Officer in accordance with the Officer Scheme of delegation (Executive functions) and will be subject to the Executive and decision – making procedure rules. Notice of any decision which is "Key" will be published on the list of forthcoming decision not less than 28 clear calendar days in advance of the date of the proposed decision.
- 33 Decisions giving effect to the Service Reviews will be made following the outcome of consultation having regard to representations made. Decisions will be taken by the relevant Director or Chief Officer, save where the Leader or the relevant Portfolio Holder has directed or the Director considers that the matter should be referred to Executive Board for consideration.

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

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

- 34 There are no alternative options to consider at this stage, as there is a requirement in line with the Council's Budget & Policy Framework Procedure Rules for the Executive to publish its initial proposals for the purposes of consultation.

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

- 35 Not applicable.

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

- 36 Not applicable.

## **Appendices**

- 37 Appendix 1: Proposed Budget for 2025/26 and Provisional Budgets for 2026/27 and 2027/28  
Appendix 2: Net Managed Budget by Directorate 2025/26  
Appendix 3: The 10 Year Capital Programme (Annual Programmes)  
Appendix 4: Equality, Diversity, Cohesion and Integration Screening

## **Background papers**

- 38 None.





**MEETING OUR  
FINANCIAL CHALLENGE**

# Proposed Budget for 2025/26 and Provisional Budgets for 2026/27 and 2027/28



# Appendix 1:

## Introduction

This report details the Proposed Budget for 2025/26. This Proposed Budget is set within the context of the Medium-Term Financial Strategy 2025/26 to 2029/30 (MTFS) approved by Executive Board in September 2024, the 2024 Autumn Budget and savings proposals received at Executive Board in October and December 2024 which contribute towards bridging the estimated budget gap for 2025/26.

A key objective of the MTFS is to ensure that effective financial planning and management contribute to the Authority achieving its strategic ambitions to be the Best Council in the Best City in the UK. The Proposed Budget reinforces that objective, continuing to review and forecast influences on the resources available to the council, estimating expenditure requirements, making sure that value for money is achieved, and ensuring the council is financially resilient, stable and sustainable for the future.

Subject to the approval of the Executive Board, this Proposed Budget for 2025/26 will be submitted to the respective Scrutiny Boards for their consideration and review, with the outcome of their deliberations to be reported to the planned meeting of this Board on 12<sup>th</sup> February 2025. These budget proposals will also be made available to other stakeholders as part of a wider and continuing process of engagement and consultation.

This report also provides an update on the provisional budgets for 2026/27 and 2027/28 and the Executive Board is asked to note these revised positions.

### **Part 1: Context and Scene Setting**

### **Part 2: Summary Changes since the MTFS**

### **Part 3: Changes in Resources and Funding**

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

### **Part 5: Addressing the Budget Gap**

### **Part 6: Summary Proposed Budget 2025/26**

### **Part 7: Provisional Revenue Budgets for 2026/27 and 2027/28**

### **Part 8: Ringfenced Budgets**

### **Part 9: Capital Programme**

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



## Part 1: The Context for Leeds City Council's Proposed Budget 2025/26 and Provisional Budgets for 2026/27 and 2027/28

- 1.1 This report brings before Executive Board the Proposed Budget for 2025/26. The report presents proposals to date, and is based on assumptions set out in the council's five-year Medium Term Financial Strategy 2025/26 to 2029/30. This report also sets out the recommended Council Tax increase for 2025/26, excluding those for the precepting authorities. This report is a precursor to the Final Budget proposals which will be submitted to Executive Board in February 2025 and to Full Council for approval later that month.

### Influences affecting the Proposed Budget

- 1.2 The funding available to local authorities, and the way this is used, is influenced by factors at a regional, national and international level. This Proposed Budget is produced at a time when Leeds is facing significant change and challenges, some of which come as a result of developments far beyond the City's borders.
- 1.3 The council's MTFs noted that we are in a period of political and economic volatility with Section 1.4 of that report describing a range of influences and factors that impact on the development of the Proposed Budget, including the wider economy and national Government policy. Paragraphs 1.5 and 1.6 below discuss these influences where the situation has progressed since publication of the MTFs.
- 1.4 The predominant influences affecting the Proposed Budget and MTFs include: the economy, both global and national; annual Government announcements; national policy; regional working; a changing operating context including the impact of cost of living; and Health and Social Care funding.

### The Economy

#### 1.5 Office of Budget Responsibility forecasts

At the time of the Autumn Budget in October 2024, the Office for Budget Responsibility (OBR) published its updated independent economic and fiscal forecasts. The OBR forecast slightly increased growth of the economy in the early years of the forecast but slowing in later years compared to the forecasts in March 2024, as set out below:

- The OBR's forecast for GDP growth for 2024/25 is up from 0.8% in March to 1.1% in October. In 2025/26 growth forecasts are slightly up from 1.9% to 2.0%, however, in later years this growth drops to 1.8% in 2026/27, 1.5% in 2027/28 and 2028/29 and 1.6% in 2029/30.
- The OBR estimates that inflation (CPI) will average 2.5% in 2024/25 before rising slightly to 2.6% in 2025/26, and falling back to 2.3% in 2026/27, 2.1% in 2027/28 and 2028/29 and 2.0% in 2029/30.
- Rates of unemployment are expected to decrease when compared to the March forecast to 4.3% in 2024, 4.1% in 2025 and 4.0% in 2026. In 2027 and



for the rest of the forecast period, unemployment is expected to settle at its structural rate of 4.1%.

- Increases in average earnings peaked in 2023 at 7.6% and are forecast to fall back to 4.7% in 2024, 3.6% in 2025, 2.1% in 2026 and 2.0% in 2027. Earnings growth recovers slightly in the last two years of the forecast period to increase by 2.3% in 2028 and 2.5% in 2029.

## 1.6 Annual Government Announcements – 2024 Autumn Budget

The Chancellor presented the 2024 Autumn Budget and a one-year Spending Review for 2025/26 to the House of Commons on 30th October 2024. The headline announcements in the Autumn Budget 2024 are as follows:

- An additional £1.3bn was announced to the Departmental Expenditure Limits (DEL) for the Ministry of Housing, Local Government and Communities (MHCLG).
- At least £600m of this funding is earmarked for Social Care with the remaining £700m as yet uncertain. However, the Government has indicated that this additional funding will be allocated to individual authorities largely on the basis of relative deprivation.
- The published papers following the Autumn Budget stated that the Government hopes to redesign the allocation of funding between local authorities from the financial year 2026/27. Further details are expected in phase two of the Spending Review expected in Spring 2025.
- The lower Small Business Rates Multiplier will be frozen at 49.9 pence in the pound while the higher Standard Business Rates Multiplier will increase in line with the September CPI from 54.6 pence in the pound to 55.5 pence in the pound. This is in the wake of the Non-Domestic Rating Act 2023, enacted in October 2023, allowing ministers to treat the multiplier rates independently whereas they were previously linked. Local authorities will receive full compensation for the loss of income they will experience.
- Government announced that the 75% discount for retail, hospitality, and leisure establishments, would be continued but reduced to 40% up to a maximum of £110,000 nationally for 2025/26. From 2026/27 a new permanent lower multiplier will be introduced for such establishments with a Rateable Value of £500,000 or less. This will be paid for by introducing a new higher multiplier for all properties with a Rateable Value above £500,000.
- 80% Mandatory Charity Relief against business rates liabilities will be abolished for private schools from April 2025, but this will require primary legislation, although private schools 'wholly or mainly' concerned with providing full time education to pupils with an Education, Health and Care Plan will remain eligible for relief.
- The Government has published a discussion document on the priorities for reform of the Business Rates system highlighting the high street and other areas for reform. Leeds City Council intends to fully participate in this process.





- The Government will increase Employers National Insurance Contributions by 1.2% to 15% from April 2025 and reduce the per-employee threshold at which employers become liable to pay National Insurance from £9,100 to £5,000. As an employer this has implications for the costs incurred by the council. However, the Government notes that it will compensate for the cost to public sector organisations.
- The National Living Wage will increase by 6.7% from £11.44 an hour to £12.21 per hour effective from 1st April 2025. The council's Proposed Budget allows for provision of £12.60 per hour in line with the recent Real Living Wage announcement, so that this NLW increase has no impact on the position. However, the increase is expected to impact Commissioned Services and providers of other goods and services to the Council.
- In addition, £1.1bn of new funding for local government in 2025/26 will be made available through the implementation of the Extended Producer Responsibility scheme to improve recycling outcomes from January 2025. The Government have added that should individual authorities fail to receive the current central estimate of income from this measure (to be communicated to authorities shortly by DEFRA) the Government will provide them with a top-up payment for 2025/26 only. Details will be announced in the provisional settlement.
- The Government will provide £1bn in additional funding in 2025/26 to extend the Household Support Fund (HSF) and Discretionary Housing Payments (DHP) helping households meet additional living costs.
- The Government announced £233 million of funding for Homelessness. It is assumed this will be additional to the £1.3 billion in local authority additional grant funding included in the local government DEL and will not replace current grant funding received for homelessness prevention and provision of support and accommodation for rough sleepers.
- Right to Buy discount schemes will be reduced back to their pre-2012 levels and local authorities will be allowed to keep 100% of capital receipts from sales from 21st November 2024.
- The 2025/26 Spending Review included an additional £1 billion uplift for Special Educational Needs and Disability Funding (SEND) and alternative provision funding, equivalent to 6% real growth, as a first step to longer-term reform to reform England's SEND provision and return the system to financial sustainability.

It is important to note that the 2024 Autumn Budget did not include any announcements in relation to some key budget areas including:

- The percentage by which Council Tax can be increased without the need for a local referendum
- Social Care reforms
- The future of the New Homes Bonus scheme
- Future funding plans for Public Health.

As referenced above, we expect further detail, including detailed local authority



allocations, at the Provisional Local Government Settlement which will be published on 19<sup>th</sup> December. As such this Proposed Budget is based on the Autumn Budget 2024 and Spending Review for 2025/26.

- 1.7 **Previous Annual Government Announcements** relevant to this Proposed Budget are discussed in the [Medium-Term Financial Strategy 2025/26 to 2029/30](#).

### National Policy

- 1.8 In October 2023 two Acts came into force that directly impacted the council's ability to raise funding locally. These two Acts are:
- The Levelling Up and Regeneration Act 2023 which introduced two important reforms to Council Tax; a new premium on second homes and reducing the period after which a 100% premium can be applied to empty homes from two years to one year. The Second Home Premium provision required the Authority to give property owners twelve months' notice of the imposition of the additional charge. Therefore, Full Council was asked to make a determination in February 2024 that the charge be applied from 1<sup>st</sup> April 2025. Full Council gave its approval at that time and therefore the charge will be applied from April 2025 and the impact is included in these proposals. The changes to the Long Term Empty Premium were proposed to Full Council in January 2024 and Full Council determined that the charge would be applied once a property had been empty and unfurnished for more than 12 months, reducing the period as allowed by the Act. This charge will also apply in 2025/26 and is included in these proposals.
  - The Non-Domestic Rating Act 2023, which introduced a number of reforms to business rates, has implications for the Business Rates Retention Scheme (BRRS). These reforms included giving ministers the power to increase the lower Small Business Rates Multiplier and higher National Multiplier at different rates up to a maximum of September's annual rate of increase in the CPI. Ministers decided at the Autumn Statement 2023 to decouple the multipliers and this was repeated by the new Government in the Autumn Budget 2024. Therefore, an increase in business rates income is expected from the increase in the higher National Multiplier, although this comes with a corresponding reduction in multiplier cap compensation. The increase in the multipliers drives many of the fundamental elements of the BRRS such as the baselines, the tariff and the levy calculations. This affects each Local Authority differently depending on the proportion of each authority's tax base that is subject to the higher multiplier (around 70% of the taxbase in Leeds) and the lower Small Business Rates Multiplier (around 30% of the taxbase in Leeds). These impacts are included in this Proposed Budget.

### About Leeds: Socio-economic context

- 1.9 Leeds is a growing city with a population that continues to become more diverse



in terms of age, countries of origin and ethnicity. Leeds has a unique geography with a large, urban centre, surrounded by towns, villages and rural areas.

