

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

Date: 13 January 2025

Report of: Head of Democratic Services

Report to: Scrutiny Board (Strategy and Resources)

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

- In accordance with the Council's Budget and Policy Framework, the Executive Board's initial budget proposals are submitted to Scrutiny for consideration and comment. The formal referral to scrutiny took place at the Executive Board meeting on [Wednesday 11 December 2024](#).
- Once Scrutiny Boards have considered the budget proposals, they will be required to provide a summary of their deliberations for consideration at the meeting of the Executive Board on 12 February 2025.
- [The Proposed Budget 2025/26 and Provisional Budgets for 2026/27 and 2027/28](#) report (Appendix A) should be read in conjunction with two further reports – both entitled Revenue Savings Proposals. The first of those was considered by Executive Board on [16 October 2024](#) and the second on [11 December 2024](#) (Appendices B and C).
- During the past three budget rounds an enhanced scrutiny consultation programme was adopted, which incorporated the use of private working groups for all five boards. These informal working groups enabled scrutiny board members to receive an initial introduction to the savings proposals that fall within the remits of their respective boards, providing members with more time to consider the detail of saving proposals. This enabled greater input into the budget setting process. It has been agreed that the consultation for the savings proposals for 2025/26 to 2027/28 will follow the same format. Informal working groups took place for all Scrutiny Boards during December 2024.
- As noted above, a composite report summarising the outcome of the Boards' deliberations will be submitted to Executive Board on 12 February 2025, including discussion that takes place today.
- This report provides some brief contextual information by way of introduction to the Scrutiny Board's consideration of the budget.

Recommendations

Board members are asked to note the following:

- a) The content of the report and appendices.
- b) A summary of the deliberations of all five Scrutiny Boards during the period of consultation on the initial budget proposals will be submitted for consideration by Executive Board on 12 February 2025.

What is this report about?

1. This report sets out the context for consultation on the initial budget proposals that fall within the remit of the Scrutiny Board (Strategy and Resources).
2. Services that sit within the Board's remit from a budgetary perspective are:
 - **Strategy and Resources Directorate** – Strategy and Improvement, Financial Services, Human Resources, IDS, Legal and Democratic Services, Shared Services and Civic Enterprise Leeds.
 - **Strategic and Central Accounts** – All services
 - **Communities, Environment and Housing** – Elections, Licensing and Registration, Communities (limited to equalities)
3. The wider context and forward planning of the council's budgetary position is delivered through the [Medium Term Financial Strategy 2025/26-2029/30](#) (MTFS) which is the authority's key strategic financial planning document. The MTFS identified an estimated General Fund budget gap of £273.6m for the five-year period of which £106.6m relates to 2025/26, a further £45.7m for 2026/27 and £42.1m for 2027/28. For the Housing Revenue Account (HRA) there is a cumulative deficit of £14.3m to 2029/30 of which £2m relates to 2025/26.
4. The MTFS budget gaps have been subsequently updated by the first tranche of revenue savings proposals approved by Executive Board on 16 October 2024 and have been further adjusted by the savings proposals approved at the 11 December Executive Board, see Tables 1 to 3 below.
5. The December iteration (Month 7) of the [Financial Reporting](#) updates considered by Executive Board regularly throughout the municipal year sets out the impact of funding reductions, demand pressures, inflation and cost of living pressures on the Council's in year budget position. As a result of continuing increases in the cost of commissioned services, increasing costs for social care within Children's Services and Adult Social Care budgets which are linked to demand, pressures resulting from the staff pay award and wider inflationary pressure, this report identified an in year pressure £20.7m in 2024/25, approximately 3.3% of the net revenue budget which follows a similar pattern to the position experienced in the last financial year. The Council is legally required to set and deliver a balanced budget and any use of reserves to meet the in year deficit in 2024/25 will have an impact on available resources in future years to meet the estimated budget gaps set out in the MTFS.
6. Since 2010/11, the Council has faced a reduction in core Government funding and significant demand-led cost pressures, especially within Adult Social Care and Children's Services. To date, the Council has responded successfully to that challenge through a combination of

leading and/or supporting interventions to stimulate good economic growth, managing demand for services, increasing traded and commercial income, growing council tax from new properties and a significant programme of organisational efficiencies, including reducing staffing levels since 2010/11 by 2,672 FTEs (full time equivalents) up to 31 July 2024.