- 1.10 During the two decades prior to the last global financial crisis, the city's economy experienced significant growth, driven in large part by financial and business services. Leeds established itself as a vibrant, diverse and dynamic city, with a strong knowledge-based economy and recovered from the economic impact of the COVID-19 pandemic faster than many of its neighbouring cities. Despite this positive growth, a combination of post-pandemic pressures and the cost of living crisis have exacerbated inequalities across some of our lowest-income households across the city, impacting individuals, council and partner services and the economy.
- 1.11 Poverty and inequality continue to remain significant challenges across the city, particularly impacting inner-city areas, where there is a higher proportion of lower income households and where our population is growing most quickly. While earnings in Leeds compare favourably to neighbouring authorities and Core City local authority areas overall, for too many in the city, being in work does not represent a route out of poverty with an estimated 73,000 adults experiencing in-work poverty. Despite strong performance in job creation, there is a risk of people being caught in a loop of low pay, low skills and limited career progression, or that structural change in the labour market results in people being locked out of prosperity as their job roles and prospects change. These challenges not only limit the opportunities for individuals - resulting in poorer health, wellbeing and educational outcomes - but hold back the economy, affect productivity, cause skills' shortages, and create additional costs for businesses and the public sector.
- 1.12 Further information on Leeds' socio-economic context is available at Section 1.5 of the [MTFS 2025/26 to 2029/30](#).

### **Developing the 2025/26 Budget and Medium Term Financial Strategy and our Strategic Ambitions**

- 1.13 Our overall vision for the city is set out in the Best City Ambition which can be read in full here: [Best City Ambition \(leeds.gov.uk\)](https://www.leeds.gov.uk/best-city-ambition). At its heart is our mission to tackle poverty and inequality and improve quality of life for everyone who calls Leeds home. The Ambition is focused on improving outcomes across three 'pillars': Health and Wellbeing, Inclusive Growth, and Zero Carbon. These pillars, and the areas of focus that cut across them all, capture the things that will make the biggest difference to improving people's lives in Leeds. The Best City Ambition aims to help partner organisations and local communities in every part of Leeds to understand and support the valuable contribution everyone can offer – no matter how big or small – to making Leeds the best city in the UK. The Ambition can only be delivered through a sound understanding of the organisation's longer-term financial sustainability, which enables decisions to be made that balance the resource implications of the council's policies against financial constraints. This is the primary purpose of the Medium-Term Financial Strategy, which then provides the framework for the determination of the





council's annual revenue budget.

- 1.14 The ambition to be the best city for our citizens must fit within the financial envelope available for delivery. The council will continue to stretch that envelope through maximising the impact of collaboration through Team Leeds partnerships, working hard to secure external income for place-based delivery and ensuring the organisation is providing as much value for money as possible. In establishing this strategic response to a dynamic financial environment, the council remains vigilant to potential risks and challenges, focused on statutory duties and ready to implement further short-term measures to minimise the disruption of changing resources and service demands. This is part of the overall resetting of the council's role with regional and national government, enabling effective service delivery within the financial envelope available.
- 1.15 The council is projecting an overspend in 2024/25, as reported in the monthly Financial Health report elsewhere on the Executive Board agenda. Whilst actions have been identified, and are being implemented to address this financial position, any overspend at year end will require to be funded from the council's reserves, with implications for the level of resources available in future years. Unavoidably, managing this in-year position means that the council will have to make difficult decisions around the delivery of services, and it will remain difficult over the coming years to identify further financial savings without significant changes in what the council does and how it does it. We have reflected the significant demand pressures for Adult's and Children's Services in 2024/25 in the budget position going forward.
- 1.16 In recognition of this financial challenge the council has embarked on a programme of service reviews which, when combined with business as usual savings, contribute towards closing the estimated revenue budget gap and enable the Authority to present a balanced budget position in 2025/26. As detailed in the 'Revenue savings proposals for 2025/26 to 2027/28' report elsewhere on this agenda, the scale of the pressures on the council's financial position this year, combined with the gap over the next three years - looking ahead, the council is facing an updated estimated budget gap of £142.9m for the period up to and including 2029/30, £35.2m of which is in 2026/27 - is unprecedented.
- 1.17 In the last five financial years, local government has received single-year settlements, making financial planning to deal with these pressures more difficult. Following the election of a new Government it is anticipated that local government will receive a further one-year settlement for 2025/26. Government has announced that from 2026/27 local government will once again receive multi-year settlements following a multi-year Spending Review in Spring 2025.
- 1.18 In common with local authorities throughout the country, in order to balance the council's budget and to avoid issuing a Section 114 notice (in effect declaring that the council cannot achieve a balanced budget and preventing all new spending), difficult decisions will have to be taken that will impact across





## Part 2: Summary of changes since the Medium Term Financial Strategy (MTFS)

Table 1 – Summary of Changes in Resources, Costs and Savings Proposals in the Proposed Budget 2025/26 and comparison with the position at the Medium Term Financial Strategy

	MTFS	Changes since MTFS	Proposed Budget 2025/26
	£m	£m	£m
Increase in Net Revenue Charge	(25.3)	(9.5)	(34.8)
Change in contribution to/(from) General Reserve	(3.0)	0.0	(3.0)
Change in contribution to/(from) Earmarked Reserves	15.5	10.3	25.8
Net Increases in Other Specific Grant	(2.6)	(39.2)	(41.8)
Other General Fund Business Rates Movements	7.7	(3.7)	4.0
Other Contributions	0.8	(1.7)	(0.8)
<b>Funding and Resources</b>	<b>(6.9)</b>	<b>(43.8)</b>	<b>(50.7)</b>
Pay Inflation	21.9	11.9	33.7
Commissioned Services	23.5	0.0	23.5
Inflation	9.1	(0.6)	8.5
Demand and Demography	49.1	0.0	49.1
Other incl. Debt	36.3	6.0	42.2
<b>Pressures</b>	<b>139.8</b>	<b>17.3</b>	<b>157.1</b>
<b>Total Funding, Resources and Cost Pressures</b>	<b>133.0</b>	<b>(26.5)</b>	<b>106.4</b>
	£m	£m	
<b>Total Existing Savings Prior to September MTFS</b>	<b>(4.6)</b>	<b>0.0</b>	<b>(4.6)</b>
<b>Routine Efficiencies identified 2024</b>			
Business As Usual	(20.0)	2.5	(17.6)
Service Reviews	(1.7)	0.0	(1.7)
<b>Total Routine Savings Identified at MTFS</b>	<b>(21.7)</b>	<b>2.5</b>	<b>(19.2)</b>
<b>Gap Remaining After Existing Savings</b>	<b>106.7</b>	<b>(24.1)</b>	<b>82.6</b>
<b>Directorate Savings</b>			
<b>October 2024</b>			
Business As Usual	0.0	(32.9)	(32.9)
Service Reviews	0.0	(4.5)	(4.5)
<b>December 2024</b>			
Business As Usual	0.0	(21.9)	(21.9)
Service Reviews	0.0	(23.3)	(23.3)
<b>Total Additional Directorate Savings 2024</b>	<b>0.0</b>	<b>(82.6)</b>	<b>(82.6)</b>
<b>Gap Remaining After Additional Savings</b>	<b>106.7</b>	<b>(106.7)</b>	<b>0.0</b>

- 2.1 The council's [Medium Term Financial Strategy 2025/26 – 2029/30](#) was presented to Executive Board in September 2024 and included a budget gap of £106.7m in respect of 2025/26. Table 1 summarises the movement in the 2025/26 position since the MTFS, showing the main changes in resources available to the council and the budget movements relating to changes in cost assumptions, which total (£26.5m).



**LEEDS CITY COUNCIL**

**Proposed Budget for 2025/26 and Provisional Budgets for 2026/27 and 2027/28**

2.2 Table 1 also shows the value of savings proposals that have been identified and which contribute towards balancing the 2025/26 budget within the estimated available resources. These are detailed in Part 5: Addressing the budget gap. Overall, the Proposed Budget shows a balanced position for 2025/26.









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

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

	2024/25	2025/26	Change
	£m	£m	£m
<b>Settlement Funding Assessment</b>	<b>207.65</b>	<b>209.69</b>	<b>2.05</b>
<b>Which includes:</b>			
Council tax freeze grant 2011/12			
Council tax freeze grant 2013/14			
Early intervention grant			
Preventing homelessness			
Lead local flood authority grant			
Learning disability & health reform grant			
Local welfare provision			
Care act funding			
Sustainable drainage systems			
Carbon monoxide & fire alarm grant			
Local Council Tax Support admin subsidy grant			
Family Annexe Council Tax Discount grant			
Food safety and standards enforcement grant			

### 3.3. Business Rate Retention

3.3.1. Leeds is the most diverse of all the UK's main employment centres and has seen the fastest rate of private sector jobs growth of any UK city in recent years. Yet this apparent growth in the economy has not translated into business rate growth; in fact, the business rates income available to the council declined from 2015/16 to 2017/18, only returning to 2014/15 levels in 2018/19 with the introduction of the 100% Business Rates Retention pilot. The effect of the Coronavirus crisis reversed this growth again with in-year income levels from the Business Rates Retention (BRR) Scheme (i.e. excluding the exceptional effects of the Collection Fund deficits from 2020/21 and 2021/22) declining below 2015/16 levels in 2021/22 and not recovering to budgeted 2020/21 levels, set before the impact of the COVID-19 crisis, until 2024/25.

3.3.2. The projected total rateable value of businesses in Leeds on the 2023 ratings list as at 1<sup>st</sup> April 2025 will be £959.64m, which would generate gross business rates income of £516.48m. It is projected that there will be growth in gross business rates of £5.76m in 2025/26 which is a return to the growth trend prior to the COVID-19 pandemic. As shown in Table 5, the impact of a range of business rate reliefs (see paragraph 3.4) and statutory adjustments reduces this to a net income figure of £395.10m.







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

- 3.3.6. In particular, BRR exposes local authorities to risk from reductions in rateable values. The system allows for appeals if a ratepayer thinks their rateable value has been wrongly assessed or that local circumstances have changed. A compounding issue is that successful appeals are usually backdated to the start of the relevant valuation list.
- 3.3.7. For example, the life of the 2017 ratings list was six years (1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2023). Successful appeals submitted against the 2017 list could therefore be backdated for six years and for every £1 of rateable value lost on appeal, on average over £6 of growth would be required to compensate the council for losses. As the 2017 list closed in 2023 the number of appeals greatly increased as the deadline for submitting a valid Challenge approached and sufficient provisions for these appeals had to be made. As at 30<sup>th</sup> September 2024 there were 314 Checks and Challenges remaining outstanding against the 2017 list plus specific provisions made for classes of properties currently subject to reductions in Rateable Value such as hospitals and GP surgeries. The council currently holds total provisions for these appeals of £9.5m although this is projected to reduce significantly as appeals from the 2017 list are resolved and any Business Rates repaid to ratepayers.
- 3.3.8. The 2023 ratings list came into force on 1<sup>st</sup> April 2023 alongside a commitment from the previous Government that its lifetime would only be three years, reaffirmed by the new Government in the Autumn Budget 2024. As at 30<sup>th</sup> September 2024 there were 202 Checks and Challenges outstanding against this list, with the council holding £3.9m against losses from these appeals. The properties involved in these appeals are largely of low Rateable Value and can only be backdated by 1.5 years. It is expected that there will be surge in appeals as the ratings list nears the end of its term with the council forecasting a cost to the Revenue Budget in these proposals for 2025/26 of £12.7m.
- 3.3.9. Since 2013/14 the total amount repaid by way of business rate appeals is £235.0m, at a cost to the council's General Fund of £120.8m. The provision for business rate appeals within the Collection Fund has been reviewed and recalculated to recognise new appeals and the settlement of existing appeals. The 2025/26 Proposed Budget provides for an additional £4.3m contribution from the General Fund to fund this provision as shown in Table 8.
- 3.4. **Small Business Rates Relief and other mandatory reliefs**
- 3.4.1. Before the pandemic almost 12,600, about 30%, of business properties in Leeds paid no business rates, of which just over 9,700 receive 100% Small Business Rates Relief. From April 2017, Government increased the rateable value threshold for small businesses from £6,000 to £12,000 and the threshold above which businesses pay the higher national business rates multiplier from £18,000 to £51,000. As a result, an additional 3,300 small businesses in Leeds



immediately paid no business rates at all. Whilst Small Business Rates Relief and other threshold changes reduce the business rates income available to Leeds, the Authority recovers 69.1% of the cost of the relief through Government grant. A fixed grant of £0.8m is paid by Government for the changes to the multiplier threshold and a further £31.3m is recovered through the ratepayers in more valuable properties who pay rates based on the higher business rates multiplier. The overall proportion any individual authority recovers depends on the mix of large and small businesses in that area.

- 3.4.2. Unlike Small Business Rates Relief, in 2024/25 Leeds will bear 49% of the cost of other mandatory business rate reliefs such as mandatory charity relief and empty rate relief but has no control over entitlement and no powers to deal with their use in business rates avoidance. Costs of mandatory reliefs have increased significantly since the introduction of BRR, further reducing Leeds's retained business rates income: in real terms mandatory charity relief alone has increased by almost 46%, from approximately £22.6m in 2012/13 to a projected £31.8m in 2024/25 costing the council an estimated £4.51m more in lost income under 49% retention in 2024/25.
- 3.4.3. In the Spending Review 2021 the previous Government announced a further relief scheme for 2022/23, in which retail, hospitality and leisure businesses receive a 50% relief against their 2022/23 business rates liability up to a maximum of £110,000 per business. This relief was continued into 2023/24 and 2024/25 and increased to 75% relief up to a maximum of £110,000 per business nationally. It was confirmed at the Autumn Budget 2024 that the Government will continue this scheme into 2025/26 but will be reduced to 40% up to a maximum of £110,000. The forecast for this expanded relief in the light of the council's experience in 2024/25 is detailed in section 3.5 below. Extensive relief schemes such as this, which are fully funded by Government, do not directly impact the net resources the council has available. However, they do reduce the amount of funding to be collected from businesses and therefore also reduce the risk of non-collection and the cost of provisions for bad debts. Conversely, with a reduction in reliefs such as the reduction of Retail, Hospitality and Leisure Relief from 75% of liability to 40% in 2025/26 the Council bears an increased risk of non-collection of the higher liability ratepayers will face.

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

- 3.5.1. In terms of this Proposed Budget, it is estimated that the local share of business rates funding in 2025/26 will be £193.6m. As per Table 6, the Proposed Budget recognises business rate growth above the baseline of £8.78m, although an estimated £4.4m of this growth is solely due to the reduction in relief for Retail Hospitality and Leisure establishments from 75% to 40%. This remains a £2.08m reduction in the City's locally generated revenue above the baseline (4.8%) compared to the budgeted 2020/21 level (£10.9m or 6.9%) largely caused by the continued availability of Retail, Hospitality and Leisure Relief despite being at a reduced level. The elements of the improvement since 2024/25 are set out in the



paragraphs below.

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

	2024/25 £m	2025/26 £m	Change £m
Business rates local share	183.15	193.60	10.46
Less: business rates baseline	182.65	184.82	2.17
Growth above baseline	0.50	8.78	8.28

- 3.5.2. Table 7 sets out the main changes in business rates income that result in this £8.3m improvement in growth above the baseline since 2024/25. The largest element at £4.4m is the increase in business rates income as a result of the reduction in Retail, Hospitality and Leisure relief from 75% of liability to 40%. This increase in business rates income will see an accompanying reduction in the compensation received from Government. Growth in the taxbase in 2024/25 above that forecast in January 2024 of £3.5m and in-year growth in the taxbase in 2025/26 of £2.5m will also boost growth above the baseline. This is partially offset by increased demand for Small Business Rates Relief, (£0.9m), and Empty Rate Relief, (£0.6m).
- 3.5.3. Smaller changes in the taxbase have the net result of reducing growth above the baseline by (£0.2m), such as increased demand for Mandatory Charity Relief, (£0.2m), a small increase in bad debt provision, (£0.2m), the introduction of Film Studio Relief, (£0.1m), and a slight increase in unfunded discretionary reliefs. These are partially offset by reductions to smaller reliefs of £0.4m.

**Table 7 – Changes in Growth above the baseline between the 2024/25 and 2025/26 Budgets and later years**

	2025/26 Indicative	2026/27 Indicative	2027/28 Indicative
Leeds share of growth above the baseline	49%	49%	49%
<b>Growth above baseline assumed previous year (£m)</b>	<b>0.5</b>	<b>8.8</b>	<b>8.9</b>
Increase in current taxbase in 2024/25 (£m)	3.1	0.0	0.0
Change in cost of bad debt provisions (£m)	(0.2)	0.0	0.0
Change in cost of provisions for appeals (£m)	(0.1)	(2.0)	2.0
Change in cost of empty rate relief (£m)	(0.6)	0.0	0.0
Change in cost of Small Business Rates Relief (£m)	(0.9)	0.0	0.0
Change in Mandatory Charity relief (£m)	(0.2)	0.0	0.0
Film Studio Reliefs (£m)	(0.1)	0.0	0.0
Retail, Leisure and Hospitality Relief (£m)	4.4	0.0	0.0
In-year growth of business rates yield (£m)	2.5	2.0	2.0
Other smaller changes in the tax base (£m)	0.4	0.1	0.1
<b>Growth above baseline assumed current year (£m)</b>	<b>8.8</b>	<b>8.9</b>	<b>13.1</b>









on council taxpayers in Leeds, results in a projected £8.3m deficit. This deficit is shared between the Council, the West Yorkshire Police Authority and the West Yorkshire Fire and Rescue Authority. The Council's share of the deficit is £6.9m with the remaining deficit being paid by the other two authorities. The most significant reason for this increase in the deficit remains continuing pressures on collection. The target for collection in Leeds in 2024/25 is now 98%, reduced from 99%, and collection is forecast to increase to 98.5% in future years.

- 3.7.3. It should be noted that these proposals include an adjustment for the provisions in the Levelling Up and Regeneration Act 2023 laid out in paragraph 1.8; namely the introduction of a 100% premium for Second Homes from 2025/26 as per the decision of Full Council on 21<sup>st</sup> February 2024.
- 3.7.4. In 2024/25 the Government allowed local authorities to increase their core Council Tax charge by up to, but not including, 3% before having to submit their proposed increase to a local referendum. The council decided to increase its core Council Tax by 2.99%. In the Autumn Budget on 30<sup>th</sup> October 2024 there was no indication from Government what the maximum rate would be for 2025/26, however subsequent exchanges in the House of Commons have given assurance that the thresholds will not change. It is therefore assumed in these proposals that the permitted increase will again be up to but not including 3% again, however the final decision remains with Full Council.
- 3.7.5. The impact of the proposed core increase (2.99%) and ASC precept increase (1.99%), as explained in paragraph 3.8, on the Leeds share of the Council Tax charge by band is shown at Table 10. The Leeds council tax charge will be presented to Full Council for approval in February 2025.

**Table 10 – Proposed 2025/26 Leeds Council Tax**

<b>BAND A</b>	<b>BAND B</b>	<b>BAND C</b>	<b>BAND D</b>	<b>BAND E</b>	<b>BAND F</b>	<b>BAND G</b>	<b>BAND H</b>
£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
1208.75	1410.21	1611.67	1813.13	2216.05	2618.97	3021.88	3626.26

- 3.7.6. As shown in Table 11, in total the level of Council Tax receivable by the council in 2025/26 is projected to increase by £18.0m when compared to that receivable in 2024/25.









receiving compensation for the loss of income. The Government confirmed that the higher Standard Multiplier will increase by the September 2024 annual CPI increase of 1.7%. These proposals incorporate those decisions.

- 3.9.4. Council Tax, before the impact of the deficit from the previous year, is projected to increase by £23.1m as detailed in Table 11. Due to the cost of living crisis, it is assumed that demand for Council Tax Support will increase slightly compared to 2024/25, which has the effect of reducing the council tax base. Growth in the council tax base, with new homes being completed in the City, has been slower than forecast for 2024/25 and therefore further growth in the tax base in this way in 2025/26 has been reduced to 0.8% in response. As discussed at paragraph 3.8 the Proposed Budget assumes that the Adult Social Care precept will add 2% to Council Tax, subject to the approval of Full Council.

### 3.10. **Changes to Council Tax and Business Rates in response to recent Acts of Parliament**

- 3.10.1. As explained in **paragraph 1.8**, two pieces of legislation were enacted in October 2023 that continue to impact the Council Tax and business rates that will be generated in the city of Leeds.

The **Levelling Up and Regeneration Act 2023** contained two provisions that impact the level of Council Tax in the city. The first provision, the changes made to the Long-Term Empty Premium, approved by Full Council in January 2024 are projected to raise approximately £1.6m in 2024/25 and will continue into 2025/26 and later years the second provision of the Act, the introduction of a 100% premium on Second Homes, approved by Full Council in February 2024, could raise up to an additional £3.5 million from 2025/26.

- 3.10.2. The **Non-Domestic Rating Act 2023** implemented the previous Government's proposals to decouple the Small Business Rates Multiplier and the higher National Multiplier. At the Autumn Budget 2024 the new Government again, froze the Small Business Rates Multiplier and increase the higher National Multiplier by 1.7% (CPI in September 2024). This has important implications for the Business Rates Retention Scheme, as explained at paragraph 1.8, and for the compensation local authorities receive for the capping of the Multipliers in 2025/26 and previous years, as explained in paragraph 3.11.31. The Government now collects data from each local authority to determine how much of their tax base is subject to the two multipliers. This data determines how much compensation they will receive, and the impacts of these calculations are included in these proposals.

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

- 3.11.1. The changes in local funding, detailed in paragraphs 3.2 – 3.10, increase the council's Net Revenue Budget and form part of the overall funding envelope available to the council.



- 3.11.2. Other movement in the council's available resources are shown in paragraphs 3.11.3 – 3.11.33.

### **Movement on the use of Reserves £22.8m**

- 3.11.3. **Changes in contributions to/(from) the General Reserve (£3.0m)** – The opening General Reserve position in 2024/25 stood at £36.2m with the opening position for 2025/26 estimated to be £37.7m, reflecting a planned contribution of £1.5m to this reserve in 2024/25. This Proposed Budget reflects a £3m reduction to the base contribution to this reserve for 2025/26 given the significant financial challenge being faced by the authority. This results in an estimated closing balance of £37.7m on the General Reserve in 2025/26. A £3m base contribution provided for in the MTFS in 2026/27 would result in a £3m increase in that and every subsequent year of the Strategy.

### **Changes in contributions to/(from) Earmarked Reserves £25.8m**

- 3.11.4. The opening General Fund earmarked reserves for 2024/25 stood at £114.3m. A net in year use of reserves in 2024/25 of £20.3m is currently forecast which would result in earmarked reserves of £94.0m being carried forward into 2025/26.
- 3.11.5. Overall, the measures in this Proposed Budget apply a net contribution from the revenue position of £25.8m to Earmarked Reserves in 2025/26.
- 3.11.6. General Fund earmarked reserves in 2024/25 include £20.2m of Strategic Contingency Reserve, established in 2020/21 to fund future unforeseen budget pressures and to ensure the council becoming more financially resilient. There is currently a net in year use of £9.7m: a budgeted contribution of £5.9m and planned use of £15.6m, which leaves an estimated balance on the Strategic Contingency Reserve of £10.5m at 31st March 2025. This reserve may be required to meet any in year overspend in 2024/25 that cannot be resolved by other means. These 2025/26 proposals reflect net fallout of use of £25.5m from this reserve, which reflects a £20.0m reduction in contributions from the reserve to the General Fund but also provides for a contribution of £5.5m to this reserve in 2025/26.
- 3.11.7. These proposals provide for a base contribution of £1m per annum to the Insurance reserve and £0.4m per annum to the MMI reserve from 2025/26, with further contributions in 2026/27 reflected in the provisional figures provided at Part 6 of this report.
- 3.11.8. A new Strategic Resilience Reserve was established in 2024/25 in order to increase the Authority's financial sustainability in future years. Whilst this Strategy assumes no contribution to this reserve in 2025/26, a (£3.0m) reduction in the base cost to the General Fund, a base contribution of £3m per annum is reflected from 2026/27.