7. Nationally, local authority finances are in a critical state and there is growing concern with regard to an increasing number of councils reporting both overspends in the current financial year and significant estimated budget gaps in future financial years which provide a challenge to their financial sustainability.
8. The increasing costs and demand pressures within social care, combined with the impact of pay and price pressures which have been in excess of the level of resources provided for by Government in the annual local government finance settlements, have resulted in a number of local authorities either issuing or raising the possibility of issuing Section 114 notices, which give notice that a Council cannot balance its budget.
9. The financial challenge now facing the council is to manage these pressures alongside the significant impact caused by the cost of living crisis and recent high inflation, against a backdrop of global economic issues. The needs of the communities served by Leeds City Council have already increased and will continue to do so, and the various funding streams that support local government will undoubtedly be affected by the longer-term economic impact of the cost of living crisis. As disposable income becomes further reduced, the Council's traded and commercial income is expected to suffer. With stretched budgets, retention and recruitment pressures within the Council the ability to identify sufficient resources to support service transformation remains challenging.
10. The Council continues to work to ensure that the organisation is as efficient and productive as possible, but there is also recognition that in the longer-term there is a need to reset the role of the council within the financial envelope available. This may mean looking at further service modernisation and improvement through enhanced use of automation and ongoing reviews of the authority's estate to ensure buildings are being effectively utilised, to deliver capital receipts and to achieve revenue maintenance savings to support the in-year and future year financial pressures.

Savings Proposals

11. As in previous years, revenue savings proposals are categorised as either 'Business as Usual' (BAU), which can be implemented within the council's delegated decision-making framework and without consultation, or 'Service Reviews' which may require meaningful consultation with relevant stakeholders prior to any decisions being taken.
12. In previous budget consultations, scrutiny boards requested that information relating to BAU savings be published in the same way as information relating to service reviews. This was to enable members to fully understand where individual BAU proposals will deliver a material saving, and the cumulative impact of the overall savings anticipated to be delivered through the BAU programme. For the 2025/26 financial year, both Service Review and BAU savings have been published via the Executive Board in October and December.
13. On 16 October 2024, the Interim Assistant Chief Executive – Finance, Traded and Resources provided a [revenue savings proposals report](#) to the Executive Board that presented £56.9m of savings over the next three financial years of which £37.4m impact the 2025/26 financial year

(£4.5m being savings through 4 Service Reviews) for 2025/26, with subsequent impacts in future financial years. Table 1 illustrates:

Table 1: Revenue gap 2025/26 to 2027/28 – October Executive Board position

	Projected gap / £m			Total
	2025/26	2026/27	2027/28	
MTFS - Sep '24 Exec Board	106.69	45.72	42.11	194.52
Subsequent review of pressures	-2.73	0.25	0.25	-2.23
October '24 savings proposals	-37.35	-10.33	-9.25	-56.92
Revised gap – Oct '24 Exec Board	66.61	35.64	33.12	135.37

14. Since the October proposals, the assumptions and pressures within the MTFS have been reviewed again (please refer to the Proposed Budget report elsewhere in the agenda pack for more detail), resulting in a further net reduction to the three-year projected gap. This updated position was reported to the Executive Board in December, as follows:

Table 2: Updated estimated 3-year gap

	Projected gap / £m			Total
	2025/26	2026/27	2027/28	
Oct '24 Exec Board position	66.61	35.64	33.12	135.37
Subsequent review of funding & pressures	-21.33	1.11	-0.08	-20.30
Revised gap before further savings	45.28	36.75	33.04	115.07

15. The December proposals contain £45.3m of net savings through both BAU and Service Review proposals (£23.2m being savings through 16 Service Reviews) impacting on all directorates over the next three financial years. Table 3 Provides more detail:

Table 3: Revenue savings proposals and impact on estimated 3-year gap

	£m			Total
	2025/26	2026/27	2027/28	
Revised gap (as per Table 2 above)	45.28	36.75	33.04	115.07
Dec Exec Board savings proposals	-45.28	-1.52	-3.44	-50.25
Gap after Dec proposals	0.00	35.23	29.60	64.82

16. Collectively these measures enable the Council to propose a balanced budget for 2025/26.

17. The projected gaps in the coming years will continue to be closely monitored and reviewed, taking into account revised assumptions on budgetary pressures and income, including future announcements on central government funding to local authorities and national policy on the levels of local council tax and business rates councils are permitted to collect and retain. An updated position will be brought to this Board in Autumn 2025 through a refreshed MTFS covering the years 2026/27 to 2030/31.