- 3.11.9. The 2024/25 budget established the Social Care Contingency reserve in order to support the significant risks facing the council in regard to demand and cost pressures in both Adult and Children's Social Care. As reported in the 2024/25 Financial Health report to July's Executive Board this reserve has been applied in full to offset anticipated delays in the delivery of savings in both Adults & Health and Children & Families where it is anticipated that these savings will be delivered by 2025/26. The budgeted 2024/25 contribution of (£6.2m) falls out in 2025/26 and is replaced by a base contribution of £0.5m per annum in 2025/26, with an additional £10.0m base contribution in each of the years 2026/27, 2028/29 and 2029/30, when the wider financial position of the council becomes more manageable, to ensure the Strategy is sufficient to meet future pressures in social care.
- 3.11.10. Budgeted contributions to the Investment Fund reduce by (£1.1m) in 2025/26.
- 3.11.11. During the pandemic, the introduction of special reliefs against ratepayers' business rates liability, particularly in the retail, hospitality and leisure sectors created large deficits on the Collection Fund that had to be funded by the General Fund in the following years. The funding from Government for these reliefs was held in the Section 31 Reliefs reserve to meet these deficits, with the final £8.3m use of this reserve in 2024/25 as the impact of those deficits was cleared. Consequently the 2025/26 position includes fallout of this £8.3m use of reserve.
- 3.11.12. These contributions to and from earmarked reserves total £25.4m with movements across a number of other earmarked reserves totalling £0.4m, providing for a net increased contribution of £25.8m from the General Fund in 2025/26, including to support measures to improve financial sustainability.

### Changes in Grant Funding (£37.8m)

- 3.11.13. **Specific Grant Funding Changes – Adults and Health (£8.8m).** The Autumn Statement 2023 confirmed £19.3m of additional Social Care Grant for adult and children's social care. The Proposed Budget reflects (£1.2m) of this additional grant in Adult Social Care in 2025/26. The Autumn Statement 2024 included the announcement of £600m of additional Social Care Grant nationally for adult and children's social care. Individual local authority allocations will be provided at the Provisional Local Government Settlement. Based on prior year allocation methodologies, this Proposed Budget reflects (£4.15m) of this additional grant in Adult Social Care.
- 3.11.14. The Market Sustainability and Improvement Fund (MSIF) was introduced as part of the 2022/23 final Local Government Finance Settlement. When the original requirement of the funding was delayed (including Fair Cost of Care) the funding was honoured to help the social care system deal with inflationary pressures. At the time, Leeds was expected to receive £2.2m in 2022/23, £7.7m in 2023/24 and £3.9m in 2024/25. Additional funding has subsequently been allocated for 2025/26 with Leeds receiving (£2.8m). MSIF funding is part of the council's Core



Spending Power and relates to the Government's planned reforms of the social care system. It is therefore expected that it will fund new burdens arising from the new duties the council will have to undertake. As such it is expected to be largely neutral to the council overall, and expenditure matching the £2.8m of additional funding is included in the base pressures in this Proposed Budget.

- 3.11.15. The Provisional Budget includes inflationary increases for the improved Better Care Fund of £0.7m in 2025/26.
- 3.11.16. These proposals assume councils will be able to raise a 1.99% Adult Social Care Precept in 2025/26. This is reflected in the Council Tax assumptions as discussed at paragraph 3.7 and 3.8.
- 3.11.17. **Specific Grant Funding Changes – Children and Families (£5.5m).** The Autumn Statement 2024 included the announcement of £600m of additional Social Care Grant nationally for adult and children's social care. Individual local authority allocations will be provided at the Provisional Local Government Settlement. Based on prior year allocation methodologies, this Proposed Budget reflects (£4.15m) of this additional grant in Children's Social Care.
- 3.11.18. The Strengthening Families Protecting Children Team in Children and Families have responsibilities for bidding for sector-led improvement funding grants from the Department for Education. In 2024/25 grant of £1.6m was received. This is expected to reduce by £0.4m in 2025/26.
- 3.11.19. The numbers of Unaccompanied Asylum Seeking Children supported by the council has increased and as such these proposals assume an additional (£2.0m) of Home Office Funding to continue to support and care for UASC in 2025/26.
- 3.11.20. Fall out of £0.3m of Dedicated Schools Grant (DSG) funding is reflected in 2025/26, netted off by the assumed use of (£0.1m) of DSG to meet the costs of new Schools Health and Safety Worker posts.
- 3.11.21. **Specific Grant Funding Changes – Communities, Housing and Environment (£13.1m)** These proposals assume receipt of new funding by way of an Extended Producer Responsibility grant announced in the Autumn Statement. The scheme seeks to encourage producers to reduce the volume of packaging used by mandating them to cover the cost that Local Authorities have for collecting, sorting, treating and recycling packaging waste. £1.1bn will be collected nationally by the government and distributed to local authorities. It is assumed that (£12.5m) will be allocated to Leeds, with £3.5m of associated costs related to ensuring that the existing level of service is budgeted for and that any new burdens can be delivered.
- 3.11.22. A further (£1.4m) of new grant funding is assumed reflecting announcements about support for prevention of homelessness in the Autumn Budget, however



individual local authority allocations will be provided at the Provisional Local Government Settlement.

- 3.11.23. The Medium Term Financial Strategy assumed the fallout of £1.6m of Household Support funding. Following announcements in the Autumn Budget 2024 this pressure has reduced to £0.2m.
- 3.11.24. The Provisional Budget reflects falling out in 2025/26 of Supported Housing Improvement Programme funding of £0.5m and the Accommodation for Ex Offenders scheme £0.2m.

### **Specific Grant Funding Changes – Strategic and Central Accounts including Section 31 grants (£14.4m)**

- 3.11.25. The Medium Term Financial Strategy assumed the fallout of £1.0m Services Grant in 2025/26 with no allocation of this grant assumed going forward. Following announcements in the Autumn Budget 2024, this Proposed Budget assumes that Services Grant will continue with an estimated allocation of (£3.9m) to the authority.
- 3.11.26. At the Autumn Budget, Government announced an increase in Employers National Insurance contributions, discussed at Paragraph 4.2. Government have indicated that they will compensate Public Sector bodies, therefore this position assumes grant compensation of (£10.5m) to fund the estimated additional costs.
- 3.11.27. **Specific Grant Funding Changes – Business Rates Levy £0.1m** Local authorities pay a levy on Business Rates growth, either to the Government or to a local Pooling arrangement where one exists, as discussed in paragraph 3.6. It is estimated that levy payments will increase by £0.1m in 2025/26.
- 3.11.28. **Specific Grant Funding Changes – New Homes Bonus £0.0m** Since 2011/12, the council has received New Homes Bonus, an incentive grant based on housing growth. In 2018/19, the Government announced their intention to review the operation of the Bonus to better align the scheme with local authorities' performance in meeting local housing demand beyond 2019/20. No further detail has yet been provided and the existing scheme was simply rolled forward between 2020/21 and 2024/25. To be prudent no further income is anticipated in 2025/26, but this is subject to review should Government release any further information.

### **Other Non-Collection Fund Business Rates and Council Tax Movements £3.9m**

- 3.11.29. Local authorities are allocated Section 31 grants to compensate for changes made by Government to the business rates system. An authority's allocation depends on the level of business rates yield in that authority's area, the extent to which it awards certain reliefs mandated by Government and its share of any losses resulting from these.







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

4.1. Table 14 summarises the projected cost increases in the 2025/26 Proposed Budget.

**Table 14 – Cost Increases 2025/26**

	<b>2025/26 £m</b>
Pay - Leeds City Council	31.3
Employer's LGPS contribution (Actuarial Review)	(0.3)
Voluntary Leavers' Scheme – Capitalised pension costs	2.7
Wage costs - commissioned services	23.5
Inflation: Electricity and Gas Tariffs	(0.1)
Inflation: Fuel	0.1
Inflation: General	8.5
A&H Demand and Demography	10.6
C&F Demand and Demography	38.1
CHE Demand and Demography	0.3
Financial Sustainability: unwinding capitalisation	5.0
Welfare and benefits	4.0
EPR New Burdens	3.5
Day Opportunities	2.5
PFI schemes - Children & Families	2.0
LBS base budget pressures arising in 2023/24	1.8
Intermediate Care Contract	1.5
Core Business Transformation Pressures	1.2
Direct Payments C&F	1.0
Provision for Council estate	1.0
Income pressures	1.8
Debt - external interest / Minimum Revenue Provision	6.5
Other Pressures/Savings	10.4
<b>Total Cost Pressures</b>	<b>157.1</b>

4.2. **Pay Award and Leeds Living Wage** – The Proposed Budget allows for £31.3m of pay inflation in 2025/26. This increase includes £31.5m for the following elements: the impact of agreed pay awards for 2024/25, the provision for 3.5% annual pay awards for both NJC and JNC staff in 2025/26 and the recently announced Real Living Wage increase to £12.60, with an hourly rate of £12.69 at pay scale point 2 in 2025/26 and the estimated £10.5m impact of the Employer's National Insurance increase announced at the 2024 Autumn Budget – Government also announced that Public Sector bodies would be compensated for this National Insurance increase and the assumed additional grant income is



reflected at Paragraph 3.11.26. £0.8m is provided for the additional cost of Enhancements and £0.06m for Member's Pay, offset by mitigation plans of (£1.0m) which include measures such as charging staffing costs to capital schemes or to grants where appropriate. Further background is provided at paragraphs 2.5.2-2.5.3 of the [Medium-Term Financial Strategy 2025/26 to 2029/30 \(MTFS\)](#).

- 4.3. **Employers Local Government Pensions Contributions** – The most recent actuarial valuation showed that the West Yorkshire Pension Fund is in a surplus position. The position assumes an employer's contribution of 15.7%, resulting in an estimated saving of (£0.3m) in 2025/26 against the budgeted costs for 2024/25. The next triennial review of the Pension Fund is in 2025 and the outcome will be confirmed in the autumn of 2025, impacting on the contribution percentage required for 2026/27- 2028/29.
- 4.4. The Proposed Budget reflects the fall out of **capitalised pension costs** associated with staff who have left the council under the Early Leaver's Initiative (ELI) which will save an estimated (£1.7m) in 2025/26.
- 4.5. In October 2023, the council launched a targeted **Voluntary Leavers' Scheme (VLS)** as an important measure to address the ongoing financial challenge. Provision of £4.4m has been made in 2025/26 to meet the pension strain costs associated with those staff leaving on an early retirement basis. The associated salary savings are captured in the savings proposals at Part 5 of this report.
- 4.6. **National Living Wage for commissioned services and the Ethical Care Charter** – in respect of services commissioned from external providers by Adults and Health, provision has been made for £23.5m in 2025/26 for increased demand and demographic growth, together with inflationary pressures reflecting the increase in the National Living Wage. The increased costs in the Adults and Health Directorate reflect the announced Real Living Wage rate of £12.60/hour.
- 4.7. **Energy Inflation** – since the declaration of the climate emergency in 2019, the council has made substantial reductions in its energy consumption through a broad range of measures including optimisation of the corporate estate, delivery of capital schemes to deliver energy efficiencies and decarbonisation, a wholesale LED roll-out across the City's street lighting, delivery and expansion of the district heating network, and installation of heat pumps, solar PV and other energy efficiency measures. However, increases in global energy prices have resulted in significant budgetary pressures, with energy commodity prices currently appearing to have settled (after the extremes seen in the last two years) at over twice the historical levels. The council's forward purchasing of energy continues to hedge the council significantly against the impacts of further volatility in the global markets.
- 4.8. The Proposed Budget assumes a small (£0.1m) reduction in costs in 2025/26, in the context of the significant increase in the base budget in 2023/24, which provided for a 118.5% for gas and 64.0% for electricity at an additional cost of



£10.7m, which reduced by £2.8m in the 2024/25 budget. As energy costs are still higher than precedent times, the council continues to address these costs through an ongoing programme of work to reduce energy consumption including: further LED installations; enhanced building management controls; further permanent or temporary building closures and partial building shutdowns; focused action at high energy consuming sites; delivery of further energy efficiency and decarbonisation capital schemes; progressing the delivery of major local renewables generation schemes.

- 4.9. **Fuel** prices have slightly increased during 2024/25 and based on recent forecasts this Proposed Budget makes provision for a small increase of £0.1m on fuel costs in 2025/26.
- 4.10. **Other general inflation** – Historically, the Medium Term Financial Strategy and annual budgets have not provided for general price inflation due to prevailing low rates of inflation, with inflationary allowances only being made where there was a contractual commitment. Whilst this can vary from contract to contract, it is often index linked to CPI or RPI, with forecasts for both having fallen from their recent highs. Where PFI schemes are linked to CPI or RPI the Council needs to provide for the increase accordingly.
- 4.11. Price rises in recent years have driven higher inflation and have impacted on the cost of goods and services procured by this authority. Although inflation is now reduced from its recent high, the OBR estimates that CPI will average 2.5% in 2024/25, increasing in 2025/26 and not reducing to the Bank of England target of 2% until 2029/30.
- 4.12. As such the 2025/26 Proposed Budget makes allowance for net general price inflation of £8.5m as follows: Adults and Health £2.8m, Children and Families £2.9m, City Development £1.9m, Communities, Housing and Environment £0.4m, and Strategy and Resources £0.5m.
- 4.13. The Proposed Budget has assumed an inflationary uplift on fees and charges where it is considered they can be borne by the market. Given the severe financial pressures faced by the council, proposed levels of fees and charges continue to be reviewed to identify potential to increase income.
- 4.14. The Proposed Budget recognises the increasing **demography** and consequential **demand pressures** for services in Adults and Health £10.6m, Children and Families £38.1m and Communities, Housing and Environment £0.3m.
- 4.15. Within **Adults and Health**, the population growth forecast assumes a steady increase from 2025 in the number of people aged 65+ between 2025 and 2029. These increases of 1.08%, 1.37%, 1.43%, 1.41% and 1.41% respectively result in additional costs for domiciliary care and care home placements. In addition, the Medium Term Financial Strategy reflects the anticipated impact of increasing cash personal budgets through to 2029. The Learning Disability demography is





expected to grow by 1.6% (based on ONS and transitions data) over the period. It should be noted that the high cost increase in this area of service is primarily a combination of increasingly complex (and costly) packages for those entering adult care, as well as meeting the increasing costs for existing clients whose packages may last a lifetime. Overall, the Strategy provides £37.0m for demand and demography in Adults and Health in 2025/26. This is made up of £10.6m to deal with demand and demographic growth for 2025/26 (in addition to provision of £26.4m to cover inflationary pressures and National Living Wage/Real Living Wage increases).

- 4.16. **Children and Families** continues to face demographic and demand pressures due to several different factors. Birth rates were relatively high in previous years, particularly within the most deprived clusters in the city. Although the birth rate has now reduced, the population peak is now moving through to adolescents, who can require more complex and therefore costly placements.
- 4.17. The main drivers of demand pressures are well documented nationally and locally. The demand for Children and Families services are significantly influenced by the Covid-19 pandemic. The pandemic has had a huge impact on the communities of Leeds with those most vulnerable significantly affected in terms of their health and well-being as well as their economic circumstances. This has also led to an increased need for children's social care. Other specific drivers of demand pressures include an increasing population of children and young people with special and very complex needs, greater awareness of the risks of child sexual exploitation, grooming by criminal gangs, levels of domestic abuse, misuse of drugs and alcohol, levels of poverty and a children's home sector that requires rebuilding from the perspective of children's needs rather than financial incentive.
- 4.18. In addition, expectations of families and carers in terms of services offered by the council and partners continue to evolve alongside the impact of Government legislation, including 'staying put' arrangements that enable young people to remain with their carers up to the age of 21.
- 4.19. As a result of these trends, Children Looked After (CLA) numbers nationally and in Leeds continue to increase. This trend is expected to continue and has been built into the council's Medium Term Financial Strategy.
- 4.20. Consequently, these proposals provide £31.9m for the projected demand in the CLA and financially supported non-CLA budget, excluding inflation. This includes a £15.2m pressure in respect of delivery of the CLA sufficiency strategy. The Directorate continues to examine ways, focussed on Social Care practice, of reducing demand and seeking to mitigate increased costs.
- 4.21. In addition, the Directorate continues, as part of a national trend, to see a continuing increase in demand and complexity of need in SEND. Whilst the costs of provision in relation to this are met by the Dedicated Schools Grant, costs for assessment and transport costs relating to provision are met by the General







- **Core Business Transformation** – these proposals allow for additional costs of £1.2m for the council's Core Business Transformation project. The project includes the procurement and implementation of new HR and Finance systems, which will ultimately result in efficiencies for the council and significant elements of the project are funded through Flexible Use of Capital Receipts. However, in 2025/26 a proportion of these costs, such as post go live costs and annual licences, cannot be funded through this source hence these are a pressure to the council's General Fund Revenue account. A small saving of (£0.4m) is expected to be realised in 2025/26 in relation to software savings and is included in the savings position in Part 5 of this report.
- Provision of £1.0m has been made to address a pressure relating to **Direct Payments** in the Children and Families directorate in 2025/26.
- Provision of £1.0m in 2025/26 for **repairs to the ageing council estate, statutory Health & Safety compliance work and the impact of inflation** on related costs in the Strategy and Resources directorate.

4.24. 2025/26 income variations of £1.8m includes Housing Subsidy & Overpayment income reductions of £1.1m; removal of the Prompt Payments Income target in Strategic £0.3m; Bereavement income pressures of £0.3m and reduced income as schools convert to academies £0.2m.

4.25. This Proposed Budget provides for a £6.5m increase in the costs associated with the **council's debt**. Of this, £2.0m relates to the net requirement to increase the level of budgetary provision for MRP. In 2025/26 the required PFI related provision increases by £2.6m, which covers the use of capital receipts to fund PFI liabilities including MRP on these arrangements, together with a provision for the impact of the capitalisation of PFI lifecycle costs. A £1.9m increase in core treasury provision in 2025/26 includes several elements such as external interest payable, offset by costs rechargeable to Departments for departmentally determined schemes. This provision also includes a number of other distinct headings such as interest payable to or receivable from the HRA for its debt costs and use of its revenue balances, brokerage and external interest receivable.

4.26. **Other Pressures and Savings** – other net budget pressures of £10.4m have been identified for 2025/26. These include:

- Other pressures in the **Adults & Health** directorate total £0.9m in 2025/26 and include CEL charges for Passenger Transport, catering, cleaning and security and a reduction in staffing costs charged to DFG capital grant.
- Other pressures in the **Children & Families** directorate total £1.2m in 2025/26, pressures include increased Education Psychology costs and Legal Charges.



**Proposed Budget for 2025/26 and Provisional Budgets for 2026/27 and 2027/28**

- Other pressures in the **City Development** directorate total £5.2m in 2025/26 and include prudential borrowing costs, pressures on the Strategic Investment Fund budget, Highways Fleet Charges and loss of income as a consequence of the Estate Rationalisation programme.
- Other pressures in the **Communities, Housing and Environment** directorate total £0.6m and includes the costs of District Heating Phase 1 borrowing and charges for closed landfill sites.
- Other pressures in the **Strategy and Resources** directorate total £2.6m in 2025/26 and including rent increase for the Joint Service Centre and Corporate Property Management inflationary pressures.



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

- 5.1. After allowing for changes to funding and identified pressures, there remains an estimated budget gap of £106.4m.
- 5.2. Previous savings programmes have included a number of savings where later year effects of (£4.6m) impact on the position in 2025/26. A further (£19.2m) of savings were included in the updated MTFS, approved by the Board in September 2024. As Table 15 shows, the effect of these identified savings is to reduce the 2025/26 estimated budget gap down to £82.6m.
- 5.3. Savings proposals for 2025/26 totalling £37.4m were approved by this Board in October. There are a further £45.3m of directorate savings proposals for 2025/26 included in the 'Revenue Savings Proposals for 2024/25 to 2026/27' report for Executive Board's consideration on today's agenda. Should all of the December savings proposals be approved, combined with the those approved in October, this would result in proposals for a balanced budget.

**Table 15 – Budget Gap and Savings Options at Proposed Budget 2025/26**

	<b>Proposed Budget 2025/26</b>	
	£m	£m
<b>Total Resources and Cost Pressures</b>		<b>106.4</b>
<b>Existing Actions to Reduce the Budget Gap</b>		
Business As Usual		(4.6)
<b>Additional Savings identified for MTFS</b>		
Business As Usual		(17.6)
Service Reviews		(1.7)
<b>Total Savings</b>		<b>(23.8)</b>
<b>Gap Remaining After Existing Savings</b>		<b>82.6</b>
<b>Additional Savings at Proposed Budget</b>		
Savings(October Executive Board)		(37.4)
Savings(December Executive Board)		(45.3)
<b>Total Additional Directorate Savings</b>		<b>(82.6)</b>
<b>Gap Remaining After Additional Savings</b>		<b>0.0</b>



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

- 5.4. The Medium Term Financial Strategy 2025/26 to 2029/30, approved at September's Executive Board, reported an estimated budget gap of £106.7m in 2025/26. A subsequent review of assumptions reduced this 2025/26 projected gap to £104.0m (this revised position was reported to the Board through the Revenue Savings Proposals report considered in October).
- 5.5. Building on the Financial Challenge savings programmes previously carried out (and which last year resulted in £63.9m of budgeted savings, contributing to the setting of a balanced budget for 2024/25), the council has again established a Financial Challenge savings programme focused on identifying robust and sustainable savings not just to help close the gap for 2025/26 but for the following two financial years. This approach enables the authority to take a longer-term view of its savings options, recognising that major change often requires one- to two-years' lead time to implement. As such, the savings proposals set out in the '*Revenue Savings Proposals for 2025/26 to 2027/28*' reports for Executive Board's consideration at its October 2024 meeting and on this December agenda span the next three financial years.
- 5.6. Reviews continue across the authority to identify opportunities to continue to modernise and improve services (for example, through a greater use of robotics and automation), reduce costs and generate additional income. As well as reviewing individual services, a number of cross-council reviews are also underway to support service modernisation and the delivery of savings. This includes improving procurement and commissioning, workforce planning, rationalising and making the most of our assets (buildings, estate and fleet), further progressing the customer strategy and locality working agenda, and reviewing our traded services. These cross-council themes align with the council's main, interdependent change priorities set out in our Organisational Plan: improving efficiency of how we do business in the council; improving our digital offer; improving how we serve our customers; improving how we work with people and families; and improving the coordination of our services locally.
- 5.7. Reviews have been informed by a review of all council budgets within a service prioritisation framework, this complementing and linked to a strategic approach to reshaping the organisation to be fit for the future, recognising that the council will be smaller in size in the future but remains one of the city's largest employers, social landlords and landowners, with an important role in place-shaping and in delivering and commissioning services. Services will continue to be assessed in order to realign resources within the priorities set out in the Best City Ambition to maximise outcomes and efficiencies. In some cases, this will require reducing or stopping services on a planned basis over the coming years; others may be brought together to minimise overlaps, duplication and management overheads; traded services will be required to recover their full costs where it makes sense to do so; all services must provide value for money.





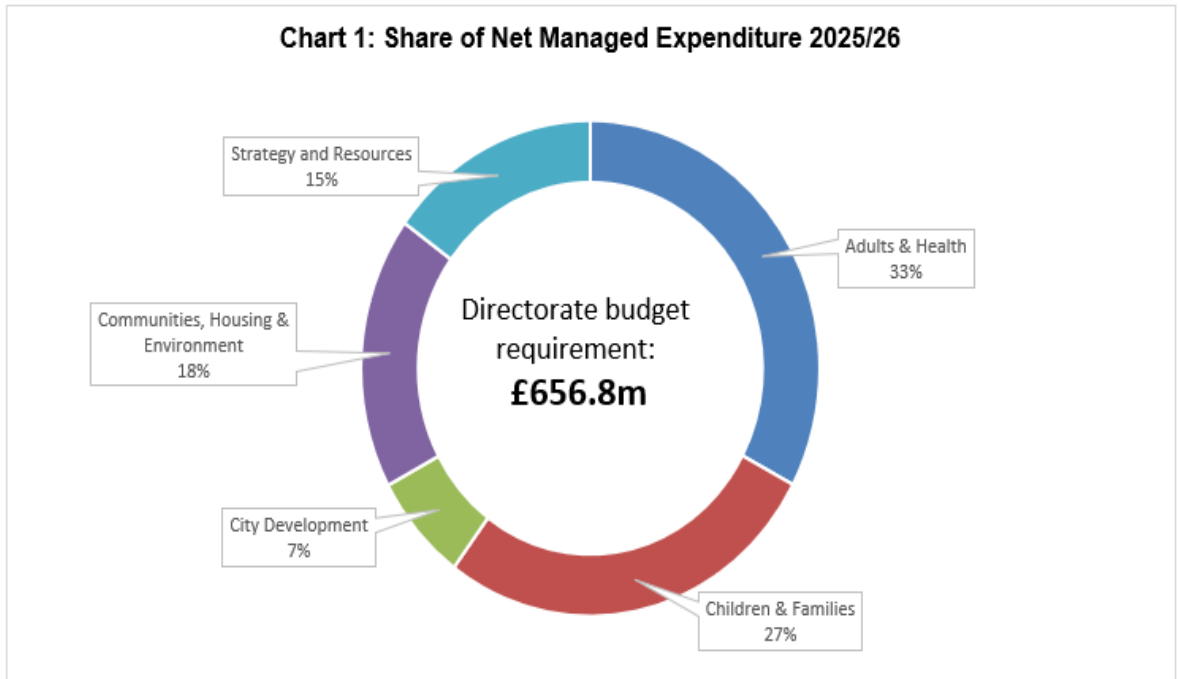
- 5.8. The cross-council senior officer group first established in 2020 to provide support and ensure a co-ordinated, consistent approach across the Financial Challenge programme, continues to meet. Further support and challenge to identify new proposals and consider options put forward by officers is again being provided by Scrutiny Board working groups.
- 5.9. The outcome of this work has provided a number of saving proposals for consideration by the Executive Board: an initial set considered at the Board's October meeting with further proposals presented to this Board. Proposals are categorised as either 'Business as Usual' (BAU) which can be implemented within the council's delegated decision-making framework and without consultation, or 'Service Reviews' which require meaningful consultation with relevant stakeholders prior to any decisions being taken. The results of any such consultation with staff, trade unions, service users and the public will be used to inform the final decision. Those approved for implementation, or consultation as required, will subsequently be built into the 2025/26 Budget and Provisional Budgets for 2026/27 and 2027/28.
- 5.10. With regard to 2025/26, in October the Board received savings proposals of £37.4m. A further £45.3m are presented for the Executive Board's consideration through the savings report on this agenda which, when combined with the October savings, total £82.6m. Should these proposals be approved for consultation, when added to the £23.8m savings identified in previous years for 2024/25, total directorate savings approved by this Board for 2025/26 will be £106.4m.
- 5.11. As noted above, for further detail, please see the accompanying, '*Revenue Savings Proposals for 2025/26 to 2027/28*' reports: the first set of proposals being considered at the Executive Board meeting in October 2024 and a second set on this agenda.