18. Table 4 provides more detail on the savings proposals. When considered with the October proposals totalling £37.3m the savings proposals break down as: £82.6m in 2025/26, £11.9m in 2026/27 and £12.7m in 2027/28. The impact of the October and December savings proposals taken together and broken down by directorate, are as follows:

Table 4: Directorate savings

Directorate	Potential savings / £'000s			
	2025/26	2026/27	2027/28	Total
December Exec Board proposals				
Adults & Health	-9,699	-250	-250	-10,199
Children & Families	-20,374	-1,099	-865	-22,338
City Development	-3,128	-106	-550	-3,784
Communities, Housing & Env't	-3,695	-3,529	0	-7,224
Strategy & Resources	-3,382	-1,540	-1,779	-6,701
Asset rationalisation (<i>please see para 13</i>)	-5,000	5,000	0	0
TOTAL	-45,278	-1,524	-3,444	-50,246
October Exec Board proposals				
Adults & Health	-21,550	-5,530	-5,000	-32,080
Children & Families	-1,231	0	0	-1,231
City Development	-3,173	-53	0	-3,226
Communities, Housing & Environment	-2,200	-220	0	-2,420
Strategy & Resources	-9,198	-4,523	-4,245	-17,966
TOTAL	-37,352	-10,326	-9,245	-56,923
October & December proposals				
Adults & Health	-31,249	-5,780	-5,250	-42,279
Children & Families	-21,605	-1,099	-865	-23,569
City Development	-6,301	-159	-550	-7,010
Communities, Housing & Env't	-5,895	-3,749	0	-9,644
Strategy & Resources	-12,580	-6,063	-6,024	-24,667
Asset rationalisation (<i>please see para 13</i>)	-5,000	5,000	0	0
TOTAL	-82,630	-11,850	-12,689	-107,169

Service Reviews

19. Executive Board considered and approved 4 service reviews at its October meeting, totalling £4.5m and a further 16 were approved in December which would deliver £23.2m in savings for 2025/26. Details of these are contained in Appendix B (December Service Reviews) and Appendix C (October service reviews, these are the two service reviews specific to the Strategy and Resources Board remit). The following tables summarise:

Table 5: October Service reviews

Savings proposal	Potential savings / £'000s				Potential budgeted FTE impact			
	25/26	26/27	27/28	Total	25/26	26/27	27/28	Total
City Development - Civil Engineering: review of structures to reflect anticipated service changes incorporating potential VLS (Voluntary Leavers' Scheme) opportunities	-250	0	0	-250	-5.00	0.00	0.00	-5.00
City Development - Highways & Transportation DLO (Direct Labour Organisation): review of structures to reflect anticipated service changes incorporating potential VLS	-250	0	0	-250	-5.00	0.00	0.00	-5.00
Strategy & Resources - IDS: Deletion of non-income generating vacant posts prior to a structural review of Integrated Digital Services (IDS) in line with reshaping and resizing of the council and subsequent IDS support requirement	-3,087	-1,294	-1,036	-5,417	-61.70	-25.00	-20.00	-106.70
Strategy & Resources: Financial Services staffing reductions and efficiencies	-903	-474	-532	-1,909	-18.06	-9.50	-10.60	-38.16
Total service review proposals	-4,490	-1,768	-1,568	-7,826	-89.76	-34.50	-30.60	-154.86