Proposed Budget for 2025/26 and Provisional Budgets for 2026/27 and 2027/28

Chart 1: Share of Net Managed Expenditure 2025/26 (Proposed Budget)



**Impact of proposals on employees**

- 6.5. The council has operated a voluntary retirement and severance scheme since 2010/11 which has already contributed significantly to the reduction in the workforce since this time. Whilst there are other elements that will impact on the fluctuation of the workforce numbers such as natural attrition and turnover there has been an overall reduction of around 2,666 full time equivalents (FTEs) or 3,547 headcount up to 31<sup>st</sup> October 2024.
- 6.6. On 10<sup>th</sup> October 2023 the council served notice under Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 (TULR(C)A) to collectively consult with our recognised Trade Unions to avoid, reduce and mitigate the potential risk and consequences of compulsory redundancies. In the context of the staffing reductions required to deliver the significant level of proposed savings for 2025/26 and beyond, a further Section 188 notice will be served following today’s Executive Board meeting. The council will continue to work closely with Trade Union colleagues to develop creative solutions to the problems we face, including voluntary redundancies as an alternative to compulsory measures, and to ensure staff are regularly updated on progress. Support will continue to be made available to colleagues who may be concerned as part of our [#TeamLeedsBeWell wellbeing offer](#) for all council staff.
- 6.7. In order to support the requirement to deliver budget savings so that a balanced proposed budget for 2025/26 can be presented to Executive Board in December



2024 and to limit compulsory redundancies the council has promoted a number of workforce measures such as additional unpaid leave and flexible retirements. In addition, in November 2023 the council launched its targeted Voluntary Leavers scheme which complements the work being undertaken to reset and reshape the organisational design of the council.

- 6.8. The 2025/26 Proposed Budget includes a net decrease of FTEs compared to the approved 2024/25 budget of 242.71 FTEs. This reduction includes the budget savings proposals received at October's Executive Board, and the budget savings proposals that are considered elsewhere on today's agenda.
- 6.9. However, given the context of the estimated budget gaps for 2026/27 and 2027/28, £35.2m and £29.6m respectively, future budget savings proposals to bridge these gaps will be required which, if approved, could result in a further reduction in the number of budgeted FTE posts.
- 6.10. The council remains committed to doing everything it can to try to avoid the need for compulsory redundancies through the effective management of a number of different measures including; natural attrition, vacancy management, application of the targeted voluntary leavers scheme, promoting flexible retirements, staff flexibility, reviewing and reducing both agency and overtime spend and continuing positive consultation and joint working with the trade unions. However, given the size of the financial challenge for 2025/26 the council may find itself in a position where compulsory redundancies cannot be avoided.

### General Reserve

- 6.11. Under the 2003 Local Government Act (Part II) Section 25, the council's Statutory Financial Officer is required to make a statement to Full Council on the adequacy of reserves as a part of the annual budget setting process. It is also good practice for the Authority to have a policy on the level of its general reserve and to ensure that it is monitored and maintained.
- 6.12. The purposes of the general reserve policy are to help longer-term financial stability and mitigate the potential impact of future events or developments which may cause financial difficulty. General and useable reserves are a key measure of the financial resilience of the council, allowing the Authority to address unexpected and unplanned pressures.
- 6.13. The general reserve policy encompasses an assessment of financial risks both within the Medium Term Financial Strategy and also the annual budget. These risks should include corporate/organisation wide risks and also specific risks within individual directorate and service budgets. This analysis of risks should identify areas of the budget which may be uncertain and a quantification of each "at risk" element. This will represent the scale of any potential overspend or income shortfall and will not necessarily represent the whole of a particular budget heading. Each assessed risk will then be rated and scored in terms of impact and probability.



- 6.14. The Proposed Budget for 2025/26 assumes a general reserve balance of £37.7m will be brought forward from 2024/25. This Proposed Budget for 2025/26 assumes no base budget contribution to the General Reserve, given the significant financial challenge being faced by the authority.
- 6.15. Whilst the council maintains a robust approach towards its management of risk and especially in the determination of the level of reserves that it maintains, it is recognised that our reserves are lower than those of other comparable local authorities of a similar size. However, the council has made provision of £3m in 2026/27 and over the subsequent years of the Medium Term Financial Strategy to address this position while having minimum impact on front line services.
- 6.16. The council's Medium Term Financial Strategy recognises the requirement to keep the level of the council's reserves under review to ensure that they are adequate to meet the identified risks. This requirement is reinforced by Grant Thornton's Interim Auditor's Annual Report 2023/24, received at Corporate Governance and Audit Committee on 25<sup>th</sup> November 2024, which reported on the council's Value for Money arrangements. This report includes the following key recommendation "The council should assess the growing risk to its reserves policy of continued revenue budget overspending, including the impact on its strategy to re-build the General Reserve.... Changes to the reserves policy should continue to be monitored and reported regularly at management and member levels, recognising its significance for the Council's overall financial sustainability." This Proposed Budget report provides for a £3m annual contribution to the General Reserve from 2026/27 and as a result, the balance on the General Reserve is projected to be £49.7m by 31<sup>st</sup> March 2030 as shown in Table 17.

**Table 17 – General Reserve**

General Reserve	2024/25	2025/26	2026/26	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m	£m
<b>Brought Forward 1st April</b>	<b>(36.2)</b>	<b>(37.7)</b>	<b>(37.7)</b>	<b>(40.7)</b>	<b>(43.7)</b>	<b>(46.7)</b>
Planned Contributions	(1.5)	0.0	(3.0)	(3.0)	(3.0)	(3.0)
Planned Use	0.0	0.0	0.0	0.0	0.0	0.0
<b>Carried Forward 31st March</b>	<b>(37.7)</b>	<b>(37.7)</b>	<b>(40.7)</b>	<b>(43.7)</b>	<b>(46.7)</b>	<b>(49.7)</b>

- 6.17. As stated above and detailed in this report, whilst the pressures faced by the Authority continue to make the current financial climate challenging, we will continue to keep the level of the council's reserves under review to ensure that they are adequate to meet identified risks.





**Part 7: Provisional Revenue Budgets 2026/27 and 2027/28**

- 7.1. At its meeting in September 2024 Executive Board received the updated Medium Term Financial Strategy and agreed the revisions to the council's forecast budget gap for 2025/26 to 2029/30. The reported forecast gap was £273.7m of which £45.7m and £42.1m related to 2026/27 and 2027/28 respectively. The report received in September recognised that savings would be required to be identified in order that a balanced budget position could be delivered in 2026/27 and 2027/28.
- 7.2. In the context of the variations identified during the determination of the Proposed Budget for 2025/26 (and later year impact of 2024/25 savings), the financial projections for 2026/27 and 2027/28 have been refreshed to reflect these latest assumptions. However, it should be stressed that under the council's Constitution the decision to set the annual council tax base and rate of Council Tax can only be taken by Full Council each year and therefore the provisional budgets for 2026/27 and 2027/28 are for information and planning purposes only and decisions will continue to be made as part of the council's annual budget setting process.
- 7.3. In the determination of the revised financial projections for both 2026/27 and 2027/28 significant areas of uncertainty remain as to the council's financial position in respect of both funding and spending assumptions, compounded by the cost of living crisis and inflationary pressures. The Autumn Statement 2024 provided limited information around the Government's spending plans and the detailed implications for local government remain unclear. Further detail is expected in the 2025 Spending Review and subsequent Provisional Local Government Settlement.
- 7.4. After taking account of the funding assumptions outlined in paragraphs 7.2 and 7.3, and the variation in pressures and savings that have been identified in the determination of the 2025/26 proposed Budget proposals, the updated provisional positions for 2026/27 and 2027/28 are detailed in Table 18.
- 7.5. As can be seen in Table 18, the estimated budget gap has been revised to £35.2m in 2026/27 and to £29.6m in 2027/28. The main changes since the Medium Term Financial Strategy are as follows:

- **Changes to Funding and Resources:**
  - **Updated Net Revenue Charge** assumptions a net of (£1.18m) in 2026/27, comprising of a Settlement Funding Assessment reduction of £0.01m, offset by an increase in Business Rates (£1.0m) and an increase in Council Tax (£0.18m). In 2027/28, there is again a Settlement Funding Assessment reduction of £0.01m, offset by an increase in Business Rates (£0.13m).







## Part 8: Ring Fenced Accounts

### 8.1 Dedicated Schools Grant

- 8.1.1. The Dedicated Schools Grant (DSG) for 2025/26 is funded in four separate blocks for early years, high needs, schools and central schools services.
- 8.1.2. A National Funding Formula (NFF) was implemented from April 2018 for high needs, schools and central schools services. The schools formula was initially a “soft” formula to allow local authorities some limited flexibility and this remains the case for 2025/26.
- 8.1.3. The Early Years block funds 15 hours per week of free early education for 3 and 4 year-olds and the early education of vulnerable 2 year-olds. There is an additional 15 hours per week provision for working families of 3 and 4 year-old children. In addition, new working parents entitlement to 15 hours for children aged 2 years and above came into effect from April 2024. From September 2024 working parents will be entitled to 15 hours for children aged 9 months and above this will increase to 30 hours from September 2025. The funding hourly rates have not yet been confirmed for 2025/26. Funding rates were announced for 2024/25, with the expectation that the full increase be passed onto providers, as detailed below.

*Table 19 – Early Year Block Funding Hourly Rates 2024/25*

	Original Rate
<b>9 Month Olds</b>	£11.18
<b>2 Year Olds</b>	£8.21
<b>3 and 4 Year Olds</b>	£5.62
<b>Early Years Pupil Premium</b>	£0.68
<b>Disability Access Fund</b>	£910.00

The grant received will continue to be based on participation. The actual grant to be received during 2025/26 depends on pupil numbers in the 2025 and 2026 January censuses. The early years pupil premium is also included in this block and is payable to providers for eligible 3 and 4 year-olds. In addition, there is a Disability Access Fund for eligible children. The grant value shown below is based on the actual pupil numbers in January 2024 as the final January 2025 pupil numbers have not yet been confirmed.

- 8.1.4. The High Needs Block supports places and top-up funding in special schools, resourced provision in mainstream schools and alternative provision; top-up funding for early years, primary, secondary, post-16 and out of authority provision; central SEN support and hospital & home education. An indicative allocation under the NFF calculation has been published and a final allocation will





















Table 23 – Housing Leeds Capital Programme

	2024/25 £k	2025/26 £k
<b>Total Capital Programme Spend</b>	<b>68,578</b>	<b>92,867</b>
Funded by:		
HRA Revenue Contribution (RCCO)	(66,497)	(68,662)
Major Repairs Reserve Contribution (MRR)	10,864	(12,730)
RtB Receipts (Allowable Debt)	(11,475)	(11,475)
Gov't grant / EU Grant	(1,470)	0

8.2.23. In addition, £4.9m of borrowing is earmarked to fund the decant and demolition costs of the High Rise (Reema) schemes and to complete the demolition works at the Highways site, **more detail at Table 24.**

Table 24 – Leeds High Rise Programme

	2024/25 £k	2025/26 £k
<b>Total Capital Programme Spend</b>	<b>4,122</b>	<b>4,851</b>
Funded by:		
Borrowing	(4,122)	(4,851)

8.2.24. The revenue contribution to capital budgets includes £1.5m to fund the Belle Isle Tenant Management Organisation capital programme.

8.2.25. **Table 25** provides a summary of the main movements within the proposed budget.



Table 25– Housing Revenue Account Pressures and Savings

	2025/26 £m
<b>Income</b>	
Rental Increase	(5.5)
Service Charges Increase	(0.4)
Other rents (Shops / garages)	(0.1)
Internal Income	0.3
<b>Total</b>	<b>(5.7)</b>
<b>Expenditure</b>	
Employees	0.9
Repairs Inflation	1.8
Price pressures (includes PFI contract)	1.1
Contingency	(2.0)
Review of Recharges	(0.4)
Change in provisions for bad debt	0.6
RCCO and Financing (includes PFI financing)	2.9
Use of Reserves (includes PFI)	0.8
<b>Total</b>	<b>5.7</b>



## Part 9: The Capital Programme

Table 26 – Revised Capital Programme

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
<b>Major Programmes</b>	333.7	414.1	257.6	136.4	39.4	<b>1181.2</b>
<b>Annual Programmes</b>	106.3	100.7	80.8	84.8	21.1	<b>393.7</b>
	<b>440.1</b>	<b>514.8</b>	<b>338.4</b>	<b>221.2</b>	<b>60.5</b>	<b>1574.9</b>

- 9.1. The council's capital programme considers the need for capital investment against affordability within the MTFs. The programme identifies annual programmes across the council that aim to provide investment in assets to ensure that the council can continue to operate effectively. The council also has a number of major programmes that provide investment in line with the Best City Ambition Plan objectives.
- 9.2. Capital investment needs are assessed on an annual basis under the direction of the cross-council senior officer group Best Council Team: Strategic Investment Board (SIB) with final approval sought from Executive Board and Full Council in February each year. Capital investment proposals that deliver savings or generate additional income can come forward throughout the year and are subject to a robust business case approval. Schemes funded by external resources can also come forward throughout the year.
- 9.3. 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 2025/26 – 2029/30' report, which included specific details of the review process, at its September 2024 meeting (details at section 3.1 of the linked document).
- 9.4. 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 2025.
- 9.5. Savings proposals to address the current Financial Challenge, discussed at Part 5, have been reviewed to ensure that any interdependencies between capital and revenue are given due consideration.
- 9.6. **Appendix 3** details the restated 10-year capital programme (annual programmes). There have been no changes since this was reported to Executive Board in November 2024.
- 9.7. Executive Board in November 2024 also approved a future injection from the CIL





Strategic Fund, to be invested for Strategic Highways and Supporting Older People Schemes.

- 9.8. The strategy proposed by Strategic Investment Board and agreed by Executive Board in November 2024 is to utilise CIL funding as matched funding contributions for Strategic Highways and Supporting Older People Schemes, 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 the level of borrowing that the council has to undertake.
- 9.9. The Proposed Budget provides for a £6.5m increase in the cost of debt and capital financing for 2025/26. This assumes that the remaining borrowing is taken at an average rate of 4.75% interest for the remainder of 2024/25 and 4.25% in 2025/26. Interest rate projections will be kept under review.



## Part 10: Management of Key Risks

### 10.1. Risk management

- 10.1.1. The council's current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way, in that the council cannot balance its Revenue Budget, is identified as one of the council's corporate risks, as is the council's financial position going into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the council's risk-based reserves policy. Both of these risks are subject to regular review and reporting. The most recent [Annual Corporate Risk and Resilience report](#) was received by this Board in July 2024.
- 10.1.2. Failure to address these issues will ultimately require the council to consider even more difficult decisions that will have a far greater impact on front-line services including those that support the most vulnerable and thus on our Best City Ambition in respect of Health and Wellbeing, Inclusive Growth and meeting our zero carbon target.
- 10.1.3. Financial management and monitoring continue to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach will continue to be included in the in-year Financial Health reports brought to Executive Board.
- 10.1.4. In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required. Specific risks relating to some of the assumptions contained within this Proposed Budget are identified below.
- 10.1.5. Whilst the impact of COVID-19 on the council's budget has been significant, the proposed Budget for 2025/26 does not provide for any ongoing impact of COVID-19. The more significant current risk to both costs and income in this Proposed Budget is in regard to the impact of cost of living as discussed at paragraphs 10.1.17 and 10.1.18.
- 10.1.6. As detailed in the MTFs and the 'Revenue savings proposals for 2025/26 to 2027/28' reports considered by this Board at its October meeting and today, the Proposed Budget for 2025/26 assumes the delivery of £106.4m of budget savings proposals, including some that are subject to consultation. There remains a risk that there is slippage in the implementation of these proposals or that the assumptions contained in these proposals change as a result of the consultation exercises. This could lead to a variation in the assumed level of savings. Should this be the case, in accordance with the updated Revenue Budget principles agreed at Executive Board in February 2023 through the





this could impact the business rates surplus. The 2023 Ratings List came into effect on 1<sup>st</sup> April 2023 and is subject to the full appeals procedure. As future revaluations are due to take place every 3 years instead of every 5 years, the expectation is that this and future ratings lists will more accurately reflect the property market and be less vulnerable to appeals. This requires the usual robust monitoring in order to allocate sufficient provisions but remains a risk to business rates income.

- 10.1.12. Subject to its application to Government being approved, for 2025/26 Leeds will again be part of the Leeds City Region Business Rates Pool. As with previous years' Pools, there remains a risk that if a member authority becomes entitled to a safety net payment, because its retained income has fallen dramatically, then that safety net payment will no longer be received from the Government but will have to be met by other members of the Pool. This will represent a loss of income to the region.
- 10.1.13. The level of Council Tax collected could be affected by the increase in the council tax base being less than assumed, collection rates being below budgeted assumptions, Council Tax Support claimant requirements being greater than budgeted or a mixture of the above.
- 10.1.14. Business rates and Council Tax income continues to be a significant risk, however any losses greater than those assumed in setting the budget will materialise through a Collection Fund and will not impact in the current year, although this will be an issue in future financial years.

### **Key risks to cost and income assumptions**

- 10.1.15. This Proposed Budget for 2025/26 contains a number of inherent risks which include the requirement to implement budget plans, budgets which are subject to both fluctuating demand and demographic pressures, inflation being higher than forecast and key income budgets that rely upon the number of users of a service.
- 10.1.16. From a geopolitical perspective the uncertain nature and length of conflicts in both Ukraine and the Middle East may yet have further implications for inflation and the pay and price assumptions contained in this Proposed Budget for the forthcoming financial year.
- 10.1.17. Cost of living pressures have a wider inflationary impact on the council due to the impact of the increased cost of living on our residents and businesses. In addition to the risks associated with increases in costs to the council for the goods and services that we procure, increased demand for support and welfare services, and reduced income across a range of services as Leeds residents and visitors choose to spend differently as a consequence of the impact of inflation. This position will continue to be closely monitored throughout the financial year and any variation to budgeted assumptions will be required to be managed within the approved budget.







an annual basis and there is a risk that actual funding increases will differ from the amounts assumed in the MTFs. Specifically, funding increases are currently capped, and it is not yet known how this cap will operate in future years.

- 10.1.23. Under the current School and Early Years Finance regulations local authorities can carry forward any DSG overspends or deficit balances to the following years. Such deficits are ringfenced to be dealt with from future DSG income rather than been funded by the Council. This provision for ringfencing DSG deficits has been extended to the end of the 2025/26 financial year. If this provision is not extended further the council would require sufficient funding available in other reserves to offset any DSG deficit. This would present a serious financial risk to the Council given the limited resources generally available.
- 10.1.24. Further, a number of DSG funding decisions are made by the Leeds Schools Forum, a statutory body of education representatives from across the city, and there is a risk these decisions may impact on future DSG pressures.
- 10.1.25. There are a number of risks that are specific to the Housing Revenue Account. These include CPI being lower than the percentage figure assumed in the calculation of the rent increase in this Proposed Budget. Every 0.1% variation equates to a reduction of £0.245m in the level of resources available to support the services provided to Leeds tenants.
- 10.1.26. There is a risk within the HRA and within the General Fund Capital Programme that continued inflationary pressures may impact on the timing of the delivery of capital schemes given the overall funding available.
- 10.1.27. A full analysis of all budget risks will continue to be maintained and will be subject to monthly review as part of the in-year monitoring and management of the budget. Any significant and new risks and budget variations are contained in the in-year financial health reports submitted to the Executive Board.



2025/26	Adults & Health	Children & Families	City Development	Communities, Housing & Environment	Strategy & Resources	Strategic & Central	Total Net Revenue Budget
	£m	£m	£m	£m	£m	£m	£m
<b>Net managed budget (2024/25) - RESTATED</b>	<b>199.37</b>	<b>157.52</b>	<b>38.03</b>	<b>112.68</b>	<b>86.62</b>	<b>27.74</b>	<b>621.96</b>
Pay - Leeds City Council	4.77	5.84	3.73	7.31	9.69	0.00	31.34
Employer's LGPS contribution	0.00	0.00	0.00	0.00	0.00	(0.30)	(0.30)
Capitalised pension costs	(0.00)	0.50	(0.03)	0.09	(0.06)	2.19	2.69
Wage costs - commissioned services	23.55	0.00	0.00	0.00	0.00	0.00	23.55
Inflation: Electricity and Gas Tariffs	(0.00)	(0.01)	(0.06)	(0.01)	(0.01)	0.00	(0.10)
Inflation: Fuel	0.00	0.00	0.01	0.07	0.03	0.00	0.12
Inflation: General	2.84	2.85	1.94	0.38	0.48	0.00	8.49
Demand and demography - Adult Social Care	10.63	0.00	0.00	0.00	0.00	0.00	10.63
Demand and demography - Childrens Social Care	0.00	38.13	0.00	0.00	0.00	0.00	38.13
Demand and demography - Other	0.00	0.00	0.00	0.33	0.00	0.00	0.33
Financial Sustainability	0.00	0.00	0.00	0.10	1.20	3.70	5.00
Welfare and benefits	0.00	0.00	0.00	4.00	0.00	0.00	4.00
EPR New Burdens	0.00	0.00	0.00	3.50	0.00	0.00	3.50
Day Opportunities	2.50	0.00	0.00	0.00	0.00	0.00	2.50
PFI schemes - Children & Families	0.00	1.96	0.00	0.00	0.00	0.00	1.96
LBS base budget pressures arising in 2023/24	0.00	0.00	0.00	0.00	1.80	0.00	1.80
Intermediate Care Contract	1.50	0.00	0.00	0.00	0.00	0.00	1.50
Core Business Transformation Pressures	0.00	0.00	0.00	0.00	1.24	0.00	1.24
Direct Payments C&F	0.00	1.00	0.00	0.00	0.00	0.00	1.00
Provision for Council estate	0.00	0.00	0.00	0.00	1.00	0.00	1.00
Income pressures	0.10	0.00	0.00	1.02	0.35	0.30	1.77
Debt - external interest / Minimum Revenue Provision	0.00	0.00	0.00	0.00	0.00	6.53	6.53
Other Pressures/Savings	0.93	1.22	5.17	0.56	2.56	0.00	10.44
Contribution to / (from ) General Reserve	0.00	0.00	0.00	0.00	0.00	(3.00)	(3.00)
Change in Use of Earmarked Reserves	0.00	0.00	0.00	0.37	0.00	25.46	25.83
Changes in Section 31 Grants	0.00	0.00	0.00	0.00	0.00	3.88	3.88
Business Rates Levy	0.00	0.00	0.00	0.00	0.00	0.13	0.13
New Homes Bonus	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Social Care Grant	(5.33)	(4.15)	0.00	0.00	0.00	0.00	(9.48)
Market Sustainability & Improvement Fund	(2.83)	0.00	0.00	0.00	0.00	0.00	(2.83)
iBCF Inflationary Increase	(0.66)	0.00	0.00	0.00	0.00	0.00	(0.66)
UASC Income	0.00	(2.00)	0.00	0.00	0.00	0.00	(2.00)
Additional Government Grant to fund ERNI increase	0.00	0.00	0.00	0.00	0.00	(10.53)	(10.53)
Extended Producer Responsibility grant	0.00	0.00	0.00	(12.50)	0.00	0.00	(12.50)
Additional Autumn Budget grant - Homelessness/ EPR	0.00	0.00	0.00	(1.40)	0.00	0.00	(1.40)
Services Grant	0.00	0.00	0.00	0.00	0.00	(3.49)	(3.49)
Other Changes in Specific Grants	0.00	0.63	0.00	0.81	0.00	(0.40)	1.05
Other Changes in Resources	0.00	0.00	(1.06)	0.22	0.00	0.00	(0.85)
<b>Total - Cost and funding changes</b>	<b>38.00</b>	<b>45.97</b>	<b>9.70</b>	<b>4.85</b>	<b>18.27</b>	<b>24.47</b>	<b>141.26</b>
<b>Savings proposals</b>							
Savings identified prior to 2025/26 savings strategy	(4.54)	0.00	1.43	(1.38)	(0.58)	0.50	(4.57)
Savings identified for the 2025/26 savings strategy	(33.20)	(36.81)	(6.30)	(7.73)	(12.83)	(5.00)	(101.87)
<b>Total - Savings proposals</b>	<b>(37.74)</b>	<b>(36.81)</b>	<b>(4.87)</b>	<b>(9.11)</b>	<b>(13.41)</b>	<b>(4.50)</b>	<b>(106.44)</b>
<b>2025/26 Submission</b>	<b>199.63</b>	<b>166.68</b>	<b>42.86</b>	<b>108.42</b>	<b>91.48</b>	<b>47.71</b>	<b>656.78</b>
<b>Increase/(decrease) from 2024/25 £m</b>	<b>0.26</b>	<b>9.16</b>	<b>4.83</b>	<b>(4.26)</b>	<b>4.86</b>	<b>19.97</b>	<b>34.82</b>
<b>Increase/(decrease) from 2024/25 %</b>	<b>0.13%</b>	<b>5.82%</b>	<b>12.70%</b>	<b>(3.78%)</b>	<b>5.61%</b>	<b>72.01%</b>	<b>5.60%</b>