Table 6: December Service review savings proposals

Directorate & Service area(s)	Service Review savings proposal description	Potential savings / £'000s		
		25/26	26/27	27/28
Adults & Health				
Cross-directorate	Review of non-statutory grants	-400	0	0
Children & Families				
Provider Services	Transformation of in-house Day Opportunities buildings <i>Potential FTE implications: reduction of 12.0 budgeted FTEs in 2025/26</i>	-550	0	0
	Review of in-house Care Delivery Service <i>Potential FTE implications: reduction of 4.50 budgeted FTEs in 2025/26. Potential staffing implications in 26/27 and 27/28 will emerge through the proposed phased review</i>	-250	-250	-250
Social Work and Social Care Services	Delivering efficiencies in adult social care through the implementation of a proposed prevention programme	-2,000	0	0
	Review of passenger transport	-800	0	0
Cross-directorate	Staffing reductions: directorate-wide targeted Voluntary Leavers' Scheme (VLS) <i>Potential FTE implications: reduction of 15.0 budgeted FTEs in 2025/26</i>	-500	0	0
	Transport savings through policy and practice changes	-1,400	-200	0
Social Care	Savings associated with the delivery of the agreed CLA Sufficiency Strategy - focused on reducing the number of children and young people within the Leeds Care System, holding more children within and close to Leeds, within family settings where possible and applying the principle of 'right provision for the right time'. Will build upon existing activity on increasing fostering capacity, increasing Small Group Living capacity and reducing external residential placements. <i>Potential FTE implications: reduction of 13.0 budgeted FTEs in 2025/26 and 12.0 in 2026/27</i>	-15,000	-870	-865
Social Care	Children's centres: additional savings from an integrated approach to locality buildings and delivery of locality-based services <i>Potential FTE implications will emerge through the review</i>	-1,000	0	0
City Development				
Active Leeds	Sport Facilities: Lease out of Middleton Leisure Centre to third party <i>Potential FTE implications will emerge through the review</i>	-222	0	0
Culture	Leeds Museums & Galleries: Introduction of 'Pay as You Feel' admissions	-200	0	0
Culture	Leeds Museums & Galleries: Closure of Abbey House Museum <i>Potential FTE implications will emerge through the review</i>	-160	0	0
Communities, Housing & Environment				
Safer & Stronger	Review of Community Committees and Locality Working <i>Potential FTE implications: reduction of 4.7 budgeted FTEs in 2025/26</i>	-243	0	0
Climate, Energy & Greenspaces	Bowling green efficiencies <i>Potential FTE implications: reduction of 4.0 budgeted FTEs in 2025/26</i>	-140	0	0
Strategy & Resources				
Legal & Democratic Services	Legal Services: Staffing savings anticipated through voluntary measures in 2025/26 pending a full structural review to deliver further savings <i>Potential FTE implications: reduction of 1.32 budgeted FTEs in 2025/26 and 3.60 in 2027/28</i>	-66	0	-180
Shared Services	Review of the Print and Signs functions within the Business Support Centre <i>Potential FTE implications will emerge through the review</i>	-273	-333	-133
Total		-23,204	-1,653	-1,428

20. In terms of the impact on staffing, the savings proposals for 2025/26 result in an estimated reduction in budgeted FTEs of 242.7.
21. Paragraph 6, above, notes the reduction in staffing that has taken place since 2011 as a result of the ongoing budget challenge, the savings proposals being considered in the scrutiny working groups and board meetings continue the trend of reduced staffing within the Council. The following table sets out the net impact of the proposals on budgeted FTEs in 2025/26

Table 7: Potential budgeted FTE impact

Directorate	Potential budgeted FTE impact			
	2025/26	2026/27	2027/28	Total
December Exec Board proposals				
Adults & Health	-16.50	0.00	0.00	-16.50
Children & Families	-30.50	-14.00	-12.00	-56.50
City Development	-12.02	-1.00	0.00	-13.02
Communities, Housing & Environment	-0.70	0.00	0.00	-0.70
Strategy & Resources	-34.44	0.00	-3.60	-38.04
TOTAL	-94.16	-15.00	-15.60	-124.76
October Exec Board proposals				
Adults & Health	0.00	0.00	0.00	0.00
Children & Families	0.00	0.00	0.00	0.00
City Development	-10.00	0.00	0.00	-10.00
Communities, Housing & Environment	-1.20	0.00	0.00	-1.20
Strategy & Resources	-137.35	-57.29	-54.39	-249.03
TOTAL	-148.55	-57.29	-54.39	-260.23
October & December proposals				
Adults & Health	-16.50	0.00	0.00	-16.50
Children & Families	-30.50	-14.00	-12.00	-56.50
City Development	-22.02	-1.00	0.00	-23.02
Communities, Housing & Environment	-1.90	0.00	0.00	-1.90
Strategy & Resources	-171.79	-57.29	-57.99	-287.07
TOTAL	-242.71	-72.29	-69.99	-384.99

22. The proposals published in the October and December savings proposals reports impact on all five scrutiny board remits and where service reviews are proposed more detail is provided in Appendices B and C to this report.
23. All five scrutiny boards held working groups in December, at those debate and discussion was limited to the remit of the respective board. This item will follow the same approach and if questions arise that sit outside of the remit of the Strategy & Resources Board, these will be referred to the relevant Scrutiny Board via the appropriate Chair.
24. As noted above, services that sit within the Board's remit from a budgetary perspective are:
- **Strategy and Resources Directorate** – Strategy and Improvement, Financial Services, Human Resources, IDS, Legal and Democratic Services, Shared Services and Civic Enterprise Leads.
 - **Strategic and Central Accounts** – All services
 - **Communities, Environment and Housing** – Elections, Licensing and Registration, Communities (limited to equalities)

25. Details of the specific budget proposals in these services can be found on pages 170, 174, 175 and 176 for Strategy and Resources Directorate and page 173 for Elections and Regulatory. For service reviews that fall within the Board's remit these can be found on pages 205-206 (Legal Services staffing savings), pages 207-208 (review of print and sign functions), pages 209-210 (IDS deletion of non-income generating vacant posts) and pages 211-212 (Financial Services staffing reductions).

What impact will this proposal have?

26. Engagement with Scrutiny in relation to the budget proposals is in line with the requirements of the Budget and Policy Framework. A summary of the deliberations of the five scrutiny boards is required to then be provided to the Executive Board for consideration on 12 February 2025. The Executive will be expected to report to Council on how it has taken into account any recommendations from the Scrutiny Board.
27. Outside of the formal requirements for consultation, such engagement also provides the opportunity for scrutiny members to add value to the budget setting process.
28. Ongoing scrutiny of financial matters supports the Council in delivering a robust, sustainable budget, which reflects the strategic objectives set out in the Best City Ambition, along with the aspiration to be an enterprising, efficient, healthy and inclusive organisation.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

29. The role of scrutiny as a 'critical friend' on financial performance and management helps provide assurance that resources are available and aligned to the aspirations of the Best City Ambition and the associated delivery of the three pillars; Health and Well Being, Inclusive Growth and Zero Carbon.

Wards Affected: Please state the specific wards affected here. If city-wide, state "All" for clarity.

Have ward members been consulted? Yes No

What consultation and engagement has taken place?

30. This report forms an important part of the consultation process with scrutiny on the Proposed Budget for 2025/26, in accordance with the Budget and Policy Framework of the authority.
31. Where Service Reviews are being implemented these may require meaningful consultation with relevant stakeholders prior to any decisions being taken.
32. Following agreement by December's Executive Board, public consultation on the council's Proposed Budget for 2025/26 took place during the four weeks between 11th December 2024 and 8th January 2025. This was 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.

What are the resource implications?

33. All resources, procurement and value for money implications are detailed in the Appendices to this report

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

34. This report has no specific risk management implications.

What are the legal implications?

35. This report has no specific legal implications.

Options, timescales and measuring success

What other options were considered?

36. The budget consultation process has been developed in conjunction with elected members and relevant senior officers.

37. An enhanced process of consultation, which includes the informal working groups, is intended to add value by allowing greater capacity for members to consider the detail of budgetary proposals.

38. Consideration was given to only conducting consultation with scrutiny through the public meeting cycle in January. However, this approach would risk delivering less detailed input and reduced member oversight and was discounted on those grounds.

How will success be measured?

39. As in previous years, feedback from elected members on the process of budget consultation will be used to inform the approach to such consultation in future years.

40. The submission of a composite scrutiny statement on the budget for 2025/26 for consideration at the 12 February 2025 meeting of Executive Board will complete the consultation process and meet the requirements of the Budget and Policy Framework.

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

41. The Executive Board formally referred the initial budget proposals to Scrutiny at its meeting on 11 December 2024. Scrutiny Boards then conducted a series of working groups in December 2024 and formal, public consultation is now taking place in January 2025 through the five, publicly held formal board meetings.

42. A summary of the deliberations of Scrutiny will be submitted for consideration by Executive Board on 12 February 2025 before the final budget proposals are referred for consideration by Full Council on 26 February 2025.

Appendices

- **Appendix A – Proposed Budget for 2025/26 and Provisional Budgets for 2026/27 and 2027/28.**

- Appendix B - **Revenue Savings Proposals for 2025/26 to 2027/28** (11 December 2024). Please note that the **Revenue Savings Proposals** from 16 October 2024 are included in this report.
- Appendix C – Detail of Service Review saving proposals from 16 October Executive Board meeting, specific to the Strategy and Resources Board remit.

Background papers

43. None