TOTAL FUNDING AVAILABLE (Forecast Net Revenue Charge)

656.78

GAP

0.00

# 10 Year Capital Programme

# Appendix 3

## Annual Programme

	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,	2033/34 £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	14,679.1	9,278.1	8,005.1	11,253.5	11,369.3	11,369.3	11,369.3	11,369.3	11,369.3	11,369.3	111,431.6
Highways Maintenance Capitalisations	3,700.0	301.0	0.0								4,001.0
Highways Bridges & Structures Maintenance	1,226.7	1,342.8	823.0	2,332.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	17,724.5
Highways Bridges & Structures Maintenance - supported by external funding	5,988.9	3,455.1	3,205.1	4,158.2	4,205.1	4,205.1	4,205.1	4,205.1	4,205.1	4,205.1	42,037.9
Highways Section 278	2,350.0	1,400.0	700.0								4,450.0
Highways Section 278 - external contributions / supported by external funding	4,544.9	4,321.8	3,973.0	800.0	3,500.0	3,500.0	3,500.0	3,500.0	3,500.0	3,500.0	34,639.7
General Capitalisation	2,150.0	1,900.0	789.5								4,839.5
Childrens Centres	60.4	50.0	50.0	50.0	208.0	50.0	50.0	50.0	50.0	50.0	668.4
Vehicle Programme	8,222.7	19,980.0	20,000.0	20,000.0	12,688.0						80,890.7
Vehicle Programme - supported by external funding	521.4										521.4
Adaptation to Private Homes	470.0	470.0	470.0	470.0	331.1	470.0	470.0	470.0	470.0	470.0	4,561.1
Telecare ASC	528.5	500.0	500.0	500.0	500.0	600.0	600.0	600.0	600.0	600.0	5,528.5
Library Books	300.0	200.0	100.1								600.1
Sports Maintenance	223.5	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	1,123.5
Project Support Fund (Groundwork)	0.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	630.0
Project Support Fund (Groundwork) - supported by external S106 funding	70.0				70.0						140.0
Essential Services Programme	4,911.8	4,600.0	1,200.0								10,711.8
Digital Development	5,372.4	5,000.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	30,372.4
Corporate Property Management	8,550.0	7,500.0	7,285.3	6,500.0	5,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	42,835.3
Capital Programme Management	541.4	541.4	541.4	660.9	541.4	541.4	541.4	541.4	541.4	541.4	5,533.5
Demolition Programme	441.7	500.0	0.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	4,441.7
Capitalisation of Interest	500.0	400.0	300.0	278.9	200.0	200.0	200.0	200.0	200.0	200.0	2,678.9
Climate Emergency	560.0	500.0	500.0	500.0	102.0	600.0	600.0	600.0	600.0	600.0	5,162.0
Climate Emergency - supported by external funding	486.9	300.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	350.0	3,586.9
Transformational Change to LCC (excl Core Systems Review)	12,788.7	11,595.0	8,085.0	8,085.0	8,967.4	10,471.2	10,471.2	10,471.2	10,471.2	10,471.2	101,877.1
PFI Lifecycle Capitalisations	12,895.0	13,395.0	8,238.0	14,772.6	14,895.0	15,395.0	15,895.0	16,395.0	16,895.0	16,895.0	145,670.6
<b>Total Annual Programmes</b>	<b>105,084.0</b>	<b>100,700.2</b>	<b>80,785.5</b>	<b>84,770.2</b>	<b>81,597.3</b>	<b>67,422.0</b>	<b>67,922.0</b>	<b>68,422.0</b>	<b>68,922.0</b>	<b>68,922.0</b>	<b>794,547.2</b>

28/29 Annual Programme 81,597.3  
Less Injections to Date 21,106.7  
**Total Estimated Injection 60,490.6**



## Equality, Diversity, Cohesion and Integration Screening

As a public authority we need to ensure that all our strategies, policies, service and functions, both current and proposed have given proper consideration to equality, diversity, cohesion and integration.

A **screening** process can help judge relevance and provides a record of both the **process** and **decision**. Screening should be a short, sharp exercise that determines relevance for all new and revised strategies, policies, services and functions.

Completed at the earliest opportunity it will help to determine:

- the relevance of proposals and decisions to equality, diversity, cohesion and integration.
- whether or not equality, diversity, cohesion and integration is being/has already been considered, and
- whether or not it is necessary to carry out an impact assessment.

<b>Directorate: Resources</b>	<b>Service area: Corporate Financial Management</b>
<b>Lead person: Victoria Bradshaw</b>	<b>Contact number: 88540</b>

### 1. Title: Proposed Budget for 2025/26 and Provisional Budgets for 2026/27 and 2027/28

Is this a:

**Strategy / Policy**

**Service / Function**

**Other**

**If other, please specify**

### 2. Please provide a brief description of what you are screening

The Council is required to publish its Proposed Budget two months prior to approval of the Budget by Full Council in February 2025. The Proposed Budget report for 2025/26 sets out the Executive's plans to deliver a balanced budget within the overall funding envelope. It should be noted that the Budget represents a financial plan for the forthcoming year and individual decisions to implement these plans will be subject to equality impact assessments where appropriate.

## Appendix 4

### 3. Relevance to equality, diversity, cohesion and integration

All of the Council's strategies/policies, services/functions affect service users, employees or the wider community – city-wide or more local. These will also have a greater/lesser relevance to equality, diversity, cohesion and integration.

The following questions will help you to identify how relevant your proposals are.

When considering these questions think about age, carers, disability, gender reassignment, race, religion or belief, sex, sexual orientation. Also those areas that impact on or relate to equality: tackling poverty and improving health and well-being.

Questions	Yes	No
Is there an existing or likely differential impact for the different equality characteristics?	X	
Have there been or likely to be any public concerns about the policy or proposal?	X	
Could the proposal affect how our services, commissioning or procurement activities are organised, provided, located and by whom?	X	
Could the proposal affect our workforce or employment practices?	X	
Does the proposal involve or will it have an impact on <ul style="list-style-type: none"> <li>• Eliminating unlawful discrimination, victimisation and harassment</li> <li>• Advancing equality of opportunity</li> <li>• Fostering good relations</li> </ul>	X X X	

If you have answered **no** to the questions above please complete **sections 6 and 7**

If you have answered **yes** to any of the above and;

- Believe you have already considered the impact on equality, diversity, cohesion and integration within your proposal please go to **section 4**.
- Are not already considering the impact on equality, diversity, cohesion and integration within your proposal please go to **section 5**.

### 4. Considering the impact on equality, diversity, cohesion and integration

If you can demonstrate you have considered how your proposals impact on equality, diversity, cohesion and integration you have carried out an impact assessment.

Please provide specific details for all three areas below (use the prompts for guidance).

- **How have you considered equality, diversity, cohesion and integration?**  
(think about the scope of the proposal, who is likely to be affected, equality related information, gaps in information and plans to address, consultation and engagement activities (taken place or planned) with those likely to be affected)

## Appendix 4

The Proposed Budget identifies a savings requirement of £106.4m due to unavoidable pressures such as inflation and demand/demography. Savings proposals to bridge this gap will affect all citizens of Leeds to some extent. The Council has consulted on its priorities in recent years and has sought to protect the most vulnerable groups. However, the cumulative effect of government funding reductions and these unavoidable pressures means that protecting vulnerable groups is becoming increasingly difficult. Where consultation is required and has not already commenced with regard to the specific proposals contained in this report this will be carried out before the final budget for 2025/26 is agreed.

### • Key findings

(think about any potential positive and negative impact on different equality characteristics, potential to promote strong and positive relationships between groups, potential to bring groups/communities into increased contact with each other, perception that the proposal could benefit one group at the expense of another)

The budget proposals will impact on all communities and protected characteristics but those who have been identified as being at the greatest potential risk include:

- Disabled people
- Ethnically diverse communities
- Older and younger people
- Women
- Low socio-economic groups

The Proposed Budget has identified the need for staffing savings in all areas of the Council which may impact on the workforce profile in terms of the at-risk groups. There may be some impact on our partners, for example through commissioning, which may have a knock on effect for our most vulnerable groups.

### • Actions

(think about how you will promote positive impact and remove/ reduce negative impact)

Due regard to equalities will be given to any decisions taken via the delegated decision process on the savings proposals put forward. Equality impact screenings and equality impact assessments will be carried out where appropriate as part of the decision-making process. An overall strategic equality impact assessment of the Budget will be undertaken prior to its approval in February 2025.

There will also be equality impact assessments on all key decisions as they go through the decision making process in 2025/26.

**5. If you are *not* already considering the impact on equality, diversity, cohesion and integration you *will need to carry out an impact assessment.***

Date to scope and plan your impact assessment:	
Date to complete your impact assessment	

## Appendix 4

Lead person for your impact assessment (Include name and job title)	

### 6. Governance, ownership and approval

Please state here who has approved the actions and outcomes of the screening

Name	Job title	Date
Victoria Bradshaw	Interim Assistant Chief Executive – Finance, Traded and Resources	28.11.24
<b>Date screening completed</b>		28.11.24

### 7. Publishing

Though **all** key decisions are required to give due regard to equality the council **only** publishes those related to **Executive Board, Full Council, Key Delegated Decisions** or a **Significant Operational Decision**.

A copy of this equality screening should be attached as an appendix to the decision making report:

- Governance Services will publish those relating to Executive Board and Full Council.
- The appropriate directorate will publish those relating to Delegated Decisions and Significant Operational Decisions.
- A copy of all other equality screenings that are not to be published should be sent to [equalityteam@leeds.gov.uk](mailto:equalityteam@leeds.gov.uk) for record.

Complete the appropriate section below with the date the report and attached screening was sent:

For Executive Board or Full Council – sent to <b>Governance Services</b>	Date sent: 2.12.24
For Delegated Decisions or Significant Operational Decisions – sent to appropriate <b>Directorate</b>	Date sent:
All other decisions – sent to <a href="mailto:equalityteam@leeds.gov.uk">equalityteam@leeds.gov.uk</a>	Date sent: