

## 2025/26 Revenue Budget and Council Tax

Date: 12<sup>th</sup> February 2025

### Agenda Item 12A

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

Report to: Executive Board

Will the decision be open for call in?

Yes  No

Does the report contain confidential or exempt information?

Yes  No

### Brief summary

At its December 2024 meeting, the Executive Board considered initial proposals for the 2025/26 Revenue Budget and approved these for consultation. This report presents updated final Budget proposals for 2025/26, seeking the Board's approval to recommend the Budget to Full Council at its meeting on 26<sup>th</sup> February 2025. The report includes the HRA and Schools budget proposals for 2025/26.

These final proposals take into account the one-year provisional Local Government Finance Settlement for 2025/26, Leeds City Council's budget consultation results and other influencing factors, such as the wider economic context. The 2025/26 Budget being proposed continues to support the Council's strategic ambitions, policies and priorities aimed at tackling poverty and reducing inequalities, whilst also supporting our ongoing journey to strengthen the authority's financial resilience and sustainability.

In line with the Council's statutory requirement, a balanced budget is presented for the next financial year. Compared to 2024/25, this is based upon:

- An increase in Settlement Funding Assessment – core government funding received – of £3.0m.
- A proposed 4.99% increase in Council Tax: 2.99% for the 'core' element, and an additional 1.99% for adult social care, estimated to contribute an additional £17.3m to the budget.
- A £13.4m increase in Business Rates contribution to the budget.

The overall impact is to increase the net revenue budget by £33.7m (5.4%) to £655.7m for 2025/26.

Whilst resources receivable from the Settlement Funding Assessment and estimated from Council Tax and Business Rates have increased, these are outweighed by pay, price, cost of living and demand pressures. This means the authority will need to deliver £103.8m of savings by March 2026 to achieve a balanced budget position.

Looking ahead, the position remains challenging: against a backdrop of uncertain government funding from April 2026, inflation and cost of living pressures have significant implications for the Council's finances as do levels of demand. In common with local authorities throughout the country, in order to balance the 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 services, affecting service users, residents, businesses, partners and our workforce. It needs to be recognised that we are not funded to meet current demand and 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 updated Provisional Budgets for 2026/27 and 2027/28 set out in this report estimate a budget gap of £38.2m in 2026/27 and a further £30.1m in 2027/28. This future position will continue to be revised and reported to the Executive Board through a refreshed five-year Medium-Term Financial Strategy in September 2025.

## Recommendations

Executive Board is requested to:

- a) Recommend to Council that it notes the recommendation of the Council's statutory Section 151 officer (the Interim Assistant Chief Executive – Finance, Traded and Resources) that the Budget proposals for 2025/26 are robust and that the proposed level of reserves is adequate, as set out at Part 7 of Appendix 1 to this report.
- b) Recommend to Council the adoption of the following resolutions:
  - i. That the revenue budget for 2025/26 totalling £655.7m be approved. This means that the Leeds element of council tax for 2025/26 will increase by 2.99% plus the Adult Social Care precept of 1.99% compared with 2024/25. This excludes the police and fire precepts which will be incorporated into the Council Tax report to be submitted to Council on 26<sup>th</sup> February 2025.
  - ii. Grants totalling £74k to be allocated to parishes as shown at Appendix 5.
  - iii. Approval of the revised virement rules at Appendix 7 Virement Decisions to Amend Approved Budgets, in line with the constitutional changes implemented in May 2024, specifically in regard to the decision making categories and associated rules.
  - iv. Approval of the strategy at Appendix 9 in respect of the flexible use of capital receipts, specifically planned use of £16.8m in respect of 2025/26.
  - v. In respect of the Housing Revenue Account that the budget be approved with:
    - An increase of 2.7% in dwelling rents.
    - An increase of 2.7% in garage and travellers site rent.
    - An increase of 2.7% for the standing charges in district heating schemes and the district heating unit rate will remain at 10p per kwh.
    - A 2.7% increase in heat consumption charges in sheltered complexes.
    - An increase in service charges for low/medium rise flats to £5.30 per week and for multi-storey flats to £12.52 per week.
    - An increase in the charge for tenants who benefit from the sheltered support service to £9.82 per week.
    - An increase in the Retirement Life charge for the provision of additional community facilities to £12.52 per week for services within complexes and £5.30 per week where they are within a standalone community centre.
    - An increase in the service charges for Wharfedale extra care scheme to £52.09 per week.
    - An increase in the service charge for Gascoigne House extra care scheme to £65.76 per week.
    - The support charge at both extra care schemes to increase from £28.76 in 2024/25 to £30.75 in 2025/26.
  - vi. In respect of the Schools Budget, that the High Needs Block budget for 2025/26, as set out in paragraph 3.4 of the Schools Budget Report at Appendix 8 (specifically the table at paragraph 3.4.6) be approved.
- c) Thank Scrutiny Boards and all those who took part in the public consultation for their comments and observations made in consideration of the Council's Proposed Budget.
- d) In respect of the Scrutiny Board consultation on the Proposed Budget:
  - i. Note the conclusions and comments of the five Scrutiny Boards as set out in the composite report provided at Appendix 3.
  - ii. Consider the following joint recommendations from the five Scrutiny Boards:

- Scrutiny Boards sought assurances from senior officers and Executive Members around the assumptions reflected in the Proposed Budget 2025/26 including the deliverability of the budget savings. Given the scale of the challenge and the context of increased demand for key services, it is recommended progress continues to be monitored through the Strategy and Resources Scrutiny Board in addition to the Executive Board.
- It is recommended that the Executive Board also seeks the views of the Member Champion (Equality) Working Group about the overall impact of the budget proposals on groups with protected characteristics.

## What is this report about?

- 1 In accordance with the Council's Budget and Policy Framework, decisions as to the Council's budget are reserved to Full Council. This report asks Executive Board to recommend to Council a revenue budget of £655.7m for the 2025/26 financial year.
- 2 The report presents final budget proposals for 2025/26, updating the financial positions reported to this Board in September 2024 through the [Medium Term Financial Strategy 2025/26 to 2029/30](#) and in December 2024 through the [Proposed Budget for 2025/26](#).
- 3 Related reports in respect of the Capital Programme and the Treasury Management Strategy are also being received at Executive Board today and can be found elsewhere on this agenda.
- 4 Full details on the final budget proposals for 2025/26 are provided in the attached appendices, with key points summarised below:

### Revenue Budget 2025/26

- a) Following the Executive Board's approval of the Council's Proposed Budget for 2025/26 at its 11<sup>th</sup> December 2024 meeting, the Deputy Prime Minister and Secretary of State for Housing, Communities and Local Government presented a written statement to the House of Commons on 18th December 2024 detailing the Provisional Local Government Finance Settlement 2025/26, covering the year 2025/26 only. The Final Settlement, expected in early February, will be subject to debate in the House of Commons. As such, the implications of all known relevant announcements are included in this Budget Report.
- b) When compared to 2024/25, the Council's net revenue budget has increased by £33.7m to £655.7m, due to an increase in the Settlement Funding Assessment (SFA) of £3.0m (1.5%) – the core funding local authorities receive from Government -, an increase in business rates income of £13.4m, and an increase in Council Tax income of £17.3m.
  - i. The increase in Council Tax comprises an increase in core council tax of 2.99% together with a further 1.99% in respect of the Adult Social Care precept. The overall increase in council tax income also reflects tax base growth. Excluding police and fire precepts, for a Band D property this is an increase of £86.29 per annum to £1,813.13.
  - ii. The net £13.4m impact of business rates retention on the 2025/26 General Fund reflects an improvement both on the budgeted deficit position from 2024/25 to 2025/26 (£4.9m), as the final instalment of the deficit from 2020/21 drops out, and an improvement in accumulated growth (£8.5m) as both the commercial property market slowly recovers from the pandemic years and the Government incrementally reduces support to the retail, leisure and hospitality sectors through the business rates system after the cost of living crisis.
- c) Whilst resources receivable have increased, additional pay, price, cost of living and demand pressures mean that the Council will need to deliver £103.8m of savings by March 2026 to

achieve a balanced budget position. Full details are provided at Part 5 of Appendix 1 with these updated assumptions incorporated into Directorate reports at Appendix 8.

- d) Cost of living pressures continue to have a wider inflationary impact on the Authority due to the impact of the increased cost of living on our residents and businesses. In addition, there are risks associated with increases in costs to the Council for the goods and services that we procure, increased demand for support and welfare services, and reduced income across a range of services as Leeds residents and visitors choose to spend differently due to reduced disposable income or rising inflation. As part of the wider ongoing financial monitoring processes, this position will continue to be kept under review throughout the financial year. Additional insight on how the cost of living is impacting upon people has also been provided within the Budget Equality Impact Assessment at Appendix 6 and in regular cost of living reports to Executive Board.
- e) Demographic and demand pressures continue to grow. In Children and Families, the COVID pandemic has had a huge impact on the most vulnerable communities of Leeds in terms of their health and well-being and their economic circumstances, leading to an increased need for children's social care. Other specific drivers of demand include an increasing population of children and young people with special and very complex needs, greater awareness of the risks of child sexual exploitation, grooming by criminal gangs, levels of domestic abuse, misuse of drugs and alcohol, levels of poverty and a children's home sector that requires rebuilding from the perspective of children's needs rather than private sector profits. In addition, expectations of families and carers in terms of services offered 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. Children Looked After (CLA) numbers in Leeds continue to increase reflecting the national trend, with costs of placements increasing significantly. This trend is expected to continue, and provision of £38.1m has been built into the budget for 2025/26. Within Adults and Health, the population growth forecast assumes a steady increase in the number of people aged 65+ and Learning Disability demography is expected to grow by 1.6% over the period to 2029. The high-cost increase is primarily a combination of increasingly complex (and costly) packages for those entering adult care, and meeting the increasing costs for existing clients whose packages may last a lifetime. Provision of £10.6m is reflected in these budget proposals for this demand and demography pressure in addition to £26.8m to meet inflationary pressures in commissioned services. Due to these growing pressures in social care, these budget proposals provide for an £8.9m contribution to the Social Care Contingency Reserve, established in 2024/25.
- f) The authority will continue to put measures in place to ensure the assumed increases in funding, savings and cost efficiencies set out in the proposals for the 2025/26 Budget are realised by March 2026, with regular 'Financial Health Monitoring' reports provided to the Executive Board throughout 2025/26. Any variation to budgeted assumptions will be required to be managed within the approved budget. This is in line with the Council's Revenue and Capital principles, first approved by the Executive Board in July 2019 and last updated in February 2023 which further strengthen budget management and accountability. The principles are presented at Appendix 11 to this report.

### **Use of capital receipts**

- g) Capital receipts can only be used for specific purposes, their main permitted purpose being to fund capital expenditure. However, under Government guidance issued in March 2016 and updated in August 2022, local authorities are allowed to use capital receipts more flexibly, specifically for, 'expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for

services in future years for any of the public sector delivery partners.’ Under the Local Government Finance Settlement for 2021/22, these capital receipts flexibilities were extended to the end of 2024/25. In December 2023, the previous Government extended the programme further, to March 2030 and the current Government has confirmed this extension. The previous Government also committed to engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage invest-to-save activity and more flexibilities to use capitalisation without the requirement to approach Government. A Government consultation closed on 31st of January 2024 and we await publication of the outcomes.

- h) Appendix 9 sets out the Council’s Strategy for the Flexible Use of Capital Receipts, noting a net reduction in planned use of £0.2m when compared with the budgeted position for 2024/25 (please refer to the Month 9 Financial Health Monitoring elsewhere on this agenda for further information), and the planned use of £16.8m to support transformation in 2025/26.

### **Housing Revenue Account and Dedicated Schools Grant**

- i) With regard to the Housing Revenue Account (HRA), it is proposed to increase rents to all properties by 2.7% in accordance with the Government’s rent formula of CPI (1.7% as at September 2024) +1%. In addition to this the HRA budget includes proposals to increase service charges to cover rising costs due to price inflation. Details can be found at Appendix 8.
- j) At the end of 2024/25 it is projected that there will be a deficit balance of £13.9m on the DSG. The projected deficit equates to 1.28% of the total DSG funding 2024/25. This negative reserve position is allowed for within the management arrangements for the DSG by Local Authorities by means of a ‘statutory override’ to the requirement for the DSG to remain balanced. The Council is working with the Department for Education on producing a DSG Management Plan which will form the basis of work to seek to bring the DSG to a more balanced position over time, to the extent that this is possible given any limitations in funding and increased demand. Whilst the DSG Management Plan will potentially assist in the medium term, the increasing level of deficit is an issue that needs careful consideration within the overall context of the Council’s financial arrangements. This position will continue to be closely monitored throughout the remainder of 2024/25 with updated projections to be presented to Schools Forum and Executive Board.
- k) The Schools Budget is mainly funded by the DSG, the majority of which is passed on to schools, with a small proportion of the grant being retained to support the Council’s education responsibilities. Details of the 2025/26 DSG can be found within the Schools Budget narrative at Appendix 8.

### **Business Rates Pool**

- l) In 2024/25 the Council is a member of the Leeds City Region Business Rates Pool, with 50% business rates retention. In early October 2024, the Government invited authorities to apply to continue their pooling arrangements into 2025/26. The Leeds City Region Pool applied, and the Provisional Local Government Finance Settlement in December 2024 confirmed that this application had been successful. Executive Board, at its meeting on 11<sup>th</sup> December 2023, approved that Leeds City Council should continue in the Pool and remain lead authority. The 2025/26 Pool will be legally formed on 1<sup>st</sup> April 2025, as no member authority withdrew within the statutory 28-day period after the publication of the Provisional Local Government Finance Settlement and will continue until 31<sup>st</sup> March 2026.

## Future years

- m) Looking ahead, Appendix 1 presents provisional Revenue Budgets for 2026/27 and 2027/28. These update the position set out in the Proposed Budget received by the Executive Board in December 2024, with latest forecast gaps of £38.2m in 2026/27 and £30.1m in 2027/28. (These are provided for information and planning purposes only, with decisions continuing to be made as part of the Council's annual budget-setting process.) The forecast position for the financial period to March 2028 recognises the requirement to make the Council's budget more financially resilient and sustainable whilst providing increased resources to support demand-led services.
- n) It is clear from the level of savings required to be delivered in 2025/26 and the size of the estimated budget gaps in future years that the financial climate for local government continues to present significant risks to the Council's priorities and ambitions. In addition, this report has been prepared against a background of uncertainty in regard to the Government's spending plans from April 2026, following a one-year financial settlement announcement in 2025/26 and the announcement of planned funding reforms. The Council continues to make every effort possible to protect the front-line delivery of services and to avoid large scale compulsory redundancies while making decisions which are sustainable for the future. But the position remains extremely challenging, especially when account is taken of the ongoing financial impact of the cost of living crisis. As such, the Authority's 'Financial Challenge' savings programme will continue, supporting reviews and wider transformation that will deliver improved services and, at the same time, efficiencies. As noted above, 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, with this expected to lead to further workforce change including potentially to compulsory redundancies.

## What impact will this proposal have?

- 5 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.
- 6 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.
- 7 Equality impact screenings have been carried out on all 'service review' savings proposals previously approved by this Board for implementation / consultation at its October and December 2024 meetings. Where appropriate, further equality impact assessments will be carried out as part of the council's decision-making process.
- 8 A full strategic equality impact assessment and analysis of this proposed Revenue Budget for 2025/26 is included at Appendix 6.
- 9 Broader potential impacts (for example, on service delivery levels, particular geographical areas etc.) are considered throughout the process of developing this Budget and the supporting savings proposals and will continue to be considered as decisions are made. Such considerations are based on the best possible information available at the time of preparing the papers.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

10 The council's strategic ambitions can only be delivered through a sound understanding of the organisation's longer-term financial sustainability which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints. This is the primary purpose of the Medium Term Financial Strategy which provides the framework for the determination of the Council's annual revenue budget, with this report presenting the proposals for the 2025/26 Budget.

## What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

Yes

No

11 The 2025/26 Budget proposals were developed through consultation with a range of stakeholders, notably with the Executive Board, all Scrutiny Boards, the Council's Corporate Leadership Team and other senior officers, and through wider staff engagement. They also draw on insights from the priorities set out in existing council and partnership plans and strategies which have themselves been subject to extensive consultation and engagement. The public consultation results are included in full at Appendix 2 with the results of the consultation with Scrutiny Boards provided at Appendix 3. Specific consultations have been, or are being, carried out on the 'service review' savings proposals, including importantly with Trade Unions.

### Public Budget consultation – summary

#### Introduction and approach

12 Following agreement by Executive Board in December, public consultation on the Proposed Budget for 2025/26 took place between 11th December 2024 and 8th January 2025 via an online engagement platform (Commonplace). The survey explored a range of themes relevant to the proposed budget including: principles of how we should be funded, our savings proposals, changes to council tax, and how we plan to allocate the revenue budget by directorate. Other questions explored satisfaction with how we run things and ideas for bringing in extra money or making savings.

13 The survey was carried out using online methods only. In previous years, when paper surveys have been offered, they have had low take-up and those were predominantly from groups of respondents that are already over-represented. The consultation was circulated primarily through Leeds City Council social media channels and online community groups, and as a news item on the council's website. The Citizens' Panel, which has almost 3,000 members, received an email with a link to the survey. Staff and elected members were invited to take part through emails and a news item on the council's intranet (InSite). Invitations were also emailed to partner organisations, requesting that they share through their networks.

#### Responses

14 In total, 1,369 participants completed the survey. Though lower than the previous two years (1,722 for the 2024/25 Proposed Budget and 1,742 for 2023/24's), results are still highly statistically accurate, representing the population of Leeds to a confidence interval of +/-2.6% (with 95% confidence).

15 Survey participants were from a range of different demographic groups, which in general represented the population of Leeds residents when compared with the 2021 Census.

Ethnically diverse communities and younger people were underrepresented, however there were enough of each group for their views to be reported.

16 Of the 666 respondents (49%) that identified themselves, 93% said that they live in Leeds, more than two in five (42%) work in Leeds, and a smaller group (1%) said they study in Leeds. In total, 1 in 10 (10%) said they work for Leeds City Council, much lower than the previous year (30%).

### Balancing council tax and charges with protecting services

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

- More than 3 out of 4 respondents (77%) agreed with the statement that we should raise money through increasing council tax and charges:
  - 32% of all respondents felt we should raise enough money by increasing council tax and charges to avoid having to cut services.
  - 44% of all respondents said that council tax and charges should be slightly increased whilst balanced with reducing or cutting some services.
- Almost 1 in 4 respondents (23%) agreed with the statement that we should not increase council tax or charges, even if this has a large impact on the services we can provide. This is higher than the previous year (20%) though lower than in 2023/24 (27%).

18 When asked how much participants agree or disagree with our proposals to increase the 'core' element of council tax in Leeds by 2.99%, and to levy an adult social care precept of 1.99%:

- Just over two thirds (68%) of the 1,308 people who responded to this question agreed with our approach for increasing the core rate of council tax: 31% strongly agreed, 37% tended to agree, 13% tended to disagree and 19% strongly disagreed. The proportion of those who agreed is lower than last year (for 2024/25, 75% agreed).
- A similar proportion (67% of the 1,128 participants who responded to this question) agreed with our approach of applying an additional levy to support adult social care services: 31% strongly agreed, 36% tended to agree, 15% tended to disagree and 18% strongly disagreed. Fewer people completed this question (1,127 of 1,369). Again, the proportion of those who agreed is lower than last year (for 2024/25, 72% agreed).

### The proposed budget and savings proposals

19 Participants were presented with a chart of the proposed net revenue budget per directorate and details of how this has changed from the previous year, alongside a summary of the services that each directorate provides, and links to the Revenue Savings Proposals and Proposed Budget reports considered by the Executive Board in December 2024.

- When asked how much they agreed overall with the budget and savings proposals for 2025/26, almost 3 in 10 respondents (28%) agreed (6% strongly agreed, 22% tended to agree), compared to over a third of respondents that disagreed (34%: 17% strongly disagreed, 17% tended to disagree). A higher number, representing almost 2 in 5 respondents (38%), said they neither agree nor disagree. In total, 1,259 of all 1,369 respondents completed the question.
  - In a change to previous years, the question was asked on a five-point scale and now includes a 'Neither agree nor disagree' option, to meet the sentiment scale formatting requirements of the engagement platform used.
  - In a further change, a single question asked participants to what extent they agreed or disagreed with the budget and savings proposals for 2025/26; for 2024/25, separate questions were used for the proposed budget and for the savings proposals.



- Taking into account the different response set used (including the option 'Neither agree nor disagree'), agreement with the proposed budget and savings proposals appears to have significantly decreased from previous years. For 2024/25, 66% of respondents agreed with the savings proposals and 68% agreed with the overall proposed budget; for 2023/24, 59% agreed with the savings proposals and 59% with the overall proposed budget. The fall in agreement for 2025/26 could in part be due to the scale and nature of the savings proposals put forward.

20 Using a free text field, respondents were invited to comment on the revenue budget and savings proposals. In total, 602 (44%) respondents provided 772 comments which have been individually analysed and grouped into themes:

- The largest number of comments stated that the council needs to reduce waste and create efficiencies (81).
- A similar number had concerns regarding existing or future savings proposals (80), many of which referred to the proposed closure of Abbey House, followed by parking charges in parks, and a smaller number referring to closing or reducing staff at Mental Health Hubs and the closure of bowling greens.
- Other key themes of comments referred to the consultation, stating the proposal was lacking information or that it was difficult to find the detail in the supporting documents (65), with a similar number commenting about reducing city roadworks (64), followed by comments about reducing staff numbers/wages (51), concern over council tax increases (50), and generally agreeing with the proposals (46).

#### Suggestions for how the council could bring in extra money or make savings

21 612 people (45%) provided comments or suggestions on how the council could do things differently to bring in extra money or make savings, with many giving multiple comments or suggestions, resulting in 951 comments. These were gathered into groups of linked themes:

- In order of the highest percentage of comments received, the groups were: Priorities & Policy (25%), Ideas and Suggestions (24%), Ways of Working (17%) followed by Staffing and Pay (17%) and Transport (14%).
- The most common single themes were: Reducing staff numbers, pay or benefits (97 comments - this was also the most common theme last year), stopping roadworks or cycle lanes (87 comments - third last year), improving efficiency (82 comments - second last year), followed by utilising or selling council buildings (55 comments) and better budgeting and prioritising (54 comments).

#### Perceptions of Leeds City Council

22 Participants were asked how satisfied they were with the way Leeds City Council runs things:

- Almost half of respondents (46%) were satisfied with the way Leeds City Council runs things (8% very satisfied, 38% fairly satisfied), whilst a third (34%) said they were dissatisfied (16% very dissatisfied, 18% fairly dissatisfied). In total, 1,323 of all 1,369 respondents completed the question.
- Comparison with last year's consultation shows a decrease in satisfaction (46% this year, down from 60% in 2024/25), bringing results closer to previous years (49% in 2023/24 and 53% in 2022/23) and reprising the downward trend seen since this question was first included for the 2021/22 proposed budget.

#### **Scrutiny Board consultation – summary**

23 In accordance with the requirements of the Budget and Policy Framework, all five Scrutiny Boards considered the Proposed Budget 2025/26 during their January cycle of meetings. Prior

to this, and in line with the approach taken in previous years, officers and Executive members attended working group sessions with each Board in December, an approach welcomed by the Boards.

- 24 Following the January meetings, a composite report presenting the Scrutiny Board comments and conclusions was provided. This included 7 key considerations:
- i. Scrutiny Boards sought assurances from senior officers and Executive Members around the assumptions reflected in the Proposed Budget 2025/26 including the deliverability of the budget savings.
    - Given the scale of the challenge and the context of increased demand for key services, it is recommended progress continues to be monitored through the Strategy and Resources Scrutiny Board in addition to the Executive Board.
  - ii. Scrutiny members remain concerned about the financial sustainability of the Council's reserves, which the budget report recognises as "lower than those of other comparable authorities of a similar size."
  - iii. It is recommended that the Executive Board also seeks the views of the Member Champion (Equality) Working Group about the overall impact of the budget proposals on groups with protected characteristics.
  - iv. Members reiterated the need for decision makers to ensure the budget setting process recognises the 'added value' delivered by third sector partnerships and the consequential impact on services and citizens of diminishing grant funding.
  - v. Scrutiny members requested further clarity about the anticipated impact of increases in Employers National Insurance contributions (NI ER) on the cost of services provided by suppliers and the potential risk this may pose to the deliverability of directorate savings. This was noted as a particular concern for services including Adult Social Care.
    - Further assurances were sought about the level of compensation anticipated to be provided by Government in response to increased NI ER costs for Leeds City Council. Clarity about the level of compensation could not be provided at the point of engagement with the Scrutiny Boards.
  - vi. Assurances were provided by senior officers and Executive Members about Trade Union engagement where services are being redesigned or budgeted FTEs reduced, including via voluntary mechanisms.
  - vii. Assurances were sought from decision makers about the organisation's technical capacity to support business transformation, which underpins many proposals within the budget. Concern was raised in the context of planned reductions in overtime and a structural review of IDS.
- 25 In addition, each Scrutiny Board presented a number of key findings specific to their remits. Further detail is provided in the composite report at Appendix 3.

### **Housing Leeds Tenant Consultation**

- 26 In line with the Housing Leeds Service Plan commitment to 'maximise the use of customer feedback' the service has integrated into its quarterly tenant satisfaction survey programme questions to help us understand tenants' service priorities, which in turn can be used to help inform annual budget setting. The findings of this consultation are at Appendix 12.

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

- 27 The financial position as set out in the Medium Term Financial Strategy which was received at September's Executive Board identified an estimated budget gap of £194.5m for the period

2025/26 to 2027/28 of which a gap of £106.7m related to 2025/26. The Proposed Budget presented to this Board in December 2024 encompassed a number of directorate savings proposals and corporate measures which enabled a balanced budget position for 2025/26, with estimated gaps at that time of £35.2m and £29.6m respectively for 2026/27 and 2027/28.

- 28 Final budget proposals, which incorporate a number of changes to the position presented in December, deliver a balanced budget for 2025/26 and are contained within Appendix 1 of this report. This position takes account of the estimated level of resources available to the Council. In addition, it reflects the requirement to make the Council's revenue budget more financially resilient and sustainable over the medium term whilst at the same time recognising increased demand pressures for the services that we deliver.
- 29 The provisional budgets for 2026/27 and 2027/28 have been updated and the estimated budget gaps are now £38.2m and £30.1m for the respective years. Details are contained within Appendix 1 of this report.

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

- 30 The budget proposals for 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.
- 31 The Council's current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way, in that the Council cannot balance its Revenue Budget, is identified as one of the Council's corporate risks, as is the Council's financial position going into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the Council's risk-based reserves policy. Both these risks are subject to regular review and reporting.
- 32 As referenced below, and detailed in Appendix 1 of this report, the Council's proposed budget for 2025/26 carries a number of inherent risks not least of which that it requires the delivery of £103.8m of savings before 31st March 2026. Almost inevitably there are risks regarding the timeliness of delivery for some of these savings and therefore in recognition of this, the Council is actively identifying appropriate contingency proposals that can be implemented if there is any slippage or variation in planned budgeted savings proposals. The identification and implementation of contingency plans will ensure that the Council's revenue budget in 2025/26 remains robust, resilient and sustainable and that a balanced budget will be delivered by 31st March 2026.
- 33 Failure to address these risks will ultimately require the Council to consider even more difficult decisions that will have a far greater impact on front-line services including those that support the most vulnerable and thus on our strategic ambitions to tackle poverty and reduce inequalities.
- 34 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 reports brought to Executive Board.
- 35 In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required.
- 36 Specific risks relating to some of the assumptions contained within these budget proposals are identified at Appendix 1 to this report.

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

- 37 Under Section 151 of the Local Government Act 1972, 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.
- 38 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.
- 39 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 resource 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.
- 40 This report has been produced in compliance with the Council's Budget and Policy Framework. In accordance with this framework, the Proposed Budget, following approval by this Board in December 2024, was submitted to all Scrutiny Boards for their review and consideration. As noted above, the outcome of their review is included at Appendix 3 to this report for consideration prior to submission of these proposals to Full Council on 26<sup>th</sup> February 2025.
- 41 These budget proposals, if implemented, will have implications for Council policy and governance and these are explained within Appendix 1 to this report. The budget is a key element of the Council's Budget and Policy Framework, but, where required, proposals will also be subject to separate consultation and decision-making processes, which will operate within their own defined timetables and be managed by individual directorates.
- 42 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, the recommendations in this report are not eligible for call in, as the budget is a matter that will ultimately be determined by Full Council.

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

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

- 43 Council is required to set an annual budget, and as such, these budget proposals are being submitted to Executive Board in line with the Council's Budget & Policy Framework Procedure Rules. As such, no other options were considered.

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

- 44 Not applicable

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

45 Not applicable

### **Appendices**

Appendix 1: 2025/26 Revenue Budget and Council Tax

Annexe 1: Movement in Net Managed Budget by Directorate 2024/25 to 2025/26

Annexe 2: Statement of 2024/25 and 2025/26 Budgets by Service: will be circulated to Board members in the coming days

Appendix 2: Proposed Budget 2025/26: Public Consultation Report

Appendix 3: Proposed Budget 2025/26: Summary of Scrutiny Board Consultation

Appendix 4: 2025/26 Proposals by Directorate Requiring Decision

Appendix 5: Proposed Council Tax Support Payments for Parish/Town Councils

Appendix 6: Equality Impact Assessment: Council Budget 2025/26

Appendix 7: Virement Decisions to Amend Approved Budgets

Appendix 8: Directorate Budget Reports 2025/26

Appendix 9: Strategy for the Flexible Use of Capital Receipts

Appendix 10: Budgeted movements in Earmarked Reserves 2025/26

Appendix 11: Revenue and Capital Principles

Appendix 12: Housing Leeds Tenant Consultation

### **Background papers**

- None



# Appendix 1: 2025/26 Revenue Budget and Council Tax



# Appendix 1:

## Introduction

This report details Leeds City Council's Budget for 2025/26, in accordance with its Budget and Policy Framework. The Budget is set within the context of the Government's 2024 Autumn Budget and one-year Spending Review for 2025/26 presented to the House of Commons on 30th October 2024 - the implications of which were reflected in the authority's [Proposed Budget for 2025/26](#) approved by the Executive Board in December 2024 for consultation - and the provisional Local Government Finance Settlement announced on 18<sup>th</sup> December 2024. It further builds on the Council's five-year [Medium Term Financial Strategy 2025/26 to 2029/30](#) noted by the Executive Board in September 2024 which provides the framework for the determination of the annual revenue budget.

Following recommendation by Executive Board this report seeks approval from Council that the revenue Budget for 2025/26 be approved at £655.7m. This results in an increase of 2.99% in the Leeds element of core Council Tax and a 1.99% increase in the Adult Social Care precept. For a Band D property this is an increase of £86.29 to £1,813.13 for 2025/26.

Detailed budget proposals for each directorate are set out in the budget reports attached in Appendix 8. This information has been consolidated into the Budget Book provided to Full Council and will also be published on the Data Mill North. The Budget Book will contain detailed budgets for each directorate at both service level and by type of expenditure / income.

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

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

These budget proposals are set in the context of the Best City Ambition, the Council's strategic plan which sets out the ambitions, outcomes and priorities for the city of Leeds and for the local authority.

[Part 1: The Context for 2025/26 Budget and Provisional Budgets for 2026/27 and 2027/28](#)

[Part 2: Summary Changes since the Proposed Budget](#)

[Part 3: Changes in Resources and Funding since 2024/25 Budget](#)

[Part 4: Cost Pressures, Budget Growth and Adjustments](#)

[Part 5: Addressing the Budget Gap – Savings Options](#)



[Part 6: Summary Budget 2025/26](#)

[Part 7: Robustness of the Budget and Adequacy of Reserves](#)

[Part 8: Provisional Revenue Budgets for 2026/27 and 2027/28](#)

[Part 9: Ringfenced Budgets/ Accounts](#)

[Part 10: Management of Key Risks](#)





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

- 1.1 This report brings before Executive Board the Budget for 2025/26, which is set within the context of the 2024 Autumn Budget and a one-year Spending Review for 2025/26 presented to the House of Commons on 30th October 2024, the implications of which were reflected in the council's [Proposed Budget for 2025/26](#) agreed by Executive Board in December 2024. It further builds on the Council's 5-year [Medium Term Financial Strategy 2025/26 to 2029/30](#) agreed by Executive Board in September 2024. The authority's Budget is developed in accordance with the council's Budget and Policy Framework. As agreed by Executive Board, the Proposed Budget was submitted to Scrutiny for review and also used as a basis for wider consultation.

### Influences affecting the Budget

- 1.2 The funding available to local authorities, and the way this is used, is influenced by factors at a regional, national and international level. This Budget has been produced at a time when Leeds is facing significant change and challenges, some of which come as a result of developments far beyond the city's borders.
- 1.3 The Council's Medium Term Financial Strategy (MTFS) notes that we remain in a period of political and economic volatility, with that report describing a range of influences and factors that impact on its development. Paragraphs 1.5-1.9 of this Budget report detail these influences where the situation has progressed since publication of the MTFS and the subsequent Proposed Budget Report, and links to those reports where the Council's position remains the same.
- 1.4 The predominant influences affecting the Proposed Budget and the Medium Term Financial Strategy include: the economy, both global and national; annual Government announcements; national policy; the socio-economic context in Leeds; 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.

## Annual Government Announcements

### 1.6 Provisional Local Government Finance Settlement 2025/26

Following the Autumn Budget on 30<sup>th</sup> October 2024 and the resultant Local Government Finance Policy Statement 2025/26 on 28th November 2024, the Deputy Prime Minister and Secretary of State for Housing, Communities and Local Government presented a written statement to the House of Commons on 18th December 2024 detailing the Provisional Local Government Finance Settlement 2025/26.

The headline announcements at the Provisional Settlement were as follows:

- Core Spending Power (CSP) – Core Spending Power for local authorities in England will rise by 6.0% nationally compared to 2024/25. Leeds City Council's provisional CSP will increase by 9.1%, an increase of £71.4m. It should be noted that increases in CSP include the Government's estimates of increases in local taxation including Council Tax (an increase of £26.2m in Leeds) and Business Rates (an increase of £2.0m in Baseline Funding Level in Leeds).
- Revenue Support Grant is to increase by £1.0m for Leeds between 2024/25 and 2025/26, or 1.7% (the rate of CPI in September 2024). As mentioned, the Baseline Funding Level is to increase by £2.0m, making the total Settlement Funding Assessment increase £3.0m.
- The Chancellor announced at the time of the Autumn Budget 2024 that the higher Standard Multiplier for Business Rates would increase by CPI and only the Small Business Rates Multiplier would be frozen in 2025/26. The Government indicated that this would mean Leeds would only receive £34.1m in compensation. However, this does not include compensation for growth above the baseline and the figure now estimated in these budget proposals is £42.7m.



- New one-off Recovery Grant totalling £600m nationally targeted funding towards high-need, low taxbase authorities and Leeds has been allocated £20.5m. However, funding for the Services Grant, for which in 2024/25 Leeds received £1.1m, was abolished.
- A second new one-off grant, the Children’s Social Care Prevention Grant, totalling £250m nationally, was introduced with Leeds receiving an allocation of £5.1m in the Provisional Settlement 2025/26. The Government confirmed that this would be further increased by £13m nationally in the Final Settlement in February 2025 although allocations of this additional funding have not yet, at the time of writing, been published. All other specific children’s grants were amalgamated for 2025/26 at their current value.
- Social Care Grant was increased by £680m nationally compared to 2024/25. Leeds total allocation for 2025/26 is £81.2m, an increase of £12.4m.
- Homelessness funding, (outside the Settlement), was confirmed to increase by £192m nationally in 2025/26. Leeds City Council receives a total allocation of £6.1m, an increase of £2.6m on the allocation in 2024/25.
- The Domestic Abuse Safe Accommodation Grant, £160m nationally, was rolled in to Core Spending Power with an increase to Leeds of £0.5m.
- The referendum limits for Council Tax were confirmed as up to 3% for core services and a further 2% for the Adult Social Care precept. Following analysis of Leeds City Council’s taxbase and the deficit from 2024/25, Leeds will see an increase in Council Tax funding of £17.3m, subject to Full Council approval.

## 1.7 Previous Annual Government Announcements

Further information on the impact of the Chancellor’s Autumn Statement is detailed in the [Proposed Budget for 2025/26](#) which was received at December’s Executive Board.

Other Government statements that have impacted the Council’s [Medium-Term Financial Strategy 2025/26 to 2029/30](#) were detailed in the report presented to Executive Board in September 2024.

## 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 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](#) and at Appendix 6 within the Equality Impact Assessment for this 2025/26 Budget, with a range of additional data and information available on the [Leeds Observatory](#) and in the [Leeds Poverty Fact Book](#).

### **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 \(leeds.gov.uk\)](#). At its heart is our mission to tackle poverty and inequality and improve the 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 financial climate for local government continues to present significant risks to the council's priorities and ambitions. Between 2010/11 and 2019/20 the authority faced significant reductions in government funding and continues to experience huge demand-led costs pressures, especially within social care. These are causing the council significant financial pressures especially since funding from Government has not kept up with these demand pressures. The council is not receiving sufficient funding for the services that it is required to deliver. The financial challenge facing the council is therefore to manage these pressures whilst still striving to deliver its ambitions. As reported in the latest monthly Financial Health report received by Executive Board on 12<sup>th</sup> February, the council is currently projecting an overspend in 2024/25. Whilst actions continue to be implemented to address this, any overspend at year-end will require funding from the council's reserves, with implications for the level of resources available in future years. Unavoidably, managing the in-year and projected future years' financial position means that the council will have to continue making difficult decisions around the delivery of services, with future service provision provided within the limited resources available.
- 1.16 Further information is provided below within Part 5, 'Addressing the Budget Gap – Savings Options'.



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

**Table 1 – Summary of Changes in Resources, Costs and Savings Proposals in the Council's Budget 2025/26 since the Proposed Budget**

	<b>Proposed Budget 2025/26 £m</b>	<b>Changes since Proposed Budget £m</b>	<b>Budget 2025/26 £m</b>
Change in Net Revenue Charge	(34.8)	1.1	(33.7)
Change in contribution to/(from) General Reserve	(3.0)	0.0	(3.0)
Change in contribution to/(from) Earmarked Reserves	25.8	18.4	44.2
Net Increases in Other Specific Grant	(41.8)	(22.5)	(64.3)
Other General Fund Business Rates Movements	4.0	(1.2)	2.8
Other Contributions	(0.8)	0.0	(0.8)
<b>Funding and Resources</b>	<b>(50.7)</b>	<b>(4.2)</b>	<b>(54.9)</b>
Pay Inflation	33.7	1.0	34.8
Commissioned Services	23.5	0.0	23.5
Inflation	8.5	1.5	10.0
Demand and Demography	49.1	0.0	49.1
Other incl. Debt	42.2	(1.0)	41.2
<b>Pressures</b>	<b>157.1</b>	<b>1.5</b>	<b>158.6</b>
<b>Total Funding, Resources and Cost Pressures</b>	<b>106.4</b>	<b>(2.7)</b>	<b>103.8</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<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	(17.6)	0.0	(17.6)
Service Reviews	(1.7)	0.0	(1.7)
<b>Total Routine Savings Identified at MTFS</b>	<b>(19.2)</b>	<b>0.0</b>	<b>(19.2)</b>
<b>Gap Remaining After Existing Savings</b>	<b>82.6</b>	<b>(2.7)</b>	<b>80.0</b>
<b>Directorate Savings</b>			
<b>October 2024</b>			
Business As Usual	(32.9)	2.1	(30.8)
Service Reviews	(4.5)	0.0	(4.5)
<b>December 2024</b>			
Business As Usual	(21.9)	0.3	(21.7)
Service Reviews	(23.3)	0.3	(23.0)
<b>Total Additional Directorate Savings 2024</b>	<b>(82.6)</b>	<b>2.7</b>	<b>(80.0)</b>
<b>Gap Remaining After Additional Savings</b>	<b>0.0</b>	<b>(0.0)</b>	<b>0.0</b>

- 2.1 The Council's [Proposed Budget for 2025/26](#) was presented to Executive Board in December 2024 and presented a balanced position. Table 1 summarises the movements in the 2025/26 position since the Proposed Budget, including changes in resources available to the council, changes in cost assumptions and changes in savings proposals.
- 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 Budget shows a balanced position for 2025/26.

- 2.3 The resources available to the Council have increased by (£4.2m). The Net Revenue Charge has reduced by £1.1m, comprised of a £0.5m reduction in Settlement Funding Assessment and a £0.6m reduction in local funding from Business Rates and Council Tax. The change in contribution to Earmarked Reserves has increased by £18.4m since the Proposed Budget, detailed at Section 3.11. The net change in Specific Grants is an increase of (£22.5m) due to new grants of (£31.4m), offset by fallout of Services Grant of £4.5m, an estimated shortfall in the previously assumed National Insurance compensation funding of £3.4m, grants now rolled in to Settlement Funding Assessment totalling £0.6m and reversal of the previous assumption that an additional £0.4m of deprivation-based funding would be receivable. The General Fund impact of Business Rates reflected in Section 31 grants has improved by (£1.2m) and other contributions remains unchanged. Further detail on the movement in funding and resources is at Part 3 and in Appendix 8 for individual directorates.
- 2.4 Cost pressures have increased by £1.5m since the Proposed Budget. These final budget proposals include a net increase of £1.0m for reassessed pay award pressures. This net movement in pay includes (£1.6m) of mitigations to reduce pay pressures which have been reclassified from Savings and £2.6m has been reclassified to Income pressures. Inflation has increased by £1.5m and Demand and Demography pressures remain unchanged.
- 2.5 Other cost pressures have reduced by (£1.0m) including the addition of £1.2m of new burdens pressures for homelessness and £0.5m of new burdens pressures for Domestic Abuse Duty Safe Accommodation, both fully funded by additional grant announced at the Provisional Settlement and included in the new grants total above. (£2.6m) of charged out pay costs have been reclassified to income.
- 2.6 Since the Proposed Budget, £2.2m of savings have been reclassified as measures which net down existing cost pressures. Within the savings classification itself, £0.5m of savings previously identified for 2025/26 have been removed: Neighbourhood Networks saving £0.3m, reduction in Wellbeing and Youth Activity Fund £0.1m and review of bowling greens £0.1m.
- 2.7 As noted above, savings have been reclassified to the most appropriate area of the budget, to better reflect what they represent or how they are to be achieved. Further detail on savings is at Part 5 and in Appendix 8 for individual directorates.





### Part 3: Changes in Resources and Funding since 2024/25

#### 3.1. Summary Changes in Resources and Funding

*Table 2 - Changes in Resources and Funding 2025/26*

	2025/26 £m
Change in Resources due to Settlement Funding Assessment and Local Funding Paragraphs 3.2-3.9	(33.705)
Movement on use of Reserves Paragraphs 3.11.3-3.11.12	41.198
Specific Grant Funding Changes Paragraphs 3.11.13-3.11.30	(61.510)
Other Changes in Resources Paragraph 3.11.33 -3.11.34	(0.845)
<b>Total Funding and Resources Changes</b>	<b>(54.862)</b>

3.1.1. Table 2 summarises the changes in resources and funding between the 2024/25 approved budget position and these 2025/26 budget proposals, detailed in Paragraphs 3.2-3.11. In brief, these include changes in resources in respect of local funding (such as Council Tax and Business Rates), specific grant funding changes, other changes in resources and movement on reserves showing use of or contribution to the council's reserves.

#### 3.2. Estimating the Net Revenue Budget

##### **Settlement Funding Assessment – increase of (£3.0m)**

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

3.2.2. In the last five financial years, under the previous Government, local government received single-year settlements, making financial planning more difficult. Following the election of a new Government in July 2024 local government received a further one-year settlement for 2025/26, however the 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.

3.2.3. Table 3 sets out the council's SFA for 2025/26, which is based on the Provisional Local Government Finance Settlement 2025/26 published on 18<sup>th</sup> December 2024. The Provisional Settlement announced that Revenue Support Grant would be increased in line with the increase in the CPI for the twelve months prior to



September 2024. Before 2024/25 the Business Rates Baseline was increased in line with CPI in line with the increase in the Business Rates Multipliers. However, in October 2023 the previous Government took powers to increase the lower Small Business Rates Multiplier and the higher Standard Multiplier by different rates. For 2025/26 the new Government has chosen to freeze the lower multiplier and increase only the higher multiplier by CPI. The Business Rates Baseline will therefore only be increased by a weighted average of the proportion of the taxbase subject to the two multipliers in each billing authority area. In Leeds this means only approximately 70% of the Business Rates Baseline was increased by CPI in the Settlement.

**Table 3 – Settlement Funding Assessment**

	2024/25	2025/26	Change	Change
	£m	£m	£m	%
Revenue Support Grant	35.6	36.6	1.0	
Business Rates Baseline Funding	172.0	174.1	2.0	
<b>Settlement Funding Assessment</b>	<b>207.6</b>	<b>210.7</b>	<b>3.0</b>	<b>1.5</b>

- 3.2.4. The baseline is then reduced by the tariff the Authority has to pay to Government because it is assessed as collecting more business rates than it requires for its spending needs, known as its Baseline Funding Level. The tariff also increases in line with a weighted average of the increase in the two multipliers. Leeds' tariff will therefore increase by £0.1m, thereby reducing the Baseline Funding Level and overall Settlement Funding Assessment. An increase in Baseline Funding of £2.0m was therefore announced in the Provisional Settlement.
- 3.2.5. Prior to 2013/14 when the Business Rates Retention Scheme was introduced, business rates were paid to Government and redistributed as general grant according to relative needs and resources. In 2013/14, in addition to general grant, a number of other funding streams were rolled into the SFA. However, since 2014/15 SFA has been adjusted without reference to these individual grants and further grants have been rolled into SFA and therefore it is not possible to identify how much of the total funding receives relates to each constituent part.
- 3.2.6. A list of these individual funding streams is provided in Table 4.



Table 4 – Grants Rolled into the Settlement Funding Assessment

	2024/25	2025/26	Change
	£m	£m	£m
<b>Settlement Funding Assessment</b>	<b>207.65</b>	<b>210.66</b>	<b>3.01</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			
Electoral integrity programmes new burdens grant			
Tenant satisfaction measures new burdens grant			
Transparency code new burdens grant			
Extended rights to home to school transport grant			

### 3.3. Business Rate Retention

- 3.3.1. During the two decades prior to the last global financial crisis, the city's economy experienced significant growth. 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. Yet this apparent growth in the economy has not translated into sustained business rate growth. Growth did not recover to budgeted 2020/21 levels, set before the impact of the COVID-19 crisis, until the growth assumed in these 2025/26 proposals.
- 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 £958.80m, which would generate gross business rates income of £515.89m. It is projected that there will be growth in gross business rates of £5.05m in 2025/26, 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 £395.43m.



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

	Small Business Rates Multiplier	Standard Multiplier	Total
	£m	£m	
<b>Rateable Value in Leeds projected to 1st April 2025</b>	<b>289.97</b>	<b>668.83</b>	<b>958.80</b>
multiplied by business rates multiplier	0.499	0.555	
<b>Gross business rates based on projected rateable value</b>	<b>144.69</b>	<b>371.20</b>	<b>515.89</b>
Estimated Growth	1.50	3.55	<b>5.05</b>
<b>equals gross business rates from each multiplier</b>	<b>146.19</b>	<b>374.75</b>	<b>520.94</b>
less: -			
Mandatory Reliefs			(85.04)
Transitional Relief			(2.20)
Discretionary Reliefs			(0.97)
Government mandated reliefs			(15.57)
<b>equals net business rates paid by ratepayers</b>			<b>417.17</b>
less adjustments for: -			
Bad debts and appeals			(16.34)
Transitional Protection Payments from Central Government			2.20
Cost of collection			(1.24)
Projected Enterprise Zone and renewable energy projects yield			(6.36)
<b>equals non-domestic rating income in Leeds</b>			<b>395.43</b>
Split into shares: -			
<b>Leeds City Council (49%)</b>			<b>193.76</b>
<i>West Yorkshire Fire Authority (1%)</i>			3.95
<i>Central Government (50%)</i>			197.72
less deductions from operation of business rates retention scheme: -			
Leeds City Council's tariff from Local Government Finance Settlement			(10.72)
Leeds City Council's share of surplus from 2024/25			1.74
<b>Leeds City Council 's 2025/26 income from business rates</b>			<b>184.78</b>

- 3.3.3. Under the 50% BRR scheme, Leeds City Council's share of this income is £193.76m (49%). The Authority then pays a tariff of £10.72m to Government because Leeds is assessed to generate more business rates income than it needs.
- 3.3.4. Leeds benefits from its share of the business rates surplus created in 2024/25, which totals £1.74m. This is comprised of a surplus carried forward from 2023/24 of £3.04m, which occurred after the deficit was declared due to a reassessment of bad debts before year end, partially offset by an in-year deficit of £1.30m in 2024/25. The 2024/25 in-year deficit is mainly due to an increase in the demand for Empty Rate Relief (£2.40m) and Small Business Rates Relief (£1.40m), and other smaller increases in demand for reliefs (£0.7m), offset by an increase in growth in the city compared to the forecast in January 2024 (£3.20m).
- 3.3.5. As shown above, business rates income is shared between local and central government. Under the 50% BRR scheme local authorities experiencing business rates growth are able to retain 49% of that growth locally, but also bear



49% of the risk if business rates fall or fail to keep pace with inflation, although a safety net mechanism is in place to limit losses in-year.

- 3.3.6. In particular, BRR exposes local authorities to risk from reductions in rateable values. The system allows 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 31<sup>st</sup> December 2024 there were 209 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 £8.2m 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 31<sup>st</sup> December 2024 there were 416 Checks and Challenges outstanding against this list, with the council holding £5.7m against losses from these appeals. The properties involved in these appeals are largely of low Rateable Value and can only be backdated by 2 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 £12.1m.
- 3.3.9. Since 2013/14 the total amount repaid by way of business rate appeals is £236.8m, at a cost to the council's General Fund of £121.7m. 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. These 2025/26 budget proposals provide for an additional £3.5m 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 COVID pandemic almost 12,600, about 30%, of business properties in Leeds paid no business rates, of which just over 9,700 received 100% Small Business Rates Relief. From April 2017, Government increased the rateable value threshold for small businesses from £6,000 to £12,000 and the threshold above which businesses pay the higher national business rates multiplier from



£18,000 to £51,000. As a result, an additional 3,300 small businesses in Leeds immediately paid no business rates at all. Whilst Small Business Rates Relief and other threshold changes reduce the business rates income available to Leeds, the Authority recovers 69.1% of the cost of the relief through Government grant. A fixed grant of £0.7m is paid each year by Government for the changes to the multiplier threshold and a further £31.2m is expected to be recovered in 2024/25 through the ratepayers in more valuable properties who pay rates based on the higher business rates multiplier. Given changes to the multipliers, explained at paragraph 3.10.2, the value of additional rates payable through the higher multiplier for 2025/26 is not separately identifiable at the Budget. 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 2025/26 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 39.6%, from approximately £22.6m in 2012/13 to a projected £31.5m in 2024/25 costing the council an estimated £4.36m 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 that it 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 Budget Proposals

- 3.5.1. In terms of these budget proposals, it is estimated that the local share of business rates funding in 2025/26 will be £193.8m. As per Table 6, the budget proposals recognise business rate growth above the baseline of £9.0m, although an estimated £5.6m of this growth is solely due to the reduction in relief for Retail Hospitality and Leisure establishments from 75% to 40%. This remains a £1.9m



reduction in the city's locally generated revenue above the baseline (4.8%) compared to the budgeted 2020/21 level (£10.9m or 6.3%) 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	2025/26	Change
	£m	£m	£m
Business rates local share	183.15	193.76	10.62
Less: business rates baseline	182.65	184.80	2.16
Growth above baseline	0.50	8.96	8.46

3.5.2. Table 7 sets out the main changes in business rates income that result in this £8.5m improvement in growth above the baseline since 2024/25. The largest element at £5.6m 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 £2.3m 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, (£0.7m), 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 (£0.7m), 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 (£0.1m) and the cost of provisions for appeals (£0.1m).

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

	2025/26	2026/27	2027/28
	Indicative	Indicative	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>9.0</b>	<b>9.1</b>
Increase in current taxbase in 2024/25 (£m)	2.3	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)	(0.7)	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)	5.6	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)	(0.1)	0.1	0.1
<b>Growth above baseline assumed current year (£m)</b>	<b>9.0</b>	<b>9.1</b>	<b>13.2</b>



- 3.5.4. In conclusion, although the economic environment in Leeds remains buoyant, and construction in the city is strong, the additional Retail Relief mandated by central Government (and fully funded by Section 31 grant), although reduced, acts to reduce the amount of business rates to be collected in the city. Furthermore, the construction of new properties often replaces pre-existing buildings which have to be taken off the ratings list, new buildings do not become liable to business rates until they are occupied and the ongoing impact of reduced Rateable Values due to appeals also counteracts the growth seen from many construction projects.
- 3.5.5. The £193.8m local share of business rates funding is then reduced by a £10.7m tariff payment and increased by a £1.7m surplus on the collection fund to increase the funding available to the council to £184.8m. When compared to the £174.1m Business Rates Baseline (Government's assessment of what it expects an authority to collect before any local growth is taken into account), the funding available of £184.8m represents a surplus of £10.7m, as shown in Table 8. Compared to the budgeted deficit in 2024/25 of £2.7m this is a net improvement to the Net Revenue Charge of £13.4m.

**Table 8 – Business Rates Retention 2024/25 to 2025/26**

	2024/25 £m	2025/26 £m
<b>Business rates baseline (including tariff)</b>	<b>172.0</b>	<b>174.1</b>
Projected growth above the baseline to March	(1.3)	6.5
Estimated growth in the year	1.8	2.5
<b>Total estimated growth</b>	<b>0.5</b>	<b>9.0</b>
Estimated provision for appeals	(3.2)	(3.5)
Net additional income from reduced Retail Relief and other changes to reliefs	(1.9)	4.4
Additional income from transitional arrangements and provision for bad debts	2.0	0.8
<b>Estimated total year-end Collection Fund surplus/(deficit) (Leeds Share)</b>	<b>(3.2)</b>	<b>1.7</b>
<b>Estimated Business Rates Funding</b>	<b>169.4</b>	<b>184.8</b>
<b>Increase/(reduction) against the Business Rates baseline</b>	<b>(2.7)</b>	<b>10.7</b>
<b>Business Rates Retention - Impact on General Fund Income</b>		<b>13.4</b>

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

- 3.6.1. 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. Under the 50% scheme the advantage of forming a business rate pool is the retention of levy payments within the region that would otherwise have to be made to Government.
- 3.6.2. In early October 2024, the Government invited authorities to apply to continue their pooling arrangements into 2025/26. The Leeds City Region Pool applied, and the Provisional Local Government Settlement in December 2024 confirmed that the application had been successful. Executive Board, at their meeting on





11th December 2024, approved that Leeds City Council should continue in the Pool and remain its lead authority. The 2025/26 Pool will be legally formed on 1st April 2025, as no member authority withdrew within the statutory 28-day period after the publication of the Provisional Local Government Finance Settlement and will continue until 31st March 2026.

- 3.6.3. Gains to the region of around £3.7 million are estimated if income from the Business Rates Retention Scheme remains at current projections. Leeds City Council's financial commitment would be in the region of £1.6m, whether as a levy to the Pool or to Government. These budget proposals recognise that Leeds City Council will be required to make a levy payment in 2025/26.

### 3.7. Council Tax

- 3.7.1. The 2024/25 budget was supported by a 4.99% increase in the level of Council Tax, 2% of which was attributable to the Adult Social Care precept. Leeds City Council's Council Tax is the lowest of the English core cities and mid-point of the West Yorkshire districts, as detailed in Table 9.

**Table 9 – 2024/25 Council Tax Levels (Figures include Police and Fire Precepts)**

Core Cities	Band D £:p	West Yorkshire Districts	Band D £:p
Nottingham	2,529.69	Kirklees	2,199.81
Bristol	2,460.32	Calderdale	2,174.21
Liverpool	2,420.39	<b>Leeds</b>	<b>2,055.61</b>
Newcastle	2,292.05	Wakefield	2,044.86
Sheffield	2,268.65	Bradford	2,030.63
Birmingham	2,083.76		
Manchester	2,068.25		
<b>Leeds</b>	<b>2,055.61</b>		

- 3.7.2. The 2025/26 budget proposals recognise a projected gain of £2.4m (1,327 Band D equivalent properties) due to a forecast increase in taxbase growth during the 2025/26 financial year. They also recognise an increase in the projected deficit on the collection fund of £5.6m, which together with a deficit of £4.0m generated in 2024/25 because of pressures on collection as the cost of living crisis impacts on council taxpayers in Leeds, results in a projected £9.6m deficit. This deficit is shared between the Council, the West Yorkshire Mayor acting in her role as Police and Crime Commissioner and the West Yorkshire Fire and Rescue Authority. The Council's share of the deficit is £8.1m 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%, though collection is forecast to increase to 98.5% in 2025/26.

- 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 the Provisional Local Government Finance Settlement published on 18<sup>th</sup> December 2024 the Government confirmed that it intended to allow Councils to increase their band D council tax by up to 3% for core services, and a further 2% for those authorities with Adult Social Care (ASC) duties without having to hold a local referendum. In these Budget proposals, an increase of 4.99% is therefore assumed, 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 £17.3m when compared to that receivable in 2024/25.

**Table 11 – Estimated Council Tax Income in 2025/26**

	<b>2024/25 Baseline £m</b>	<b>2025/26 Forecast £m</b>	<b>Movement £m</b>
Previous year council tax funding	393.7	418.9	
Change in tax base - increase / (decrease)	5.4	2.4	
Increase in council tax level	11.9	12.6	
Adult Social Care precept	7.9	8.4	
<b>Council Tax Funding before surplus/(deficit)</b>	<b>418.9</b>	<b>442.4</b>	<b>23.4</b>
Surplus/(Deficit) 2023/24	(1.9)		
Surplus/(Deficit) 2024/25		(8.1)	
<b>Contribution (to)/from Collection Fund</b>	<b>(1.9)</b>	<b>(8.1)</b>	<b>(6.1)</b>
<b>Total - Council Tax Funding</b>	<b>417.0</b>	<b>434.3</b>	<b>17.3</b>



3.7.7. The Settlement Funding Assessment includes an element to compensate parish and town councils for losses to their council tax bases arising as a result of Local Council Tax Support (LCTS). As this amount is not separately identifiable it is proposed, as in previous years, that LCTS grant should be pro-rated in line with the assumptions for Leeds's overall change in the Settlement Funding Assessment of 1.45%, as detailed in Appendix 5.

### 3.8. Adult Social Care Precept

3.8.1. The Provisional Local Government Finance Settlement 2025/26 confirmed local authorities would be allowed to increase Council Tax by 2% specifically for the Adult Social Care precept, as has been the case since 2023/24. As such, these Budget proposals include a 1.99% increase for the Adult Social Care precept. The final decision remains that of Full Council when considering the Council Tax Report 2025/26.

### 3.9. The Net Revenue Budget 2025/26

3.9.1. After taking into account the anticipated changes to the Settlement Funding Assessment, business rates and Council Tax, the council's overall net revenue budget is anticipated to increase by £33.7m or 5.4% from £622.0m to £655.7m, as detailed in Table 12 and at **Annexe 2**.

**Table 12 – Estimated Net Revenue Budget 2025/26 compared to the 2024/25 Net Revenue Budget**

	2024/25 £m	2025/26 £m	Change £m
Revenue Support Grant	35.6	36.6	1.0
Business Rates Baseline	172.0	174.1	2.0
<b>Settlement Funding Assessment</b>	<b>207.65</b>	<b>210.66</b>	<b>3.0</b>
Business Rates Growth	0.50	8.96	8.5
Business Rates Surplus/(Deficit)	(3.18)	1.74	4.9
Council Tax (incl. Adult Social Care Precept)	418.92	442.36	23.4
Council Tax Surplus/(Deficit)	(1.93)	(8.06)	(6.1)
<b>Net Revenue Budget</b>	<b>621.96</b>	<b>655.66</b>	<b>33.7</b>

3.9.2. Table 13 analyses this £33.7m estimated increase in the net revenue budget between the Settlement Funding Assessment and locally determined funding sources.



Table 13 – Increase in the Funding Envelope

Funding Envelope	2025/26 £m
Government Funding	
Settlement Funding Assessment	(3.01)
<b>Sub-total Government Funding</b>	<b>(3.01)</b>
Locally Determined Funding	
Council Tax (incl tax base growth)	(17.31)
Business Rates	(13.38)
<b>Sub-total Locally Determined Funding</b>	<b>(30.69)</b>
<b>Increase/(decrease) in the Net Revenue Budget</b>	<b>(33.70)</b>

- 3.9.3. The estimated increase in the 2025/26 net revenue budget compared to 2024/25 cannot be properly understood without considering changes in general fund income streams associated with the Collection Fund. At the Autumn Budget 2024 the Government announced that the Small Business Rates Multiplier would be frozen again for 2025/26, with local authorities 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 £23.4m 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 these budget proposals assume that the Adult Social Care precept will add 1.99% 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 upon 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 £2.5m 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 increased 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 3.11.40. 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 to 3.11.42.

#### Movement on the use of Reserves £41.2m

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 no change to the opening position for 2025/26, reflecting no planned contribution to this reserve in 2024/25. These budget proposals reflect 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 £36.2m 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 £44.2m

3.11.4. The opening General Fund earmarked reserves for 2024/25 stood at £115.8m. A net in-year use of reserves in 2024/25 of £33.6m is currently forecast which would result in earmarked reserves of £82.2m being carried forward into 2025/26.

3.11.5. Overall, the measures in these budget proposals apply a net contribution from the revenue position of £44.2m to Earmarked Reserves in 2025/26.



- 3.11.6. Opening General Fund earmarked reserves in 2024/25 included £20.2m of Strategic Contingency Reserve, established in 2020/21 to fund future unforeseen budget pressures and to support 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 a net General Fund pressure of £32.9m in respect of this reserve, which includes an £18.4m reduction in contributions from the reserve to the General Fund but also provides for a contribution of £14.6m to this reserve in 2025/26.
- 3.11.7. 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. In 2024/25 £6.2m of this reserve is to be used to partially fund the social care pressures being reported in these services. However, a contribution of £0.5m is being proposed for 2025/26 and from 2026/27 onwards a further £10m contribution made each year in the current MTFs. If additional funding is made available from the Government this amount will be increased further. An additional one year only contribution of £8.9m to this reserve reflects receipt of additional social care funding announced at the 2025/26 Provisional Settlement and detailed at paragraphs 3.11.15, 3.11.19 and 3.11.34, bringing the total available in this reserve for 2025/26 to £9.4m. The provisional position for 2026/27 onwards reflects 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 is anticipated to become more manageable, to ensure the Strategy is sufficient to meet future pressures in social care.
- 3.11.8. Budgeted contributions to the Innovation and Investment Fund increase by £1.0m in 2025/26, bringing the base contribution to £2.5m in this year.
- 3.11.9. Whilst these proposals do not provide for a base contribution to the Insurance reserve or to the MMI (Municipal Mutual Insurance) reserve for 2025/26, base budget contributions of £1.0m and £0.1m respectively are reflected in the provisional figures for 2026/27 provided at Part 6 of this report.
- 3.11.10. 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 £3.0m per annum is reflected from 2026/27.
- 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. At the Autumn Budget, Government announced an increase in Employer's National Insurance contributions, discussed further at paragraphs 3.11.33 and 4.2. Where these additional costs are charged out by the council's traded services this will increase the level of charges received by General Fund services. These budget proposals provide for a £1.5m National Insurance contingency reserve to meet these additional costs.
- 3.11.13. These contributions to and from earmarked reserves total £43.8m with movements across a number of other earmarked reserves totalling £0.4m, providing for a net increased contribution of £44.2m from the General Fund in 2025/26, including to support measures to improve financial sustainability.
- 3.11.14. The indicative position for 2026/27, discussed at Part 8, includes provision for the creation of a Pay Reserve to set aside resources of £0.7m in 2026/27 with further contributions in later years to respond to future pay awards and an Accounting Adjustment reserve, a technical contingency reserve to deal with any accounting adjustments required outside of the determination of annual revenue budgets, and provides £1.6m in 2026/27, again with further contributions in later years.

### **Changes in Grant Funding (£64.3m)**

- 3.11.15. **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. These budget proposals reflect (£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 with local authority allocations provided at the Provisional Local Government Settlement. Based on prior year allocation methodologies, these proposals reflect (£4.15m) of this additional grant in Adult Social Care. At the Provisional Settlement a further £4.1m of Social Care Grant was announced for both adult and children's social care. As explained in paragraph 3.11.34, this is shown in the Strategic position and has been contributed to the Social Care Contingency reserve.
- 3.11.16. 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 Budget.

- 3.11.17. The budget proposals include inflationary increases for the improved Better Care Fund of £0.7m in 2025/26.
- 3.11.18. The budget 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 3.8.
- 3.11.19. **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 were provided at the Provisional Local Government Settlement and this Budget reflects (£4.15m) of this additional grant in Children's Social Care. Additional grant announced at the Provisional Settlement is shown in the Strategic position and has been contributed to the Social Care Contingency reserve.
- 3.11.20. 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.
- 3.11.21. The numbers of Unaccompanied Asylum Seeking Children (UASC) supported by the council has increased and as such the budget proposals assume an additional (£2.0m) of Home Office Funding to continue to support and care for UASC in 2025/26.
- 3.11.22. 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.
- 3.11.23. **Specific Grant Funding Changes – City Development £0.05m** Extended Rights to Home to School Transport grant of £0.05m has been rolled into SFA and will therefore not be separately receivable by the directorate.
- 3.11.24. **Specific Grant Funding Changes – Communities, Housing and Environment (£14.7m).** The budget 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











- 3.11.44. The previous Government also committed to engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage invest-to-save activity and more flexibilities to use capitalisation without the requirement to approach Government. A Government consultation closed on 31st of January 2024 and we await publication of the outcomes.
- 3.11.45. Appendix 9 to this report provides information as required to comply with statutory guidance on the Flexible Use of Capital Receipts and its application within this authority. The appendix notes planned expenditure of £16.8m in 2025/26 which will be funded by these capital receipt flexibilities.



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

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

**Table 14 – Cost Increases 2025/26**

	2025/26 £m
Pay - Leeds City Council	32.4
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	(0.0)
Inflation: Fuel	(0.1)
Inflation: General	10.2
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
Provision for Council estate	1.0
Direct Payments C&F	0.7
Income pressures	(0.8)
Debt - external interest / Minimum Revenue Provision	6.5
Other Pressures/Savings	12.3
<b>Total Cost Pressures</b>	<b>158.6</b>

4.2. **Pay Award and Leeds Living Wage** – The council's Budget allows for £32.4m of pay inflation in 2025/26. This increase includes £33.9m 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 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, offset by mitigation plans of (£2.6m) which include measures such as charging staffing costs to capital schemes or to grants where appropriate. Government also announced that











additional transport demand (including some costs not related directly to SEND).

- 4.22. In the **Communities Housing and Environment** directorate provision of £0.3m has been made in each year of the Strategy for the increased disposal costs of waste to the Recycling and Energy Recovery Facility (RERF) as a result of continuing demand pressures due to assumed household growth.
- 4.23. These budget proposals include further measures to improve **financial sustainability**, allowing for an additional £5.0m to reduce reliance on capitalisations and internal charging.
- 4.24. The remaining significant cost pressure variances amount to £17.4m in 2025/26 and include:
- **Welfare and benefits** – Like many other Local Authorities, Leeds has seen significant growth in the number of people who require temporary or supported accommodation. Between June 2023 and June 2024, the number of families who required temporary accommodation doubled with further growth anticipated in 2025/26. As well as covering the cost of the placements, the council is not able to reclaim 100% of Housing Benefit paid for these placements for certain types of temporary accommodation or in Supported Accommodation if the providers are not registered, resulting in a further pressure. A further £4.0m has been provided in the budget proposals for 2025/26.
  - **The Extended Producer Responsibility (EPR)** scheme will result in the government charging producers in order to cover the cost that Local Authorities have for collecting, sorting, treating and recycling packaging waste. Costs of £3.5m have been included in the proposals to ensure that the existing service provision can be maintained and new burden requests flexibly responded to.
  - **The Day Opportunities** £2.5m pressure reflects slippage in the delivery of a 3-year Adults & Health programme delivering two budget action plans associated with Day Opportunities, which is anticipated to be on track by 2026/27.
  - **PFI schemes** in Children and Families directorate add a pressure of £2.0m in 2025/26.
  - **LBS base budget pressures arising in 2023/24** add a pressure of £1.8m to the Budget in 2025/26. The turnover requirement for LBS has been stretched in previous years. As client departments look to re-prioritise budgets, this impacts the rate of return that LBS is able to make. This sum is to reset the required turnover to a more realistic and achievable level.
  - **Provision of £1.5m** reflects slippage in the delivery of an Adults and Health budget action plan in respect of the **Intermediate Care Contract**.



- **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.
- 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.
- Provision of £0.7m has been made to address a pressure relating to **Direct Payments** in the Children and Families directorate in 2025/26.

4.25. In 2025/26 net **income variations** of (£0.8m) include 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. The position also reflects (£2.6m) due to the increased cost of Employer’s National Insurance and the Pay Award. .

4.26. This 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 directorates 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.

4.27. **Other Pressures and Savings** – other net budget pressures of £12.3m 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 £1.3m in 2025/26, including increased Education Psychology costs and Legal charges.



## Appendix 1: 2025/26 Revenue Budget and Council Tax

- 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 £2.2m and include 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 include rent increases for the Joint Service Centre and Corporate Property Management inflationary pressures.
- Other pressures in the Strategic & Central directorate total £0.2m in 2025/26, representing West Yorkshire Joint Services additional costs.



## 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 £103.8m.

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

- 5.2. 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 and December 2024 meetings span the next three financial years.
- 5.3. 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 are used to inform the final decision.
- 5.4. Delivering this level of savings whilst also delivering our strategic priorities and safeguarding critical services is not possible without a fundamental change to the way the council operates and the services it provides. Reviews therefore 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.
- 5.5. 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





Strategy, including £4.6m in 2025/26. These savings were approved at Executive Boards in previous years and subject to scrutiny and consultation at the time. Each year the in-year target is monitored and presented to Executive Board as part of the Authority's Financial Health monitoring timetable.

- 5.9. A number of efficiencies were identified during 2024 that have an impact on 2025/26 and later years. These efficiencies formed part of the Council's Medium Term Financial Strategy, approved by Executive Board in September 2024. The impact of these savings is to reduce the budget gap by a further £19.3m.
- 5.10. As Table 15 shows, the effect of the prior year savings plans and efficiencies identified during the MTFs process in 2024 is to reduce the budget gap down to £80.0m. This is further reduced by additional directorate savings of (£80.0m), resulting in a balanced position for the 2025/26 Budget.
- 5.11. With regard to 2025/26, in October 2024 the Executive Board received savings proposals of £37.4m. A further £45.3m were presented for the Executive Board's consideration in December 2024. Combined with the £23.8m of savings already built into the MTFs, the total level of savings the council anticipated needing to deliver in the next financial year at the time of preparing the Proposed Budget was £106.4m (17.1% of the council's 2024/25 net revenue budget of £622.0m), with further savings required in the years following (at that point, an estimated £35.2m in 2026/27 and £29.6m in 2027/28).
- 5.12. In these budget proposals for 2025/26, £2.1m of the approved October savings have been reclassified to funding and pressures as appropriate, reducing the October figure to (£35.3m) in Table 15. £0.1m of the December approved savings have been reclassified and a further £0.5m reversed or slipped, reducing the December figure to (£44.7m) in Table 15. These movements are summarised in Table 16.

**Table 16 – Reclassification of Savings**

	£m
<b>Savings Identified at Proposed Budget</b>	<b>(106.4)</b>
Savings reclassified to:	
Funding	0.0
Pressures	2.2
Savings reversed/slipped	0.5
<b>Savings Identified in 2025/26 Budget Proposals</b>	<b>(103.8)</b>



## Part 6: Summary Budget by Directorate

6.1. Table 17 summarises the changes identified above by Directorate.

*Table 17 – Budget by Directorate*

DIRECTORATE	Restated 2024/25 (£m)	2025/26 (£m)
Adults & Health	199.37	199.48
Children & Families	157.52	166.25
City Development	37.84	43.19
Communities Housing & Environment	112.90	109.21
Strategy and Resources	86.60	90.21
<b>DIRECTORATE BUDGET REQUIREMENT</b>	<b>594.22</b>	<b>608.35</b>
Strategic Accounts	27.74	47.32
<b>TOTAL BUDGET REQUIREMENT</b>	<b>621.96</b>	<b>655.66</b>
<b>RESOURCES</b>		
<b>Settlement Funding Assessment</b>	<b>(207.65)</b>	<b>(210.66)</b>
<b>Locally Generated Funding</b>		
Council Tax	(416.99)	(434.30)
Business Rates Growth	2.68	(10.70)
<b>TOTAL LOCALLY GENERATED FUNDING</b>	<b>(414.31)</b>	<b>(445.00)</b>
<b>TOTAL RESOURCES</b>	<b>(621.96)</b>	<b>(655.66)</b>
UNFUNDED ONGOING REQUIREMENT	(0.00)	0.00

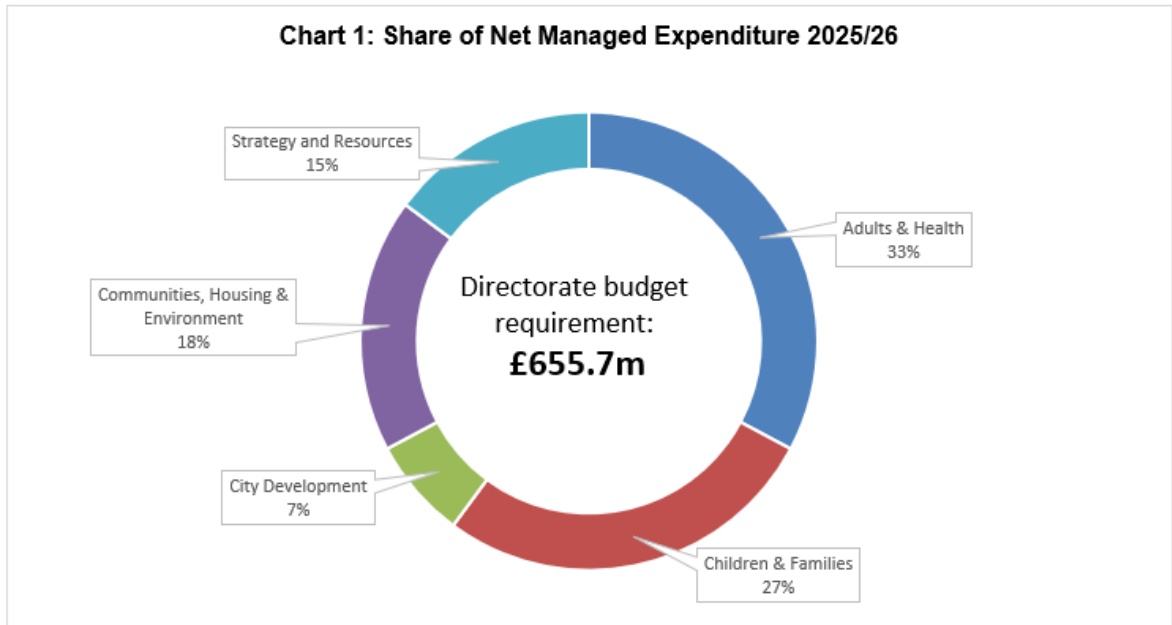
6.2. Chart 1 shows the proposed share of net managed expenditure between directorates for 2025/26 based on this Budget.

6.3. Net managed expenditure represents the budgets under the control of individual directorates and excludes items such as capital charges, pensions adjustments and allocation of support costs in directorate budgets.

6.4. It should be noted that these resource allocations may be subject to amendment as we move through the budget setting process.



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



- 6.5. **Impact of proposals on employees** -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 2,652 full time equivalents (FTEs) or 3,545 headcount up to 31st December 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 was served on 11<sup>th</sup> December 2024 following the December 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 identify savings so that a balanced budget for 2025/26 can be presented to Full Council in February 2025, 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 and was again made available in 2024/25.

- 6.8. The council's 2025/26 budget proposals include a net decrease of 232.5 FTEs compared to the approved 2024/25 budget. This reduction includes the budget savings proposals received at October's and December's Executive Boards. The HRA budget proposals include a net decrease of 2.3 FTEs.
- 6.9. However, given the context of the estimated budget gaps for 2026/27 and 2027/28, £38.2m and £30.1m 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 staff mix 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.
- 6.11. Details of the movement in full time equivalents for the 2025/26 Budget are shown by Directorate in Table 18 and detailed in Appendix 8. It should be noted that the increases and reductions by directorate shown in Table 18 include the movement of staff between directorates as a consequence of services moving as well as increases and reductions in the numbers of staff employed by the council overall.

**Table 18 – Movements in Full Time Equivalents 2025/26 Budget**

Directorate	Increase in FTE	Reduction in FTE	Net Movement in FTE
Adults & Health	23.0	(20.5)	2.5
Children & Families	8.1	(30.5)	(22.4)
City Development	14.0	(26.0)	(12.0)
Communities, Housing & Environment	214.4	(43.70)	170.7
Strategy & Resources	0.0	(371.4)	(371.4)
	259.6	(492.1)	(232.5)
HRA	0.0	(2.30)	(2.30)
<b>Grand Total</b>	<b>259.6</b>	<b>(494.4)</b>	<b>(234.8)</b>



### Breakdown of the 2025/26 budget

- 6.12. Annexe 1 to this report provides a summary of the budget changes by directorate and in total.
- 6.13. Annexe 2 provides a detailed analysis of the 2025/26 revenue budget at directorate level.

### Reserves Strategy and General Reserve

- 6.14. 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.
- 6.15. In addition, the Chartered Institute of Public Finance and Accountancy's (CIPFA) Financial Management Code of Practice requires that each local authority's annual budget report includes a statement by the Chief Finance Officer (Statutory Finance Officer) on the adequacy of the proposed level of financial reserves. The Financial Management Code of Practice recognises that a well-managed authority, with a prudent approach to budgeting, should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. Compliance with the Financial Management Code will give important reassurance that the authority's financial management processes and procedures are able to manage those risks.
- 6.16. 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.
- 6.17. 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.
- 6.18. The Budget Proposals for 2025/26 assume a general reserve balance of £36.2m will be brought forward from 2024/25. These proposals assume no base budget contribution to the General Reserve, given the significant financial challenge being faced by the authority.



- 6.19. 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 £3.0m 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.
- 6.20. 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 (VfM) 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 Budget report provides for a £3.0m annual contribution to the General Reserve from 2026/27 and as a result, the balance on the General Reserve is projected to be £48.2m by 31<sup>st</sup> March 2030 as shown in Table 19.

**Table 19 – 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>(36.2)</b>	<b>(36.2)</b>	<b>(39.2)</b>	<b>(42.2)</b>	<b>(45.2)</b>
Planned Contributions	0.0	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>(36.2)</b>	<b>(36.2)</b>	<b>(39.2)</b>	<b>(42.2)</b>	<b>(45.2)</b>	<b>(48.2)</b>

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



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

- 7.1. Section 25 of the Local Government Act (Part II) 2003 places a requirement upon the council's statutory officer (in Leeds, the Interim Assistant Chief Executive, Finance, Traded and Resources) to report to members on the robustness of the budget estimates and the adequacy of the proposed financial reserves.
- 7.2. CIPFA's Financial Management Code of Practice also requires that the annual budget report includes a statement by the Interim Assistant Chief Executive, Finance, Traded and Resources on the robustness of the budget estimates.
- 7.3. In considering the robustness of any estimates, the following criteria need to be considered:
- The underlying budget assumptions such as:
    - The reasonableness of provisions for inflationary pressures.
    - The extent to which known trends and pressures have been provided for.
    - The achievability of savings proposals built into the budget.
    - The realism of income targets.
    - The alignment of resources with the Council's service and organisational priorities;
  - A review of the major risks associated with the budget;
  - The availability of reserves to meet unforeseen cost pressures;
  - The strength of the financial management function and reporting arrangements.
- 7.4. In coming to a view as to the robustness of the 2025/26 budget the Interim Assistant Chief Executive, Finance, Traded and Resources has taken account of the following issues:
- Detailed estimates are prepared by directorates in accordance with Budget Principles laid down by the Interim Assistant Chief Executive, Finance, Traded and Resources based on the current agreed level of service. Service changes are separately identified, and plans are in place for them to be managed.
  - As detailed elsewhere in this report the council established a "Financial Challenge" programme of service reviews. This cross council senior officer group approach provides a high support, co-ordinated and consistent approach to the identification of robust, realistic and deliverable budget savings proposals.
  - The same cross council group has had oversight over the 2025/26 budget savings programme. Through this robust and accountable approach any variations to budgeted assumptions can be readily identified and addressed. Where appropriate, and in accordance with the council's Budget Principles, alternative proposals will be identified to ensure that a balanced budget position can be delivered in 2025/26. Progress against the delivery of these targeted savings will be incorporated into the monthly Financial Health reporting to the Executive Board.
  - The estimate submission has been subject to rigorous review throughout the



budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the council.

- Financial pressures experienced in 2024/25, and as reported in the monthly Financial Health reports to Executive Board, have been recognised in preparing the 2025/26 budget.
- As part of the budget process, directorates have undertaken a risk assessment of their key budgets and provided a summary of major risks within the directorate budget documents. All directorate budgets contain efficiencies, income generation and service reviews which will require actions to deliver and any delay in taking decisions may have significant financial implications. Whilst the level of risk within the 2025/26 budget is considered manageable, it must be on the understanding that key decisions are taken and that where identified savings are not delivered alternative savings options will be needed. To reflect the level of savings required for 2025/26 and the potential risks in the budget, the Corporate Leadership Team and Cabinet Members are working on actions which would be taken quickly to bring the budget back into a balanced position. This is all the more important given that the council will face further financial challenges over the years beyond 2025/26.
- Grant Thornton's 2023/24 VfM review reported a "significant weakness in the council's financial arrangements in terms of the pace of delivery of transformation and savings plans in Children's Services." Subsequently Grant Thornton recommended that the "council should maintain its focus on the delivery of transformation and savings plans within the Children and Families Directorate including accelerating the pace and capacity to deliver savings and transformation plans in-year and by reviewing the level of service provision in Children and Families which could contribute towards reducing service costs in a safe and sustainable way."
- In response to this recommendation the council recognises that it needs to address the budget pressures to ensure that the council's revenue budget is sustainable and resilient. To address this Grant Thornton recommendation the council's CLA Sufficiency Strategy, agreed at Executive Board in June 2024, will support the investment in early help, family-based solutions, permanency planning, fostering and local children's homes to ensure that there is greater control of the future cost, quality and outcomes within Children's Services. With regard to the arrangements that the council has put in place, a number of cross council groups to support the delivery of Children and Families savings have been in place for some time, in the form of a monthly Delivery Board supported by regular Task and Finish group meetings. In addition, a Children and Families Transformation team has been established to support delivery of savings.
- The council will continue to build on its current approach to the determination of the budget by fully implementing the financial planning recommendations



of the most recent Local Government Association (LGA) Corporate Peer Challenge which took place in November 2022. Specifically, that the Council needs to consider a more outcomes focused and evidence-based approach to medium-term financial planning.

- In recognition of the financial challenge that the council continues to face, the council established a Strategic Contingency Reserve in 2020/21 and a Strategic Resilience Reserve in 2024/25 for the purposes of funding future unforeseen budget pressures and to ensure the council becomes more financially resilient. Given the significant risks facing the council in regard to demand and cost pressures in both Adult and Children's Social Care a Social Care Contingency Reserve was created in 2024/25.
- This budget continues the journey that commenced in 2019 whereby the council's revenue budget becomes more financially robust, resilient and sustainable by both moving away from the use of one-off sources to fund recurring expenditure and the inclusion of ongoing planned, budgeted contributions to the general reserve.
- In addition to specific directorate/service risks, the collection of council tax and the generation of business rate yields are two key risks which are closely monitored.
- In April 2013, a scheme of Council Tax discounts was introduced, enabling the council to manage the risk of non-collection in given circumstances. Also, the overall assumed collection rate for council tax in 2025/26 is budgeted at 98.5% which is 0.5% lower than pre-COVID-19 collection rates reflecting increased pressures on the residents of Leeds following the cost of living crisis and continued restrictions to the courts in order to issue summonses for payment.
- Where the budget assumes the generation of capital receipts from property and land sales which are utilised to resource transformation projects and fund redundancy payments, the timing of the delivery of these receipts needs to be closely monitored and contingency actions identified should there be any slippage to budgeted assumptions.
- Under the business rates retention scheme the council's local share of business rates is exposed to risks from both collection and reductions in rateable values. The latter is particularly the case with the impending closure of the 2023 ratings list to new appeals which, following the closure of the 2017 ratings list, saw a significant increase in the number of Challenges to Rateable Value. In addition, and as detailed in paragraph 3.3.1 in this report, the continuing impact of the cost of living crisis on collection rates and new development has been factored into the council's assumptions in respect of the overall level of business rates that are receivable.
- Business rates income continues to be a significant risk. As in the case of council tax, any losses greater than those assumed in setting the budget will materialise through a collection fund and will not impact in the Budget year, although this will be an issue in future financial years.
- The council's financial controls are set out in the Authority's financial regulations. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the



council.

- Budget management and monitoring is a continuous process which operates at a number of levels throughout the council. The council's budget accountability framework clearly articulates roles and responsibilities and aligns financial accountability within service decision making. This contributes towards providing a significant degree of assurance as to the strength of financial management and control arrangements throughout the Council.
- In advance of the financial year, and after the revenue budget for the forthcoming year has been approved, Directorates are requested to produce budget action plans for their services which detail what action is required to deliver the approved budget (for example a staffing restructure or a delegated decision to implement price increases), when the action is required to be completed by and who is responsible for delivering the action required.
- In addition, through taking a risk-based approach to their respective budgets, Directorates are requested to identify contingency arrangements that could be implemented to address any variations from budgeted assumptions that will result in an overspend. The outcome of this exercise informs how much is required in the council's general reserve to provide for risks.
- The council has a well-established framework for financial reporting at directorate and corporate levels. Each month Executive Board receives a risk-based financial health report from each directorate and action plans are utilised to manage and minimise any significant variations to approved budgets.
- In July 2019 Executive Board agreed the adoption of Budget Principles developed to support the determination and management of both the revenue and capital budgets, subsequently updated in February 2023. Adherence to these principles results in a more robust and accountable approach to budget management which closely aligns itself with the principles set out in CIPFA's Financial Management Code which all local authorities were required to fully implement by 31st March 2021. The council's Revenue and Capital Principles are presented at Appendix 11 of this report.
- Adherence to these principles and the requirement to adhere to CIPFA's Financial Management Code will continue to be reinforced in 2025/26. Formal sign off of budgets by Directors combined with the standardisation of budget roll out packs, will complement the current budget management framework. Budget roll-out meetings are held with services within Directorates to ensure that accountable budget holders are both aware of the key aspects of their budgets and what key budget actions are required to be completed to deliver a balanced budget position.
- Each year Corporate Governance and Audit Committee receive the annual assurance report from the Interim Assistant Chief Executive, Finance, Traded and Resources which provides assurance that the council has established an effective financial control environment including robust arrangements for strategic financial planning combined with effective financial management and control. It also provides assurance that the council has a sound framework for reviewing and challenging financial performance, has realistic plans in place to make the necessary savings in the 2025/26 financial year,



that it will take the appropriate steps to deliver them, and that the Authority has contingency plans in place to help manage unforeseen variations against the budget.

- 7.5. In the context of the above, the Interim Assistant Chief Executive, Finance, Traded and Resources considers the budget proposals for 2025/26 to be robust and the level of reserves to be appropriate, given a clear understanding by members and senior management of the following:
- That Directors and other budget holders accept their budget responsibilities and subsequent accountability.
  - The level of reserves is in line with the risk based reserves strategy, but their enhancement will be a prime consideration for the use of any fortuitous in-year savings and that the Medium Term Financial Strategy provides for further contributions to the council's reserves.
  - Risk based budget monitoring and scrutiny arrangements are in place which include arrangements for the identification of remedial action.
  - The budget contains a number of challenging budget savings proposals and other actions. These are clearly identified and are at this time considered reasonable and achievable.
  - That a separate robust process is in place to monitor and report on the delivery of the £103.8m of savings contained in the 2025/26 budget.
  - Risk based budget reporting to members will continue in 2025/26.
  - Budget risks are identified and regularly reviewed and will be subject to focused control and management.
  - As part of the council's reserves strategy directorates are required to have in place budget action plans which set out how they will deal with variations during the year.
  - Risks associated with council tax and business rates, although potentially significant, will feed into the Medium Term Financial Strategy via the Collection Fund and will therefore not impact on the 2025/26 budget.
  - There is a clear understanding of the duties of the council's statutory financial officer and that the service implications of these being exercised are fully understood by members and senior management alike.
- 7.6. As well as the direct impact of inflation upon the council there is likely to be a continuation of the wider inflationary impact due to the effects of the increased cost of living on our residents and businesses. This will be seen in increased demand for support and welfare services, and reduced income across a range of services as Leeds residents and visitors choose to spend differently as a consequence of higher inflation. The position will continue to be closely monitored.
- 7.7. The impacts of the inflation (pay and price) key assumptions are detailed within this report. However, this is only an estimate and the impact of events and changes in policy at both national and international levels will have implications for these assumptions.





- 7.8. From 2026/27 the Medium Term Financial Strategy continues to provide for an annual contribution to the council's general reserve and this will contribute towards the Council's financial position being more robust, resilient and sustainable. Adjustment and changes to the council's approved budget are governed by virement limits and rules that are set annually by the council as a part of the budget approval process. Any movement of budgetary provision within the council's approved Budget is only permitted in accordance with the schedule contained in Appendix 7 of this report.
- 7.9. **Appendix 7** Virement Decisions to Amend Approved Budgets has been updated to reflect constitutional changes implemented in May 2024 in regard to the categories for council decision making and associated rules. These constitutional changes take precedence over the 2024/25 Appendix 7 agreed by council in February 2024, such that the appendix currently needs to be read in conjunction with the new rules. The revised version provided with this report is therefore updated to align with the Constitution.



## Part 8: Provisional Revenue Budgets 2026/27 and 2027/28

- 8.1 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.
- 8.2 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. Table 20 shows that the budget gaps at the Proposed Budget for 2026/27 and 2027/28 were £35.2m and £29.6m respectively.

**Table 20 – Provisional Revenue Budget 2026/27 and 2027/28**

	2026/27	2027/28
	£m	£m
<b>MTFS September 2024</b>	<b>35.2</b>	<b>29.6</b>
<b>Changes to Funding and Resources</b>		
Net Revenue Charge Assumptions	0.5	0.1
Contribution to General Reserve	0.0	0.0
Changes in Earmarked Reserves	(17.7)	0.0
Grants	20.5	0.0
Other Funding Changes	0.3	0.4
	<b>3.6</b>	<b>0.5</b>
<b>Revised Pressures</b>		
Pay Inflation	0.0	(0.0)
Commissioned Services	0.0	0.0
General Inflation	(0.6)	(0.0)
Demand & Demography	0.0	0.0
Other incl. Debt	(0.0)	(0.0)
	<b>(0.6)</b>	<b>(0.1)</b>
<b>Revised Savings</b>		
September 2024	0.0	0.0
October 2024	0.0	0.0
December 2024	(0.1)	0.0
	<b>(0.1)</b>	<b>0.0</b>
<b>Revised Gap at Provisional Budget</b>	<b>38.2</b>	<b>30.1</b>



- 8.3 As can be seen in Table 20, the budget gaps for 2026/27 and 2027/28 have been further updated to reflect the latest assumptions and movements on these years as identified during the final budget processes.
- 8.4 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 found in the 2025 Spending Review and subsequent Provisional Local Government Settlement.
- 8.5 After taking account of the funding assumptions outlined in paragraph 8.2 and the variation in pressures and savings that have been identified in the determination of the 2025/26 Budget proposals, the updated provisional positions for 2026/27 and 2027/28 are now £38.2m and £30.1m respectively.
- 8.6 The main changes since the Proposed Budget are as follows:
- **Changes to Funding and Resources:**
    - **Updated Net Revenue Charge assumptions:** a net change of £0.5m in 2026/27 comprising of an increase in assumed Business Rates income of (£0.05m) and a reduction of £0.5m in council tax income; a net change of £0.1m in 2027/28 made up of a £0.04m reduction in assumed business rates and a £0.06m reduction in assumed council tax income.
    - **Other funding streams impacted by changes in the Net Revenue Charge:** the Business Rates Levy is assumed to reduce by £0.001m in 2026/27 and £0.002m in 2027/28. Section 31 grants reduce by £0.3m in 2026/27 and £0.4m in 2027/28.
    - **Other Grant funding** assumptions have decreased by £20.5m in 2026/27 with no change in 2027/28. The 2026/27 position now assumes fallout in full of the new Recovery Grant as it was announced as a one-off source of funding in the Provisional Settlement pending funding reform and the 2025 Spending Review.
    - The movement in grant funding is significantly offset by a reduction of £17.7m in the net contribution to **Earmarked Reserves** in 2026/27 with no change in the 2027/28 position. The 2026/7 movement comprises of: a net reduction in the contribution to the Strategic Contingency reserve of £7.4m which includes £10.1m assumed fallout of recovery grant contributed to the reserve in 2025/26 as it is assumed this grant is one-off; net fallout of £8.9m of one-off social care grants contributed to the Social Care Contingency Reserve in 2025/26; and £1.5m fallout of the base contribution to the NI Contingency established in 2025/26.



- **Revised Pressures:**

- **Inflationary pressures:** reflecting latest forecasts the pressures relating to electricity and gas costs have been reduced by £0.6m in 2026/27 and by £0.05m in 2027/28.

- **Revised Savings:**

- Business as Usual savings in 2026/27 have increased by £0.07m reflecting a longer-term review of bowling green provision across the city, including opportunities to increase income. As such, the original proposed saving of £0.14m for 2025/26 will now be achieved over two years.

8.7 The position set out in Table 20 contains a number of assumptions for which updated information would alter the projected financial position. Any such changes in these assumptions will be incorporated into an updated Medium Term Financial Strategy that will be presented to a future meeting of this Board.



## Part 9: Ring-Fenced Accounts

9.1 Every council has a general fund from which most services are funded. However, there are restrictions where the council must ensure that certain income is only spent in specific service areas. This is known as 'ring-fenced' funding. There are three main activities that are ring-fenced through legislation and/or government funding rules. These are:

- Housing Revenue Account
- Dedicated Schools Grant
- Public Health

9.2 More information on the 2025/26 Budget for each of these is shown at Appendix 8.

### 9.3 Housing Revenue Account

The Housing Revenue Account (HRA) includes all expenditure and income incurred in managing the Council's housing stock and, in accordance with Government legislation, operates as a ring-fenced account.

The determination of the 2025/26 budget proposals for the Housing Revenue Account needs to be seen in the context of reductions in the Council's housing stock as tenants exercise their right to buy their own home. The 2025/26 budget has been prepared at outturn prices. This means that allowances for inflation have been included in the budget submission. An increase of 2.7%, in accordance with the Government's rent formula of CPI (1.7% as at September 2024) +1%, is proposed. In addition to this the Housing Revenue Account budget includes proposals to increase service charges to cover rising costs due to price inflation.

The Council remains committed to directing more of the annual HRA budget towards investment and maintenance as well as a commitment to replacing homes lost through Right to Buy (RTB) by planned investment in new Council homes. To this end, of the total additional income of £5m expected in 2025/26, £4.1m will be specifically allocated to repairs budgets and an increase in the revenue contribution to the capital programme.

Details of the 2025/26 Housing Revenue Account can be found in Appendix 8.

### 9.4 Dedicated Schools Grant

The Dedicated Schools Grant (DSG) is funded in four blocks: Early Years, High Needs, Schools, and Central School Services. At the end of 2024/25 it is projected that there will be a deficit balance of £13.934m on the DSG compared to a surplus balance of £6.456m at the end of 2023/24. The projected deficit equates to 1.28% of total DSG funding 2024/25. This negative reserve position is allowed for within the management arrangements for the DSG by Local Authorities by means of a 'statutory override' to the requirement for the DSG to



remain balanced. The Council is working with the Department for Education on producing a 'DSG Management Plan' which will form the basis of work to seek to bring the DSG to a more balanced position over time, to the extent that this is possible given any limitations in funding and increased demand. Whilst the DSG Management Plan will potentially assist in the medium term, the increasing level of deficit is an issue to be considered within the overall context of the Council's financial arrangements. The position will be monitored and the balance will be carried forward into 2025/26.

The 2025/26 expected schools funding for Leeds is £1,144.4m representing a net increase of £59.4m (5.5%) when compared to the adjusted funding for 2024/25.

The ESFA guidance for 2025/26 allows for funding to be moved within the DSG blocks. Schools Forum have previously agreed a transfer of £3.82m from the Schools block to the High Needs block.

Details of the 2025/26 Dedicated Schools Grant (Schools Budget) can be found in Appendix 8.

## 9.5 Public Health

The Public Health grant is paid to local authorities from the Department for Health and Social Care (DHSC) budget. It is used to provide vital preventative services that help to support health, as well as broader public health support across local authorities and the NHS.

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

Details of the Public Health grant can be found within the Adults and Health directorate budget at Appendix 8.



## Part 10: Management of Key Risks

### 10 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 deemed/ judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach will continue to be included in the in-year Financial Health reports brought to Executive Board.
- 10.1.4 In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required. Specific risks relating to some of the assumptions contained within this Budget are identified below.
- 10.1.5 Significant risks to both costs and income in the 2025/26 Budget assumptions relate to the impact of cost of living and severe financial constraints are 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 and December meetings, the council budget proposals for 2025/26 assume the delivery of £103.8m of budget savings proposals, including some that are subject to consultation. There remains a risk of 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, directors would need to identify budget



savings options to mitigate the directorate budget from going into an overspend position, in accordance with the Revenue Budget principles.

### Funding Risks

- 10.1.7 The Government's current Spending Review covers only one year until the end of March 2026. Whilst the Autumn Budget on 30<sup>th</sup> October 2024 provided assurance that the Spending Plans in the Spending Review would be honoured, a multi-year Spending Review will follow in spring 2025.
- 10.1.8 Further to this, although the Provisional Local Government Finance Settlement was published on 18<sup>th</sup> December 2024, the Final Local Government Finance Settlement is not expected until early February 2025. Whilst the Provisional Settlement confirmed many of the Government's spending plans, important details remain outstanding, such as the level of compensation individual local authorities will receive for increased Employer's National Insurance costs. There remains a risk that the funding information contained in the final Settlement is different to the assumptions made based on information provided in the Provisional Settlement and this could have implications for the level of resources available to the council in 2025/26.
- 10.1.9 The 2025/26 budget submission contains a number of assumptions about the level of resources receivable through some specific grants. Where the Government has yet to announce or finalise how much grant will be receivable in 2025/26 then a number of assumptions will be made in the determination of the budgeted figures receivable. Where the grant received is less than assumed in the Budget then, as per the Revenue Budget Principles, the directorate concerned will need to manage the reduction in both expenditure and income through the identification and implementation of any grant exit strategy.
- 10.1.10 Under the Business Rates Retention Scheme the council's local share of business rates is exposed to risks from both collection and reductions in rateable values. Since 2013 two trends have become clear: firstly, that there is a lag between gradual economic recovery and significant volumes of new business builds in Leeds, with little growth in aggregate Rateable Value in Leeds until 2018/19; and secondly, that business rates growth that does occur has been offset by successful appeals and other reductions to the rating list - either through closure or Valuation Office reviews.
- 10.1.11 The level of business rates appeals continues to be a risk. The 2017 ratings list is now closed to new appeals against Rateable Value by ratepayers. However, where a ratepayer has already submitted a check, they may subsequently present a Challenge (the second stage of the process) to their Rateable Value on that list. The 2023 ratings will end on 31<sup>st</sup> March 2026. Towards the end of that list a higher than normal number of appeals are expected to be submitted by ratings agents on behalf of their clients. Provision will have to be made for these appeals but if they result in higher than anticipated reductions in Rateable Value this could impact the business rates surplus. 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 In 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 when 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.
- 10.1.15 Risk of financial sustainability as the council is facing significant financial pressures, including the delivery of a saving programme of £103.8m and 2024/25 in year issues. There continues to be concern across the Local Government Sector with regard to an increasing number of councils reporting both overspends and significant estimated budget gaps in future financial years.

### Key risks to cost and income assumptions

- 10.1.16 These budget proposals for 2025/26 contain a number of inherent risks which include the requirement to implement budget plans, budgets which are subject to both fluctuating demand and demographic pressures, inflation being higher than forecast and key income budgets that rely upon the number of users of a service.
- 10.1.17 From a geopolitical perspective the uncertainty in the nature and length of conflicts in both Ukraine and the Middle East may yet have further implications on inflation and the pay and price assumptions contained in these Budget Proposals for the forthcoming financial year.
- 10.1.18 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, we face 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.

- 10.1.19 There are risks that demographic and demand pressures in Adult Social Care and Children’s Services could be greater than anticipated in this Budget, that inflation is higher than that assumed and that the costs associated with managing the council’s debt is higher than budgeted assumptions. Alongside the demographic and demand pressures there is a recurring risk around having a skilled workforce to meet the challenges and demands in the social care system, impacting upon both Adults’ and Children’s social care.
- 10.1.20 For Adults, the new Labour Government have cancelled the care reforms introduced by the previous Government. Labour has pledged to deliver consistency of care across the country through national standards that ensured high-quality care and ongoing sustainability. However, it did not set out further detail on what this would look like nor how it would be funded. For Children, the previous Government published a strategy and consultation on Children’s Social Care, ‘Stable Homes, Built on Love’. This was in response to previous reviews, including an independent review (the MacAlister Review) which set out the need for a wide-ranging ‘reset’ of Children’s Social Care. There have not yet been any substantive policy proposals from the new Government in this area. Should the policy position remain as set out by the previous Government, the issues have significant potential to impact on the focus of Children’s Social Care across the country, including the financial implications of provision, and this may bring forward direct implications for Leeds City Council and its residents.
- 10.1.21 There is a risk around the implementation of proposed savings and additional income realisation could be delayed. Equally, the level of savings generated and/or the level of additional income realised could be less than that assumed in this Budget for 2025/26.
- 10.1.22 Inflation risk includes the pay award and inflationary pressures in respect of contracts and energy costs that could be higher than that assumed in this report. In addition, this Budget makes a number of assumptions about the costs associated with managing the council’s debt. As set out in the Treasury Management Strategy 2025/26 report, which is elsewhere on this agenda, the council’s strategy is to take longer term fixed rate funding as market opportunities arise. Where borrowing is funded through short-term variable rates, it is exposed to any upward movement in rates which would result in an increase in costs to the council. It should be noted that due to the previously employed policy of locking / hedging in long-term borrowing need at historically low rates the council has 7% of its debt portfolio at variable rates at 31/03/2024 and this places the council in a good position to manage current interest rates.
- 10.1.23 Key risks for the Dedicated Schools Grant (DSG) projections relate mainly to the high needs block of the DSG, which provides funding in relation to pupils with special educational needs. Future demand has been estimated based on trends and forecasts, both for population growth and increases in complexity of need,



however actual demand may vary from these assumptions and the availability of places may also affect costs. In particular, the long-term impact of COVID-19 on these trends is not yet known. In addition, funding allocations are confirmed on an annual basis and there is a risk that actual funding increases will differ from the amounts assumed in the MTFS. Specifically, funding increases are currently capped, and it is not yet known how this cap will operate in future years.

- 10.1.24 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.
- 10.1.25 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.
- 10.1.26 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 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.
- 10.1.27 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.
- 10.1.28 Overall, there is a funding risk that impacts the ability for the council to continue delivering its full remit in terms of service demand and satisfying the end user if the government does not introduce adequate funding reforms. This should be considered in the national context of hundreds of councils at risk of bankruptcy if no imminent local government funding reform is in place.
- 10.1.29 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>37.84</b>	<b>112.90</b>	<b>86.60</b>	<b>27.74</b>	<b>621.96</b>
Pay - Leeds City Council	5.32	6.95	3.60	6.60	9.88	0.00	32.36
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)	0.17	(0.14)	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	0.03	0.01	(0.16)	0.05	0.01	0.00	(0.05)
Inflation: Fuel	0.00	(0.00)	(0.01)	(0.08)	(0.03)	0.00	(0.12)
Inflation: General	3.03	2.54	2.10	1.28	1.22	0.00	10.17
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	1.90	1.20	1.90	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
Provision for Council estate	0.00	0.00	0.00	0.00	1.00	0.00	1.00
Direct Payments C&F	0.00	0.70	0.00	0.00	0.00	0.00	0.70
Income pressures	0.10	0.00	0.00	1.02	(2.24)	0.30	(0.82)
Debt - external interest / Minimum Revenue Provision	0.00	0.00	0.00	0.00	0.00	6.53	6.53
Other Pressures/Savings	0.87	1.30	5.15	2.24	2.59	0.19	12.34
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	43.83	44.20
Changes in Section 31 Grants	0.00	0.00	0.00	0.00	0.00	2.65	2.65
Business Rates Levy	0.00	0.00	0.00	0.00	0.00	0.17	0.17
New Homes Bonus	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Recovery Grant	0.00	0.00	0.00	0.00	0.00	(20.52)	(20.52)
Extended Producer Responsibility Grant	0.00	0.00	0.00	(12.50)	0.00	0.00	(12.50)
Social Care Grant	(5.33)	(4.15)	0.00	0.00	0.00	(4.16)	(13.64)
National Insurance Compensation Grant (est.)	0.00	0.00	0.00	0.00	0.00	(7.13)	(7.13)
CSC Prevention Grant	0.00	0.00	0.00	0.00	0.00	(5.05)	(5.05)
Market Sustainability & Improvement Fund	(2.83)	0.00	0.00	0.00	0.00	0.00	(2.83)
UASC Income	0.00	(2.00)	0.00	0.00	0.00	0.00	(2.00)
Additional Autumn Budget grant - Homelessness/ EPR	0.00	0.00	0.00	(1.40)	0.00	0.00	(1.40)
Homelessness Grants	0.00	0.00	0.00	(1.20)	0.00	0.00	(1.20)
BCF Inflationary Increase	(0.66)	0.00	0.00	0.00	0.00	0.00	(0.66)
Domestic Abuse Duty Safe Accommodation Grant	0.00	0.00	0.00	(0.48)	0.00	0.00	(0.48)
Services Grant	0.00	0.00	0.00	0.00	0.00	1.01	1.01
Other Changes in Specific Grants	0.00	0.63	0.05	0.89	0.01	0.48	2.07
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>38.71</b>	<b>46.58</b>	<b>9.65</b>	<b>6.91</b>	<b>16.54</b>	<b>19.08</b>	<b>137.48</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	(34.05)	(37.84)	(5.73)	(9.22)	(12.35)	0.00	(99.20)
<b>Total - Savings proposals</b>	<b>(38.60)</b>	<b>(37.84)</b>	<b>(4.30)</b>	<b>(10.60)</b>	<b>(12.93)</b>	<b>0.50</b>	<b>(103.77)</b>
<b>2025/26 Submission</b>	<b>199.48</b>	<b>166.25</b>	<b>43.19</b>	<b>109.21</b>	<b>90.21</b>	<b>47.32</b>	<b>655.66</b>
<b>Increase/(decrease) from 2024/25 £m</b>	<b>0.11</b>	<b>8.74</b>	<b>5.35</b>	<b>(3.69)</b>	<b>3.61</b>	<b>19.58</b>	<b>33.71</b>
<b>Increase/(decrease) from 2024/25 %</b>	<b>0.06%</b>	<b>5.55%</b>	<b>14.14%</b>	<b>(3.27%)</b>	<b>4.17%</b>	<b>70.60%</b>	<b>5.42%</b>

TOTAL FUNDING AVAILABLE (Forecast Net Revenue Charge)

655.66

GAP

0.00

# Proposed Budget 2025/26 - Consultation Report

Consultation held December 2024 to January 2025

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## 1. Introduction and approach

Public consultation on the Proposed Budget for 2025/26 took place between 11<sup>th</sup> December 2024 and 8<sup>th</sup> January 2025 via an online engagement platform (Commonplace). The full Proposed Budget and Revenue Savings Proposals can be viewed in the public reports pack for the council's 11th December 2024 Executive Board meeting (available [here](#) at agenda items 13a and 13b), where the proposals were considered by elected members.

The survey explored a range of themes relevant to the proposed budget including: principles of how we should be funded, our savings proposals, changes to council tax, and how we plan to allocate the revenue budget by directorate. Other questions explored satisfaction with how we run things and ideas for bringing in extra money or making savings.

The survey was carried out using online methods only. In previous years, when paper surveys have been offered, they have had low take-up and those were predominantly from groups of respondents that are already over-represented.

The consultation was circulated primarily through Leeds City Council social media channels and online community groups, and as a news item on the council's website. The Citizens' Panel, which has almost 3,000 members, received an email with a link to the survey. Staff and elected members were invited to take part through emails and a news item on the council's intranet (InSite). Invitations were also emailed to partner organisations, requesting that they share through their networks.

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

- Ethnicity – where respondents selected an ethnicity of White: English / Welsh / Scottish / Northern Irish / British, this has been categorised as White: British. Other white ethnically diverse respondents have been grouped as White: Other. Due to low samples, all further ethnically diverse respondents have been aggregated as Non-White Ethnicity.
- Sexuality, Sex / Gender – where respondents selected a sexuality of Lesbian, Gay, Bisexual or Other, or told us their gender identity is not the same as the sex registered at birth this has been categorised as LGBT+.
- Religion – where respondents selected an option other than Christian, or No religion or belief, these were categorised as Other religion.

Some groups were represented by a smaller number of respondents and consequently have generally not been highlighted in the narrative, unless differences are statistically significant:

- Age 16-34 (53, +/-13%)
- Other religion (43, +/-14%)
- LGBT+ (50, +/-13%)
- Study in Leeds (7, +/-34%), Work for Leeds City Council (57, +/-12%)
- Non-White Ethnicity (28, +/-18%), White: Other ethnicity (39, +/-15%)

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

When comparing results with those of previous years, the periods quoted refer to the Proposed Budget year and not the year the consultation took place: for example, when referring to the results of the consultation that took place from December 2023 to January 2024 for the 2024/25 Proposed Budget, the period quoted would be 2024/25.

## 2. Executive summary

Public consultation on the Proposed Budget for 2025/26 took place between 11<sup>th</sup> December 2024 and 8<sup>th</sup> January 2025 via an online engagement platform (Commonplace).

- In total, 1,369 participants completed the survey. Though lower than the previous two years (1,722 for the 2024/25 Proposed Budget and 1,742 for 2023/24's), results are still highly statistically accurate, representing the population of Leeds to a confidence interval of +/-2.6% (with 95% confidence).
- Survey participants were from a range of different demographic groups, which in general represented the population of Leeds residents when compared with the 2021 Census. Ethnically diverse communities and younger people were underrepresented, however there were enough of each group for their views to be reported.
- Of the 666 respondents (49%) that identified themselves, 93% said that they live in Leeds, more than two in five (42%) work in Leeds, and a smaller group (1%) said they study in Leeds. In total, 1 in 10 (10%) said they work for Leeds City Council, much lower than the previous year (30%).

### **Balancing council tax and charges with protecting services**

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

- More than 3 out of 4 respondents (77%) agreed with the statement that we should raise money through increasing council tax and charges, which comprised of:
  - 32% of all respondents who felt we should raise enough money by increasing council tax and charges to avoid having to cut services.
  - 44% of all respondents who said that council tax and charges should be slightly increased whilst balanced with reducing or cutting some services.
- Almost 1 in 4 respondents (23%) agreed with the statement that we should not increase council tax or charges, even if this has a large impact on the services we can provide. This is higher than the previous year (20%) though lower than in 2023/24 (27%).

When asked how much participants agree or disagree with our proposals to increase the 'core' element of council tax in Leeds by 2.99%, and to levy an adult social care precept of 1.99%:

- Just over two thirds (68%) of the 1,308 people who responded to this question agreed with our approach for increasing the core rate of council tax: 31% strongly agreed, 37% tended to agree, 13% tended to disagree and 19% strongly disagreed. The proportion of those who agreed is lower than last year (for 2024/25, 75% agreed).
- A similar proportion (67% of the 1,128 participants who responded to this question) agreed with our approach of applying an additional levy to support adult social care services: 31% strongly agreed, 36% tended to agree, 15% tended to disagree and 18% strongly disagreed. Fewer people completed this question (1,127 of 1,369). Again, the proportion of those who agreed is lower than last year (for 2024/25, 72% agreed).

### **The proposed budget and savings proposals**

Participants were presented with a chart of the proposed net revenue budget per directorate and details of how this has changed from the previous year, alongside a summary of the services that each directorate provides, and links to the Revenue Savings Proposals and Proposed Budget reports considered by the Executive Board in December 2024.

- When asked how much they agreed overall with the budget and savings proposals for 2025/26, almost 3 in 10 respondents (28%) agreed (6% strongly agreed, 22% tended to agree), compared to over a third of respondents that disagreed (34%: 17% strongly disagreed, 17% tended to disagree). A higher number, representing almost 2 in 5 respondents (38%), said they neither agree nor disagree. In total, 1,259 of all 1,369 respondents completed the question.

- In a change to previous years, the question was asked on a five-point scale and now includes a 'Neither agree nor disagree' option, to meet the sentiment scale formatting requirements of the engagement platform used.
- In a further change, a single question asked participants to what extent they agreed or disagreed with the budget and savings proposals for 2025/26; for 2024/25, separate questions were used for the proposed budget and for the savings proposals.
- Taking into account the different response set used (including the option 'Neither agree nor disagree'), agreement with the proposed budget and savings proposals appears to have significantly decreased from previous years. For 2024/25, 66% of respondents agreed with the savings proposals and 68% agreed with the overall proposed budget; for 2023/24, 59% agreed with the savings proposals and 59% with the overall proposed budget. The fall in agreement for 2025/26 could in part be due to the scale and nature of the savings proposals put forward.
- Using a free text field, respondents were invited to comment on the revenue budget and savings proposals. In total, 602 (44%) respondents provided 772 comments, which have been individually analysed and grouped into themes:
  - The largest number of comments stated that the council needs to reduce waste and create efficiencies (81).
  - A similar number had concerns regarding existing or future savings proposals (80), many of which referred to the proposed closure of Abbey House, followed by parking charges in parks, and a smaller number referring to closing or reducing staff at Mental Health Hubs and the closure of bowling greens.
  - Other key themes of comments referred to the consultation, stating the proposal was lacking information or that it was difficult to find the detail in the supporting documents (65), with a similar number commenting about reducing city roadworks (64), followed by comments about reducing staff numbers / wages (51), concern over council tax increases (50), and generally agreeing with the proposals (46).

### **Suggestions for how the council could bring in extra money or make savings**

612 people (45%) provided comments or suggestions on how the council could do things differently to bring in extra money or make savings, with many giving multiple comments or suggestions, resulting in 951 comments. These were gathered into subgroups of linked themes:

- In order of the % of comments the groups were: Priorities & Policy (25%), Ideas and Suggestions (24%), Ways of Working (17%) followed by Staffing and Pay (17%) and Transport (14%).
- The most common single themes were: Reducing staff numbers, pay or benefits (97) - this was also the most common theme last year -, stopping roadworks or cycle lanes (87 - third last year), improving efficiency (82 - second last year), followed by utilising or selling council buildings (55) and better budgeting and prioritising (54).

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

Participants were asked how satisfied they were with the way Leeds City Council runs things:

- Almost half of respondents (46%) were satisfied with the way Leeds City Council runs things (8% very satisfied, 38% fairly satisfied), whilst a third (34%) said they were dissatisfied (16% very dissatisfied, 18% fairly dissatisfied). In total, 1,323 of all 1,369 respondents completed the question.
- Comparison with last year's consultation shows a strong decrease in satisfaction (46%, down from 60% in 2024/25), bringing results closer to the previous years (49% in 2023/24 and 53% in 2022/23) and reprising the downward trend seen since this question was first included for the 2021/22 proposed budget.



## Responses by different groups

Comparing the findings from different groups with one another:

- Leeds City Council staff were less likely to say we should not increase council tax and charges even if it impacts services and were more likely to be satisfied with the way we run things.
- Younger people aged 16-34 were more likely to say we should raise enough money through increasing tax and charges to avoid cutting services.
- Although not statistically reliable, people aged 45-54 appeared more likely to be satisfied with how we run things.
- Older people aged 65 and over were much more likely to say we should adopt a balance of raising money by slightly increasing council tax and charges, whilst reducing or cutting some services, and more likely to agree with the overall budget and savings proposals.
- Female respondents were more likely to say we should apply a balance of raising money by slightly increasing council tax and charges, whilst reducing or cutting some services. They were less likely to agree with the overall budget and savings proposals.
- Although not statistically reliable, Non-white ethnically diverse respondents appeared to be more likely to say we should adopt a balance of raising money by slightly increasing council tax and charges, whilst reducing or cutting some services. They also appeared less likely to agree with the overall budget and savings proposals, and were more likely to be satisfied with how we run things.
- Although not statistically reliable, White: Other ethnically diverse respondents were seen to be more likely to say we should raise enough money through increasing tax and charges to avoid having to cut services, and were more likely to be satisfied with how we run things.
- Disabled people were much less likely to say we should raise enough money through increasing council tax and charges to avoid having to cut services. They were much more likely to disagree with the proposal to increase 'core' council tax, and with the overall budget and savings proposals, and were much less likely to be satisfied with how we run things.
- LGBT+ respondents were much more likely to say we should raise enough money through increasing council tax and charges to avoid having to cut services, and were much more likely to strongly agree with the proposal to increase 'core' council tax.
- People who practice a religion other than Christianity were much more likely to say we should not increase council tax and charges even if it impacts services. They were much less likely to agree with the proposal to increase 'core' council tax, and with the overall budget and savings budget proposals.
- Those with no religion or belief were much more likely to say we should raise enough money by increasing tax and charges to avoid having to cut services. They were much more likely to agree with the proposal to increase 'core' council tax, and with the overall budget and savings proposals, and much more likely to be satisfied with how we run things.

### 3. Analysis of respondents

In total, 1,369 participants completed the survey, slightly lower than in recent years (1,722 for the 2024/25 Proposed Budget and 1,742 for 2023/24's), though a different approach of an online engagement platform, rather than a survey, was used. This performed much better than when we last trialled a similar approach for 2022/23, which received 468 responses. Results are still highly statistically accurate, representing the population of Leeds to a confidence interval of +/-2.6% (with 95% confidence).

Almost half of all respondents (49%) provided valid information for at least one equality, diversity and inclusion monitoring field. The 666 survey participants that identified themselves were from a range of different demographic groups, which in general broadly represented the population of Leeds residents as compared with the 2021 Census. Ethnically diverse communities and younger people were underrepresented, however there were enough of each group for their views to be reported.

Proportions of respondents are shown in Table 1. Note that the fields ' % Valid' and ' % Leeds Residents' include only those who answered and exclude those who preferred not to say. Although we are comparing with residents aged 18 or over as per the Census, survey respondents potentially included those aged 16-17 (since 7 of those in the 16-34 group identified themselves as aged 16-24).

Table 1: Comparison of respondents to Census 2021.

		Survey Respondents	% Valid Respondents	% Leeds Residents - Census 2021	
Age / years	16-34	53	<b>8%</b>	36%	Residents of Leeds, aged 18 and over only
	35-44	101	<b>16%</b>	16%	
	45-54	107	<b>17%</b>	15%	
	55-64	144	<b>23%</b>	14%	
	65+	221	<b>35%</b>	19%	
	<i>Prefer not to say/Blank</i>	21	-	-	
Sex / Gender identity	Female	314	<b>57%</b>	52%	Residents of Leeds, all age groups
	Male	232	<b>42%</b>	48%	
	Non-binary/Other	2	<b>0%</b>	-	
	<i>Prefer not to say/Blank</i>	48	-	-	
Ethnicity	White: British	461	<b>87%</b>	76%	
	Asian or Asian British	12	<b>2%</b>	9%	
	Black or Black British	7	<b>1%</b>	5%	
	Mixed Ethnicity	6	<b>1%</b>	2%	
	Other	42	<b>8%</b>	8%	
	<i>Prefer not to say/Blank</i>	28	-	-	
Religion	No religion or belief	281	<b>55%</b>	43%	
	Christian	188	<b>37%</b>	45%	
	Other religion or belief	43	<b>8%</b>	12%	
	<i>Prefer not to say/Blank</i>	85	-	-	
Disability	Yes	94	<b>17%</b>	17%	All Leeds Residents - day to day activities limited a lot or a little
	No	444	<b>83%</b>	83%	
	<i>Prefer not to say/Blank</i>	52	-	-	
Sexuality	Heterosexual / Straight	438	<b>90%</b>	95%	Residents of Leeds, aged 16 and over only
	LGBT+*	50	<b>10%</b>	5%	
	<i>Prefer not to say/Blank</i>	95	-	-	

\* This group refers to those who said they are either Lesbian, Gay, Bisexual or Other or who told us their gender identity is not the same as the sex registered at birth

Of the 666 respondents that provided valid information to at least one equality, diversity and inclusion monitoring field, most (93%) said that they live in Leeds, more than two in five (42%) work in Leeds, and a smaller group (1%) said they study in Leeds. In total, 1 in 10 (10%) said they work for Leeds City Council, much lower than the previous year (30%).

### Responses per area

In total, 492 (36%) of the 1,369 respondents provided a full or partial postcode, of whom 481 (98%) live in the Leeds area. The 11 other respondents were from Barnsley, Bradford, Calderdale, Camden, Kirklees and Wakefield.

432 respondents provided a full valid postcode that could be linked to a ward area in Leeds, as presented in Table 2 below. It can be seen that there were respondents from every ward in Leeds, with the highest proportions in the North and Northwest of the city.

Table 2: Count of respondents by Leeds Ward.

Leeds Ward	Count	As %
Adel & Wharfedale	20	5%
Alwoodley	22	5%
Ardsley & Robin Hood	9	2%
Armley	6	1%
Beeston & Holbeck	12	3%
Bramley & Stanningley	12	3%
Burmantofts & Richmond Hill	6	1%
Calverley & Farsley	13	3%
Chapel Allerton	25	6%
Cross Gates & Whinmoor	12	3%
Farnley & Wortley	13	3%
Garforth & Swillington	10	2%
Gipton & Harehills	6	1%
Guiseley & Rawdon	12	3%
Harewood	9	2%
Headingley & Hyde Park	15	3%
Horsforth	30	7%
Hunslet & Riverside	7	2%
Killingbeck & Seacroft	8	2%
Kippax & Methley	9	2%
Kirkstall	18	4%
Little London & Woodhouse	13	3%
Middleton Park	8	2%
Moortown	19	4%
Morley North	13	3%
Morley South	8	2%
Otley & Yeadon	9	2%
Pudsey	5	1%
Rothwell	15	3%
Roundhay	29	7%
Temple Newsam	7	2%
Weetwood	23	5%
Wetherby	9	2%

#### 4. Dealing with the challenges of reduced funding

Respondents were presented with information providing the context of the significant financial challenges that we face, the reasons for this and that we will need to make difficult decisions. They were asked which of 3 options they agreed with most, balancing raising income against maintaining services. Responses are shown in Table 3 below and these are then compared with results of previous budget consultations in Figure 1.

Table 3: How should we deal with the challenges of reduced funding?

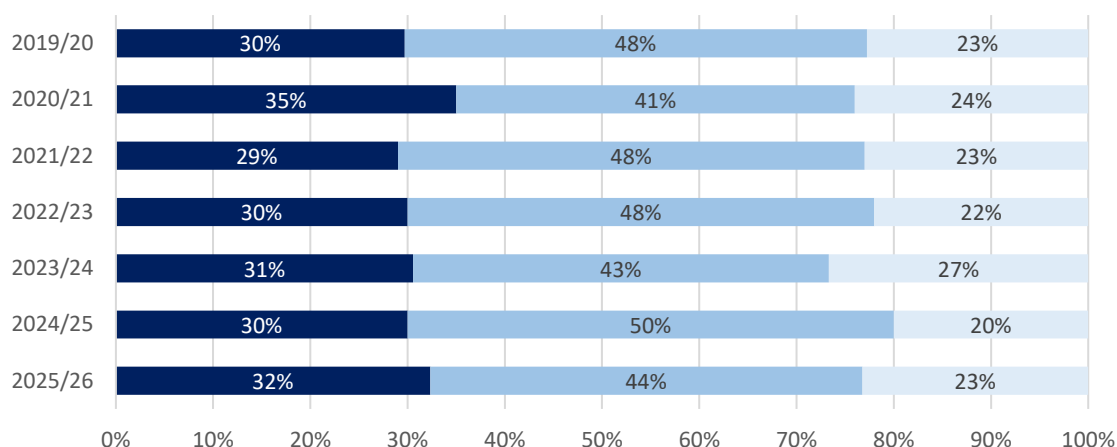
Which option do you agree with most?	Valid %	Count
We should raise enough money by increasing council tax and charges, to avoid having to cut services	32%	389
We should raise money by slightly increasing council tax and charges, whilst reducing or cutting some services	44%	530
We should not increase council tax or charges, even if this has a large impact on the services we can provide	23%	280
Did not respond to this question	-	68
<b>Total</b>	<b>100%</b>	<b>1,369</b>

More than 3 out of 4 respondents (77%) agreed we should raise money through increasing council tax and charges, with two thirds of these (68%) saying this should be balanced with reducing or cutting services, representing 44% of all respondents.

The remaining almost 1 in 4 respondents (23%) agreed with the statement that we should not increase council tax or charges, even if this has a large impact on the services we can provide.

Comparing responses in Figure 2 below, results were similar to those of previous years. However, slightly more respondents agreed that we should not increase council tax or charges even if this has a large impact on services (23%) than the previous year (20%), though lower than in 2023/24 (27%).

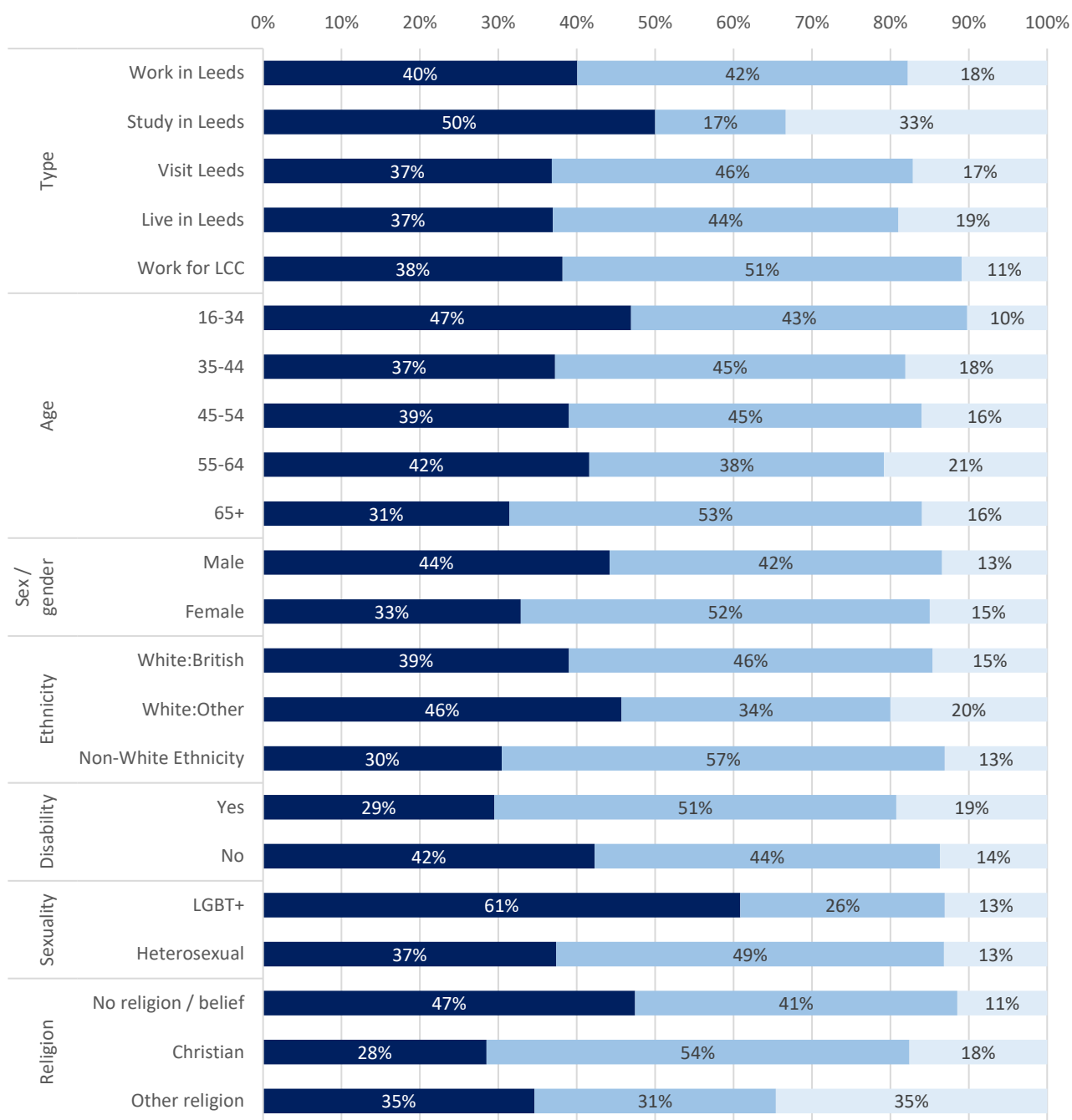
Figure 1. How we should deal with financial challenge, by year.



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

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



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

Figure 2 shows the responses made by different groups.

- Those that work for Leeds City Council were less likely to say we should not increase council tax and charges even if it impacts services than other respondents (11%).
- Older people aged 65 and over were much more likely to say we should adopt a balance of raising money by slightly increasing council tax and charges, whilst reducing or cutting some services (53%).
- Younger people aged 16-34 were more likely to say we should raise enough money through increasing tax and charges to avoid cutting services (47%).
- Female respondents were much more likely to say we should adopt a balance of raising money by slightly increasing council tax and charges, whilst reducing or cutting some services (52% compared to 42%).
- Although not statistically reliable, Non-white ethnically diverse respondents appeared to be more likely to say we should adopt a balance of raising money by slightly increasing council tax and charges, whilst reducing or cutting some services (57% compared to 46% White: British)
- Although not statistically reliable, White: Other ethnically diverse respondents appeared to be more likely to say we should raise enough money through increasing tax and charges to avoid having to cut services (46% compared to 39% White: British respondents).
- Disabled people were much less likely to say we should raise enough money by increasing tax and charges to avoid having to cut services (29% compared to 42% of non-disabled respondents).
- LGBT+ respondents were much more likely to say we should raise enough money by increasing tax and charges to avoid having to cut services (61% compared to 37% of heterosexual respondents).
- Those that practice a religion other than Christianity were much more likely to say we should not raise council tax or charges, even if this has a large impact on the services we can provide (35%).
- Those with no religion or belief were much more likely to say we should raise enough money by increasing tax and charges to avoid having to cut services (47%).

## 5. Council Tax

Participants were asked how much they agree or disagree with our proposals to increase the ‘core’ element of council tax in Leeds by 2.99%, and to levy an adult social care precept of 1.99%. Responses are shown in Table 4 below.

Table 4: To what extent do you agree with our approach to increase council tax?

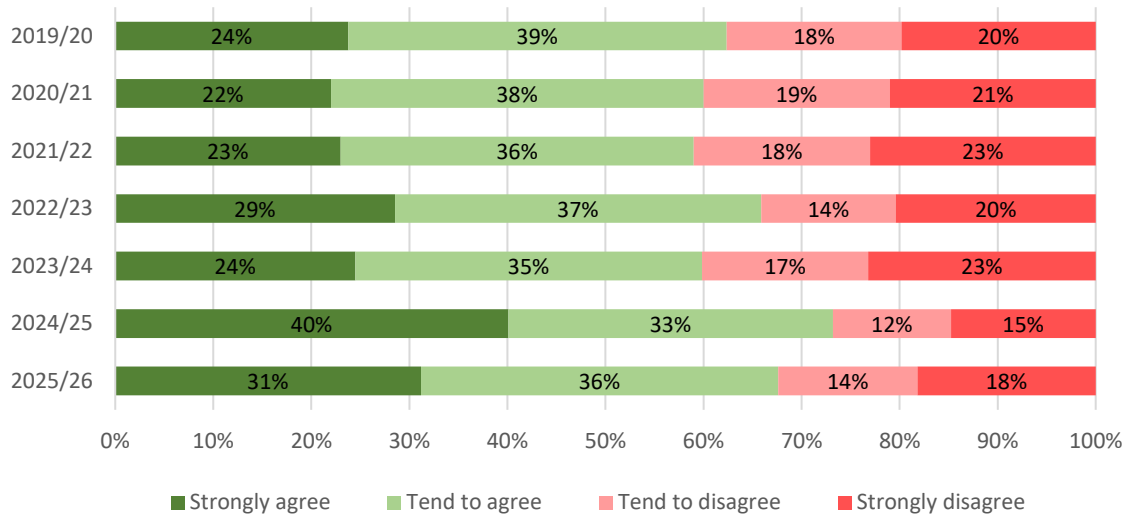
To what extent do you agree?	To increase ‘core’ council tax by 2.99%		To levy an adult social care precept of 1.99%	
	Valid %	Count	Valid %	Count
Strongly agree	31%	410	31%	350
Tend to agree	37%	481	36%	407
Tend to disagree	13%	171	15%	173
Strongly disagree	19%	246	18%	198
No response	-	61	-	241
<b>Total</b>	<b>100%</b>	<b>1,369</b>	<b>100%</b>	<b>1,369</b>

In total, just over two thirds (68%) of the 1,308 participants that responded to the question agreed with our approach for increasing the core rate of council tax. A similar number (67% of the 1,128 participants that responded to this question) agreed with our approach of applying an additional levy to support adult social care services. This is lower than for 2024/25, where 75% agreed with our approach for increasing the core rate and 72% agreed with applying an additional levy for adult social care.

In previous years up to and including 2023/24, a single question asked about the proposed increase to council tax, covering both the ‘core’ and adult social care elements; for the 2024/25 and 2025/26 Proposed Budgets, separate questions have been asked in order to gauge if responses are different for each element. Figure 3 presents a mean average of the results for 2024/25 and 2025/26 to enable comparison with previous budget consultations, where council tax was proposed to increase as follows:

- 2019/20, 3.99%: 2.99% for the core Leeds element, plus 1% to fund adult social care
- 2020/21, 3.99%: 1.99% for the core Leeds element, plus 2% to fund adult social care
- 2021/22, 4.99%: 1.99% for the core Leeds element, plus 3% to fund adult social care
- 2022/23, 2.99%: 1.99% for the core Leeds element, plus 1% to fund adult social care
- 2023/24, 4.99%: 2.99% for the core Leeds element, plus 1.99% to fund adult social care
- 2024/25, 4.99%: 2.99% for the core Leeds element, plus 1.99% to fund adult social care
- 2025/26, 4.99%: 2.99% for the core Leeds element, plus 1.99% to fund adult social care

Figure 3: Agreement with our approach to increase council tax - core and social care levy combined, by year.



Comparing the mean average of the two results for the Proposed Budgets for 2024/25 and 2025/26, with the combined figures from the previous budget consultations, the proportion of those agreeing with the proposed increase in council tax overall is lower than last year, with a mean average of 68% this year compared to a mean average of 73% last year. However, it is higher than in previous years when a single question was asked, instead of asking about the two elements separately.



## Responses by different groups

Figure 4: Agreement with the proposed increase in 'core' council tax of 2.99%, by different groups.

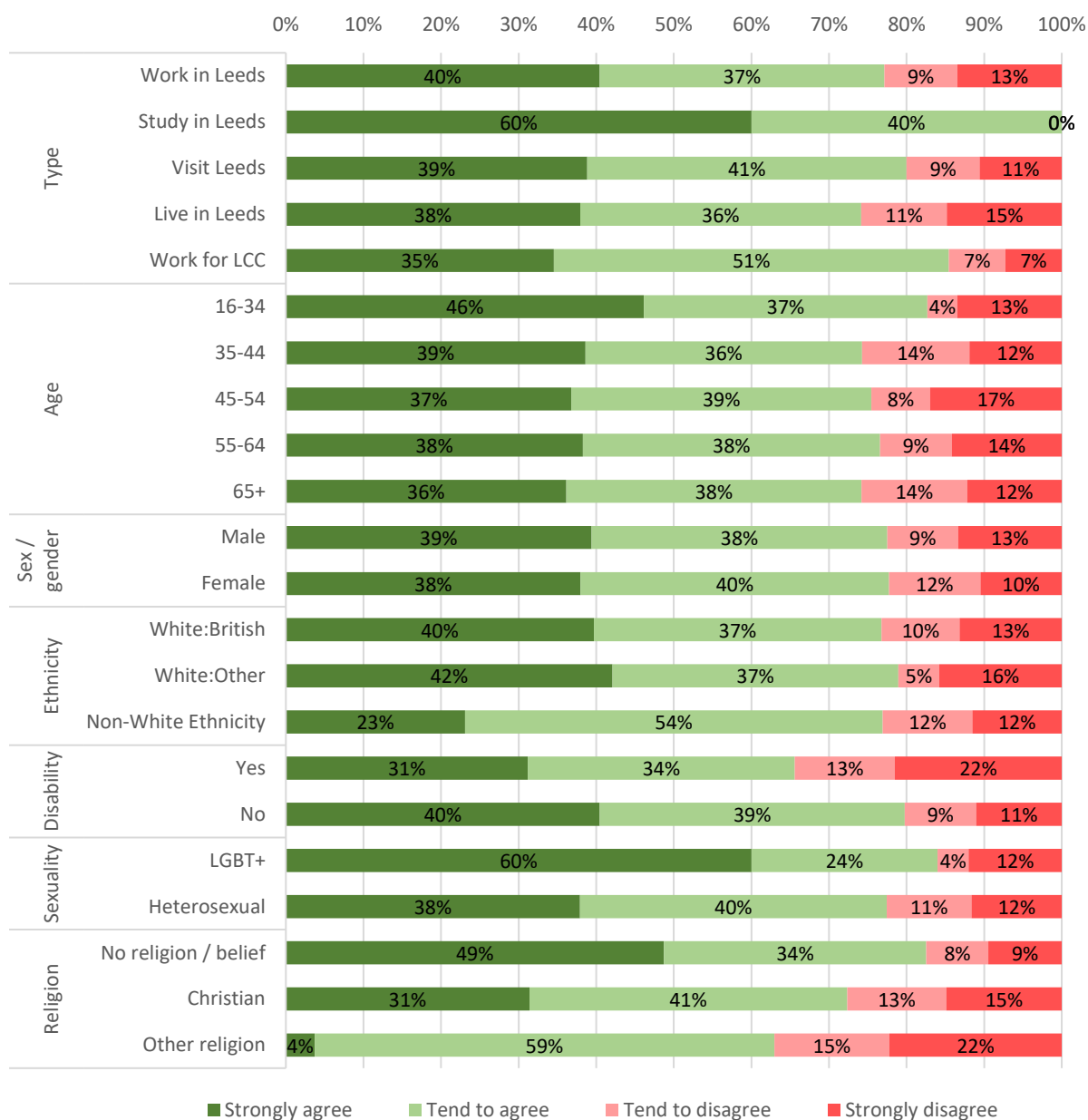


Figure 4 shows the responses made by different groups. It can be seen that:

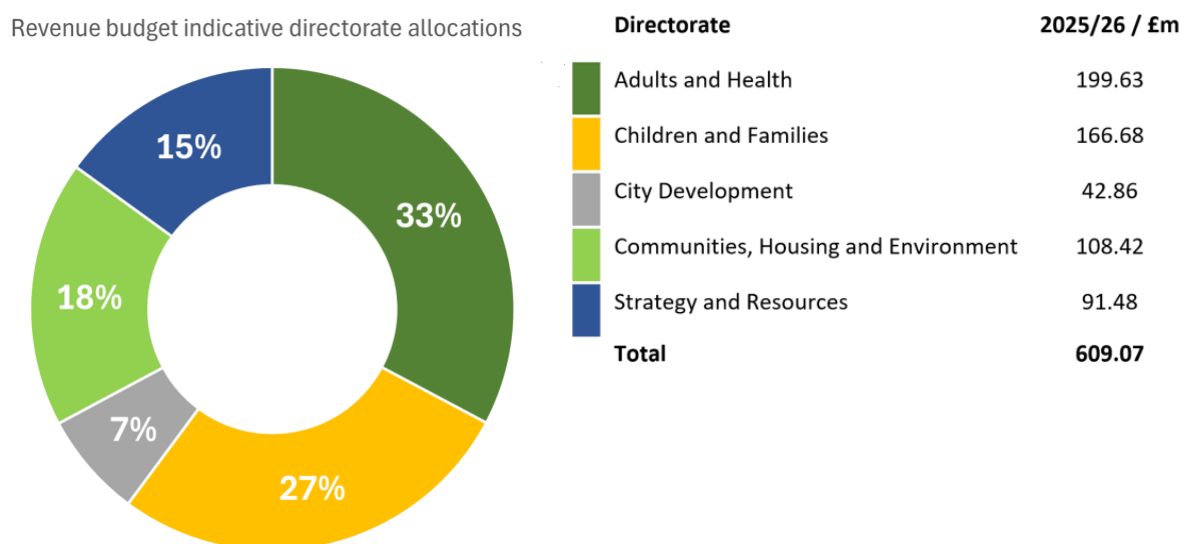
- Disabled respondents were much less likely to agree with the proposal to increase 'core' council tax (65% compared to 79% for no disability).
- LGBT+ respondents were much more likely to strongly agree with the proposal to increase 'core' council tax (60% compared to 38%).
- People that practice a religion other than Christianity were much less likely to agree with the proposal to increase 'core' council tax (63%) than Christian respondents (72%).
- Those with no religion or belief were much more likely to agree with the proposal to increase 'core' council tax (83%).

\*Responses to the separate question about the adult social care precept of 1.99% showed near identical trends.

## 6. How we spend the money we receive

Participants were presented with the following chart of the proposed net revenue budget per directorate and how this differs from last year (Figure 5), along with a summary of the services that each directorate provides and links to the [‘Proposed Budget for 2025/26 and Provisional Budgets for 2026/27 and 2027/28’](#) and [‘Revenue Savings Proposals for 2025/26 to 2027/28’](#) reports.

Figure 5: Proposed revenue budget summary 2025/26



### 6.1 Overall budget and savings proposals

After being presented with the proposed net revenue budget for each of the directorates for 2025/26, respondents were asked how much they agreed or disagreed overall with the revenue budget and savings proposals. Results are shown in Table 5 below.

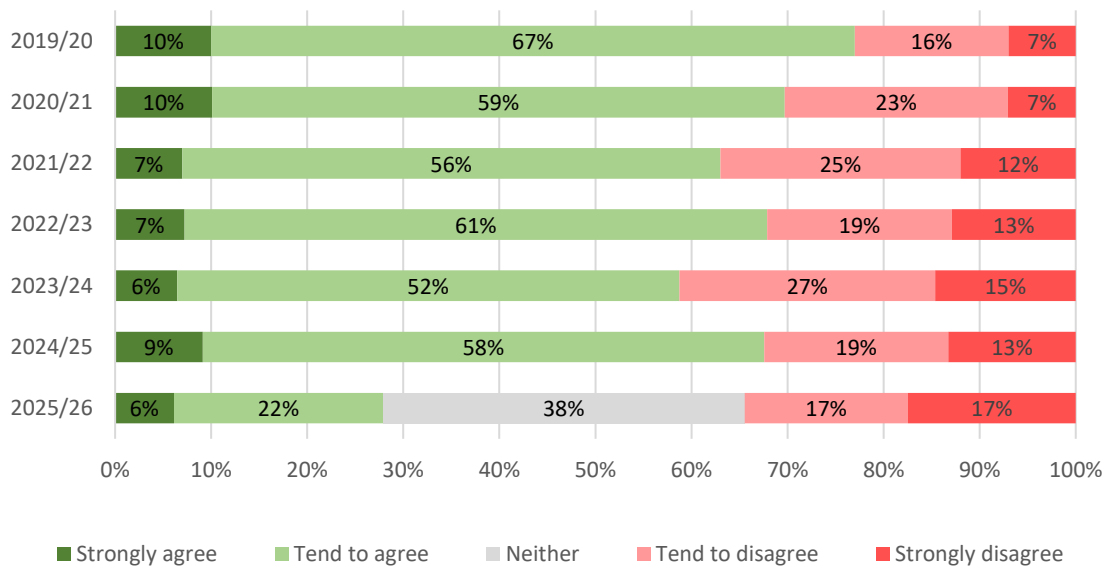
Table 5: Overall, to what extent do you agree or disagree with our budget and savings proposals for 2025/26?

To what extent do you agree?	Valid %	Count
Strongly agree	6%	77
Tend to agree	22%	274
Neither agree nor disagree	38%	474
Tend to disagree	17%	214
Strongly disagree	17%	220
Don't know / no response	-	110
<b>Total</b>	<b>100%</b>	<b>1,369</b>

In total, almost 3 in 10 respondents (28%) agreed overall with the budget and savings proposals, compared to over a third of respondents (34%) that disagreed. A higher number, representing almost 2 in 5 respondents (38%), said they neither agree nor disagree.

Results are compared in Figure 6 with when participants were previously asked about the overall proposed budget. In a change to previous years, the question was asked on a five-point scale and now includes a 'Neither agree nor disagree' option. This change was carried out to meet the sentiment scale formatting requirements of the engagement platform used. In a further change, a single question asked participants to what extent they agreed or disagreed with the budget and savings proposals for 2025/26; for 2024/25, separate questions were used for the proposed budget and for the savings proposals. These changes make it harder to compare results to previous years.

Figure 6: Agreement with the overall proposed budget, by year:



Taking into account the different response set this year (including the option ‘Neither agree nor disagree’), agreement with the proposed budget and savings proposals appears to have significantly decreased from previous years. Even if those that responded ‘Neither agree nor disagree’ are included with those that said they agreed (to make a total of 66% who didn’t disagree), this would still have been lower than those that agreed in 2024/25 (when 68% agreed with the overall proposed budget and 66% agreed with our savings proposals).

The fall in agreement for 2025/26 could in part be due to the scale and nature of the savings proposals put forward.

## Responses by different groups

Figure 7: Agreement with the proposed budget and savings proposals, by different groups.

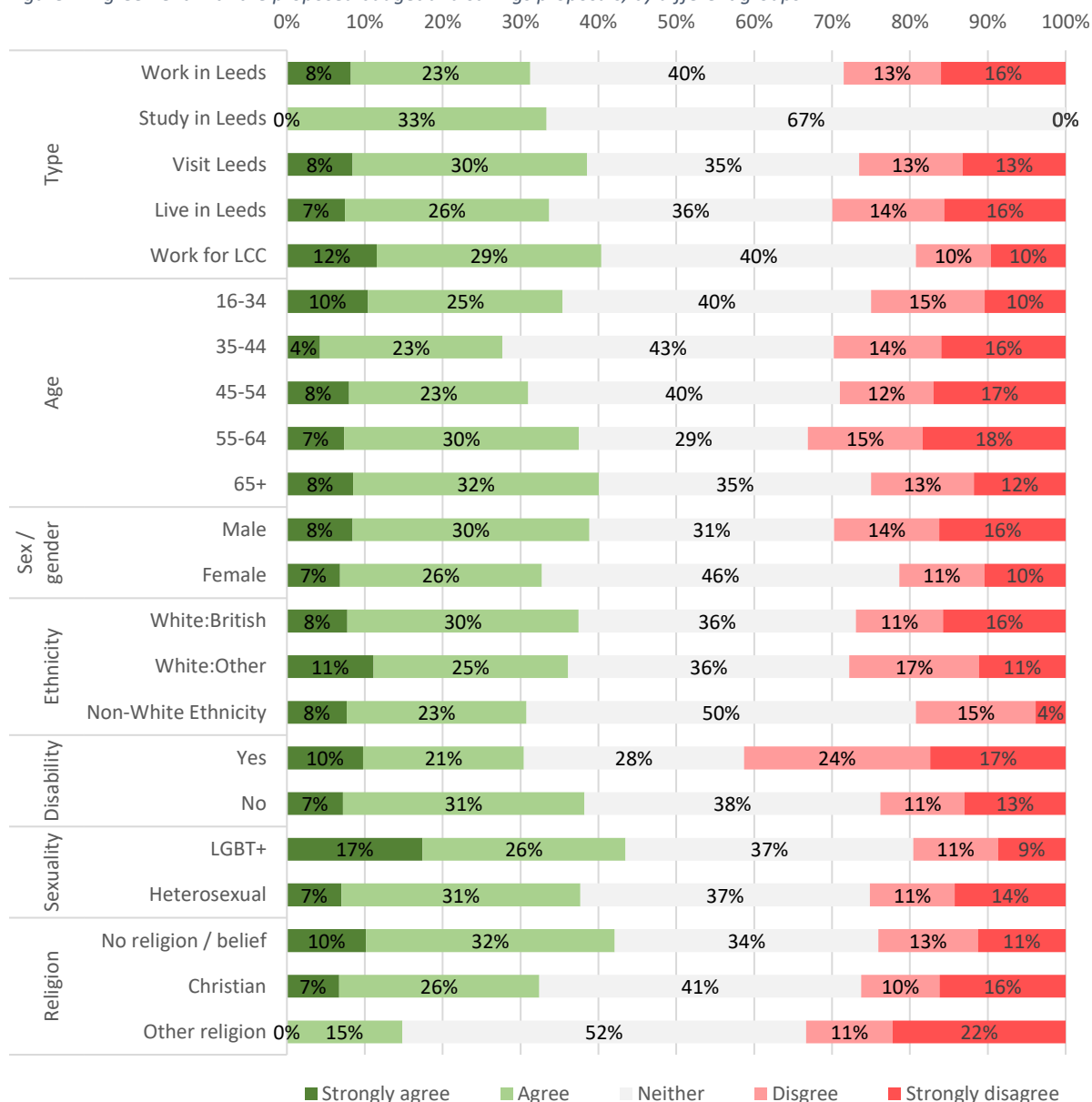


Figure 7 above shows the responses made by different groups. It can be seen that:

- Other than those aged 16-34 (for which the sample is very small), older respondents were generally more likely to agree with the overall budget and savings proposals, with levels of agreement increasing by age band and those aged 65+ most likely to agree (40%.)
- Male respondents were more likely to agree with the overall budget and savings proposals (38%), compared to female (33%).
- Although not statistically reliable, Non-white ethnically diverse respondents were less likely to agree with the overall budget and savings proposals (31% compared to 38% for White: British).
- Disabled respondents were much more likely to disagree with the overall budget and savings proposals (41% compared to 24% of those without a disability).
- Those of religions other than Christianity were much less likely to agree with the overall budget and savings budget proposals (15%) than Christian respondents (33%).
- Those with no religion or belief were much more likely to agree with the overall budget and savings budget proposals (42%).

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

Participants were invited to comment in a free text field on the revenue budget and savings proposals. In total, 602 (44%) respondents provided 772 comments which have been individually analysed and grouped into themes.

Table 6 below lists the themes in descending order, with the most frequent first. All percentages are of the total respondents (602). Example comments of the major themes are provided in Table 7.

- The most frequent theme was that the council needed to reduce waste and create efficiencies. This was referred to in 81 comments (13% of the 602 respondents).
- A similar number had concerns regarding existing or future savings proposals, with 80 comments (13%) referring to this. Many referred to the proposed closure of Abbey House, followed by the introduction of parking charges in parks. A smaller number referred to closing or reducing staff at Mental Health Hubs and the closure of bowling greens.
- Just over 1 in 10 respondents (11%) stated the proposal was lacking information or that it was difficult to find the detail in the supporting documents. Some said they needed more information about the proposed budget, how it differs from previous years, and what the proposed savings measures are. Others found the reports and documents dense, difficult to understand, and not easily accessible to the general public.
- A further 1 in 10 respondents (11%) said we should stop or cut back on the amount of roadworks, particularly in the city.
- Other key themes suggested reducing staff numbers / wages (8%), concern over the amount of the council tax increase (8%), or generally agreed with the proposals (8%).

Table 6: Comments about the overall proposed budget and savings proposals.

Theme	Comments	As %
Reduce waste / create efficiencies	81	13%
Unhappy with savings proposals	80	13%
Lacking detail / complicated	65	11%
Stop or reduce roadworks	64	11%
Fewer staff / wages	51	8%
Concern over council tax increase	50	8%
Generally agree with proposals	46	8%
Lobby government	45	7%
Income generation/saving ideas	43	7%
Miscellaneous / General	36	6%
Stop vanity projects	30	5%
Services are poor	30	5%
Increase council tax	27	4%
Increase Adults & Health budget	16	3%
Increase City Development budget	16	3%
Reduce Adults & Health budget	13	2%
Reduce Strategy & Resources budget	13	2%
Generally disagree with proposals	12	2%
Need to protect the vulnerable	11	2%
Increase Children & Families budget	10	2%
Benefits / Immigrations concerns	9	1%
Reduce Children & Families budget	9	1%
Reduce City Development budget	8	1%
Increase Communities, Housing & Environment budget	7	1%

Table 7: Example comments about the overall proposed budget and savings proposals.

Theme	Example
Reduce waste/create efficiencies	Could savings be made through efficiencies? Clearly financial pressures are being felt throughout public services but I wonder if a robust review of internal procedures might reduce bloated or unnecessary wasteful activity.
Unhappy with savings proposals	The proposal to close Abbey House Museum is miserable and negative. It would save the cost of about 6 months of a placement for a child with special needs - so do we have to close another museum to fund another 6 months?
Lacking detail / complicated	So far there is no detail at all about what you are proposing to increase, maintain or cut. How on earth can we agree or disagree.... another sham consultation.
Stop or reduce roadworks	Stop creating chaos in the city centre with roadworks that aren't needed and prevent disabled people from driving in. The roads are far too confusing now. Stop building cycle lanes that aren't used.
Fewer staff/wages	I agree that council tax should go up but you have too many middle managers who do not actually help front line services. On inflated wages and pension funding that means even with more money we receive a poorer service.
Concern over council tax increase	We are in a cost of living crisis. Mortgages are still sky high. Costs are still high. People should not be getting taxed even more.
Generally agree with proposals	The council's stuck between a rock and a hard place: appreciate you're having to make some difficult decisions to balance the budget and that these are bound to have an impact on the city and on the organisation, but also understand the funding and demand issues that have caused this.
Lobby government	We need serious change in how local government is funded. All local councils should be uniting to pressure central government to fund them sufficiently.
Income generation/saving ideas	If we are running at a business rate surplus and giving the surplus to central government why not reduce the business rates to a break even and so stimulate business growth in Leeds.
Miscellaneous/General	Start planning to spend within the budget as do the majority of Leeds residents.
Stop vanity projects	Spend less on vanity projects. Maintain roads and other services as a priority.
Services are poor	I am fed up with paying more for less. Personally I don't benefit from any social changes. As far as I am concerned the council rates are a rip off for my bins being emptied and the odd street light being lit.

## 7 Comments about how the council could bring in extra money or make savings.

Participants were asked to share any suggestions they might have on how the council could do things differently to bring in extra money or make savings. In total, 612 people (45%) responded, many providing multiple comments resulting in 951 comments in total. These have been gathered into subgroups of linked themes as set out in Table 8 below. Example comments for the primary themes are included as Table 9 overleaf.

In order of the highest percentage of comments received, the groups were: Priorities & Policy (25%), Ideas and Suggestions (24%), Ways of Working (17%) followed by Staffing and Pay (17%) and Transport (14%).

The most common single themes were:

- Reducing staff numbers, pay or benefits (97 comments - this was also the most common theme last year)
- Stopping roadworks or cycle lanes (87 comments - third last year)
- Improving efficiency (82 comments - second last year)
- Utilising or selling council buildings (55 comments)
- Better budgeting and prioritising (54 comments)

Table 8: Comments relating to how to bring in extra money or make savings.

Group	Theme	Group %	Comments
Priorities & Policy	Better budgeting/prioritising	25%	54
	Cut/reduce services		40
	Encourage city/job growth		38
	Benefits/Council tax fraud/payment		30
	Review Council Tax rules/bands		23
	Lobby government		20
	Tax/charge local businesses		15
	Cut Equality, Diversity and Inclusion		10
	Collaborate/consolidate with other LAs		7
Ideas & Suggestions	Utilise/sell buildings	24%	55
	More fines/enforcement		37
	More/promote events/attractions		36
	Volunteers/Community service		23
	Stop other/vanity projects		20
	Energy savings/efficiencies		19
	Voluntary donations		15
	Fewer events/attractions		11
	Fundraisers/sponsorship/advertising		10
Ways of Working	Improve efficiency of services	17%	82
	Reduce/review external contractors		34
	Review contracts/procurement		30
	Charge for/trade services		17
Staffing & Pay	Reduce staff/pay/benefits	17%	97
	Reduce elected members/wards/pay/benefits		32
	Manage staff performance/working from home		30
Transport	Stop road works/cycle lanes	14%	87
	Increase/ introduce parking charges		23
	Taxi/congestion/tourist charge /ULEZ zone		16
	Improve public transport		8
Other	Miscellaneous/General	3%	26
	Not enough information		6

Table 9: Example comments around how to bring in extra money or make savings.

Theme	Example
Reduce staff/pay/benefits	Cut the huge wages of those in management and higher levels who do not justify the cost while most employees are on minimum wages.
Stop road works/cycle lanes	Stop building pointless cycle lanes. It's too hilly in Leeds and you need to be very fit to ride around. Spend less on road works which most people are fed up with.
Improve efficiency of services	Think and work like private sector using cost efficiency as a basic and value appraisal of every activity and every job.
Utilise/sell buildings	Rent out operational properties during times when staff aren't working, to maximise income / utilise the estate better (e.g. weekends, evenings etc.).
Better budgeting/prioritising	I would suggest reviewing the city's strategies and prioritise what needs to be done and benefits the most, and deprioritise nice to haves or disproportionately benefits the fewest.
Cut/reduce services	It appears that there are some services that are not essential for the statutory duties of the council. You need to review which services are 'nice to have' and which are 'necessary'.
Encourage city/job growth	Focus on city growth and jobs, employ a small team of business experts to proactively contact businesses to move their UK HQ's to Leeds or at the very least open retail shops. This will boost jobs, the local economy.
More fines/enforcement	Increase and ENFORCE fines for illegal road users (uninsured drivers/illegal parking/anti-social parking/misuse of pavements by cycles etc. especially in inner city areas such as Harehills as well as in the City Centre.
More/promote events/attractions	More entertainment events organised by the council like music concerts in millennium square.
Reduce/review external contractors	Stop hiring external agencies to maintain the roads, they do a poor quality job for a quick fix meaning you are paying twice.
Reduce elected members/pay/benefits	Give councillors a pay freeze for at least a year and cut back on their expenses allowance.
Manage staff performance/working from home	My experience in dealing with council services are that many staff work from home, don't work effectively (not answering phones, leaving documents open and thus locked to other staff, children crying in the background of calls).
Review contracts/procurement	Review private sector contracts for care homes - many are poorly run and not worth the high costs. The care home owners see the business as a cash cow, without having regard for the occupants.
Benefits/council tax fraud/ payment	With over £20 million uncollected council tax highlighted by the national papers plus social housing rent arrears how on earth is this allowed to happen.



## 8. Perceptions of Leeds City Council

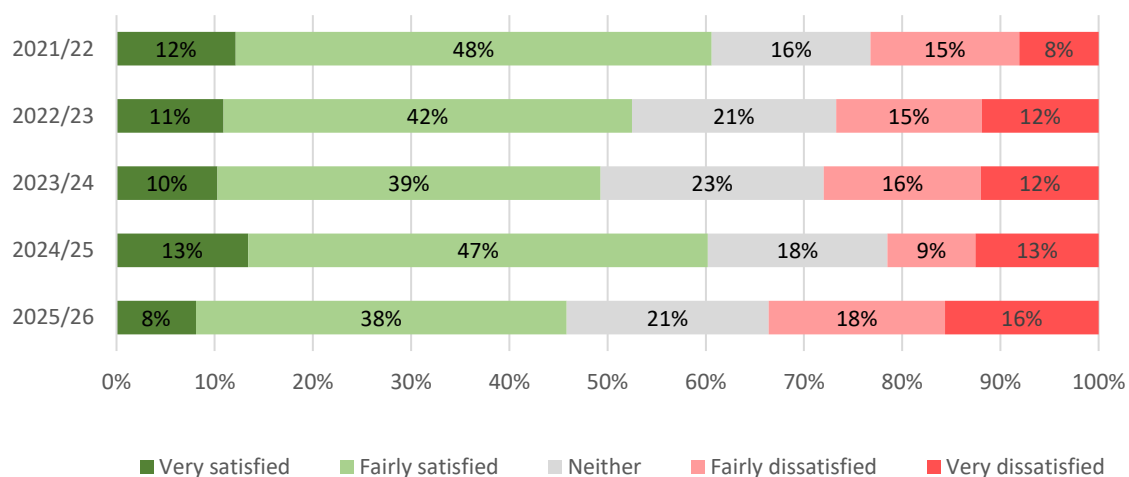
Finally, participants were asked how satisfied they were with the way Leeds City Council runs things. Results are shown in Table 10 below, and comparison with the previous years is included as Figure 8.

Table 10: Satisfaction with how Leeds City Council runs things.

Satisfaction with how Leeds City Council runs things	Valid %	Count
Very satisfied	8%	107
Fairly satisfied	38%	500
Neither satisfied nor dissatisfied	21%	272
Fairly dissatisfied	18%	238
Very dissatisfied	16%	207
Don't know / no response	-	45
<b>Total</b>	<b>100%</b>	<b>1,369</b>

In total, almost half of respondents (46%) were satisfied with the way Leeds City Council runs things, whilst a third (34%) said they were dissatisfied.

Figure 8: Satisfaction with the way Leeds City Council runs things, by year.



Comparison with last year's consultation shows a strong decrease in satisfaction (46%, down from 60% in 2024/25), bringing results closer to the previous years (49% for 2023/24 and 53% for 2022/23). This reprises the downward trend seen since this question was first included for the 2021/22 proposed budget.

## Responses by different groups

Figure 9: Satisfaction with how Leeds City Council runs things, by different groups.

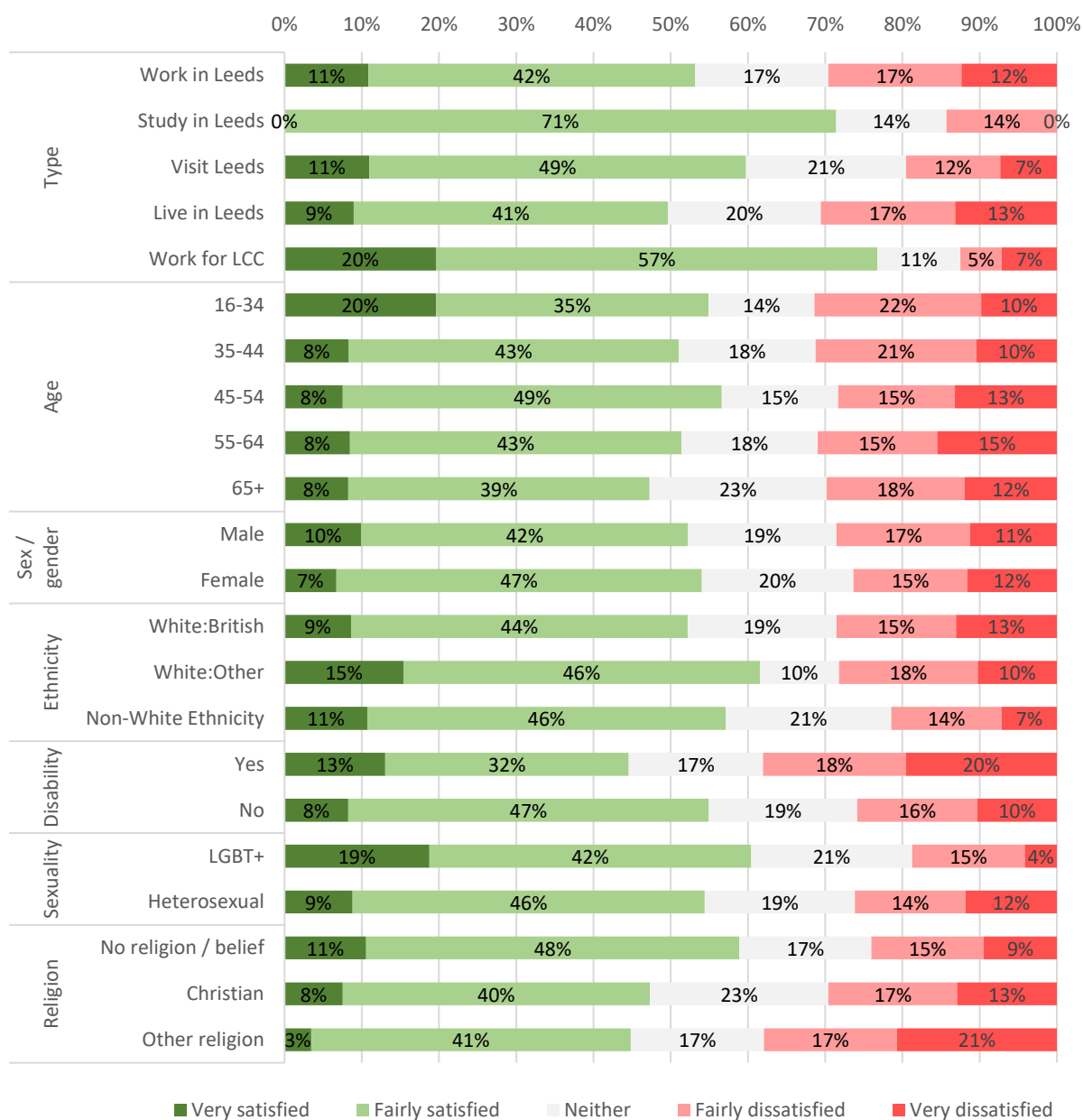


Figure 9: Satisfaction with how Leeds City Council runs things, by different groups. Figure 9 shows the responses made by different groups. It can be seen that:

- Those who work for the council were the most likely to be satisfied with how we run things (77%).
- Although not statistically reliable, people aged 45-54 appeared more likely to be satisfied with how we run things (57%).
- Although not statistically reliable, White: Other ethnically diverse and Non-white ethnically diverse respondents were more likely to be satisfied with how we run things (61% and 57% respectively, compared to 53% for White: British).
- Disabled people were much less likely to be satisfied with how we run things (45%, compared to 55% for those without a disability).
- Those with no religion / belief were much more likely to be satisfied with how we run things (59%, compared to 45% (rounded) for religion other than Christianity and 47% (rounded) for Christian respondents).

# Appendix 1: Survey questionnaire

1/6

## Introduction

Leeds City Council delivers essential services including waste collection, social care, social housing, roads maintenance and much more. However, like councils up and down the country, we're facing our most significant financial challenge ever. Funding levels haven't kept pace with rising costs and huge increases in demand for our services, especially those that support Leeds' most vulnerable children and adults.

We've already cut costs where we can – for example, through a freeze where possible on recruitment and non-essential spend – but this isn't enough. We estimate we'll need to make around £106m of savings next year, nearly one fifth of our net budget. The budget proposals we're presenting therefore include service and staffing reductions, fee increases and new charges, building closures and sales, and reduced hours of operation. None of these proposals have been put forward lightly but we have a legal duty to set a balanced budget and so need to make some difficult decisions to make the best use of the resources we have.

To help you consider your responses, we've provided a summary of the key points about the proposed budget and savings throughout the survey. If you'd prefer to look at the proposals in full, you can read about them in the two reports on the council's 11th December Executive Board agenda, '[Proposed Budget for 2025/26 and Provisional Budgets for 2026/27 and 2027/28](#)' and '[Revenue Savings Proposals for 2025/26 to 2027/28](#)'.

## Meeting our financial challenge

Since 2010, the council's core funding from government has reduced significantly and we're now more reliant on taxes from local people and businesses. For example, in 2010, Council Tax made up less than half our budget; this year it's more than two thirds.


### Which one of these options do you agree with most? To balance the council's budget in 2025/26...

Select one option

We should raise enough money by increasing council tax and charges, to avoid having to cut services

We should raise money by slightly increasing council tax and charges, whilst reducing or cutting some services

We should not increase council tax or charges, even if this has a large impact on the services we can provide

 [Add something else](#)

## Council Tax

Every year the government decides the maximum that local authorities can raise council tax by without holding a local referendum. In 2024/25, the maximum was 2.99% for the 'core' element of council tax, and another 1.99% for the adult social care precept. This is an additional amount that government allows local authorities to apply specifically to help pay for the rising costs and demand in adult social care services. West Yorkshire Police and West Yorkshire Fire and Rescue Authority also apply a precept on top to help fund the services they provide.

Leeds currently has the lowest rate of council tax compared to England's eight 'core city' (the largest cities outside London) local authorities, and remains below the average across the West Yorkshire districts. These figures include the Police and Fire precepts.

Core Cities	Band D 2024/25 / £	West Yorkshire	Band D 2024/25 / £
Nottingham	2,529.69	Kirklees	2,199.81
Bristol	2,460.32	Calderdale	2,174.21
Liverpool	2,420.39	<b>Leeds</b>	<b>2,055.61</b>
Newcastle	2,292.05	Wakefield	2,044.86
Sheffield	2,268.65	Bradford	2,030.63
Birmingham	2,083.76		
Manchester	2,068.25		
<b>Leeds</b>	<b>2,055.61</b>		

For 2025/26, we're proposing to increase the 'core' council tax in Leeds again by 2.99%, plus 1.99% to support adult social care services. This would cost an extra £1.65 per week for the average Band D household.

**Given our reliance on council tax to deliver essential services, how much do you agree or disagree with our proposal to increase the 'core' element of council tax by 2.99%?**

Select one option

Strongly agree

Tend to agree

Tend to disagree

Strongly disagree

**And, how much do you agree or disagree with our proposal to levy an adult social care precept of 1.99% to help fund the demand for these services?**

Select one option

Strongly agree

Tend to agree

Tend to disagree

Strongly disagree

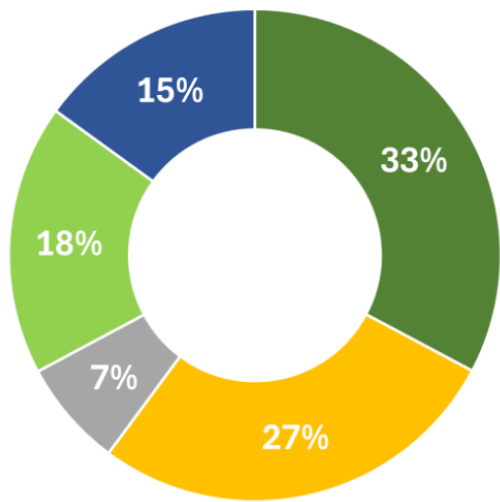
**Our net revenue budget for 2025/26**

The day-to-day costs of running the council are managed through a revenue budget, and we make long-term investments to look after assets through capital spend. Our net revenue budget is funded through the main government support grant, business rates and the council tax you pay. It represents what we need to cover our day-to-day spending for all our services: the total costs we anticipate paying minus the total income we expect to get.

Leeds City Council's proposed net revenue budget for 2025/26 is £656.8m, up by £34.8m (5.6%) from 2024/25. However, this increase is less than the pay, price and demand pressures we're forecasting and so we still need to deliver more than £100m of savings in order to balance next year's budget.

Of the council's proposed revenue budget for 2025/26, £47.7m needs to be allocated to a range of 'Strategic' costs (for example, funding for local projects), leaving £609.1m to be shared across our five directorates.

Revenue budget indicative directorate allocations



Directorate	2025/26 / £m
Adults and Health	199.63
Children and Families	166.68
City Development	42.86
Communities, Housing and Environment	108.42
Strategy and Resources	91.48
<b>Total</b>	<b>609.07</b>

To find out more about the services each council directorate provides, please click on the drop downs below:

#### Adults and Health

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

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

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

#### Children and Families

This directorate includes Children's Social Work services, supporting children and young people with the greatest need: those who are disabled, or who need to be adopted or placed in foster care or residential care. The directorate also provides a range of 'early help' services focused on prevention activity including Children's Centres and Early Start services, where facilities, activities and support are offered for people expecting a new baby or with young children. The directorate operates a number of locality-based nurseries across the city. As with adults, the council has a statutory responsibility to protect vulnerable children and young people from harm.

Learning Services are provided by this directorate too, supporting schools and other settings to provide a good education to children and young people and help them make a successful transition to adult life. A particular element of this area of the directorate, working in partnership, seeks to support children with additional needs or who may require additional support to achieve learning outcomes. This part of the directorate helps meet the council's legal duty to ensure every child in Leeds has a school place and coordinates transport and information for families across the city.

#### City Development

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

Two significant services are Highways & Transportation and Planning. The first delivers complex engineering projects including bridges and new road infrastructure, maintains the city's roads, street lighting, road sign installation and carries out winter gritting. The second - through which the council adopts the Leeds Local Plan - deals with planning and building regulations applications and enforcement.

The directorate also manages Leeds' museums and galleries and supports arts, cultural activities and events across the city. It manages and oversees retail markets, street trading and the city centre, and its Active Leeds service runs the council's leisure centres and provides programmes to support people to be more active more often. The directorate also manages the council's land and property portfolio.

## Communities, Housing and Environment

This directorate delivers a range of front-line services. Some affect everyone, whereas others are more targeted to certain communities or people.

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

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

## Strategy and Resources

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

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

## Your views on our 2025/26 budget and savings proposals

The budget and savings reports considered at the council's Executive Board on 11<sup>th</sup> December explain our proposals to balance the local authority's budget next year. Later in December, we'll get confirmation from government on how much funding it's going to give the local authority for 2025/26 and this, plus the results of our consultation, will enable us to draw up a final 2025/26 budget. That will go to the Executive Board on 12<sup>th</sup> February for recommendation to Full Council on 26<sup>th</sup> February where each of Leeds City Council's 99 elected members will vote.

### Overall, to what extent do you agree or disagree with our budget and savings proposals for 2025/26?



Strongly agree



Agree



Neither agree nor disagree



Disagree



Strongly disagree

Please use the space below to tell us more:

Do you have any other ideas for how your council could do things differently to bring in extra money or make savings?

## Finally

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

Select one option

Very satisfied

Fairly satisfied

Neither satisfied nor dissatisfied

Fairly dissatisfied

Very dissatisfied

Don't know / no opinion

Thank you for your responses. Please click 'Next' to complete the survey.

If this is your first visit, you will be asked a few questions about who you are. Please complete these as they help us to ensure we're hearing from a broad range of people.



## 2025/26 Budget Proposals

# Summary of Scrutiny Board Consultation

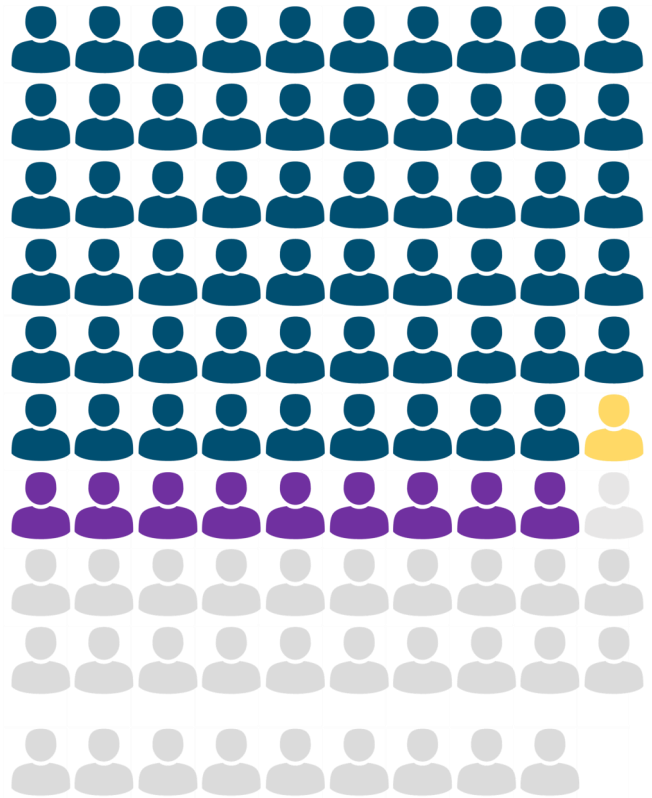
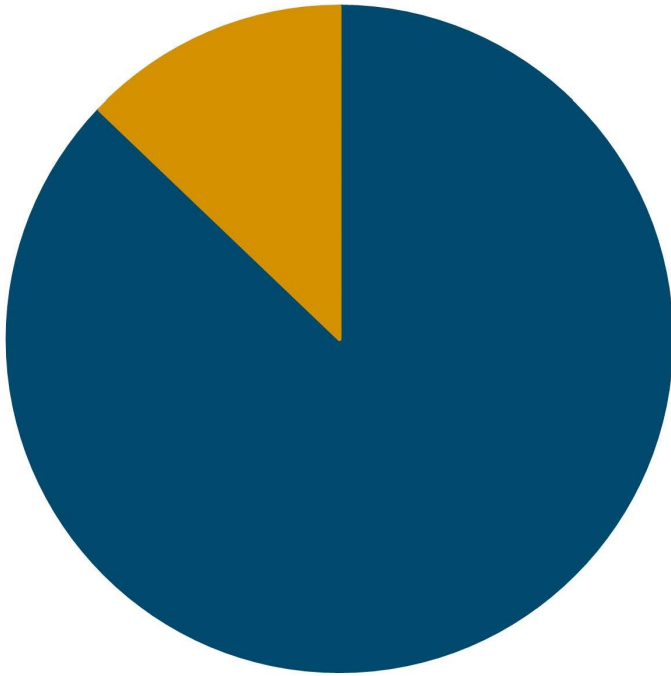
Leeds City Council's five Scrutiny Boards have considered the detail of the Proposed Budget 2025/26 and Provisional Budgets for 2026/27 and 2027/28, as published in December 2024.

This document provides a summary of the comments, conclusions and recommendations of the Scrutiny Boards and it will be presented to the Council's Executive Board for consideration in line with the requirements of the Budget and Policy Framework.



# Scrutiny Board Membership 2024/25

Scrutiny Board Membership



■ Councillors    ■ Co-Opted Members

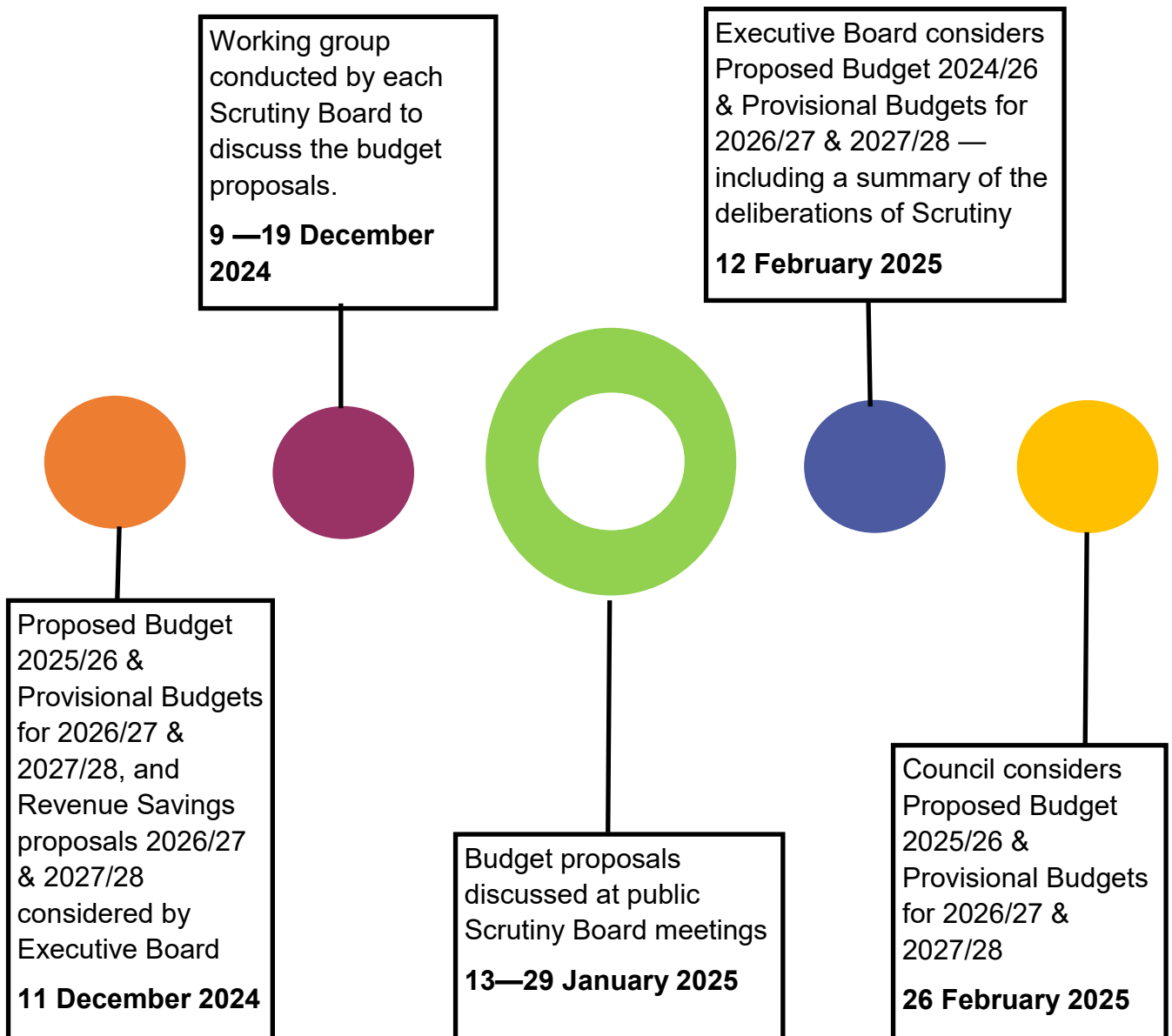
Scrutiny Member   
 Lord Mayor   
 Executive Member   
 Other  
 \*Executive Board members cannot sit on a scrutiny board.  
 \*\*The Lord Mayor does not take on committee membership during their year of office.

## City Councillors who are Scrutiny Board members

<b><u>Chair</u></b>	<b><u>Chair</u></b>	<b><u>Chair</u></b>	<b><u>Chair</u></b>	<b><u>Chair</u></b>
<b>Cllr Andrew Scopes</b>	<b>Cllr Dan Cohen</b>	<b>Cllr Stewart Golton</b>	<b>Cllr Hannah Bithell</b>	<b>Cllr Asghar Khan</b>

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

# Consultation with Scrutiny Boards



## Proposals Under Consideration

On 11 December 2024 the Executive Board considered the Proposed Budget 2025/26 and Provisional Budgets for 2026/27 and 2027/28. In accordance with the Council’s Budget and Policy Framework, the Executive Board referred the proposals to Scrutiny for consideration.

## Revenue Savings Proposals

The Revenue Savings Proposals for 2025/26 to 2027/28 report sets out measures that have previously been submitted to Executive Board for consideration. The savings proposals include both reductions in expenditure and ways in which to increase income. The report reflects the “scale of the pressures on the Council’s financial position” particularly in demand-led services and the “gap over the next three years.”

The savings proposals presented to the Executive Board in both October and December are once again categorised as either ‘Business As Usual’ (BAU) savings or ‘Service Reviews’.

Business as Usual proposals can be implemented within the council’s delegated decision making framework and without consultation. In contrast, Service Reviews require meaningful consultation with relevant stakeholders prior to any decisions being taken.

# KEY CONSIDERATIONS FOR ALL SCRUTINY BOARDS

1

Scrutiny Boards sought assurances from senior officers and Executive Members around the assumptions reflected in the Proposed Budget 2025/26 including the deliverability of the budget savings.

Given the scale of the challenge and the context of increased demand for key services, it is recommended progress continues to be monitored through the Strategy and Resources Scrutiny Board in addition to the Executive Board.

2

Scrutiny members remain concerned about the financial sustainability of the Council's reserves, which the budget report recognises as "lower than those of other comparable authorities of a similar size."

3

It is recommended that the Executive Board also seeks the views of the Member Champion (Equality) Working Group about the overall impact of the budget proposals on groups with protected characteristics.

4

Members reiterated the need for decision makers to ensure the budget setting process recognises the 'added value' delivered by third sector partnerships and the consequential impact on services and citizens of diminishing grant funding.

5

Scrutiny members requested further clarity about the anticipated impact of increases in Employers National Insurance contributions (NI ER) on the cost of services provided by suppliers and the potential risk this may pose to the deliverability of directorate savings. This was noted as a particular concern for services including Adult Social Care.

Further assurances were sought about the level of compensation anticipated to be provided by Government in response to increased NI ER costs for Leeds City Council. Clarity about the level of compensation could not be provided at the point of engagement with the Scrutiny Boards.

6

Assurances were provided by senior officers and Executive Members about Trade Union engagement where services are being redesigned or budgeted FTEs reduced, including via voluntary mechanisms.

7

Assurances were sought from decision makers about the organisation's technical capacity to support business transformation, which underpins many proposals within the budget. Concern was raised in the context of planned reductions in overtime and a structural review of IDS.



# Adults, Health & Active Lifestyles Scrutiny Board

## KEY FINDINGS

1

Having expressed concern surrounding the review of non-statutory grants, the Scrutiny Board emphasised the importance of the directorate working closely with the Integrated Care Board (ICB), as well as across other council directorates, when considering any changes to Third Sector funding so that, where possible, mitigated actions can also be collectively identified.

2

The Scrutiny Board supported the proposal to implement a prevention programme aimed at delivering efficiencies in adults social care and also acknowledged the need to move at pace to achieve the £2m target for 2025/26.

3

Members stressed the importance of adopting a person-centred approach in communicating the impact of saving proposals in order to help alleviate the risk of individuals choosing not to access support services unnecessarily.



Cllr Caroline Anderson



Cllr David Blackburn



Cllr Emmie Bromley



Cllr Lyn Buckley



Cllr Mahalia France-Mir



Cllr James Gibson



Cllr Conrad Hart-Brooke



Cllr Wyn Kidger



Cllr Kevin Ritchie



Cllr Andy Rontree



Cllr Andrew Scopes (Chair)



Cllr Eileen Taylor



Co-Chair Healthwatch Leeds

**Review of non-statutory grants:** Members expressed concern surrounding the potential impact of the proposed funding reduction to Third Sector organisations, including the Neighbourhood Networks, given their valuable role in providing preventative support services.

Members were assured that the proposal does not involve a flat 10% reduction and that such savings would be found in close dialogue with the impacted organisations and will also be delivered in a controlled and measured way.

Members also emphasised the importance of the directorate working closely with the Integrated Care Board (ICB), as well as across other council directorates, when considering any changes to Third Sector funding so that, where possible, mitigated actions can also be collectively identified.

**Rationalising in-house Day Opportunities buildings:** Linked to this proposal, Members were assured that a person-centred approach will be adopted for impacted individuals, including efforts to explore alternative solutions/venues that are accessible within their local community.

**Fees and charges:** With regard to proposals involving new charges and increased fees, Members were assured that discretion will still be deployed in terms of assessing an individual's ability to pay for relevant services.

**A proactive approach to prevention:** The Scrutiny Board supported the proposal to implement a prevention programme aimed at delivering efficiencies in adult social care. Links were also made to existing Public Health commitments towards the prevention of ill health, including the Aging Well programme.



# Children & Families Scrutiny

## KEY FINDINGS

1

Members highlighted the budget challenge being experienced by the directorate in 2024/25 and sought assurances that the budget provision for 2025/26 will be sufficient to prevent projected over-spending being reported in Quarter 1 of 2025/26. Assurances were received on the progress being made on preventative services and the Sufficiency Strategy which aims to deliver small group living accommodation for externally placed Children Looked After (CLA) that should reduce costs in the forthcoming financial year.

2

Referencing the savings proposals in the 2024/25 budget, the Board sought assurance on plans for delivering savings linked to Children's Centres to ensure they are deliverable in 2025/26. Assurances were noted around service redesign, the early help preventative approach and the commitment to cross

3

Board members acknowledged the systemic issues being faced by the directorate in terms of CLA costs, that on average have risen significantly since 2019, and on SEND funding and EHCPs with demand pressure and funding sufficiency key issues being faced in Leeds and impacting on service delivery.

**Early Years Savings:** Noting savings proposals within Early Years services and linked to work done by the Board in 2024/25 on the Little Owls service review, assurances were sought on what the Early Years savings might focus on. Whilst Little Owls will contribute to the savings plan wider savings are also planned on staffing and expenditure.

**Turnaround Grant:** The board highlighted the success achieved in the Youth Justice system in the city through the use of Turnaround Grant, provided by Government, and sought assurance that this will continue in 2025/26. Members were informed that the grant has now been confirmed with further details awaited on funding amounts.

**EHCP Assessments:** The Board focused on recently published plans to increase investment in additional Educational Psychology and plan writing capacity and sought assurances around impacts of this on wider budget robustness for the directorate. Mem-

- bers noted that the additional resource will be significant and work is ongoing to resource the expected and needed investment in EHCP assessments. As yet the mechanism for funding this additional significant investment has not been identified, which was a concern to the Board.

**Funding:** Members reflected on recent Government policy announcements suggesting a focus on deprivation for future rounds of funding and a concern that Leeds, which has very wealthy areas as well as deprived areas, may not be best placed to benefit from any future additional funding announcements. The financial settlement for the Council did provide for the one off Recovery Grant for 25/26 (£600m nationally £20.5m for Leeds) which targets funding towards councils with greatest need (based on deprivation, size of tax base, population).

**National Insurance:** Reflecting on the budget pressure experienced by the directorate in recent years assurances were sought, and received, on the impact of employer's national insurance contributions on the directorate budget, particularly around the impact on commissioned providers.

**Technology/Digital:** Members welcomed plans to use technology to modernise services and reduce inefficiency where possible. Development of a digital portal to speed up EHCP services was noted and welcomed.





# Environment, Housing & Communities Scrutiny Board

## KEY FINDINGS



Cllr Shaf Ali



Cllr Barry Anderson



Cllr Lou Cunningham



Cllr Luke Farley



Cllr Stewart Golton (Chair)



Cllr Kate Haigh



Cllr Abdul Hannan



Cllr Norma Harrington



Cllr Zara Hussain



Cllr Mohammed Iqbal



Cllr Annie Maloney



Cllr Adrian McCluskey

# 1

The Scrutiny Board requests further assurances about the cumulative impact of proposals within the budget on communities with protected characteristics.

# 2

Members recommend that further consideration be given to the way in which the Council can demonstrate added value for third sector partners of ongoing partnership in an environment of continuing grant reductions.

# 3

The Scrutiny Board expressed concern about the impact of proposed bowling green efficiencies on older people and as such welcomes assurances that a full equality impact assessment will be carried out in relation to the final proposals.

**Community Committee Review:** Members expressed concern about the limited time available to consult on the changes required to move from 10 community committees to 8 if savings are to be realised in line with the timescales set out in the budget. Scrutiny members requested further engagement in the process of determining the geographical reconfiguration of the committees.

**Welfare rights team:** The Scrutiny Board noted the increased demand for welfare support in the context of ongoing cost of living pressures. Members therefore welcomed the continuation of support for the welfare rights team who work directly with citizens to support them in fully accessing available financial support.

**Events income:** Members sought and received clarity about a proposed increase in event income within Council greenspaces.

**Car Parking Charges:** Members queried whether visitors could be incentivised to access Council-owned refreshment venues at key visitor attractions through discounts linked to car parking charges where there is a minimum spend.

**Bowling Green Efficiencies:** While acknowledging the cost pressure associated with maintaining bowling greens at a time of declining use, concern was expressed about reducing access to a sport that is strongly associated with older people. Particular concern was expressed in relation to clubs located in areas where there are very few alternative community facilities. Assurances were sought that an equality impact assessment would be carried out in relation to the final proposals.

Members explored the potential alternative use of bowling greens. Further information was requested regarding the process for consultation with individual clubs and club members.

**Third Sector Partnerships:** The Scrutiny Board requested further consideration be given to the way in which the Council can demonstrate the added value for third sector organisations of ongoing partnerships in an environment of continuing grant reductions in many areas.

Members remain concerned about the cumulative impact of multiple financial pressures on third sector partners—including inflation, increases in National Insurance Employer Contributions and reductions in grant funding—and the potential consequences for services and service users.

**Housing Revenue Account:** Reflecting upon a spike in right-to-buy applications following a change in discount levels, members were concerned about the potential medium-term impact on the Housing Revenue Account.



# Infrastructure, Investment & Inclusive Growth Scrutiny Board

## KEY FINDINGS



Cllr Asghar Ali



Cllr Mothin Ali



Cllr Hannah Bithell (Chair)



Cllr Neil Buckley



Cllr Katie Dye



Cllr Sandy Lay



Cllr Sonia Leighton



Cllr Michael Millar



Cllr Matthew Robinson



Cllr Andrew Scopes



Cllr Mohammed Shahzad



Cllr Izaak Wilson

1

Reflecting on proposals for Abbey House Museum, the Scrutiny Board recommended engagement with ward members from the earliest opportunity where a concern is identified regarding the long-term sustainability of a local asset, service or facility.

2

Engagement with the Scrutiny Board on a pre-decision basis was recommended in relation to a review of the Culture Strategy to support the development of a sustainable, accessible cultural offer for the city.

3

Assurances were sought regarding the impact of proposed vacancy management and service structure reviews on service delivery and the well-being of the retained workforce in areas including Highways & Transportation. In response, the Scrutiny Board was provided with examples of extensive staff and trade union engagement.

**Closure of Abbey House museum:** Members recommended that all options are examined for the future use of the Grade II listed building. The Scrutiny Board also recommended ensuring future public access to the museum's collection.

Significant concern was expressed about a lack of early engagement with ward members regarding declining visitor numbers at Abbey House museum. Members suggested that earlier engagement may have provided opportunity to explore the impact of alternative marketing or investment strategies.

The Scrutiny Board concluded that options to develop a meaningful response to current proposals, and to do so with the involvement of the local community, had been limited by the timing of engagement about the sustainability of the museum. The Scrutiny Board recommended adopting a general principle of earlier engagement with ward members where a decline in the public use of an asset, service or facility is identified, with a view to maximising the flexibility of any response.

**Asset disposal:** Members acknowledged the positive contribution of asset receipts to the overall budget position. However, they raised questions about the sustainability of this approach to the budget over the medium term as the estate reduces. Members noted the potential impact of increased asset disposals on future service delivery and local communities.

**Breeze:** Assurances were sought that savings would be delivered through event management efficiencies rather than reducing ward events.

**Culture Strategy Review:** Acknowledging the huge challenge for the city of maintaining public access to the city's extensive collection in the current financial circumstances, members supported a proposed review of the Culture Strategy to support a long-term sustainable city offer. Scrutiny engagement on a pre-decision basis with the review was recommended.

**Leeds Museums & Galleries Trust:** Members welcomed the success of an application for charitable status, noting the potential financial benefits this may provide. Further information about the wider implications of charitable status was requested.

**Affordable Housing Delivery:** Members explored the anticipated impact of changes in the rules regarding the use of right to buy receipts on the future direct delivery of affordable housing. They also considered the impact of a significant spike in right-to-buy applications following a national review of discount levels. Should the majority of applications convert to sales, members noted with concern the potential scale of the long-term impact on Council housing stock and rental incomes.





# Strategy & Resources Scrutiny Board

## KEY FINDINGS



Cllr David Blackburn



Cllr Andrew Carter



Cllr Dianne Chapman



Cllr Billy Flynn



Cllr Pauleen Grahame



Cllr Sharon Hamilton



Cllr Tom Hinchcliffe



Cllr Asghar Khan (Chair)



Cllr Wyn Kidger



Cllr Andy Parnham



Cllr Eleanor Thomson



Cllr Craig Timmins

1

The Board identified cyber security as a growing threat both nationally and to the Council as technology becomes increasingly important to the modern world. Members therefore sought, and received, assurances on the measures the Council has in place to deal with cyber security threats to ensure that the Council is well protected and that key services to Leeds residents do not get disrupted in the future.

2

In line with the Board's remit on financial controls and budgetary management, members noted the scale of the financial challenge faced in 2025/26 and were keen to ensure that the savings plans set out in the proposed budget were robust and deliverable. Assurances around the level of balances, Strategic Contingency Reserve and the Social Care Reserve the Council needs to have in place to ensure the Council is resilient were noted by the Board.

3

In 2024/25 the Board has initiated work on procurement and a forthcoming new procurement strategy set in the wider context of the Procurement Act (2023). Members were keen to ensure value for money in procurement in the 2025/26 budget round and where possible identify savings as contracts come up for renewal. Assurance was received both on the ongoing review of contracts and on training for staff to support contract management in 2025/26.

**Service Review Consultation:** Reflecting on some of the service review proposals members were keen to ensure that consultation with Leeds residents would be inclusive and that the voices of communities would be heard as the service reviews develop. The Board welcomed assurances that consultation would be inclusive, and feature Equality Impact Assessments, and that options resulting from the consultation will be considered as part of the service review process. The consultation on service reviews will inform the final budget proposals considered in February 2025.

**Voluntary Leavers Scheme (VLS):** Noting the proposals to use a VLS scheme in 2025/26 the Board received assurances around the robustness of that process to ensure that skills are retained and service delivery is not significantly affected by any loss of experience in the workforce.

**Reserves:** During the consultation with scrutiny on the 2025/26 budget and through the Board's work in the current municipal year, members were keen to ensure that reserve levels remain robust and sufficient to deal with unexpected events in the future. Assurances were provided on this and on plans to enhance reserves in future financial years.

**Digital Change:** The Board highlighted the potential conflict between the commitment to digital change and proposals to reduce staffing in Integrated Digital Services (IDS). Members welcomed the assurances received in this area with plans to move away from servicing legacy systems to cloud based and integrated systems which will free up time and allow more focus on digital change. Members welcomed the plans to develop entry level roles, aimed at Leeds residents, to develop skills in new areas and offer rewarding career opportunities.

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

**You can also follow [@ScrutinyLeeds](#) on X.**



## Adults & Health

## Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality impact assessment	Expected decision date	2025/26 Budget Amount £	Decision Maker
Transformation of In-House Day Opportunities and rationalisation of the estate.	Review of Internally Provided Day Opportunities to take account of changes in day opportunities and recognising lower use of building based services.	There is a risk that services provided will be reduced.	Consultation in progress.	To be undertaken at the same time as the decision.	March 2025	£550k	Director of Adults & Health
Review of In-House Care Delivery Services. Proposal to amalgamate the Mental Health Homeless Team (MHHT) with the Mental Health Accommodation Service (MHAS) to reduce duplication.	Review of internally provided Mental Health support services to provide a more joined up approach particularly around accommodation and homelessness	There is a risk that services provided will be reduced.	Consultation in progress.	To be undertaken at the same time as the decision.	March 2025	£250k	Director of Adults & Health
Review of existing charges and introduction of new charges for adult social care activities.	Review the charges applied to adult social care activities ensuring everyone is	Though charging is still to be means-tested there is a risk that clients do not	Consultation in progress.	To be undertaken at the same time as the decision.	March 2025	£4,225k	Director of Adults & Health

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality impact assessment	Expected decision date	2025/26 Budget Amount £	Decision Maker
	treated equitably in a charging framework that reflects costs and ability to pay.	take up services.					
Review of Passenger Transport; including costs of delivery and cost recovery	Review of costs and cost drivers within the Passenger Transport function provided for Adult Social Care. The review will look at all the elements of the service provided to try and ensure best use of resources. The review will review the basis of cost recovery through charging, though acknowledging it is a means tested service. It is anticipated that there will be a greater use of	There is a risk that services provided will be reduced.	Consultation in progress.	To be undertaken at the same time as the decision.	March 2025	£800k	Director of Adults & Health

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality impact assessment	Expected decision date	2025/26 Budget Amount £	Decision Maker
	Direct Payments promoting independence particularly for working age adults						
Demand Management for Older People (+65) via the creation of an Early Intervention Team.	To embed a new way of working utilising Occupational Therapists and Social Workers as the first point of contact for Adult Social Care services. To identify a person's needs in a timely way that satisfactorily addresses need whilst maintaining their independence and supports people to remain	There is a risk that the new service fails to prevent people from entering care.	Consultation in progress.	To be undertaken at the same time as the decision.	March 2025	£1,500k	Director of Adults & Health

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality impact assessment	Expected decision date	2025/26 Budget Amount £	Decision Maker
	in their own home as long as possible						
A&H Directorate is seeking to procure a transformation partner to develop a significant Prevention Programme.	Recognising that prevention is better for the individual an external partner will be procured to assess services and consider how technology and practices can be changed to promote choice in care and prevent deterioration in health that can lead to more restrictive care. The programme aims to create more efficient care options with greater focus on	There is a risk that diagnosis provided by the partner does not identify deliverability of the required savings in 2025-26 and future years savings targets.	Consultation in progress.	To be undertaken at the same time as the decision.	June 2025	£2,000k	Director of Adults & Health

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality impact assessment</b>	<b>Expected decision date</b>	<b>2025/26 Budget Amount £</b>	<b>Decision Maker</b>
	independence for the individual						

## Childrens and Families

## Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2025/26 Budget Amount £	Decision Maker
Staffing Reductions	Staffing reductions will be in accordance with Council's Managing Staff Reductions policies.	Any staffing reduction will give rise to implications for service delivery and the potential for certain activity to cease is a key consideration alongside the impact upon retained staff.	Consultation with Trade Unions has commenced. Engagement with staff will follow after sufficient time for Trade Union consultation.	To be undertaken as a part of the decision process	February 2025 to April 2025	£500k Service Review Savings  £872k Business as usual savings	Director of Childrens and Families/Deputy Director(s)/ Chief Officer Resources, Transformation and Partnerships
Review of Childrens Centres	This proposal will seek to focus on the services delivered rather than the buildings from which services are delivered, maximising the opportunity for the most effective and efficient use of buildings across	Reputational damage to the Council by ceasing to provide direct provision. HR risks around change to employment. There is a financial risk that the full anticipated	There will be a significant degree of consultation and engagement with stakeholders as part of the review process including staff, Trade Unions and Public Health.	To be undertaken as a part of the decision process	April 2025	£1,000k	Director of Childrens and Families/Deputy Director Social Carer/Chief Officer Resources, Transformation and Partnerships



## Childrens and Families

## Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2025/26 Budget Amount £	Decision Maker
	the multiagency system that seeks to support children and families in Leeds	saving will not be delivered in full.					
Children Looked After	This proposal is based upon the successful delivery of activity arising from the Council's agreed Sufficiency Strategy. This builds upon work and activity undertaken over a number of financial years The successful delivery of the Sufficiency Strategy, delivering timely and effective early help and Family	There is a risk that internal resources will not be available for this work. There is a risk that the external market does not respond to the opportunity and that policy development and operational arrangements take more time than anticipated to	There will be a significant degree of consultation and engagement with stakeholders as part of the process including staff, Trade Unions, Service Providers and Public Health.	To be undertaken as a part of the decision process	January 2025 to April 2025	£15,000k	Director of Childrens and Families/Deputy Director Social Carer/Chief Officer Resources, Transformation and Partnerships

## Childrens and Families

## Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2025/26 Budget Amount £	Decision Maker
	Help, will reduce the need for children to become looked after, increasing the number of children who can remain with family, be reunified with family and live in family settings.	be concluded. This may result in any changes not being able to be implemented so as to achieve a full year financial effect.					
Review of Transport Services	The proposal will focus on both policy and practice, which will aim to ensure that policy arrangements, particularly continue a theme on promoting the independence of children and young people in	There is a potential impact upon current and future service users. There would be an impact upon existing staff supporting this service.	There will be a significant degree of consultation and engagement with stakeholders as part of the review process.	To be undertaken as a part of the decision process	April 2025 to June 2025	£1,400k	Director of Childrens and Families/ Deputy Director Learning/Chief Officer Resources, Transformation and Partnerships

## Childrens and Families

## Appendix 4

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality Impact assessment</b>	<b>Expected decision date</b>	<b>2025/26 Budget Amount £</b>	<b>Decision Maker</b>
	relation to transport options wherever possible and as part of a natural transition to adulthood.						

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2025/26 Budget Amount £	Decision Maker
Staffing reductions across the City Development directorate, via deletion of vacant posts and voluntary measures where possible	Staffing reductions will be in accordance with Council’s Managing Staff Reductions policies	Staffing reductions identified don’t deliver required level of savings	Internal staffing and JCC consultation commenced January 2025	To be undertaken as a part of the decision process	March 2025	£1,096k	Director of City Development
Agree a lease arrangement for Middleton Leisure Centre with a third party	This proposal aims to ensure that the facility is retained within the local community but that the ownership and liability no longer sits with Leeds City Council	Decision delayed following consultation, impacting on savings assumptions	Public consultation will be taken into account as part of the decision process	To be undertaken as a part of the decision process	March 2025	£222k	Chief Officer – Active Leeds, Operations and Culture
Review of fees and charges	Annual review to reflect inflationary costs of providing specific services	Increase in charges reduces demand more than anticipated impacting on	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2025	£580k	Chief Officer - Active Leeds, Operations and Culture; Chief Officer - Highways & Transportation

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2025/26 Budget Amount £	Decision Maker
		income assumptions					
Review of commercial opportunities and cost reductions across LMG sites	A review of commercial income generating opportunities/cost reductions across LMG sites are proposed to reduce the net cost of operating sites	Opportunities are not realised to the scale anticipated	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2025	£160k	Chief Officer - Active Leeds, Operations and Culture
Introduction of pay as you feel admission charges at Leeds Museums and Galleries city centre sites and at Kirkstall Abbey	Proposal is to introduce 'pay as you feel' admission charges at 3 sites where charges are not currently levied and to adopt this model for all visitors at Kirkstall Abbey. This has been assessed as having the least	Introduction of charges reduces visitor numbers more than anticipated impacting on income assumptions	Public consultation will be taken into account as a part of the decision process as will consultation with Arts Council	To be undertaken as a part of the decision process	March 2025	£240k	Chief Officer - Active Leeds, Operations and Culture

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2025/26 Budget Amount £	Decision Maker
	impact on visitor numbers						
Review of the Leeds Cultural Investment Programme and Cultural Programmes budget	Review will take into account the level of funding provided to cultural organisations and their capacity to adapt to the reductions	None identified	To be undertaken as a part of the decision process as required	To be undertaken as a part of the decision process	March 2025	£350k	Chief Officer - Active Leeds, Operations and Culture

## Communities, Housing and Environment

## Appendix 4

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality impact assessment</b>	<b>Expected decision date</b>	<b>2024/25 Budget Amount £</b>	<b>Decision Maker</b>
Increase in weighbridge charges and the admin charge for new/ replacement bins	Proposed price increase seeks to ensure there is no subsidy for this service.	Fall in demand impacting upon income.	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	April 2025	£121k additional income	Chief Officer – Environmental Services
Simpler Recycling changes to bin collections in Leeds City Council	Response to the latest government guidance on recycling that will deliver savings and increase the recycling opportunities for households across the city	Change in government policy/funding  Delays in procurement of required assets could affect the savings achieved	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	April 2025	£1,560k net savings	Director – Communities, Housing & Environment
Grant reductions: VAL Infrastructure grant and Youth Work targeted external grants.	Proposal reflects the need to ensure that resources are targeted strategically and in a way that is sustainable and continues the mutual benefits of partnership working	Delays in the implementation of the decision could affect in year position	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	April 2025	£201k expenditure reduction	Chief Officer – Safer Stronger Communities

## Communities, Housing and Environment

## Appendix 4

<b>Proposal</b>	<b>Options considered and justification for proposal</b>	<b>Risks</b>	<b>Consultation undertaken</b>	<b>Summary of equality Impact assessment</b>	<b>Expected decision date</b>	<b>2024/25 Budget Amount £</b>	<b>Decision Maker</b>
Review of fees at Community Centres	Proposed price increase has the aim of reducing subsidy and maintaining resources available for service delivery	Fall in demand impacting upon income.	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	April 2025	£8k additional income	Chief Officer – Safer Stronger Communities
Review of the community committee structure with the aim of reducing from the current ten community committees	Proposal reflects the need to provide appropriate representation delivered in a cost-efficient manner that provides a sound alignment of the relevant political, population and geographical factors under consideration.	Delays in the implementation of the decision could affect in year position	Consultation with the 99 ward members to be undertaken	To be undertaken as a part of the decision process	May 2025	£243k expenditure reduction	Chief Officer – Safer Stronger Communities
Review of fees and charges for Bereavement Services and playing pitches and pursue new income earning opportunities	Proposed price increase / new opportunities reflect savings requirement of the Council, the need to ensure there continues to be no	Level of usage is lower resulting in lower income than budgeted	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	April 2025	£476k net additional income	Chief Officer – Climate, Energy & Green Spaces



## Communities, Housing and Environment

## Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2024/25 Budget Amount £	Decision Maker
	subsidy for this service and the desire to be an efficient and enterprising Council.						
Grant reductions in the Green Spaces service.	Proposal reflects the need to ensure that resources are targeted strategically and in a way that is sustainable and continues the mutual benefits of partnership working	Delays in the implementation of the decision could affect in year position	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	April 2025	£36k expenditure reduction	Chief Officer – Climate, Energy and Green Spaces
Review of the provision of bowling greens across the city and opportunities to increase income	Demand for bowling has declined and the subsidy per bowler is more than £280 per bowler. The city has too many bowling greens for it to be sustainably delivered in the	Delays in the implementation of the decision could affect in year position	The first stage of consultation closed on 26th January – over 1,500 responses were received. Analysis of the results received is underway and a	To be undertaken as a part of the decision process	Summer 2025	£70k net expenditure reductions	Chief Officer – Climate, Energy and Green Spaces

## Communities, Housing and Environment

## Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2024/25 Budget Amount £	Decision Maker
	current manner and the proposal is to review provision of bowling alongside options to increase income.		revised proposal will be developed				
Review of fees and charges and implementation of inflationary price increases – across car parks, environmental health services and registrars	Proposal reflects the need to avoid subsidy on services to ensure that resources can continue to be targeted towards service priorities	Level of usage is lower resulting in lower income than budgeted	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	April 2025	£931k net additional income	Chief Officer Elections and Regulatory
Maintain hub and spoke arrangements in Community Hubs and pursue staffing efficiencies	The proposal enables face to face, community-based support to families and residents to continue with targeted additional services, delivered at strategically located sites across the city in a way that helps to balance staffing	Delays in the implementation of the decision could affect in year position	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	April 2025	£246k Expenditure savings	Chief Officer – Community Hubs, Welfare and Business Support

## Communities, Housing and Environment

## Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality impact assessment	Expected decision date	2024/25 Budget Amount £	Decision Maker
	resources with demand pressures.						
Review of Credit Union grant	Proposal reflects savings requirement of the Council and the need to ensure that resources are targeted strategically and in a way that is sustainable and continues the mutual benefits of partnership working	Delays in the implementation of the decision could affect in year position	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	April 2025	£50k expenditure reduction	Chief Officer – Community Hubs, Welfare and Business Support

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2025/26 Budget Amount £	Decision Maker
<p><b>IDS</b> 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</p>	<p>As the overall council reduces in size in line with the reset and prioritisation agenda to meet our financial envelope and the broader reshape and organisational design work is progressed, this provides opportunities to reshape and redesign the Support Services functions across the directorate including IDS.</p>	<p>Changes to ways of working, service delivery models, structures and processes etc may impact on the way in which services are currently delivered.</p> <p>Decision delayed following consultation, impacting on savings assumptions.</p>	<p>Consultation has commenced with Trade Unions to explore potential options to deliver the required savings.</p>	<p>To be undertaken as a part of the decision process</p>	<p>March 2025</p>	<p>£3,087k</p>	<p>Director of Strategy and Resources</p>
<p><b>Financial Services</b> Staffing reductions and efficiencies</p>	<p>As the overall council reduces in size in line with the reset and prioritisation agenda to meet our financial</p>	<p>Changes to ways of working, service delivery models, structures and</p>	<p>Consultation has commenced with Trade Unions to explore potential options to deliver the required savings.</p>	<p>To be undertaken as a part of the decision process</p>	<p>March 2025</p>	<p>£903k</p>	<p>Director of Strategy and Resources</p>

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2025/26 Budget Amount £	Decision Maker
	<p>envelope and the broader reshape and organisational design work is progressed, this provides opportunities to reshape and redesign the Support Services functions across the directorate, including Financial Services. The implementation of a new general ledger system as part of the Core Business Transformation Project also provides opportunities to reshape working practices to drive efficiencies.</p>	<p>processes etc may impact on the way in which services are currently delivered.</p> <p>Decision delayed following consultation, impacting on savings assumptions.</p>					

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2025/26 Budget Amount £	Decision Maker
<p><b>Shared Services</b> Review of the Print and Signs functions within the Business Support Centre</p>	<p>The Print and Signs unit is the internal service provider for council printing. Within the context of digital developments, a more established external market, changing customer needs (both internal and external) along with the changing shape of the council over the next 3 years, it is timely to review the current operating model to ensure value for money along with an efficient service provision in this area.</p>	<p>Changes to ways of working, service delivery models, structures and processes etc may impact on the way in which services are currently delivered.</p> <p>Decision delayed following consultation, impacting on savings assumptions.</p>	<p>Consultation has commenced with Trade Unions to explore potential options to deliver the required savings.</p>	<p>To be undertaken as a part of the decision process</p>	<p>March 2025</p>	<p>£273k</p>	<p>Director of Strategy and Resources</p>
<p>Staffing reductions across the Strategy &amp; Resources directorate,</p>	<p>To achieve greater efficiencies and</p>	<p>Staffing reductions identified don't</p>	<p>Internal staffing and trade union consultation</p>	<p>To be undertaken as required as a</p>	<p>March 2025</p>	<p>£2,591k</p>	<p>Director of Strategy &amp; Resources /</p>

## Strategy and Resources

## Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2025/26 Budget Amount £	Decision Maker
via deletion of vacant posts and voluntary measures where possible	modern ways of working.	deliver required level of savings		part of the decision process			Strategy & Resources' Chief Officers
Price increases in Civic Enterprise Leeds (Catering, Presto and Cleaning schools)	Annual review to reflect inflationary costs of providing services	Increase in charges reduces demand more than anticipated impacting on income assumptions	Undertaken as a part of the decision process as required	To be undertaken as required as a part of the decision process	March 2025	£800k	Chief Officer Civic Enterprise Leeds

**APPENDIX 5: PROPOSED COUNCIL TAX SUPPORT PAYMENTS FOR  
PARISH/TOWN COUNCILS 2025/26**

<b>Parish</b>	<b>Proposed 2025/26 Payment £</b>
Aberford and District	383
Allerton Bywater	2,305
Alwoodley	892
Arthington	41
Bardsey cum Rigton	723
Barwick in Elmet and Scholes	1,440
Boston Spa	1,656
Bramham cum Oglethorpe	696
Bramhope and Carlton	903
Clifford	631
Collingham with Linton	854
Drighlington	1,275
East Keswick	323
Gildersome	1,550
Great and Little Preston	647
Harewood	21
Horsforth	5,249
Kippax	2,976
Ledsham	103
Micklefield	3,995
Morley	14,268
Otley	17,382
Pool in Wharfedale	895
Rawdon	1,701
Scarcroft	160
Shadwell	363
Swillington	2,307
Thorner	901
Thorp Arch	259
Walton	86
Wetherby	9,009
<b>TOTAL</b>	<b>73,994</b>



## Equality Impact Assessment 2025/26 Council Budget

### Scope

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

This paper outlines the equality analysis and strategic equality assessment of the Leeds Budget and Council Tax for 2025/26 (as detailed in the accompanying reports to the Executive Board meeting on 12<sup>th</sup> February 2025 recommending proposals to Full Council at its meeting on 26<sup>th</sup> February 2025). The lead person for this equality impact assessment was Victoria Bradshaw, Chief Officer Financial Services. Members of the assessment team were:

- Coral Main – Senior Head of Finance - Place
- Claire Matson – Head of Human Resources
- Sophia Ditta – Senior Policy Development Officer
- Tom Benson – Intelligence and Policy Officer
- Samantha Powell – Third Sector and Migration Partner Manager
- Geoff Turnbull – Equality, Diversity and Inclusion Manager

### Introduction

The Best City Ambition sets out a strategic intent between the council and its partners to work together around a shared vision focused on tackling poverty and inequality and improving the quality of life for everyone across the city. Given the significant financial challenges being faced by the council and some of our key partners, it is more important than ever to maximise the positive impact of limited resources as we seek to deliver our shared goals and priorities, ensuring the Best City Ambition remains rooted in activity on the ground and supports delivery of real progress in this city.

For the council's part, that means alignment is required behind the ambition and goals outlined in the Best City Ambition, and the financial and wider resources invested to deliver. As such, these strategic ambitions can only be delivered through a sound understanding of the organisation's longer-term financial sustainability which enables decisions to be made that balance the resource implications of the council's policies against financial constraints. This is the primary purpose of the Medium-Term Financial Strategy which then provides the framework for the determination of the council's annual revenue budget for which the proposals for 2025/26 are contained in the '2025/26 Revenue Budget and Council Tax' report for consideration by the Executive Board in February 2025 and subsequent recommendation later in the month to Full Council.

The 2025/26 Revenue Budget was developed in the context of the approach agreed by the Executive Board at its meeting on 11<sup>th</sup> December 2024 through the 'Proposed Budget for 2025/26 and Provisional Budgets for 2026/27 and 2027/28' report available [here](#) and accompanying 'Revenue Savings Proposals for 2025/26 to 2027/28' report available [here](#). In accordance with the council's budget and policy framework and as agreed by Executive Board in December, these proposals were subsequently submitted to all Scrutiny Boards for review and consideration and have also been used as the basis for wider public consultation.

The Budget proposals are set within the wider strategic context of: the council's Medium-Term Financial Strategy 2025/26 to 2029/30 (available [here](#)) which was approved by the Executive Board on 18<sup>th</sup> September 2024; the government's Autumn Budget 2024 and one-year Spending Review for 2025/26 announced by the Chancellor on 30<sup>th</sup> October 2024; the 'Local government finance policy statement 2025 to 2026' published by the Ministry of Housing, Communities and Local Government (MHCLG) on 28<sup>th</sup> November 2024 (available [here](#)), and the 'Provisional local government finance

settlement: England, 2025 to 2026' - the annual determination of funding at a national level to local government – published by MHCLG on 18<sup>th</sup> December 2024 (available [here](#)). The final local government finance settlement, expected in early February 2025, will be subject to debate in the House of Commons. As such, the implications of all known relevant government announcements on local funding are included in the Budget proposals.

After considering the impact of the anticipated changes in funding and cost pressures it is forecast that we will need to generate significant revenue savings, efficiencies and additional income during 2025/26 to balance to the anticipated level of resources available. Whilst resources receivable from the Settlement Funding Assessment and estimated from Council Tax and Business Rates have increased, these are outweighed by pay, price, cost of living and demand pressures. This means the authority will need to deliver £103.8m of savings by the end of March 2026 to achieve a balanced budget position.

The council remains committed to protecting frontline services as far as possible, especially those that provide support to the most vulnerable, and is planning to meet the challenge of the estimated budget gap for 2025/26 through a combination of efficiencies, changes to services and increased income. However, the financial climate for local government continues to present significant risks to the council's priorities and ambitions. The council continues to make every effort possible to protect frontline service delivery, and whilst we have been able to balance the budget each year since 2010, have continued to deliver a broad range of services despite declining income, and have avoided large scale compulsory redundancies, it is clear that the position is ever more challenging. The scale of the pressures on the council's financial position this year, in particular in the demand-led areas of Adults' and Children's Social Care, combined with the gap over the next three years, is unprecedented. 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 services, affecting service users, residents, businesses, partners and our workforce.

This can be seen in the scale and nature of the savings proposals put forward to Executive Board at the end of 2024 which include service and staffing reductions, fee increases, asset sales, building closures and reduced hours of operation. (Latest details on the savings proposals can be found in the directorate reports at Appendix 8 of the February 2025 Executive Board and Full Council '2025/26 Revenue Budget and Council Tax' report.) Equality impact screenings have been carried out on all 'service review' savings proposals approved by the Executive Board at its October and December 2024 meetings for implementation or consultation where required. Where appropriate, further equality impact assessments have been, or will be, carried out as part of the council's decision-making process.

These proposals have been informed by a review of all council budgets within a service prioritisation framework, recognising 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 to ensure the organisation remains fit-for-purpose and sustainable in the years ahead. This complements and is linked to a strategic approach to reshaping the organisation to be fit for the future, recognising that the council will be smaller in size but will remain 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, taking into consideration the welfare benefit of providing these services in house; all services must provide value for money.

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

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

### **Budget consultation and engagement**

The 2025/26 Budget proposals were developed through consultation with a range of stakeholders, notably with the Executive Board, all Scrutiny Boards, the council's Corporate Leadership Team and other senior officers, and through wider staff engagement. They also draw on insights from the priorities set out in council and partnership plans and strategies which have themselves been subject to extensive consultation and engagement.

Following agreement by December's Executive Board, public consultation on the council's Proposed Budget for 2025/26 took place during the four weeks between 11<sup>th</sup> December 2024 and 8<sup>th</sup> January 2025. The survey explored a range of themes including: the principles on how we should be funded, proposed changes to Council Tax (both 'core' and the adult social care precept), and how we plan to spend the revenue budget. Further questions asked respondents for ideas for bringing in additional money or making savings, and their level of satisfaction with the way the council runs things.

The public consultation results are included in full at Appendix 2 to the February 2025 '2025/26 Revenue Budget and Council Tax' report with the results of the consultation with Scrutiny Boards at Appendix 3 to that report.

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

The Medium-Term Financial Strategy (MTFS) 2025/26 to 2029/30 brought to September's Executive Board and Revenue Savings Proposals reports considered by the Executive Board in October and December 2024 have presented the financial challenge facing the council in future years, with regular Financial Health Monitoring reports received by the Board throughout the year setting out the in-year pressures. As noted above, a range of external factors continue to significantly impact on the council's income and expenditure – both in-year and into future years - and remain subject to considerable uncertainty and volatility. This includes significantly increased demand for council services, in particular in social care.

The estimated budget gap has therefore continued to be revised over the year, with the Proposed Budget for 2025/26 report considered at December 2024's Executive Board highlighting the need for the council to deliver £106.4m savings in 2025/26 in order for a balanced budget position to be achieved, and that further budget savings proposals would be required in future years to bridge the estimated significant gaps in 2026/27 and 2027/28 of £35.2m and £29.6m respectively. At the same December 2024 meeting, the 2024/25 projected overspend was estimated to be £20.7m, 3.3% of the approved 2024/25 net revenue budget (as set out in the 'Financial Health Monitoring 2024/25 – Month 7 (October)' report, available [here](#)). (Since the December 2024 meeting, the in-year and future-year positions have been revised, the latest position being reported to the Executive Board in February 2025: the 2024/25 overspend as at the end of Month 9 – December 2024 - is now estimated to be £6.8m, while looking ahead, the refreshed estimated budget gaps are £38.2m in 2026/27 and £30.1m in 2027/28.)

Throughout the 2024/25 financial year, the council has held ongoing discussions with Trade Unions regarding the in-year and future years' financial position and our mitigating actions, including, with certain exceptions, a staff recruitment freeze, a restriction on the use of agency staff and overtime and a freeze on non-essential spend (e.g., business travel, subscriptions etc.) - additional controls and challenge have been introduced to these processes. Discussions have also highlighted the savings proposals (as considered by the Executive Board at its meetings in October and December

2024) that, subject to consultation where appropriate, will be taken forward during 2025/26 and beyond. In previous years we have worked collectively and constructively with Trade Unions regarding the interventions taken to avoid, reduce and mitigate the need for compulsory redundancies in the authority.

Due to the size and scale of the financial challenge, and with the biggest area of spend within the council's budget being the wage bill, staffing reductions will be necessary. Against this backdrop, on 11<sup>th</sup> December 2024 the authority served notice under Section 188 (S188) of the Trade Union and Labour Relations (Consolidation) Act 1992 (TULR(C)A) to collectively consult with our recognised Trade Unions to avoid, reduce and mitigate the potential risk and consequences of compulsory redundancies. The S188 notice stated that the council anticipated a reduction of 242.71 budgeted full-time equivalent (FTE) posts to support the 2025/26 savings required. The notice also highlighted that the final level of staffing reductions would depend upon several variables, including the results of consultation and ongoing review of the financial position.

To support the delivery of savings, the council has continued to promote a number of workforce measures such as the purchase of additional annual leave, voluntary reductions in hours (for example, career breaks and reducing the working week) and flexible retirements. It also continues to review its senior staffing levels and provide specific support to service areas to improve attendance and performance. The targeted Voluntary Leavers' Scheme (VLS), initially launched in October 2023, has also continued: a voluntary redundancy package that, along with the other workforce measures described, aims to help directorates and services reduce staffing costs on a recurrent basis to address the financial challenge, and provide opportunities for future operational efficiency and effectiveness in support of the service review activity. The VLS scheme is targeted to those services undergoing a service review or business change and required to make staffing reductions. In 2024, there was a commitment for the scheme to be open for three years, to support longer-term financial planning. Approval of requests remains subject to business need.

One of the key points considered when making decisions for VLS is the impact on employees who remain in post; in particular, the workload and how it will be managed differently. The 2023 Staff Survey highlighted that 18% of colleagues disagreed that their workload was manageable (this position varied across different services and teams). In response to this we have continued to ask all managers to ensure that they provide support and guidance to teams to help manage workloads, ensuring clear direction is provided on what work needs to be prioritised and also ensure they look at ways to alleviate pressures and improve efficiencies through improving attendance, looking at new ways of working and taking advantage of any digital efficiencies. Our health and wellbeing offer has been pivoted to help support wellbeing through change, particularly due to the financial challenge and workload pressures. Drawing on materials already available to facilitate an overall wellbeing assessment, this helps ensure proactive support and provide personal action plans.

The council has operated a voluntary retirement and severance scheme since 2010/11 through which we have so far managed to reduce staffing with relatively few compulsory redundancies. Reducing agency staff costs, overtime, managing sickness and introducing working from different locations has also brought costs down significantly. Reskilling and redeploying people whose roles are at risk helps continue to create a more flexible and responsive workforce and to minimise redundancies. Whilst there are other elements that will impact on the fluctuation of the workforce numbers, such as natural attrition and turnover, these measures have contributed to an overall reduction of around 2,652 full time equivalents (FTEs) or 3,545 headcount between 1st April 2010 and 31st December 2024. However, as noted above, in order to set and deliver a balanced budget for 2024/25 the council must deliver significant savings. The council's 2025/26 final budget proposals include a net reduction of 234.8 budgeted FTEs (including 2.3 for the HRA) compared to the approved 2024/25 budget. This reduction includes the budget savings proposals received at both October's and December's Executive Boards. Details of the movement in FTEs for the 2025/26 Budget for each directorate are provided in Appendix 8.

Further savings proposals will be required to close the latest estimated gap in the council's budgets in 2026/27 and 2027/28, which could result in additional reductions in the number of budgeted FTE

posts. Any service reviews that arise as part of the further budget savings proposals that may impact upon council staffing will undergo consultation on a service level with the appropriate Trade Union representatives.

In response to the significant change that the council has undergone and will continue to go through, additional support is in place to assist individuals and managers through any change and challenges they experience, as well as looking to support people with the opportunities that the changes may present to progress their career and personal development. This forms part of our [#TeamLeedsBeWell](#) wellbeing offer, available for all council staff.

### The council's workforce profile

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

- From 1st April 2024, the council's minimum hourly rate increased to £12.00 which mirrored the Living Wage Foundation's recommended minimum rate of pay.
- Subject to affordability, we remain committed to further increases in the future, as Living Wage Foundation recommendations are made.

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

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

The nationally negotiated 2024 NJC Pay Award resulted in a monetary award across all pay scales rather than a percentage increase across the board, leading to lower paid staff receiving comparatively higher percentage increases in their salaries. The council remains committed to the national collective bargaining process to annually reviewing pay and continues to engage with national employers regarding the local impact on budgets.

As at 31<sup>st</sup> December 2024 there were 14,289 people employed in the council (excluding schools and casual staff), equating to 12,300 FTEs. The workforce profile of all employees is shown below (all percentages are rounded).

Leeds City Council workforce profile – 31 <sup>st</sup> December 2024		
Profile area	Headcount	% of overall headcount
<b>Gender</b>		
Male (including Trans)	5,619	39%
Female (including Trans)	8,670	61%
<b>Total</b>	<b>14,289</b>	<b>100%</b>
<b>Age / years</b>		
16 – 25	888	6%
26 – 40	4,144	29%
41 – 54	5,033	35%
55 – 64	3,707	26%
Over 65	517	4%
<b>Total</b>	<b>14,289</b>	<b>100%</b>
<b>Ethnicity</b>		
Non-ethnically diverse	10,400	73%

Appendix 6: 2025/26 Revenue Budget & Council Tax

Leeds City Council workforce profile – 31 <sup>st</sup> December 2024		
Profile area	Headcount	% of overall headcount
Ethnically diverse	2,427	17%
Prefer not to say	43	0%
Not declared	1,419	10%
<b>Total</b>	<b>14,289</b>	<b>100%</b>
<b>Disability</b>		
Disabled	878	6%
Not disabled	11,893	83%
Prefer not to say	170	1%
Not declared	1,348	10%
<b>Total</b>	<b>14,289</b>	<b>100%</b>
<b>Carer</b>		
Carer	1,246	9%
Not a carer	8,409	59%
Prefer not to say	114	1%
Not declared	4,520	32%
<b>Total</b>	<b>14,289</b>	<b>100%</b>
<b>Sexual orientation</b>		
Heterosexual	8,991	63%
Lesbian	136	1%
Gay man	168	1%
Bisexual	220	2%
Other	60	0%
Prefer not to say	206	1%
<b>Not declared</b>	<b>4,508</b>	<b>32%</b>
<b>Total</b>	<b>14,289</b>	<b>100%</b>
<b>Religion or belief</b>		
Religion stated	10,245	72%
Prefer not to say	190	1%
Not declared	3,854	27%
<b>Total</b>	<b>14,289</b>	<b>100%</b>
<b>Additional gender details</b>		
Same as assigned at birth	4,060	28%
Not same as assigned at birth	43	0%
Not declared	10,186	71%
<b>Total</b>	<b>14,289</b>	<b>100%</b>

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

### ***Demographics: a changing population***

The population of Leeds was estimated as 829,413 people in the 2023 Office of National Statistics (ONS) mid-year population estimates - an increase of 2.2% (17,500 people) since the 2021 Census of population. The city's population is estimated to have increased by 8.5% over the previous 10 years, the second-largest percentage increase in Yorkshire and the Humber, behind Wakefield. The Leeds population is growing considerably faster than the Yorkshire and Humber and England averages, which are 4.9% and 7.0% respectively.

Based on the 2023 mid-year population estimates (MYE), there are estimated to be:

- 50.9% (422,480) female and 49.1% (406,933) male
- 155,531 children and young people aged 0 to 15 years
- 544,020 people of working age (16 to 64 years)
- 129,862 older people aged 65 and over
- Approximately 1 in 11 people (9.0%) in the 20 to 24 age band, reflecting the large student population
- The average median age in the population is 37 years of age

Looking back at the changes over the ten years between the MYE 2013 and MYE 2023 populations:

- As noted, the Leeds population is recorded as increasing by 8.5%.
- The working age population had a smaller percentage increase (7.3%) than both the population of children and young people (10.1%) and the population aged 65 and over (12.1%).
- The population of older people aged 65 and above increased by 14,000 people. Although the 65 and above age group still has more women than men, there has been a bigger increase in the number of men, with 7,731 more men aged 65 and over resident in Leeds in 2023 than in 2013 (compared to 6,242 more women).
- There was an increase in the number of primary school age children in Leeds, with an additional 3,248 (3.2%) children in the 0 to 10 age group.

Based on the latest 2018 data released in March 2020 (ONS Population projections for local authorities), the population was predicted to reach around 822,000 by 2031. However, with the more recent Census data recording a population size of nearly 812,000 in 2021 – a figure not forecast until 2027 in the ONS's 2018 data – a revised dataset is not scheduled for release until March 2025 and the city's future predicted population could easily be in excess of previous forecasts.

Please note, some of the following data on protected characteristics is only collected during the Census and reflects the most up to date data available:

The makeup of the city is outlined below:

- Leeds continues to become more ethnically diverse. The 2021 Census showed that 26.6% of the Leeds population was from an ethnically diverse background, an increase from 18.9% in 2011. Around 667,400 Leeds residents said they were born in England (82.2% of the city's population), compared with 647,800 in 2011 (86.2% of the city's population at the time).
- According to the January 2024 Leeds School Census:
  - The proportion of the school population from ethnically diverse backgrounds more than doubled since 2005, increasing from 17.4% in 2005 to 38.9% in 2024.
  - Ethnic diversity is slightly higher in younger age groups, with 40% ethnically diverse pupils in primary schools and 37% in secondary schools.
  - In 2024, 22.3% of Leeds school pupils spoke English as an additional language, with the top five main languages being Urdu, Polish, Romanian, Arabic and Panjabi (this excludes the category 'Other than English', which was the second most selected category).

- 44% of Leeds pupils (57,817) live within the most deprived 20% localities. These areas have seen by far the greatest growth in the population of 0 to 17-year olds over the last decade (two thirds of the growth). They are also our most diverse localities, accounting for nearly two thirds of pupils from ethnically diverse backgrounds, and 67.7% of all EAL pupils (those who speak English as an Additional Language).
- The number of pupils with special educational needs and disabilities ((SEND) with either an Education and Health Care Plan or SEN Support)) has increased from 16,262 (13.8%) in 2016 to 23,985 (18%) in 2024.
- Over the last two decades, Leeds has seen a pattern of rising births to 2010, a plateau of eight years at roughly 10,000 per annum, and then falling births since 2017. That pattern of births is now feeding through our population of children and young people: with declining numbers of Early Years and Reception pupils, but continuing increases in Secondary-ages and post-16.
- The religious profile of the city is changing. Between the Censuses of 2001 and 2011 the number of people saying they are Christian decreased from 68.9% to 55.9%. At the time of the 2021 Census, this same figure was recorded as 42.3%. Compared to England and Wales, in 2021 Leeds had higher than average proportions of people stating their religion as Jewish (0.8% compared to 0.5%), as Muslim (7.8% compared to 6.5%) and as Sikh (1.2% compared to 0.9%). The proportion of persons stating they have no religion increased from 16.8% to 28.2% in 2001 and 2011 respectively. In 2021 this had increased to 40.2% of the population.
- The 2011 Census collected information on civil partnerships for the first time, reflecting the Civil Partnership Act 2004 which came into effect in the UK in December 2005. The 2011 Census recorded 41.5% of adults in Leeds as married and 0.2% of adults in a registered same-sex civil partnership. In 2021 the Census reflected the Same-Sex Marriage Act of 2013 and recorded 39.4% of the city's population as married, of which 0.3% were the same sex. A further 0.1% of the population were in a same-sex civil partnership.
- According to the 2021 Census, 15.8% of adults in Leeds were separated, divorced or widowed (down from 17.5% in the 2011 Census), which is slightly lower than the England and Wales rate of 17.4%. The proportion of single people in Leeds who have never married or registered as living in a civil partnership has dropped from 40.8% in 2011 to 30.8% in 2021, remaining higher than the average for England and Wales which has shown a similarly large drop from 34.6% in 2011 to 26.7% in 2021.
- In the 2021 Census, residents were asked if they had any physical or mental health conditions or illnesses lasting or expected to last 12 months or more. If they answered yes, they were then asked if this reduced their ability to carry out day-to-day activities.<sup>1</sup>
  - The responses identified 7.6% of Leeds residents as being disabled and whose activities were limited a lot, down from 9.4% in 2011. The decrease in the proportion of residents who were identified as being disabled and limited a lot in Leeds (1.8 percentage points) was similar to the decrease across Yorkshire and The Humber (1.7 percentage points, from 9.9% to 8.2%). Across England, the proportion fell by 1.6 percentage points, from 9.1% to 7.5%.
  - In 2021, just over 1 in 10 people (10.4%) identified as being disabled and having their day-to-day activities limited a little, compared with 10.3% in 2011.
  - The proportion of Leeds residents who were not disabled increased from 80.3% in 2011 to 82.0% in 2021.

For more information, please visit [Leeds Observatory - Population](#) and [How life has changed in Leeds: Census 2021 \(ons.gov.uk\)](#)

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



## Poverty and inequality

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

### *Picture of Leeds*

Local authorities are often ranked on the proportion of neighbourhoods in the most deprived 10% nationally. Based on the latest Indices of Multiple Deprivation (IMD) 2019, Leeds has 114 neighbourhoods (24% of its 482) in the most deprived 10% nationally. Leeds is ranked at 33 out of 317 local authorities in England (1 is most deprived) on this measure.

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

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

### *Current context*

The latest data relating to poverty reveals:

- In 2022/23, 21% of the Leeds population (equating to 176,376 people) were living in relative poverty after housing costs are deducted from income.<sup>2</sup>
- 22% of children (33,482) were estimated to be living in relative low-income families before housing costs in 2022/23<sup>3</sup>.
- It is estimated that 15.4% of all Leeds working residents earned less than the Real Living Wage in 2024, affecting 51,377 FTE residents. It is also estimated that 13,300 workers are on zero-hour contracts.<sup>4</sup>
- In 2024, there were increases to the National Minimum Wage from £10.42/hour to £11.44/hour, and the threshold to be eligible for this rate widened to include all workers aged 21 plus, whereas previously this rate applied to workers aged 23 plus. This growth in wages for more workers has had an impact on real term earners.
- On average, Leeds residents earned £604 per week in 2024, up £29/week on the previous year, however, when inflationary impacts are factored in, Leeds residents weekly wages were up £12 per week in real terms. In comparison, residents on the lowest incomes earned £229/week in 2024, up by £39/week on the previous year, but when inflation is applied, those on the lowest incomes are seeing a real term wage rise of £33/week.

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<sup>2</sup> Relative Poverty measures individuals who have household incomes 60% below the median average. Further details in the Leeds Poverty Fact Book, Section 1. <https://observatory.leeds.gov.uk/leeds-poverty-fact-book/>

<sup>3</sup> Children in Low Income Households Local Area Statistics 2024 (Source: HMRC & DWP Combined data). This local measure provides a picture of children in low income families for both Relative and Absolute measures, but only Before Housing Costs (BHC). Further details in the Leeds Poverty Fact Book, Section 2. <https://observatory.leeds.gov.uk/leeds-poverty-fact-book/>

<sup>4</sup> More information on Wages, Household Income and Employment in Leeds can be found in the Leeds Poverty Fact Book, Section 3. <https://observatory.leeds.gov.uk/leeds-poverty-fact-book/>

- DWP data for October 2024 indicates there were 96,239 people claiming Universal Credit (UC) in Leeds. From that figure 58,951 were not in employment and 34,657 (almost 40%) were in work and claiming UC.
- There is further evidence of people trying to maximise incomes through the council's Welfare Rights Unit (WRU) which provides advice and support on benefit entitlements to check eligibility and help clients access and claim benefits to maximise their income. The number of benefit checks carried out by this team has significantly increased year on year from 2020/21 reflecting the cost-of-living crisis. From January to December 2024 there were 3,547 benefit checks made by the WRU, up 24% from 2,857 checks during the same period in 2023.<sup>5</sup>
- In January 2024, 34,956 (26.5%) of pupils in Leeds were eligible for and claiming a free school meal, up by 0.5% of pupils on the previous year. Nationally 24.6% of all pupils were eligible and claiming a free school meal; the national rate increased by 2.3% from the previous year.
- Between 1st April 2023 and 31st March 2024, almost 82,000 food parcels in Leeds were given out informally without the need for a referral, up 21% on the previous year. Formal foodbank referrals supported 67,596 people, up 14% on the support level required in 2022/23.
- An estimated 56,181 (16%) Leeds households were in fuel poverty in 2022 according to the Low Income Low Energy Efficiency (LILEE) measure.<sup>6</sup> The LILEE definition also allows analysis of the depth of fuel poverty, known as the fuel poverty gap, which measures the reduction in fuel costs a household would need to no longer be in fuel poverty. In 2023 the mean average fuel poverty gap was £417 per fuel-poor household and is projected to decrease to £385 in 2024. This means in 2023, households in fuel poverty needed £417 more income to pay their fuel bills and forecasts expected this figure to be around £385 during 2024. There is a two-year time lag for local fuel poverty data and the latest available data does not yet capture the impact of the energy crisis. The national fuel poverty rate for England has a one-year time lag and was at 13% during 2023.

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

Poverty and financial exclusion have been deep-rooted challenges in Leeds for many years. Despite significant work to address these issues locally, financial pressures and widening inequalities continue to impact households in Leeds and across the country.

The rising cost of living has been a continual challenge in the UK since July 2021. Inflation reached a 41-year high of 11.1% in October 2022. Although inflation is currently in the region of the Government target of 2% - latest figures show 2.5% CPI in the twelve months to December 2024 - and price increases have recently started to slow, they are still higher than the same point in 2023, when they were already exceptionally high. After peaking to 19.1% in March 2023, food inflation reached its lowest rate (since the cost of living crisis took effect) of 1.3% in August 2024, and has risen each month since then to its current rate of 2% in December 2024.

In November 2024 the Bank of England reduced the base interest rate from 5.0% (August '24) to 4.75%. Its next update is due in February 2025.

According to the ONS from its data released on 16 January 2025, monthly UK gross domestic product (GDP) is estimated to have grown by 0.1% in November 2024; however, in the three months to November 2024, it is estimated to have shown no growth compared with the three months to August 2024.

The Resolution Foundation reports<sup>7</sup> the UK's wider economic backdrop remains a concern: '... with GDP per capita growth down 90% over the past 16 years... The UK has now experienced three recessions in the past 16 years. This record of a downturn occurring roughly every five years is far

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<sup>5</sup> Further details on data relating to Employment, UC and Benefit Checks can be found on the Leeds Cost of Living Dashboard - <https://observatory.leeds.gov.uk/home/cost-of-living/>

<sup>6</sup> LILEE definition of fuel poverty states that a household is fuel poor if the property has an energy efficiency rating of band D, E, F or G and disposable income (income after housing costs and energy needs) is below the poverty line.

<sup>7</sup> Resolution Foundation, May 2024 - [UK swiftly exits its third recession in 16 years • Resolution Foundation](#)

worse than their occurrence of roughly once every ten years during the second half of the 20th century.’

Low-income households unable to afford the cost of essentials in normal economic conditions, have been the worst affected by the instability seen since the COVID-19 pandemic, and throughout the cost of living crisis. This has led to the emergence of ‘deficit budgets’ as a primary challenge, where income is lower than outgoings even after all debt and advice solutions are put in place. Locally, financial inclusion partners report the impact of this includes widespread dependence on emergency/short term support, particularly from households unable to change their circumstances.

The demography of local Citizens Advice data reveals women, racially minoritised groups and disabled people/people with a long-term health condition all represent for advice at higher proportions than they are in the wider Leeds population, indicating these groups are being more severely affected by the cost of living than the overall population.

A survey of UK independent advice services by Advice UK (October 2024) found 90% reported an increase in demand over the last year, and 55% reporting they are not confident they can meet demand. Furthermore 61% stated they are likely to reduce or cut services within the next year due to financial constraints.

In its latest report on ‘The Cost of Hunger and Hardship’<sup>8</sup> Trussell (formerly Trussell Trust) highlights that: ‘Levels of hunger and hardship are more than a third higher than they were 20 years ago...9.3 million people face hunger and hardship across the UK, including 6.3 million adults and 3 million children. This represents one in seven (14%) people across the UK, and one in five (20%) children.’

In addition:

- More than half (53%) of people facing hunger and hardship live in a disabled family.
- One in three (32%) people in single parent families face hunger and hardship.
- Over a quarter (28%) of people living in Black, African, Caribbean and Black British families face hunger and hardship compared to 11% of people in White families.’

### ***EIA focus***

Linked to the Best City Ambition breakthrough priority to develop an integrated city-wide welfare support approach, strategic and operational groups have been meeting since September 2022 to coordinate actions to mitigate as far as possible the impacts of the cost-of-living crisis for low-income households in Leeds. The groups all have representatives from the council, health, third sector and the Department for Work and Pensions. This ensures that the approach has been considered from a range of perspectives and any concerns or issues highlighted at the earliest opportunities. The approach to the cost-of-living crisis has also been presented and consulted upon at the Equalities Assembly, and a wide range of groups and forums including those specifically representing the equality characteristics groups.

Regarding framing the response in the city, the work areas and actions emerging from the meetings have focused on ensuring that there is awareness and understanding of the support available, developing practical support which enhances existing services, and ensuring the short-term funding available is coordinated and maximised. This has resulted in the following:

- Communications - both online and offline campaigns
- Ensuring resources and information sources are up to date and available in a range of formats and languages
- Providing tailored information, awareness and training sessions
- Undertaking regular and wide-ranging consultation on the approach

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<sup>8</sup> Trussell – The Cost of Hunger and Hardship, October 2024 - [https://trusselltrustprod.prod.acquia-sites.com/sites/default/files/2024-10/Cost%20of%20hunger%20and%20hardship\\_Interim%20report%202024\\_4.pdf](https://trusselltrustprod.prod.acquia-sites.com/sites/default/files/2024-10/Cost%20of%20hunger%20and%20hardship_Interim%20report%202024_4.pdf)

- In terms of practical support, that this is easily accessible such as through the Winter Coats scheme available across Community Hubs and Libraries, and community centres across Leeds.
- The Welcome spaces network was focused on helping those most at risk during the cold weather – i.e. those affected by fuel poverty, low income and related issues. Over 65% of the Leeds population was within a 10-minute walk of a Welcome Space. Targeted support and funding was made available to organisations working in and with underserved places and communities as well as funding to improve accessibility and tailored provisions for those with additional health needs.
- Ensuring the Household Support Fund has supported households on the lowest incomes with support for food fuel and essential items. A proportion of the funding has been directed through third sector organisations to ensure equality groups receive support. This has included funding organisations focused on health and social care, ethnically diverse communities and women.

### **Third sector**

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

#### ***Partnership and engagement relationships***

The council invests financial and staff resource in the development and maintenance of partnership and engagement relationships with the sector, including city-wide strategic bodies and a network of locality, service, thematic, community and equality-focused third sector forums. This facilitates strategic engagement with the sector, dialogue between the sector, council and a range of partnerships and forums and enables the council to have better reach into communities through the third sector, resulting in more effective co-production and collaboration on key city and locality agendas. For example, the council provides executive support and plays a leading role in the Third Sector Partnership. This is a key part of the city infrastructure through which the third sector, council, NHS, universities and other public sector partners work together to ensure that collectively the conditions are created for a thriving third sector, so organisations can deliver better outcomes for the people of Leeds.

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

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

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

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

Provisional analysis shows the council's overall investment in the third sector to have been £149.6m in 2022/23 with 1,174 individual third sector organisations and £151.7m in 2023/24 with 1,053 individual third sector organisations, up by 1% from 2022/23. The scale and consistency of the

council's payments to the third sector has been broadly maintained over recent years, despite the very significant and challenging public sector financial constraints. Members Improvement in the Community and Environmental (MICE) allocation totalling £193,269.98 in 2022/23, and £246,416.00 in 2023/24, was invested in third sector-led, community-based initiatives. The council, along with third sector partners, continues to review the analysis of the council's financial relationship with the sector in order to understand whether the approach is supporting our shared ambitions for the sector and the city.

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

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

- Council directorates have well-established ongoing arrangements and dialogue with their third sector partners and other interested third sector stakeholders which shapes and informs their approach to the budget challenges and their priorities. The Compact for Leeds (available [here](#)) sets out well-understood expectations for regular detailed discussions with organisations that will be impacted by any budget reductions or changes.
- The most recent *'State of the Third Sector report'* 2022/23 (available [here](#)) evidences the sector's resilience and emphasises the stress it is under. Between 2020 and 2022 the third sector experienced a 10% reduction in the number of registered (charitable) organisations; a reduction in the number of small and medium sized organisations; a workforce decrease of 34%; a 25% decline in the number of volunteers; and the doubling of organisations reporting a zero income. An updated analysis is currently underway.
- A number of key actions are being implemented to ensure the resilience of the third sector. The city-owned *'Third Sector Strategy 2023 – 2028'* (available [here](#)), launched in October 2023, was developed by Third Sector Leeds in collaboration with key stakeholders. This strategy builds upon a decade of developing trust, understanding and an approach to teamworking within the broad framework of the Best City Ambition. It also integrates Leeds policy commitments such as the Compact for Leeds, Third Sector Ambition Statement and Commissioning Code of Practice. In 2023, a series of citywide *'Third Sector Goes Local'* events identified key strategy priorities of commissioning/funding, social value and partnership. Following 2024's Third Sector Goes Local events, the workforce was added as an additional priority. Currently, a plan of action is underway to advance the agenda and key priorities in collaboration with key stakeholders.
- Building on the Third Sector Strategy the *'Leeds Volunteer Strategy'*, led by Voluntary Action Leeds (VAL), was launched in October 2023 (available [here](#)). The strategy sets out a vision for Leeds to be the best city for volunteering, whereby volunteering is celebrated in all its forms and all partners work together to support an innovative and diverse volunteering environment. Real progress has been made towards achieving the aspiration that the volunteering offer is inclusive, creates equity and has a diverse volunteer base which represents communities. VAL have launched an Inclusive Volunteering webpage, toolkit and a set of principles that organisations can sign up to, to demonstrate their commitment to inclusive volunteering. The Volunteers of Leeds campaign also highlights and champions the diversity of Leeds volunteers and showcases their valued contributions to the city. In addition, a new induction resource will be launched this year, covering essential skills for volunteers, coproduced with key partners involved in the strategy development. The resource is designed to be used by organisations involving volunteers across Leeds and the wider Yorkshire region.
- In March 2024, Third Sector Leeds (TSL) developed four key lobbying messages focused on tackling poverty, improving housing, and prioritising local and the third sector (available [here](#)). TSL uses these key messages to influence decision-making with central government, local authorities and health partners. Prior to the 2024 general election, TSL built relationships with MPs to influence the next government to ensure Leeds communities are supported.

- In December 2024, the council participated in the Department for Culture, Media and Sport's Civil Society Covenant consultation. The Covenant aims to reset the relationship between the government and civil society (further information available [here](#)). The government has affirmed that the Covenant will be developed in collaboration with civil society and will be based on the guiding principles of recognition, partnership, participation and transparency. The Covenant acknowledges the vast experience and important role of local authorities in supporting, developing and delivering in partnership with civil society across the UK.
- Third Sector Leeds Leadership Group holds regular Breakfast Meetings with council leaders, including the Chief Executive Officer and directors. These meetings serve as a key mechanism to facilitate open and transparent two-way communication with the sector. During the September 2024 meeting, a proactive discussion took place covering key lobbying messages, the opportunities and challenges anticipated for Leeds' communities with the new Labour government, the role the third sector can play, and strategies to ensure any future growth funding is maximised for investment planning and has a positive social impact on communities.
- The council is a member of the Keep it Local Network and has adopted the Keep it Local principles to support and encourage a determined focus on the 'local' through: investing in and building on local community assets; utilising local investment and resources for maximum local benefit; maximising external investment into the city; promoting collaboration and co-production across sectors for maximum local impact; and through the delivery of locally-focused and delivered, sustainable, people-centred services, saving money and minimising demand on public sector funding. Further work is planned for 2025 to engage with the network and share good practice.
- In light of the ongoing significant financial challenge faced by the council, continuous dialogue with the third sector remains crucial. In November 2024, the council's Deputy Chief Officer for Financial Services provided Third Sector Partnership (TSP) with early insights into the council's financial proposals ahead of the December Executive Board. TSP received a comprehensive overview of the council's financial position outlining the proposed budget, projected gap and the key risks, issues and uncertainties. Third Sector Leeds and infrastructure organisations acknowledge the limitations to the council's engagement until the proposals are reviewed by the Executive Board and ultimately approved by the Full Council in February 2025. However, they affirm these early insights and detailed timeline are beneficial for managing expectations and sector messaging. Further discussion has taken place and continues to occur, covering topics such as third sector spend by health, the National Lottery Community Fund and Leeds Community Foundation.

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

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

- The Third Sector Partnership continues to build on the following policy commitments (all available to download [here](#)):
  - Compact for Leeds
  - Third Sector Ambition Statement
  - Characteristics of a Thriving Community
  - Leeds Pledge to Strengthen Civil Society
  - Leeds Commissioning Code of Practice
  - Leeds Code of Practice for Working Together
  - Social Value Charter
- The Leeds Community Anchor Network (LCAN) continues to operate as a city-wide network, comprising 30 trusted third and faith sector organisations. The network aims to maintain and build on the connections and partnerships established during the pandemic, guided by the

principles of collaboration rather than competition. LCAN's mission is to ensure the communities of Leeds thrive by supporting smaller organisations and enhancing city-wide services that provide immediate assistance to communities. Ultimately, the network strives to bring about long-term systemic change.

- The council facilitates the cross-sector Funding Leeds Partnership to maximise external investment into Leeds through the third sector by making funding information and support accessible. This includes a Funding Support Service delivered by Voluntary Action Leeds and the Funding Leeds platform. The Funding Leeds website, funded by the council, provides a comprehensive database of funding opportunities and local support, free to access. Recently updated for improved usability, the platform has significantly contributed to a thriving third sector. Since its launch in 2017, organisations and community groups have self-declared obtaining funding worth £3,908,368.
- The Third Sector Commissioning, Collaboration and Partnership Group builds on Leeds' strong history of collaboration to enhance joint working between the third and public sectors, particularly in commissioning and service delivery. The group provides a vehicle to ensure coherent and coordinated investment, provides a forum for joint work, and addresses emerging priorities. Currently, the partnership is reviewing the Compact for Leeds and the Commissioning Code of Practice to ensure they remain fit for purpose.

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

## **Equality impacts and improvement work**

### ***Introduction***

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

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

### ***Equality Improvement Priorities***

The council's Equality Improvement Priorities were developed to ensure that the authority meets its legal duties under the Equality Act 2010 and to complement its long-standing strategic 'Best City' ambition to tackle poverty and reduce inequalities. Improving equality outcomes and tackling inequality are inextricably linked.

Equality analysis continues to be used to set the council Equality Improvement Priorities and has also been used to inform, and is an integral part of, the council's Budget proposals. The Equality

Improvement Priorities recognise that there are different outcomes and experiences for different groups and communities, highlighting the challenges the city has to address in order to tackle inequalities and help people out of poverty.

In July 2021 the council agreed a new approach to the council’s Equality Improvement Priorities for 2021 to 2025. Three cross-council Equality Improvement Priorities were agreed with further Priorities aligned with the eight Best City priorities as set out in the council’s strategic plan at the time, the Best Council Plan 2020 to 2025, helping to hardwire the council’s approach to improving equality and tackling inequality into its strategic framework.

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

The Strategic Equality Improvement Priorities 2021 to 2025 help ensure the council continues to meet its legal duties but, more importantly, continue to improve equality outcomes and help tackle the barriers to poverty and disadvantage for the citizens of Leeds. The priorities do not include all our work across all the protected characteristics but highlight those areas where there are significant differences in outcomes for people due to those characteristics. We believe that by addressing these areas we will make Leeds a better city for everyone. We welcome all communities in Leeds and value the contributions that our citizens make to our city. The council will be renewing its Equality Improvement Priorities for the period 2025 to 2029 with these anticipated to go to the Executive Board in July 2025.

In addition to delivering these Strategic Equality Improvement Priorities, the council has adopted an Equality Vision and Action Plan to assist the authority with ‘stepping up a gear’ (this was approved at Executive Board in February 2023). This reflects the significant national and local challenges which have arisen from the pandemic, cost of living crisis, austerity and Brexit, as well as the city’s changing demographics and the increasing expectations of our citizens to make progress on addressing inequality. This vision and action plan aligns our ambitions on Equality, Diversity and Inclusion with the Best City Ambition.

We report to the council’s Executive Board against our Equality Improvement Priorities and the high level actions contained within the Vision Action Plan on an annual basis.



### VIREMENT DECISIONS TO AMEND APPROVED BUDGETS

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

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

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

#### Delegated Virements

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

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

- 2 Decisions taken in respect of virements will be executive decisions and should be taken in accordance with the requirements for delegated decisions in the council's constitution. This means that virements may be classed as either Key decisions or Administrative decisions. It is expected that any virement decisions arising from substantive operational decisions will form part of an overall decision making report, rather than being treated as a separate decision. Where Administrative decisions incorporating virements do not meet the threshold of £250k requiring a formal report and DDN to be published, appropriate documentation recording the decision is required by the constitution to be retained by the service, and this should be supplied to the Chief Finance Officer.
- 3 It should be noted that, whilst directors have delegated authority to approve virements up to £5 million, as with all executive delegations these are made save where the Leader or relevant Portfolio holder has directed, or where the director believes it is appropriate, that the matter should be referred to Executive Board for consideration.
- 4 Proposals to vary budgets arising as a result of the need to address a potential overspend (including shortfalls in income), recycling of efficiency gains and changed spending plans should satisfy the following criteria prior to approval by the decision taker as outlined within the attached table.

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

- The reason for the request for virement
- The impact on the council as a whole, including employment, legal and financial implications

- The impact on the efficiency of the service as a whole
- The sustainability of the proposals i.e. long term effects
- Whether the proposals are consistent with the council's priorities as outlined within the Best City Ambition
- Whether the proposals are consistent with the Budget & Policy Framework
- The cumulative impact of previous virements

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

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

### **Other Budget Adjustments**

- 1 There is a de-minimus level for virements of £50k, below which any variations to net managed budgets will be deemed other budget adjustments. Budget movements that are not between budget headings within the approved net managed budget will also be other budget adjustments.
- 2 The Chief Finance Officer may also approve budget adjustments of unlimited value where these are purely technical in nature. Technical adjustments to budgets are defined as those which have no impact upon the service provided or on income generated.

(1) The role of the Chief Finance Officer (section 151 officer) is currently fulfilled by the Interim Assistant Chief Executive Finance, Traded and Resources

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

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

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

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

# LEEDS CITY COUNCIL

## 2025/26 BUDGET REPORT

### Directorate: Adults & Health

#### 1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2025/26 financial year.

#### 2. Service Context

- 2.1 The current context for Adult Social Care and Public Health continues to be influenced by the impact of the Covid-19 pandemic and the resultant pressures this has put across the health and care system. This, along with the economic situation, means the near future remains uncertain. Adult Social Care will work within an uncertain environment of changes to its service offer mix and whether those changes are permanent or temporary, and a care market significantly affected by the pandemic, workforce, and inflationary pressures. With specificity to each service the following aims to add further context.
- 2.2 **Adult Social Care:** the national context for Adult Social Care continues to be one of increasing demographic pressures with; increased life expectancy which is resulting in increased length of time care is required, increasing complexity and acuity of need, increasing demand for mental health services, and people's expectations, greater support for people to remain living independently in their own homes for as long as possible, a national drive to improve the quality of social care services and an increasing focus on the integration of health and social care services. These national trends, which are leading to increased cost pressures, have been evident for many years, but the economic climate is adding further pressure on public finances and the reductions in public spending have added to the financial challenges faced by Adult Social Care. The challenges are likely to be further compounded by the changes to Employers' National Insurance Contributions which will affect all externally commissioned care and support services.
- 2.3 To partially mitigate the financial pressures, the Government has announced increases to the Social Care Grant and that local authorities will be permitted to levy a 2% adult social care precept increase for the 2025/26 financial year, detailed in 3.3.1 below.
- 2.4 There is concern that, given the scale of demand and cost pressures on adult social care, this additional funding will not fully address the financial challenges faced, particularly within the context of continuing funding pressures for the Council as a whole.
- 2.5 The pandemic had an impact on the mix of care provided, particularly a move from residential to community-based care. The last year has continued to see this flow reversing and the long-term effects of this may impact on the types and volumes of future provision. Whilst focus remains on supporting people to continue to live at home, increasing complexity and acuity of need means there may be an increase in the number of people requiring nursing care home provision. At the same time, whilst the number of people supported to remain at home is not increasing substantially, there is already evidence of size of packages of care increasing, again due to increased acuity.
- 2.6 There continues to be an increase in the cost of care and support packages for working age adults and in particular for people with complex health and care needs relating to learning

disabilities, autism and/or other neurodiverse needs. This includes young people transitioning from children's services into adults' services. We are also continuing to see an increase in demand for people requiring mental health services, including an increase in the number of new care home placements.

- 2.7 Adult Social Care will continue to develop and implement its approach to design care and support arrangements around the strengths of people who draw on care and support services and carers (strengths based social care), and the assets available within their communities empowering them to live the 'Better Life' that they want for themselves. In addition, it will continue to work with NHS partners to develop plans for meeting the needs of the NHS England-led Transforming Care programme and health and social care initiatives.
- 2.8 The Care Act, 2014, places a statutory duty on local authorities to ensure they have a stable and financially viable local market of care and support providers, not only for people who require state support but also for people who fund their own care. This places a requirement on the Council to set fees for externally commissioned care and support services at levels which meet providers' costs. A significant factor in this is the increase in wage rates of the wider social care workforce and the changes to Employers' National insurance Contributions.
- 2.9 **Public Health:** Public Health commissions a wide range of providers to deliver Public Health services. These include 3rd sector providers and NHS providers such as GPs, Leeds and York Partnership Foundation Trust and Leeds Community Healthcare. In recent years, the Government has announced that the public health grant will be maintained in real terms, this does not reverse the significant real terms cut to the grant since 2015/16; nor that the confirmed 1.3% increase for 2024/25 will meet inflationary costs. The official announcement of the 2025/26 public health grant has not yet been published. After several years of cuts and new burdens the service is still operating on a smaller grant than in previous years. Leeds receives significantly less per head of population than the other English core cities and neighbouring authorities (due to historic local NHS funding agreements).
- 2.10 Public Health have additional specific responsibilities and receive ringfenced non-recurrent government funding as part of the 10-year plan to cut crime and save lives by reducing the supply and demand for drugs and delivering a high-quality treatment and recovery service. It is expected that funding will remain the same as 2024/25 and that £9,864k will be received in 2025/26 for this purpose with an additional confirmed £962k for local stop smoking services and support over a five-year period. These additional grants are ring-fenced and will be paid based on set and approved criteria and maintaining existing spend on these services and support from the public health grant.

### 3 **Budget Proposals**

- 3.1 This 2025/26 budget has been set at £199,484k representing a net increase of £114k (0.06%) when compared to the adjusted budget for 2024/25. This net increase comprises a number of changes in resources totalling £8,818k and pressures totalling £47,531k, offset by savings of £38,599k which are explained below.

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

- 3.2.1 There have been no organisational changes, service transfers or other budget adjustments to reflect in the 2025/26 budget.

### 3.3 **Changes in Specific Grant Funding – increase of £8,818**

- 3.3.1 New Social Care Grant announced in the Provisional Local Government finance settlement on the 18<sup>th</sup> of December 2024 amounting to £4,150k has been included in the 2025/26 Adults & Health budget. The finance settlement also confirmed that prior year's new burdens grant funding would continue for future years at the announced 2024-25 level; as such funding of £4,008k has been brought back into the 2025-26 budget, where previously assumed to cease. For 2025-26, there are three adult social care grants that make up this budget provision reflected in the Adults & Health 2025/26 budget: Social Care Grant increase of £4,150k, Local Authority Better Care Grant, £nil uplift and Market Sustainability and Improvement fund, £nil uplift. The new Local Authority Better Care grant combined previous years Integrated Better Care Fund and Adult Social Care Discharge funds. The Local Authority Better Care Grant and the Market Sustainability and Improvement Grant both come with specific conditions attached as to how they can be utilised and to encourage pooled working with the West Yorkshire Integrated Care Board.
- 3.3.2 Provision for additional Better Care Fund (BCF) grant, £660k, has been included in the 2025/26 budget. The funding will be required to be pooled as part of the BCF agreement with the West Yorkshire - Integrated Care Board.

### 3.4 **Pay Inflation – pressure of £5,323k**

- 3.4.1 This budget provides £4,241k for the following elements of pay inflation: the Employers final pay award for 2024/25; 3.5% for both NJC and JNC staff in 2025/26; 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. Further pay inflation of £1,082k for the recruitment of social workers and wellbeing workers.

### 3.5 **General Inflation – pressure of £26,308k**

- 3.5.1 NNDR savings of £113k following the closure of Knowle Manor, £33k pressure on gas and electric.
- 3.5.2 **Other Price Inflation:** No provision has been made for inflation on running cost budgets other than demand-based budgets and where there are specific contractual commitments. The main provision for price inflation is £26,788k for care packages and other commissioned demand led services. The modelling for residential and community settings assumes the front line pay rate in line with the recently announced Real Living Wage rate of £12.60. For 2025-26 this removes the 40p premium for Homecare provision that the modelling provided for in 2024-25.
- 3.5.3 **Income inflation:** This budget provides provision for £400k general income inflationary uplift. This is separate to the income proposals outlined below in the Business As Usual section, 3.14.

### 3.6 **Demand and Demography – pressure of £10,630k**

- 3.6.1 Additional provision of £10,630k has been made to reflect the demand and demographic pressures forecast for 2025/26 adult social care demand led budgets. In recognition of the financial challenges facing the council the Directorate intends to put measures in place to carefully manage this demand and ensure the costs of care packages represent value for money. Whilst the additional provision has been allocated across placements, domiciliary

care, direct payments and the learning disability pooled budget, the type of service will reflect client needs and choices so each element of the community care packages budget cannot be predicted with absolute accuracy.

### 3.7 **Actuarial Review**

3.7.1 The 2025/26 directorate budget reflects no increase in the Employers Pension contribution to the West Yorkshire Pension Fund.

### 3.8 **Capitalised Pension Costs – saving of £156k**

3.8.1 The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £156k.

### 3.9 **Voluntary Leavers Scheme – pressure of £155k**

3.9.1 In October 2023 the council launched a targeted Voluntary Leavers Scheme (VLS) as an important measure to address the ongoing financial challenge. Provision of £155k has been made to meet associated pension strain costs.

### 3.10 **Other budget pressures – £5,271k**

3.10.1 Provision for increased insurance costs of £299k which reflects changes in the number and value of insurance claims.

3.10.2 Corporately managed areas have had a small impact on the Adults and Health 2025/26 budget; increased Apprentice Levy provision, £27k.

3.10.3 Demand pressures of £550k for the transportation of adults within Leeds by the Passenger Transport in-house service is provided for in the 2025/26 budget.

3.10.4 Following a review of charges into the Disabled Facilities Grant (DFG), a final phased budget adjustment of £200k has been made to Adults & Health 2025/26 budget. Total reduced charge to the DFG Grant of £400k.

3.10.5 £50k to fund 1 full time Health, Safety and Wellbeing post, to ensure consistent provision of a safe, legally compliant workplace for employees and safe environment and activities for service users.

3.10.6 Adult Social Care have entered into a partnership agreement with Leeds Community Health for access to their Single Care Record system, SystemOne unit, at an annual cost of £120k. The Delegated Decision Notice reference is D57628 [Council and democracy](#)

3.10.7 At the October'24 Executive Board, approval was given for the Business-as-Usual proposal for a £3,300k saving on renegotiating the Intermediate Care Bed contract. This was awaiting the award of the new contract from 1<sup>st</sup> April 2025. West Yorkshire Integrated Care Board (WY-ICB) subsequently announced that there was no successful bidder. New negotiations have commenced but they will not deliver the £3,300k of saving. Thus, recognising a pressure of £1,500k, reducing the 2025-26 saving for operating the Intermediate Care Beds down to £1,800k.

- 3.10.8 At the December'23 Executive Board agreement for year one savings, 2024-25, of £1,350k for a Service Review of Commissioned and Leeds City Council provided day services and opportunities. A further year two saving target of £1,350k was agreed at the September'24 Executive Board meeting. Taking the total agreed Executive Board savings target to £2,700k. Adult Social Care have now recognised that the programme cannot be delivered as originally planned, as such a provision of £2,500k has been provided in the 2025-26 budget. An alternative savings proposal for 2025-26 has been put forward for £550k and is referenced in the Service Review section, 3.14.3 below.
- 3.10.9 £100k income pressure from the cessation of a funding agreement with the West Yorkshire Integrated Care Board. This is the full year effect, and the contract ceased 1<sup>st</sup> of October 2024. The agreement related to funding for Crisis Flats with the Transitional Housing Units.
- 3.10.10 £75k budget transfer as part of Adults Social Care contribution towards the Corporate Estates Asset rationalisation programme savings target relating to vacating Killingbeck Court to release the property for sale.

### 3.11 Savings

- 3.11.1 **Business As Usual** – Since February 2024, the Adults & Health Directorate has had 28 Business as Usual proposals approved at the February, October, and December 2024 Executive Board meetings. These can be grouped up into 5 themes as detailed below.
- 3.11.2 The 2025-26 budget for Adults & Health has provision for commissioning and contracts savings proposals of £9,174k: £5,200k for contract reviews across all areas of Adult Social Care commissioned services; £1,919k for the removal of the 40p premium for the Homecare Provider hourly rate; £1,350k savings for the review of commissioned and LCC provided day services and opportunities, year two of three; £500k for reviews around identifying contract efficiencies, predominately on tendered contracts; £50k contract savings from Live Well Leeds; £155k reduction in the Workplace Leeds West Yorkshire – Integrated Care Board agreement.
- 3.11.3 Provision of demand management savings proposals of £7,750k have been reflected in the 2025/26 budget: £4,000k for reduction in the cost of existing packages from reviews; £3,000k around demand management; £450k for the full year effect of the 'Ordinary Residence' ruling which was clarified in 2023; £300k for the full-year effect of the closure of Knowle Manor Older Persons Care Home, part of the review of In-House services for Older People which commenced 2024-25.
- 3.11.4 Invest to Save proposals of £4,250k have been proposed: £4,250k for the Home First programme which is around developing and implementing a new model of intermediate care services to achieve more independent and safe outcomes, helping more people to stay at home, whilst improving the experience for people, carers, and staff. Includes Health and Leeds City Council. This is Year 2 of the Home First programme.
- 3.11.5 Income proposals of £6,445k have been proposed: £2,900k for improved collection of financially assessed client income; £1,325k increase in client income resulting from the uplift in government benefits from April 2023; £2,000k targeting additional health partner income for Joint Care packages; £220k full year effect for the 2024-25 introduction of new fees & charges for Cattery & Kennelling and the Admin Fee.
- 3.11.6 Other proposals of £6,125k have been proposed; £4,000k from reviewing Adult Social Care vacancy factor and pausing front line recruitment in Service Transformation and Adult



Operational Service Teams; £500k from reviewing non-demand and non-staffing budgets; £1,350k further support of Public Health Grant for Adult Social Care eligible expenditure; £200k for implementing use of digital technology into Care settings; £75k saving for the public health funerals budget by consideration of the most cost effective options, in agreement with family / carers or advocates.

3.11.7 The 2025-26 directorate budget reflects that capital generated from the sale of assets will be applied to fund the revenue costs of transformation, of £1,190k, as permitted by the Flexible Use if Capital Receipts Direction issued by the Government.

### 3.12 **Service Review £3,665k**

3.12.1 £2,000k savings target from delivering efficiencies in adult social care through implementation of a proposed prevention programme. Significantly improving the approach to prevention in adult social care will more effectively manage demand, reducing the escalation of need for people receiving care and support and preventing or delaying new people requiring support in the future. Learning from other local authorities indicates the potential to deliver significant savings and efficiencies as well as improved outcomes for their local residents.

3.12.2 £800k savings or additional income target from reviewing the provision of passenger transport services for Adult Social Care, primarily service provision around Day Opportunities. The review will consider the current transport policy and limiting the 'out of area' journeys, innovative ideas to reduce high-cost taxi-provision and the review of fees and charges for passenger transport.

3.12.3 £550k savings target from the transformation of in-house day opportunities and the number of buildings the service occupy. The service review will rationalise the number of building the service occupies from six down to three.

3.12.4 £65k savings target from the review of non-statutory grants and delivery of 10% savings against the 2024-25 budget. Will cover preventative services delivered by the voluntary sector and the Leeds City Council contribution to Carers Leeds. Excludes providers who support the Neighbourhood Network in Leeds.

3.12.5 £250k year one savings target following a review of the in-house Care Delivery Service. A three-year programme aiming to deliver £250k per annum for 2025-26, 2026-27 and 2027-28. This proposal is to undertake a phased review of the in-house services over the next three years, aiming to deliver an initial saving in 2025/26 of £250,000. Further savings will be delivered through the review, which will be further scoped and set out by the end of 2024/25, with subsequent reports setting out the further efficiencies and savings that will be delivered in 2026/27 and 2027/28, though initial target savings of £250,000 in these two subsequent years have been assumed.

## 4 **Risk Assessment**

4.1 In determining the 2025/26 budget, consideration has been given to all of the risks, which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered as carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2025/26 budget for the Adults & Health Directorate are:

- 4.2 For Adult Social Care, a significant ongoing risk relates to the demand led nature of the services provided, together with the statutory responsibility to ensure that all assessed eligible needs are met, which means that the expenditure requirements to be met from the Adult Social Care budget cannot be predicted with absolute certainty.
- 4.3 The continuing impact of the pandemic and the change in the current mix of care provided only enhances this risk. The budget is based on realistic demographic information using trends experienced in Leeds and national and local indicators that are available to the Council. However, the nature of demand for these services can be volatile and subject to demand factors that Adults & Health cannot directly control. The numbers of people who require care and support and the complexity of their needs may exceed the provision made within the budget; a modest percentage variance in numbers can give rise to a substantial cash variance. In this context, delivering several of the savings included within the 2025/26 budget carries some risk. The overall budget for demand led commissioned services is over £305m, as such just a 1% variance equates to around £3.1m.
- 4.4 A new risk is around the impact of the changes announced in the Autumn'24 budget for Employers National Insurance contributions (NICs) from 6<sup>th</sup> April 2025: rate of employers' NICs will rise by 1.2 percentage points to 15%; The level at which employers start paying NICs for each employee will fall from £9,100 to £5,000. The risk is around affordability for Leeds City Council and the provider market and also sustaining a viable market that delivers a wide range of sustainable high-quality care and support services.
- 4.5 Over the last three years significant increases in client income contributions have been reflected in the A&H Budget. 2025/26 reflects additional client income of £4.45m, taking the overall client income for 2025/26 to over £65m. Given the overall uplift in client income there is a risk that we do not achieve this level of income.
- 4.6 For Public Health, there is a continued risk of harm to health and an increase in health inequalities due to the impact of the reduced funding led cuts on commissioned services and programme budgets over the last few years. Though the grant was increased by 3.3% in 23/24 it is still lower than several years ago. The 2024/25 final settlement was confirmed as £49,694k. The 2025/26 grant settlement as not yet been published.
- 4.7 A risk of newly endorsed NICE (National Institute for Clinical Excellence) treatments becoming a cost pressure due to the Council's Public Health responsibilities. Public Health is responsible for commissioning treatment services and has several contracts which are activity based. There is a financial risk, based on the possibility of fluctuation of demand, some of which is determined by NHS tariff.
- 4.8 In 2024/25 NHS England provided funding for the annual pay award for NHS providers who are contracted to deliver Public Health Services for Local Authorities. There is an on-going risk of a significant pressure to fund future Agenda for Change NHS pay awards in 2025/26 and beyond.
- 4.9 There is an overarching risk covering public health and social care relating to changes in national policy, practice, and legislation e.g., Agenda for Change, Transforming Care Programme.

Briefing note prepared by: Alun Ellis (Head of Finance)  
Telephone: 0113 378 3557

**Directorate - Adults & Health**

	2025/26 £m	FTEs
<b>Net managed budget 2024/25</b>	199.37	
<b>Adjustments</b>		
<b>Adjusted net managed budget</b>	<b>199.37</b>	<b>0.00</b>
<b>CHANGES IN RESOURCES</b>		
<b>Grant Reductions/Fallout</b>		
<b>Grant Increases</b>		
Better Care Fund (BCF)	(0.660)	
Social Care Grant and new burdens (prior years)	(4.008)	
Social Care Grant new funding 2025-26 (split 50 : 50 with C&F)	(4.150)	
<b>Changes in the use of Reserves &amp; Balances</b>		
<b>Other Changes in Resources</b>		
<b>Total Change in Resources</b>	<b>(8.818)</b>	<b>0.00</b>
<b>CHANGES IN PRESSURES</b>		
<b>Pay Inflation</b>	5.323	
<b>General Inflation</b>		
Electricity & Gas	0.033	
NNDR	(0.113)	
<b>Commissioned Services</b>		
Real Living Wage Commissioned Services	23.549	
General Inflation uplift for Commissioned Services (Gross)	3.239	
Offset by Client income associated fee collection	(0.400)	
<b>Demographic and demand pressures</b>	10.630	
<b>Employers Pension</b>		
<b>Capitalised Pensions/VLS</b>	(0.001)	
<b>Other</b>		
Loss of WY-ICB s256 income re Transitional Housing Units (fye)	0.100	
Apprentice Levy	0.027	
Phase reduction in staff charges to Disabled Facilities Capital Grant (DFG)	0.200	
Roll out of Single Care Record system. Joint with the WY-ICB.	0.120	
Trend and price inflation pressures on In-House (CEL) Passenger Transport Services	0.550	
Health & Safety Workers (Corporate)	0.050	1.00
Adjustment to October savings proposal for Intermediate Care Contract	1.500	
Adjustment to February'24 savings proposals for Day Opportunities review	2.500	
Corporate Insurance Premiums	0.299	
Corporate Estates Rationalisation Programme	(0.075)	
<b>Total Change in Pressures</b>	<b>47.531</b>	<b>1.00</b>
<b>CHANGES IN SAVINGS</b>		
<b>Business As Usual</b>		
<b>Commissioning &amp; Contracts</b>		
Review of commissioned and LCC provided day services and opportunities (year 2)	(1.350)	
Contract Savings - Live Well Leeds (5% reduction)	(0.050)	
Improved cost recovery from Intermediate Care Contract	(3.300)	
Contracts - Review Terms & Conditions	(1.500)	
Reduction in joint grant funding agreement with the WY-ICB	(0.155)	

	2025/26 £m	FTEs
Contract efficiencies (on tendered contracts)	(0.500)	
Seek full cost recovery on contracts provided by the Council	(0.400)	
Review of Fee rates and removal of premium for Homecare	(1.919)	
<b>Demand Management</b>		
Reduction in cost of existing packages (OP & WAA)	(4.000)	10.00
Demand management (OP & WAA)	(3.000)	12.00
Ordinary Residence ruling (year 2 impact)	(0.450)	
FYE of review of In-House Services (Older People)	(0.300)	
<b>Invest to Save proposals</b>		
Newton Europe (HomeFirst programme) via Hospital pathway	(4.250)	
<b>Income</b>		
Inflationary uplift for cleint income (4.1%)	(1.325)	
FYE of introduction of new fees & charges (Cattery & Kenneling & Admin Fee)	(0.220)	
Additional Client income (trend)	(2.900)	
Target additional NHS contributions to joint care packages	(2.000)	
<b>Other</b>		
Review of vacancy factor	(3.000)	
Pause front-line recruitment	(1.000)	
Review of non-demand & non-staffing based budgets	(0.500)	
Public Health - Investment in preventative services	(1.350)	
Reapportion transformation saving relating to additional £5m capital receipt	(1.190)	
Public Health funerals : cremation only	(0.075)	
Use of Digital in Care Settings (full year effect)	(0.200)	(4.00)
<b>Service Review</b>		
Review of non-statutory grants	(0.065)	
Review of In-House functions	(0.250)	(4.50)
Transformation of Day Opportunities (potential FTE implications)	(0.550)	(12.00)
Review of Passenger Transport	(0.800)	
Impact of proposed prevention programme (potential future years)	(2.000)	
<b>Total Savings</b>	<b>(38.599)</b>	<b>1.50</b>
<b>Net Managed Budget 2025/26</b>	<b>199.484</b>	<b>2.50</b>

# LEEDS CITY COUNCIL 2025/26 BUDGET REPORT

## Directorate: Children and Families

### 1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2025/26 financial year.

### 2 Service Context

The Children & Families directorate continues to strive to deliver high quality, child and family centric services which seek to put the welfare of children and families at the heart of our service delivery. The Directorate continues to seek to put practice over process and there is a firm recognition that making the correct practice decisions, especially focussed on early help, will deliver beneficial outcomes whilst also helping support the very serious cost pressures that exist nationally and are impacting our work here in Leeds. Within this context there are still significant challenges, with Leeds experiencing (in line with national trends) increased demand for services, an increased level of complexity of need and at the same time as continuing to face recruitment and retention challenges across a number of critical professional fields, including social care and education psychology.

The current financial and cost of living crisis and the impact of Covid continue to have a disproportionate effect on our most in need families. The result is more families requiring support and increasing levels of complexity in need being presented. This is shown in the increase in number of children looked after (following a plateau during the previous years) of around 76 over the last 12 months, although numbers of Children Looked after are now starting to reduce. Analysis shows this is due to increased numbers entering the care system, at the same time as a reduction in those who can be safely moved to a position of not being looked after. Every opportunity to prevent children entering the care system (where it is appropriate for them not to) is taken and practice-based decision making supports this approach along with the provision of appropriate, high quality early help and preventative services. A similar increase in demand has been seen within Learning, for instance the number of applications for Education Health & Care Plan assessment has risen rapidly, in the context of struggles to recruit and retain Educational Psychologists (a role critical to the completion of EHCP assessments). This increase in demand, coinciding with the workforce challenges has resulted in capacity issues within the directorate over 2023 and 2024, including a number of senior leadership roles being vacant or subject to interim/temporary arrangements, although a number of permanent appointments to senior roles have now been made. A range of initiatives have been delivered and will continue to be taken forward to seek to address these issues, and the directorate is now moving forward with a programme of transformation activity, focused in some key areas of activity including diversification of our residential offer, improved commissioning outcomes, changes to our fostering offer, and end to end review of our EHCP processes, a sustained focus on delivering as effective as possible transport arrangements, review of LCC Childrens Centres, review of Little Owls Provision, creating a focused adolescent support service, closer working with health partners etc. to further increase capacity, achieve efficiencies, deliver required financial savings and seeking to position services on a sustainable future footing. 2025/26 will see a continued focus on early and family help as early effective intervention provides beneficial outcomes to young people along with financial savings compared to costs incurred through later interventions. The proposed new Children's

Wellbeing and Schools bill will, subject to it becoming law, provide further focus for our activities within Leeds.

### **3 Budget Proposals**

3.1 This 2025/26 budget has been set at £166,254k representing a net increase of £8,724k (5.63%) when compared to the adjusted budget for 2024/25. This net increase comprises a number of changes in resources totalling £5,517k and pressures totalling £52,097k, offset by savings of £37,843k which are explained below.

#### **3.2 Budget Adjustments and Transfers - £96k**

3.2.1 There have been a number of organisational changes, service transfers and other budget adjustments which are reflected in the 2025/26 budget.

3.2.2 There is an adjustment of £96k relating to the transfer of Business Admin posts and budgets from the Strategy and Resources directorate to Childrens and Families.

#### **3.3 Changes in Specific Grant Funding – increase of £5,517k**

3.3.1 There is additional Social Care funding of £4,150k in relation to Children’s social care services.

3.3.2 To reflect the growth in the number of Unaccompanied Asylum-Seeking Children (UASC) additional funding of £2,000k is included.

3.3.3 The Strengthening Families Protecting Childrens programme has ceased, grant funding has been reduced by £418k to reflect this.

3.3.4 Dedicated School Grant contributions to the general fund budget have reduced by £215k.

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

3.4.1 There are no changes in the use of reserves and balances for 2025/26.

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

3.5.1 There are no changes in other resources for 2025/26.

#### **3.6 Pay Inflation – pressure of £6,952k**

3.6.1 This budget provides £6,952k for the following elements of pay inflation: the Employers final pay award for 2024/25; 3.5% for both NJC and JNC staff in 2025/26; the recently announced Real Living Wage increase to £12.60, with an assumed hourly rate of £12.69 at pay scale point 2 in 2025/26.

#### **3.7 Price Inflation – pressure of £2,851k**

3.7.1 The budget provides £2,586k for price inflation on Children Looked After (CLA) and financially supported non-CLA budgets (which include arrangements that prevent children from becoming looked after, such as special guardianship orders). The increase is partly

offset by savings proposals detailed later in this report. An additional £265k has been provided for increased inflation on Transport budgets.

- 3.7.2 **Energy Inflation:** Prices within the energy market continue to fall and the Council notes further price improvements are considered achievable. Forecasts assume an increase against the 2024/25 base of 13.2% for gas and a reduction of 3.5% for electricity. These reductions are reflected in the 2025/26 Budget resulting in a total increased provision of £11k.
- 3.7.3 **Fuel Inflation:** This budget also provides a decrease of £1k for the impact of inflation on the cost of fuel.
- 3.7.4 **Insurance:** The budget provides for a reduction in directorate insurance charges of £243k.
- 3.7.5 **NNDR - saving of £64k**
- 3.7.6 The provisional 2025/26 Business Liability assessment has indicated an estimated saving of £64k.
- 3.8 **Actuarial Review**
- 3.8.1 The 2025/26 directorate budget reflects no increase in the Employers Pension contribution to the West Yorkshire Pension Fund.
- 3.9 **Capitalised Pension Costs – pressure of £502k**
- 3.9.1 The additional capitalised pension costs associated with staff who have left the Council under ELI to date will increase estimated costs by £502k.
- 3.10 **Demand and Demography – pressure of £38,243k**
- 3.11 £32,008k has been provided for increased demand on Children Looked After (CLA) and financially supported non-CLA budgets (which include arrangements that prevent children from becoming looked after, such as special guardianship orders).
- 3.12 £6,235k has been provided for increased demand on Children’s Transport Services
- 3.13 **Other budget pressures – £3,832k**
- 3.13.1 A pressure of £697k has been included to reflect the increased costs associated with the additional demand for Education Psychologists.
- 3.13.2 An additional £700k has been included to reflect the increased demand for direct payments.
- 3.13.3 A further £500k has also been included in the budget for increase legal costs.
- 3.13.4 An additional £35k has also been included to reflect increased apprentice levy payments.
- 3.13.5 A pressure of £1,961k is included in the budget to reflect the increased costs associated with school PFI schemes.
- 3.13.6 £150k to fund 3 Health, Safety and Wellbeing posts, to ensure consistent provision of a safe, legally compliant, workplace for employees and safe environments and activities for

service users, this additional cost has been offset by an additional DSG contribution of £100k as reflected in the change to grant funding.

3.13.7 There has been a reduction of £145k in the pressure against the Mindmates provision.

3.13.8 A reduction of £49k reflects the assumed reduction in running costs of buildings associated with estate rationalisation.

### 3.14 **Savings**

#### 3.15 **Business As Usual – £19,943k**

3.15.1 Within the MTFS, existing CLA pressures were reassessed based on existing activity and plans in progress through the CLA sufficiency strategy, resulting in a cost reduction of £15,208k.

3.15.2 Additional income of £300k will be generated at Adel Beck secure children's home.

3.15.3 A review of traded services will ensure deliver further savings of £57k will be made against the general fund budget.

3.15.4 Targeted staffing reduction will deliver savings of £241k within Learning services, £296k within Resources, Transformation and Partnerships and a further £335k within Social Care.

3.15.5 Costs savings of £910k will be delivered across all areas of the Early Years service.

3.15.6 A review of grant funding shares will ensure that a further £500k of grant income can be generated to offset general fund expenditure.

3.15.7 Additional savings arising from review of miscellaneous expenditure and grant funding will generate additional income / reduction of costs of £500k.

3.15.8 The 2025/26 directorate budget reflects that capital receipts generated from the sale of assets will be applied to fund the revenue costs of transformation, of £960k, as permitted by the Flexible Use of Capital Receipts Capitalisation Direction issued by Government.

3.15.9 Additional savings of £500k will be delivered against the passenger transport expenditure.

3.15.10 Other business as usual savings include additional income generation of £20k at the Leeds Activity centres, service funding substitution £94k, and a reduction in preventative commissioned services of £22k.

#### 3.16 **Service Review £17,900k**

3.16.1 The current Childrens and Families transport policies and practices will be further reviewed to identify efficiencies of £1,400k.

3.16.2 Further savings of £15,000k will be delivered through the agreed CLA sufficiency strategy which will build on the existing activity on increasing fostering capacity, increasing Small Group Living capacity and reducing external residential placements.



- 3.16.3 A further review will commence consultation with our recognised Trade Unions and engagement with staff across the Directorate about ways in which savings of £500k can be delivered through workforce reductions.
- 3.16.4 A review of Children's Centres will consider possible means to generate service efficiencies by way of either savings, or the generation of new income. A savings target has been set of £1,000k.

#### 4 **Risk Assessment**

- 4.1 In determining the 2025/26 budget, consideration has been given to all of the risks, which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered as carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2025/26 budget for the Childrens and Families Directorate are:
- 4.2 There is an increasing number of children with special and very complex needs. This impacts in particular on the Children and Families placements budget for Children Looked After and financially supported non-CLA, as well as budgets linked to EHCPs and transport. These budget proposals provide for increased demand and inflation, however there is a risk that both demand and inflation may increase beyond current projections. The Directorate continues to develop innovative approaches to the delivery of services to mitigate the demand pressures, including a focus on preventative Early Help services.
- 4.3 The Service reviews proposed by Childrens and Families will require significant work within the directorate to deliver the budgeted savings. There is a risk that if the service reviews are not delivered there would be additional budget pressures in 2025/26.
- 4.4 The Directorate's proposed budget assumes grant income based on previous trends; however, a number of grant allocations will be announced after the budget has been prepared and there is a risk that the final allocations will be less than projected. There is also a risk there will be reductions in traded income as more schools become academies, resulting in reduced demand for services.

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Directorate - Childrens and Families

	2025/26 £m	FTEs
<b>Net managed budget 2024/25</b>	157.42	
<b>Adjustments</b>	0.10	5.14
<b>Adjusted net managed budget</b>	<b>157.52</b>	<b>5.14</b>
<b>CHANGES IN RESOURCES</b>		
<b>Grant Reductions/Fallout</b>	0.7	
<b>Grant Increases</b>	(6.3)	
<b>Changes in the use of Reserves &amp; Balances</b>	0.00	
<b>Other Changes in Resources</b>	0.00	
<b>Total Change in Resources</b>	<b>(5.52)</b>	<b>0.00</b>
<b>CHANGES IN PRESSURES</b>		
<b>Pay Inflation</b>	6.95	
<b>General Inflation</b>	(0.05)	
<b>Insurance</b>	(0.25)	
<b>Demographic and demand pressures</b>		
CLA	32.01	
Transport	6.24	
<b>Capitalised Pensions/VLS</b>	0.50	
<b>Price Inflation</b>	2.85	
<b>Other:</b>		
Education Psychology	0.70	
Apprenticeship Levy	0.04	
Direct payments	0.70	
Legal Costs	0.50	
PFI	1.96	
Health & Safety Workers	0.15	3.00
Estate Rationalisation	(0.05)	
Mindmates	(0.15)	
<b>Total Change in Pressures</b>	<b>52.10</b>	<b>3.00</b>
<b>CHANGES IN SAVINGS</b>		
<b>Business As Usual</b>		
CLA Sufficiency Strategy	(15.21)	
Additional Income Generation	(0.50)	
Adel Beck: Additional income	(0.30)	
Learning Improvement Trading Review	(0.06)	
Staff Savings Learning	(0.24)	(4.00)
Staff Savings: Resources, transformation & partnerships	(0.30)	(5.00)
Staff Savings Social care	(0.34)	(6.50)
Early Years operational savings	(0.91)	
Activity Centres: Additional income	(0.02)	
Commissioned Services Preventative	(0.02)	
Service funding substitution	(0.09)	
Misc Expenditure reduction / additional income	(0.50)	
Capital Receipts for Transformational change	(0.96)	
Passenger Transport	(0.50)	
<b>Service Review</b>		
Transport: Policy and practice review	(1.40)	
CLA	(15.00)	
Directorate wide targetted VLS offer	(0.50)	(15.00)
Review of Childrens Centres	(1.00)	
<b>Total Savings</b>	<b>(37.84)</b>	<b>(30.50)</b>
<b>Net Managed Budget 2025/26</b>	<b>166.25</b>	<b>(22.36)</b>

# LEEDS CITY COUNCIL 2025/26 BUDGET REPORT

## Directorate: Childrens and Families

### The Schools Budget 2025/26

#### 1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Schools budget for the 2025/26 financial year.

#### 2 Context

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

### 3 **Budget**

3.1 The 2025/26 expected schools funding for Leeds is £1,144.4m representing a net increase of £59.4m (5.5%) when compared to the adjusted funding for 2024/25. This increase comprises a number of changes in grant funding which are explained below.

#### 3.2 **Dedicated Schools Grant**

3.2.1 The schools budget is mainly funded by the Dedicated Schools Grant (DSG). The DSG is a ring-fenced grant and can only be applied to meet costs that fall within the schools budget.

3.2.2 With effect from the end of 2019/20, new provisions were added to the School and Early Years Finance Regulations which required local authorities to carry forward any DSG overspends or deficit balances to the following year. Such deficits were ringfenced to be dealt with from future DSG income, rather than being funded by the Council, unless otherwise authorised by the Secretary of State. This provision for ringfencing DSG deficits was originally due to be withdrawn at the end of 2022/23, however it has now been extended to the end of the 2025/26 financial year. If the provision is not extended further the council would require sufficient funding available in other reserves to offset any DSG deficit. Further detail on this is set out below at Section 3.8.

3.2.3 The Dedicated Schools Grant (DSG) for 2025/26 continues to be funded in four separate blocks for early years, high needs, schools and central school services.

3.2.4 A National Funding Formula (NFF) was implemented in April 2018 by the ESFA for high needs, schools and central schools services. However, local authorities will continue to set local formulae for schools as a transitional arrangement until full implementation of the NFF. Full implementation has been delayed until at least 2026/27.

#### 3.3 **DSG Early Years Block**

3.3.1 The Early Years Block expanded significantly during 2024/25 with the introduction of working parent entitlements for 2 year olds from April 2024 and the introduction of working parent entitlements for 9 month to 2 year olds from September 2024 in addition to the existing entitlement of early education of eligible 2 year olds, 15 hours per week of free early education for all 3 and 4 year olds, and a further 15 hours per week for working families of 3 and 4 years olds.

3.3.2 There is a further increase in entitlement from September 2025 when the additional 15 hours per week will be available for working families for all ages from 9 months to 4 years.

3.3.3 The funding hourly rates have been confirmed at £11.50 for under 2's (increased from £11.18 at April 2024), £8.44 for 2 year olds (increased from £8.21 at April 2024) and £5.82 for 3 and 4 year olds (increased from £5.62 at April 2024).

3.3.4 The early years pupil premium is also included in this block and is payable to providers for eligible pupil of all ages. The hourly rate for 2025/26 for this element is £1.00 per hour, an increase of £0.32 compared to April 2024. In addition, the Disability Access Fund rate will increase by £28 (compared to April 2024) to £938 per eligible child for 2024/25.

3.3.5 The grant received during 2025/26 will be based on January 2025 and January 2026 censuses and is estimated at £124.20m.

### 3.4 **DSG High Needs Block**

- 3.4.1 The High Needs Block supports Special Educational Needs and Disabilities (SEND) in a number of ways. This includes places and top-up funding in special schools, resourced provision in mainstream schools and alternative provision; top-up funding for early years, primary, secondary, post-16 and out of authority provision; central SEND support and hospital & home education. A grant allocation of £150.0m for 2025/26 has been estimated, an increase of £14.6m compared to the 2024/25 budget, although adjustments to this figure are expected up until July 2025.
- 3.4.2 In line with the national picture, Leeds has experienced an increase in SEND demand and complexity in recent years, with this trend expected to continue. Although funding has increased for Leeds, there is currently a gains limit factor which means that the Leeds allocation for 2025/26 will be £3.03m less than the full National Funding Formula. Between 2018/19 and 2025/26 this has resulted in Leeds receiving £30.56m less for High Needs than would have been due under the full National Funding Formula.
- 3.4.3 Despite the increase in funding for 2025/26, the anticipated increase in special school places and pupils eligible for additional top-up funding means that there is a significant funding pressure against the High Needs Block which cannot be met from the funding available and therefore a deficit high needs budget will be required for 2025/26.
- 3.4.4 A key issue is that local authorities have a statutory duty to meet the special educational needs of children which are identified through an education, health and care plan (EHCP), and these needs are increasing in the city. Leeds still has statistically lower numbers of EHCPs than comparators, however the city has seen increases in the numbers and complexity of needs of pupils in line with the national picture.
- 3.4.5 A deficit action plan to address the projected 2025/26 pressures on the High Needs budget continues to be developed, further details of which are provided in section 4.8 below. The position on the High Needs Block will therefore be closely monitored during the year.
- 3.4.6 The proposed budget for 2025/26 taking into account the known and estimated changes is as follows:

	2024/25 £000	2025/26 £000	Variance £000
<b>High Needs Block DSG Income</b>			
High Needs Block baseline	135,400	150,002	14,602
Places funded directly by the ESFA	-14,792	-16,626	-1,834
Transferred from Schools Block	3,540	3,823	283
Use of DSG reserves	3,500		-3,500
<b>Total High Needs Grant</b>	<b>127,648</b>	<b>137,199</b>	<b>9,551</b>
<b>High Needs Block Expenditure</b>			
<b>Funding Passported To Institutions</b>	119,334	160,319	40,985
<b>Commissioned Services</b>	2,432	2,930	498
<b>Directly Managed By Children &amp; Families</b>	5,882	6,226	344
<b>Total High Needs Expenditure</b>	<b>127,648</b>	<b>169,475</b>	<b>41,827</b>
<b>Total Deficit Budget</b>	<b>0</b>	<b>32,276</b>	<b>32,276</b>

### 3.5 DSG Schools Block

- 3.5.1 The Schools Block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11. The grant for 2025/26 is based on pupil numbers (including those in academies and free schools) as at October 2024. The final schools block funding for 2025/26 has been confirmed by the ESFA as £764.7m, an increase of £56.8m compared to 2024/25. The 2025/26 schools block funding now includes the 2024/25 Core Schools Budget Grant (CSBG), the teachers pay grant and teachers pension grant which were previously paid as separate grants.
- 3.5.2 Schools have been consulted on options for the local funding formula in 2025/26. The results of the consultation have been reported to Schools Forum to enable further discussion with a final decision being made by the Director of Children and Families in early 2025. As part of the consultation a majority of schools which responded supported a proposal to transfer 0.5% (£3.82m) to the High Needs Block from the Schools Block. Schools Forum approved this transfer at their meeting in December 2024.
- 3.5.3 A majority of schools who responded to the consultation also supported a proposal for maintained schools to continue to contribute funding of £140k towards severance costs incurred by the council for school staff. Schools Forum also approved this contribution.

### **3.6 DSG Central School Services Block**

3.6.1 The Central School Services Block (CSSB) includes the funding which was previously delivered through the retained duties element of the Education Services Grant along with specific ongoing responsibilities and historic commitments. The allocation for 2025/26 was issued in December 2024 at £5.64m, an increase of £0.52m compared to 2024/25. This increase is due to the inclusion of the centrally employed teachers elements of the 2024/25 Teachers Pension Grant and the Core Schools Budget Grant being rolled into the CSSB for 2025/26. Within this, there is also a 20% reduction on the historic commitment element in line with previous DfE statements to reduce this funding.

### **3.7 DSG transfers**

3.7.1 The ESFA guidance for 2025/26 allows for funding to be moved within the DSG blocks. Schools Forum have previously agreed a transfer of £3.82m from the Schools Block to the High Needs Block.

### **3.8 DSG balance**

3.8.1 At the end of 2024/25 it is projected that there will be a deficit balance of £13.934m on the DSG. The projected deficit equates to 1.28% of the total DSG funding 2024/25. This position will continue to be closely monitored throughout the remainder of 2024/25 with updated projections to be presented to Schools Forum and Executive Board. The deficit balance will be carried forward into 2025/26.

3.8.2 This negative reserve position is allowed for within the management arrangements for the DSG by Local Authorities by means of a 'statutory override' to the requirement for the DSG to remain balanced. The Council is now working with the Department for Education on producing a DSG Management Plan which will form the basis of work to seek to bring the DSG to a more balanced position over time, to the extent that this is possible given any limitations in funding and increased demand. Whilst the DSG Management Plan will potentially assist in the medium term, the increasing level of deficit is however an issue that needs careful consideration and needs to be considered within the overall context of the Council's financial arrangements.

3.8.3 The Directorate continues to work with the Leeds Schools Forum on the continued development of the plan, including providing regular budget monitoring reports and updates on progress with identifying options.

3.8.4 In the context of growing needs within the city and the cap on High Needs funding increases, options for managing within the available funding will be carefully considered and consulted on as appropriate to develop proposals. Consideration will be given to the fact that the High Needs budget supports the education of some of the most vulnerable children in the city and that benchmarking shows costs are comparatively low in this area. Invest-to-save options that result in outcomes being maintained or even improved, while also reducing costs, would be prioritised.

### **3.9 Post 16 funding**

3.9.1 Funding for mainstream post-16 provision is provided by the ESFA separately to DSG and is estimated at £30.07m for 2025/26. Funding for high need post-16 pupils is included in the DSG High Needs Block figures shown earlier in this report.

### 3.10 **Pupil Premium grant**

3.10.1 Pupil Premium grant is paid to schools and academies based on the number of eligible Reception to Year 11 pupils on the schools roll in January each year. The value for 2025/26 is estimated at £48.67m. The rates for 2025/26 have not yet been announced. The 2024/25 rates were as follows: primary £1,480, secondary £1,050, for each pupil registered as eligible for free school meals (FSM) at any point in the last 6 years and £340 for children of service families. The pupil premium rate for children looked after and children who have ceased to be looked after by a local authority because of adoption, a special guardianship order, a child arrangements order or a residence order has been set at £2,570.

### 3.11 **Primary PE grant**

3.11.1 The Primary PE grant will be paid in the 2024/25 academic year to all primary schools at a rate of £16,000 plus £10 per pupil. It is expected these rates will remain the same for the academic year 2025/26, resulting in a total grant of £4.34m.

### 3.12 **Universal Infant Free School Meals grant**

3.12.1 A grant for the universal provision of free school meals for all pupils in reception, year 1 and year 2 was introduced in September 2014. Funding for the 2024/25 academic year is based on a rate of £2.53 per meal taken by eligible pupils, giving an annual value of £480.70. The total value of the grant is estimated at £10.02m. Data from the October and January censuses will be used to calculate the allocations for the academic year.

### 3.13 **Teachers Pay Grant**

3.13.1 A new Teachers Pay Grant for schools and academies was announced in response to the teachers pay agreement from September 2023. For 2025/26 this funding has been rolled into the schools block, early years block and CSSB.

### 3.14 **Covid Funding**

3.14.1 In previous years the Government announced a range of funding streams to support children and young people to catch up following the disruption as a result of coronavirus (COVID-19). These grant streams all cease at the end of 2024/25.

### 3.15 **Core Schools Budget Grant (CSBG)**

3.15.1 A further grant, the core schools budget grant (CSBG), was announced in 2024 to support schools with their overall costs in the 2024 to 2025 financial year, in particular following confirmation of the 2024 teacher pay award. In 2024 to 2025, funding through the CSBG covers the 7-month period from September 2024 to March 2025. For the schools block, early years block and CSSB, the impact of the teacher pay award 2025 to 2026 will be paid through the National Funding Formula (NFF) rather than being paid as a separate grant. However, for high need settings this grant will continue into 2025/26 when it will also incorporate the 2024 teachers pay and pension grant. The funding rates have been set at £2,054 per place for SEND and AP places, £1,608 per place for pupils in independent special schools and for hospital services 7.3% of the annual funding included in the 2024/25 DSG allocations.



### 3.16 Schools Funding Summary

3.16.1 The grants expected to be received for Leeds in 2025/26 are summarised in the table below. These figures include payments made directly by the ESFA to settings, for example academies. The figures shown are also before any transfers between the DSG blocks, which were detailed earlier in this report. Some of the 2025/26 amounts are estimates and are subject to final confirmation by the ESFA.

#### *Estimated Schools Funding*

	2024/25 Current £m	2025/26 Estimate £m	Change £m
DSG - Schools Block	707.9	764.7	56.8
DSG - Central Schools Services Block	5.2	5.6	0.4
DSG - High Needs Block	135.8	150.0	14.2
DSG - Early Years Block	93.5	124.2	30.7
ESFA Post 16 Funding	30.0	30.0	0.0
Pupil Premium Grant	48.6	48.6	0.0
PE & Sports Grant	4.4	4.5	0.1
Universal Infant Free School Meals Grant	10.1	10.1	0.0
Teachers Pay Grant (from Sep 2023)	12.4	0.0	(12.4)
Teachers Pension Grant (from April 2024)	15.5	0.0	(15.5)
Teachers Pension Grant 16-19	0.7	0.6	(0.1)
National Tutoring Programme	1.0	0.0	(1.0)
Covid Recovery Premium	3.4	0.0	(3.4)
Core Schools Budget Grant	16.5	6.1	(10.4)
Other Grants	0.1	0.1	0.0
	<u>1085.0</u>	<u>1,144.4</u>	<u>59.4</u>

## 4 School Reserves

4.1 The School Reserves Statement reflects the anticipated movement in reserves between April 2025 and March 2026.

Projected Financial Position on Reserves	Projected Reserves b/f	Projected Increase in Deficit Reserve	Closing Reserves
	Apr-25		Mar-26
	£000s	£000s	£000s
School Led Extended Schools	-4,312	0	-4,312
School Balances	-19,563	0	-19,563
PFI Surplus / Deficit	0	0	0
Dedicated Schools Grant	13,934	32,276	46,210
<b>Total</b>	<b>-9,941</b>	<b>32,276</b>	<b>22,335</b>

4.2 Whilst it is anticipated that the School Balances and School Led Extended balances will change during 2025/26 at this time it is too early to provide an accurate assessment of this potential movement of reserves.

# LEEDS CITY COUNCIL

## 2025/26 BUDGET REPORT

### Directorate: City Development

#### 1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2025/26 financial year.

#### 2. Service Context

- 2.1 City Development provides a wide and diverse range of services which make a significant contribution to the life, growth and vitality of the city. The Directorate is responsible for the Council's physical, economic, cultural and sport services and includes the following services:

- Active Leeds, Operations and Culture – Active Leeds provides opportunities for people living in Leeds to enjoy the benefits of an active lifestyle. Operations manages and oversees retail markets and street trading, manages Leeds city centre, and supports the directorate in change activity. Culture supports arts, cultural activity and events across the city and manages all our museums and venues.
- Asset Management and Regeneration - develops and implements major projects which improve the physical infrastructure of the city and transformation of deprived neighbourhoods including securing external resources. The service is also responsible for the strategic planning of the Council's property portfolio, including the disposal and leasing of properties along with responsibility for the Council Housing Growth team.
- Economy and Skills - leads the work to grow the Leeds economy – including co-ordinating work aimed at creating new jobs, supporting businesses, growing economic sectors, promoting enterprise and developing economic policy.
- Highways and Transportation - provides a highway maintenance service, including street lighting and road sign installation, and delivers a winter service, a highway traffic management system and manages the road space. Responsible for designing and delivering major and minor highways schemes, transportation projects and other major council sponsored projects. Undertakes statutory responsibilities of the council as the city's lead local flood authority.
- Planning and Sustainable Development - deals with planning and building regulations applications including enforcement. Deals with dangerous structures, safety at sports grounds, minerals and waste and provides specialist advice on contaminated land, urban design, landscape, conservation, trees and ecology. Responsible for statutory development plans and policies, community infrastructure levy and facilitating neighbourhood plans.

### **3. Budget Proposals**

3.1 The 2025/26 budget has been set at £43,185k representing a net increase of £5,347k (14.1%) when compared to the adjusted budget for 2024/25. This net increase comprises a number of changes in resources totalling (£509k) and pressures totalling £11,830k, offset by savings of £5,974k which are explained below.

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

3.2.1 There have been a number of organisational changes, service transfers and other budget adjustments which are reflected in the 2025/26 budget. For City Development an adjustment of £127k has been made to reflect the transfer of Business Administration staffing into the Directorate from Strategy and Resources. A further adjustment of £189k has been made from City Centre Management to the Communities, Housing and Environment directorate in respect of the monitoring of the City Centre Vehicle Access Scheme.

#### **3.3 Changes in Specific Grant Funding**

3.3.1 In the Government's October budget, a one year extension to UKSPF was announced totalling £900m. This represented a reduction of 40% from the 2024/25 value with more detail to be released in due course. In December the government released a technical note which included the financial values for 2025/26. Leeds City Council is part of a Mayoral Combined Authority and the value to the region for 2025/26 is £35.8m split between revenue and capital. The specific allocation to Leeds City Council has not been confirmed at this stage but a revenue reduction of £1.1m has been estimated for 2025/26, with the reduction in grant being largely matched by a corresponding reduction in expenditure, and therefore is expected to have a neutral impact on the budget.

#### **3.4 Changes in Use of Reserves and Balances – reduction of £500k**

3.4.1 The 2024/25 budget included the one-off utilisation of £500k of Business Rates Pool balances within Arts & Heritage to substitute for the Council's core budget. The 2025/26 budget reflects the fallout of this short term funding.

#### **3.5 Other Changes in Resources – increase of £1,009k**

3.5.1 The 2025/26 budget reflects the allocation of additional gainshare capacity funding proposed by WYCA to be allocated across the West Yorkshire districts on the basis of population. The anticipated sum of £1,061k is over and above the amount already budgeted for (£2,359k) by the Directorate in 2024/25

3.5.2 The directorate position shows a reduction of £52k in regard to the Extended Rights to Home to School Transport Grant, which was previously received by Highways and Transportation but has now been rolled into Settlement Funding Assessment as part of the 2025/26 provisional Local Government Settlement and will therefore be received into the Strategic Accounts.

#### **3.6 Pay Inflation – pressure of £3,615k**

3.6.1 The budget provides £4,537k for the following elements of pay inflation: the Employers final pay award for 2024/25; 3.5% for both NJC and JNC staff in 2025/26; 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. This amount is partially offset by mitigation plans of £1,141k whereby inflationary increases can be passported to capital and grant funded schemes where appropriate. The budget also includes £219k provided for the additional cost of Enhancements.

### **3.7 General Inflation – pressure of £1,768k**

3.7.1 The provision for other price inflation within the Directorate is £1,768k which includes increases required in respect of the PFI contracts for Street Lighting and Leisure Centres, and other inflationary increases relating to supplies & services, fuel and utilities across all services in the Directorate.

### **3.8 Actuarial Review**

3.8.1 The 2025/26 directorate budget reflects no increase in the Employers Pension contribution to the West Yorkshire Pension Fund.

### **3.9 Capitalised Pension Costs – saving of £281k**

3.9.1 The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £281k.

### **3.10 Voluntary Leavers Scheme – pressure of £252k**

3.10.1 In October 2023 the council launched a targeted Voluntary Leavers Scheme (VLS) as an important measure to address the ongoing financial challenge. Provision of £252k has been made to meet associated pension strain costs.

### **3.11 Other budget pressures – £6,476k**

3.11.1 A number of other pressures have been recognised in the 2025/26 budget:

3.11.2 The estimated increase in Business Rates across the directorate for 2025/26 will result in a budgeted increase of £370k and the cost of insurance is estimated to reduce by £86k which reflects changes in the number and value of insurance claims.

3.11.3 An increase of £101k reflects the transfer of running cost budgets from other directorates associated with planned property releases which will contribute towards City Development's existing Estate Rationalisation savings target.

3.11.4 Additional budgetary provision of £746k has been made in respect of prudential borrowing costs associated with previously approved capital schemes across the directorate.

3.11.5 The budget for fleet maintenance within the Highways and Transportation service has been increased by £500k to reflect the additional costs experienced in recent years associated with maintaining the Council's vehicle fleet.

3.11.6 Recognising the fact that the existing savings targets around Strategic Investments will not be achieved in the short term, which reflects the Council's intention to not simply pursue financial returns but to only invest in suitable and sustainable investments that support the overarching ambitions of the Council, the budgeted savings target has been removed, resulting in an increased budget of £664k within Asset Management & Regeneration.

However, work will continue to develop invest to save proposals where appropriate as part of the investment portfolio growth plan.

- 3.11.7 The Council disposed of St George House during 2024/25 which enabled the Council to generate a significant capital receipt. The 2025/26 revenue budget therefore provides for the loss of £756k rental income associated with the property which was formerly received by the Directorate as part of the portfolio of let out properties. This loss of income is partially offset by a reduction in borrowing costs which the directorate will no longer incur.
- 3.11.8 The 2024/25 budget within Asset Management & Regeneration reflected a one-off saving of £1m in respect of the utilisation of capacity funding announced as part of the former Government's Autumn Statement in November 2023 to maximise delivery of new homes. The 2025/26 budget therefore reflects the fallout of this £1m saving.
- 3.11.9 In addition, a saving of £100k included in the 2024/25 budget in respect of additional performance monitoring arrangements for the Active Leeds PFI schemes also falls out in 2025/26 as it related to 2024/25 only, and results in a budget pressure of £100k. However as described in paragraph 3.13.9 below, a mitigating saving of £100k has been identified to offset this pressure.
- 3.11.10 An adjustment of £900k has been provided in the 2025/26 budget to reflect the phased annual reduction in the level of capitalisation of Highway maintenance minor works expenditure to help reduce the overall level of Leeds City Council borrowing. A further £900k has also been provided to reflect the one-off delay in this annual reduction which was approved as part of the 2024/25 budget savings proposals. This will allow the original phased reduction schedule to be re-instated.
- 3.11.11 Provision of £100k has been made within the Directorate to fund two additional Health, Safety and Wellbeing posts, to ensure consistent provision of a safe, legally compliant, workplace for employees and safe environments and activities for service users.
- 3.11.12 A further amount of £350k has been budgeted for in 2025/26 to provide additional staffing resources within the Asset Management team to support existing work programmes and to provide the additional capacity required to generate the level of income in line with the capital receipts programme.

### 3.12 **Savings**

#### 3.13 **Business As Usual – £5,012k**

3.13.1 The Directorate has sought where possible to avoid savings which will have a detrimental impact on service delivery. However, given that around 45% of the Directorate's gross budget is spent on staffing costs, it has not been possible to fully insulate the Directorate from a reduction in headcount. The budget therefore reflects proposals to identify staffing reductions in a number of areas across the directorate through voluntary measures where possible. An assessment has been made that reductions can be made in the following areas without the need for significant restructure or change in service delivery and can therefore be classified as business as usual reductions:

- A review of staffing within Planning & Sustainable Development to include deletion of vacant posts and flexible retirement £68k
- A review of staffing across Leeds Museums and Galleries sites £100k

- The deletion of vacant posts within the cultural programmes team £88k
- A further review and deletion of vacant posts across the directorate in non-statutory and non-income generating roles to save an estimated £340k.

3.13.2 The budget also reflects inflationary increases applied to existing fees and charges in a number of service areas to help offset additional costs. These include:

- A review of fees and charges at Leisure Centres which has been undertaken within Active Leeds. These inflationary increases are anticipated to generate £500k and reflect proposed increases in swimming lessons, membership and other miscellaneous fees.
- Highways and Transportation fees and charges are reviewed and amended on a yearly basis as part of the annual review of fees and charges for various Highway functions and services and this is estimated to generate an additional £80k.

3.13.3 The 2025/26 directorate budget includes a cross cutting saving to be achieved by applying capital receipts generated from the sale of assets to fund the revenue costs of transformation, estimated at £370k, as permitted by the Flexible Use of Capital Receipts Capitalisation Direction issued by Government.

3.13.4 In addition, following recent reviews to restrict expenditure that falls within the category of non-essential spending, a further saving of £200k has been budgeted for across the directorate in 2025/26.

3.13.5 Within Economic Development, a saving of £76k has been identified from the maximisation of external funding to help offset existing staffing expenditure, pending a wider review of staffing arrangements in this area.

3.13.6 In addition, it is anticipated that in 2025/26 there will be a return of the original contributions made by West Yorkshire districts to WYCA in respect of the rollout of Superfast Broadband. This one-off return is estimated at £644k for Leeds in 2025/26.

3.13.7 A saving of £200k has been identified in respect of the appropriate recovery of total costs, including relevant overheads, associated with the Employment West Yorkshire contract within the Employment and Skills service.

3.13.8 As part of a review of Leisure facilities, the Council has given notice to withdraw from the Service Level Agreement with Otley Prince Henry's Academy Trust to provide support to Chippendale Pool. This will result in a reduction in running costs incurred by the Council and, due to the 12 month notice period required, will save £20k in 2025/26 with a further £60k from 2026/27 onwards.

3.13.9 A recurring base budget saving of £100k has been identified in respect of the Leisure Centre PFI contract to offset the fallout of the previous year's one-off saving referred to in paragraph 3.11.9 above.

3.13.10 The recent Active Leeds Vision for Wellbeing Centres report to Executive Board set out a number of opportunities to review the operation of Leisure facilities with a view to reducing the net cost of the service and increasing income whilst supporting the health and wellbeing outcomes of the City. The budget for 2025/26 reflects the proposed invest to save development of John Charles Centre for Sport, encompassing pitch improvements

and conversion of tennis courts to Padel courts, and is estimated to generate £150k net income in 2025/26, with a further £150k in 2026/27. In addition, further proposals outlined within the vision report are anticipated to generate additional income growth of £250k across the portfolio of Leisure facilities.

- 3.13.11 Within Asset Management & Regeneration, additional income of £250k is expected to be generated across the Council's property portfolio as a result of commercial property rental reviews. A further £250k of income is anticipated in respect of the appropriate recharging of staffing costs to the Leeds Transformation Regeneration capital scheme.
- 3.13.12 The Highways and Transportation service are proposing to develop a traffic enforcement scheme in support of the Council's Vision Zero strategy and this is anticipated to generate a net saving of £120k in 2025/26.
- 3.13.13 In addition, a review of chargeable staffing time within the Transport Planning function of Highways and Transportation service has identified that there is also the potential to generate an additional £200k revenue income by appropriately charging to capital schemes.
- 3.13.14 Within Arts & Heritage services, a review of the programme of Events and Lights is estimated to save £70k in 2025/26 through a combination of cost reviews and a potential reduction in events. In addition, it is anticipated that an additional £50k income will be generated from events across Leeds Museums and Galleries (LMG) sites.
- 3.13.15 A further review of commercial opportunities will be undertaken across all LMG sites to ensure income generating opportunities are maximised and cost saving measures are identified to reduce the net cost of running facilities by an anticipated £160k.
- 3.13.16 The 2025/26 budget provides for the full year effect of the surrender of the lease of Thwaite Watermill and the phased closure of the site. The proposal is expected to deliver further revenue savings of £166k from 2025/26 onwards.
- 3.13.17 A review of booking arrangements via the Arts, Events and Venues ticket hub has identified that an additional £60k income could potentially be generated across the Council.
- 3.13.18 Further savings of £150k are anticipated in respect of the Breeze service through reviewing event management, operating costs and identifying income generating opportunities across the service offer.
- 3.13.19 In addition, a review of the Leeds Cultural Investment Programme, taking into account the level of funding provided to cultural organisations and their capacity to adapt to the reductions, has identified that savings of £250k on the Council's core expenditure budget are achievable for 2025/26. In addition, a review of the cultural programmes budget has identified that further savings of £100k can be achieved.

### 3.14 **Service Reviews £962k**

- 3.14.1 As outlined in the recent Active Leeds Vision for Wellbeing Centres report to Executive Board, it is proposed to explore the opportunity to agree a lease arrangement for Middleton Leisure Centre with a third party to ensure that the facility is retained within the local community but that the ownership and liability no longer sits with Leeds City Council. This is anticipated to deliver running cost savings of £222k in 2025/26.



3.14.2 It is proposed to introduce 'pay as you feel' admission charges to the three Museums and Galleries city centre sites where visitors are not currently charged for access. In addition, it is proposed to change the admission model at Kirkstall Abbey so that all visitors are charged on a pay as you feel basis rather than the current model which charges an admission fee for non-Leeds residents. Initial assessment has identified that this charging model represents the most advantageous approach in generating additional income and having the least impact on visitor numbers and is estimated to generate an additional £240k in 2025/26.

3.14.3 The Highways & Transportation service is undertaking a review of service provision to help reduce costs whilst minimising service impact. It is anticipated that this will culminate in structural changes in some areas of Highways & Transportation and hence Voluntary Leavers' Scheme opportunities for impacted staff. Reviews of both the Civil Engineering and the Direct Labour Organisation functions are estimated to deliver savings of £250k in each area in 2025/26, equating to a reduction of approximately 10 budgeted fte posts through voluntary measures and the potential deletion of vacant posts.

#### 4. **Risk Assessment**

4.1 In determining the 2025/26 budget, consideration has been given to all of the risks, which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered as carrying the highest risk and therefore requiring careful and regular monitoring has been prepared.

4.2 The key risks in the 2025/26 budget for the City Development Directorate are:

- The majority of income streams within the Directorate are predicated on a buoyant and active economy. Income from Planning and Building Control fees, Advertising, Markets, Active Leeds and Culture and Economy as well as Strategic Investments and Major Capital Programmes are all affected by local, regional and national economic conditions and therefore any downturn impacts directly in these service areas. This presents a significant risk as the uncertainty created by the current economic climate continues.
- In addition, a number of the 2025/26 budget proposals relate to income growth and successful delivery of this budgeted growth represents a challenge for the Directorate. The Directorate will therefore need to ensure that income levels and the actions required to deliver them are closely monitored.
- Where savings have been identified by substituting core Council funded expenditure with external funding, there is a risk that the funding streams may not continue into the future and therefore the impact on future years will need to be carefully managed.
- The 2025/26 budget makes assumptions around the level of staffing reductions that can be achieved across the directorate through voluntary measures where possible. This is in addition to existing assumptions around vacancy factors, and there is a risk that staff turnover and the number of vacant posts across the Directorate are less than assumed in the budget, potentially impacting on the Directorate's staffing budget, although existing control mechanisms are in place across the directorate to mitigate this risk.

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**Directorate - City Development**

	<b>2025/26 £m</b>	<b>FTEs</b>
<b>Net managed budget 2024/25</b>	37.900	
<b>Adjustments</b>	(0.062)	5.00
<b>Adjusted net managed budget</b>	<b>37.838</b>	<b>5.00</b>
<b>CHANGES IN RESOURCES</b>		
<b>Changes in the use of Reserves &amp; Balances</b>	0.500	
<b>Other Changes in Resources</b>	(1.009)	
<b>Total Change in Resources</b>	<b>(0.509)</b>	<b>0.00</b>
<b>CHANGES IN PRESSURES</b>		
<b>Pay Inflation</b>	3.615	
<b>General Inflation</b>	1.768	
<b>Capitalised Pensions/VLS</b>	(0.029)	
<b>Other</b>		
Business Rates	0.370	
Insurance	(0.086)	
Estate rationalisation	0.101	
Prudential Borrowing	0.746	
Vehicle Fleet	0.500	
Strategic Investment Fund	0.664	
St George House rental income	0.756	
Fallout of one-off capacity fund saving	1.000	
Fallout of one-off Active Leeds PFI saving	0.100	
Highways maintenance - capitalisation reduction	1.800	
Health & Safety officers	0.100	2.00
Asset Management staffing resources	0.350	7.00
Other minor variations	0.075	
<b>Total Change in Pressures</b>	<b>11.830</b>	<b>9.00</b>
<b>CHANGES IN SAVINGS</b>		
<b>Business As Usual</b>		
<b>Planning &amp; Sustainable Development</b>		
Staffing savings	(0.068)	(1.40)
<b>Economy &amp; Skills</b>		
Maximisation of external funding	(0.076)	
Recovery of total costs re Employment West Yorkshire contract	(0.200)	
Repayment of contribution re Superfast Broadband	(0.644)	
<b>Active Leeds</b>		
Chippendale Pool SLA	(0.020)	
PFI contract savings	(0.100)	
Inflationary increases applied to existing fees/charges	(0.500)	
John Charles Centre invest to save development	(0.150)	
Vision for Leisure income growth	(0.250)	
<b>Asset Management &amp; Regeneration</b>		
Commercial Property rent reviews	(0.250)	
Recharges to Transformation Regeneration capital scheme	(0.250)	
<b>Highways &amp; Transportation</b>		
Inflationary increases applied to existing fees/charges	(0.080)	
Vision Zero invest to save enforcement proposal	(0.120)	
Transport Planning - review of chargeable time	(0.200)	
<b>Culture</b>		
Staffing savings - LMG	(0.100)	(2.00)
Staffing savings - Cultural Programmes	(0.088)	(1.62)
Events & Lights review of costs/offer	(0.070)	
Event income at LMG sites	(0.050)	
Commercial review across LMG sites	(0.160)	
Full Year Effect of closure of Thwaite Mills and surrender of lease	(0.166)	(4.00)
Ticket Hub -review of booking arrangements	(0.060)	
Breeze - review of event management/costs/income	(0.150)	
Cultural Investment Programme review	(0.250)	
Cultural programmes budget reduction	(0.100)	
<b>Directorate Wide</b>		
Staffing savings - non-statutory/non-income generating roles	(0.340)	(7.00)
Capital receipts applied to transformational spend	(0.370)	

	2025/26 £m	FTEs
Non-essential spend savings	(0.200)	
<b>Service Review:</b>		
<b>Active Leeds</b>		
Middleton Leisure Centre - lease arrangement with third party	(0.222)	
<b>Culture</b>		
Pay as you Feel admission charges at LMG sites	(0.240)	
<b>Highways &amp; Transportation</b>		
Review of Service provision and staffing structures - Civil Engineering & DLO	(0.500)	(10.00)
<b>Total Savings</b>	<b>(5.974)</b>	<b>(26.02)</b>
<b>Net Managed Budget 2025/26</b>	<b>43.185</b>	<b>(12.02)</b>

# LEEDS CITY COUNCIL 2025/26 BUDGET REPORT

## Directorate: Communities, Housing and Environment

### 1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2025/26 financial year.

### 2 Service Context

- 2.1 The Directorate delivers a diverse range of functions which combine to form some of the key foundations of stronger and safer communities; well managed green spaces for recreation; effective and sustainable waste management services; cleaner neighbourhoods; quality telephony, digital and face to face customer services and professional library services; support for those most vulnerable; and efficient and effective licensing, elections and regulatory services, all of which combine to help make the city a desirable place to live, work and visit. At a time when significant savings have had to be identified, priority has been given to ensure that these services are maintained.
- 2.2 The Directorate serves some of the most vulnerable people in the city by providing a range of front-line services for local people whilst taking the lead on actions to reduce poverty and inequality across the city. Community Committees and our locality working model including our priority neighbourhoods work have improved the quality of the dialogue with local communities by focusing on what is important to local people and the Council is taking forward changes aimed at providing more integrated, responsive and accessible services.
- 2.3 The Directorate also has responsibility for all Housing Services. As well as providing advice to the many thousands in housing need, the Directorate will support many others to sustain their tenancies. It will intervene in the private sector to tackle some of the worst housing conditions in the city and will be actively engaged in leading on the delivery of projects to help tackle homelessness. The Directorate will also be responsible for the provision of council housing across the city which is dealt with separately within the HRA budget report.
- 2.4 The Directorate provides the lead in the delivery of a range of projects to help tackle the Climate Emergency in Leeds. The Sustainable Energy and Air Quality team work with colleagues and partners to deliver major projects requiring significant levels of investment from both the Council and Government. These projects include the District Heating scheme, improving energy efficiency in housing, installing electric vehicle charging and many other climate focused initiatives.
- 2.5 The Directorate contributes to the delivery of the Best City Priorities as described in the Best Council Plan 2020 – 2025 and the key priorities which this budget is designed to support are as follows:
- Cleaner neighbourhoods
  - Providing a reliable waste collection and disposal service
  - Maximising the amount that can be re-used and recycled from the waste collected whilst at the same time actively undertaking and promoting energy recovery
  - Green spaces which people can enjoy
  - Reducing crime and anti-social behaviour

- Tackling poverty and reducing inequalities
- Tackling homelessness
- Supporting communities and raising aspirations
- Helping people adjust to welfare changes
- Implementing innovative approaches to delivering services for end users
- Improving air quality, reducing pollution and noise
- Improving the cities infrastructure and the natural environment, reducing flooding and other risks from climate change
- Promoting a more competitive, less wasteful, more resource efficient, low carbon economy

2.6 Against a background of savings that have been incorporated into budgets over a number of years as well as the requirement to identify a significant amount of further savings for 2024/25, the Directorate's 2025/26 budget submission will nevertheless seek to protect services which support these priorities as far as possible.

### 3 **Budget Proposals**

3.1 This 2025/26 budget has been set at £109,214k representing a net decrease of £3,688k (3.27%) when compared to the adjusted budget for 2024/25. This net decrease comprises a number of changes in resources totalling £15,802k and pressures totalling £23,520k, offset by savings and additional income amounting to £11,406k which are explained below.

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

3.2.1 There have been a number of organisational changes, service transfers and other budget adjustments which are reflected in the 2025/26 budget:

- £4,917k transfer of the Contact Centre from Strategy & Resources Directorate (this transfer took effect during 2024/25)
- £189k transfer of the budget from City Development Directorate to monitor and control Hostile Vehicle Mitigation (HVM) bollards around the city centre
- £65k other minor budget adjustments

The overall net impact of these adjustments is to increase the Directorate's restated 2024/25 budget by £5,171k from the original budget of £107,731k, giving an adjusted 2024/25 budget of £112,902k.

#### 3.3 **Changes in Specific Grant Funding – increase of £16,672k**

3.3.1 There have been a number of changes to specific grants for services within the Directorate. The most significant of these is the introduction of the Extended Producer Responsibility (EPR) scheme in 2025/26 where the Council has been allocated £14,200k of new funding. The government will charge producers of packaging waste directly and pass this onto Councils as a contribution towards the costs of collecting, sorting, treating and recycling packaging waste.

3.3.2 Many Councils are experiencing growing costs of supporting people who face homelessness, and in recognition of this the government has provided additional funding in 2025/26. The Homelessness Prevention Grant has increased by £2,600k, however the

Supported Housing Improvement Programme (£453k) and Accommodation for ex-offenders (£152k) grants will not continue beyond the current financial year.

3.3.3 An additional £475k of funding will be provided for the Council to support victims of domestic abuse and their children within safe accommodation.

### 3.4 **Changes in Use of Reserves and Balances – reduction of £370k**

3.4.1 The budget removes the one-off use of £120k of the Homelessness Prevention reserve.

3.4.2 The Climate and Greenspaces budget has for some years been supported by the use of S106 reserves. The budget proposal includes £250k to ensure that over a number of years, balances that have been utilised will be repaid.

### 3.5 **Other Changes in Resources – reduction of £500k**

3.5.1 Staff charges to the Disabled Facilities grant will reduce by £216k to more accurately reflect staff working on this programme. This will release capital grant budget to be available to complete additional works in residents' homes. The tenant satisfaction survey will no longer be funded by a £75k specific grant, but instead has been rolled up into the main Revenue Support Grant for the Council. Other reductions total £209k.

### 3.6 **Pay Inflation – pressure of £7,405k**

3.6.1 This budget provides £6,605k for the following elements of pay inflation: the Employers final pay award for 2024/25; 3.5% for both NJC and JNC staff in 2025/26; 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. offset by mitigation plans. The budget also includes £800k provided for the additional cost of Enhancements.

### 3.7 **General Inflation – pressure of £361k**

3.7.1 Contractual inflation included in the budget for utilities, postages, grounds maintenance, waste management and fuel totals £361k.

### 3.8 **Demand and Demography – pressure of £239k**

3.8.1 Anticipated household growth in the city will impact on the volume of waste generated. Additional budget provision of £239k has been made for the increased disposal costs of this waste at the Recycling and Energy Recovery Facility.

### 3.9 **Actuarial Review**

3.9.1 The 2025/26 directorate budget reflects no increase in the Employers Pension contribution to the West Yorkshire Pension Fund.

### 3.10 **Capitalised Pension Costs – saving of £325k**

3.10.1 The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £325k.

### 3.11 **Voluntary Leavers Scheme – pressure of £497k**

3.11.1 In October 2023 the council launched a targeted Voluntary Leavers Scheme (VLS) as an important measure to address the ongoing financial challenge. Provision of £497k has been made to meet associated pension strain costs.

### 3.12 **Other budget pressures – £15,257k**

3.12.1 Costs of £4.3m have been included in the budget proposals for the collection and disposal of household waste to ensure that the existing service provision can be maintained and new burden requests flexibly responded to in light of the new Extended Producer Responsibility scheme that commences in 2025/26.

3.12.2 The council has a duty to provide temporary accommodation to households who are believed to be eligible, homeless and in priority need. The council may also accommodate single households in temporary accommodation if they are at risk of, or known to be rough sleeping. Historically Leeds has always had very low levels of temporary accommodation placements, however, since 2022 we have seen a year on year increase in the number of households in temporary accommodation, with 506 households being accommodated in January 2025. In 2022 the number was 166, in 2023 the number was 212, and in 2024 the number was 501 which equates to a 201% increase in the last three years. To meet this growing demand the budget contains an additional £6,577k for costs of temporary and supported accommodation (including the associated Housing Benefit subsidy loss) and support for victims of domestic abuse and their children within safe accommodation.

3.12.3 Following a review of activity levels in services which are part funded by the HRA, provision has been made for reductions in charges of £1,800k to reflect the current cost of services provided within the Directorate.

3.12.4 The roll out of Universal Credit reduces the value of Housing Benefit payments which in turn result in a reduction in Housing Benefit overpayment income. A £1,100k reduction in income has been built into the budget for 2025/26.

3.12.5 Insurance costs are expected to increase by £894k which reflects changes in the number and value of insurance claims.

3.12.6 £150k has been included to fund 3 Health, Safety and Wellbeing posts , to ensure consistent provision of a safe, legally compliant, workplace for employees and safe environments and activities for service users.

3.12.7 There is a reduction in the estimated level of income from bereavement services of £250k reflecting the projected income received in the current financial year with a trend towards direct cremations. Borrowing costs for Phase 1 of the District Heating network will increase by £359k. A fallow year in the elections cycle will reduce costs by £454k and other net pressures of £281k have been provided for.



### 3.13 Savings

#### 3.14 Business As Usual – £11,113k

3.14.1 The 2025/26 directorate budget reflects that capital receipts generated from the sale of assets will be applied to fund the revenue costs of transformation, of £2,480k, as permitted by the Flexible Use of Capital Receipts Capitalisation Direction issued by Government.

3.14.2 The Directorate will increase existing fees and charges across several areas to generate an additional £1,743k, comprising:

- Bereavement fees to be increased by approximately 3% on average which is estimated to increase income by £256k in 2025/26.
- Some parking charges were increased in October 2024. Further targeted increases have been assumed from 1<sup>st</sup> April 2025. This is expected to generate £850k in a full year in both on and off-street locations.
- £292k from the full year effect of the previous decision to extend District Car Parking charges (£89k) and introduce charges for parking at a number of Green Spaces estates (£203k).
- £121k from increased charges at the Waste transfer stations and charges for replacement bins.
- £186k from increases in Environmental Health and Regulatory services charges including £100k from the nationally set General Registry Office fees.
- £38k from a review of playing pitch hire charges (£30k) and Community Centres (£8k).

3.14.3 £1,560k to be saved from a strategy for managing household waste in Leeds in a way that meets national Simpler Recycling requirements and helps Leeds residents to reduce the amount of waste they produce that is not re-used or recycled. This would be achieved through a “3-bin” approach to provide residents with the opportunity to recycle more at home without the need for more bins. Furthermore, as part of the 3-bin strategy and transitional approach to meeting Simpler Recycling’s food waste collection requirements, there will be the option to add food waste to the list of items allowed in the brown bin should a household choose to do so. Thus creating an organic waste collection service and enabling the brown bin collections to extended to all-year round. This is a first stage response towards a government requirement for all Councils to transform refuse collection services by April 2026.

3.14.4 Following a review of grants, there is an opportunity to save a sum of £1,452k by charging existing staff and applying an appropriate contribution to overheads to various programmes including the Household Support Fund, Homes for Ukraine, Social Inclusion Fund, HRA and capital schemes to reflect the work existing staff are undertaking and the inflationary effects of delivering these services.

3.14.5 The growing need for temporary accommodation has led to a review of the different types of accommodation required and use of properties with a different lease structure is expected to reduce costs by £1,400k.

- 3.14.6 Staffing savings of £1,080k will be generated following reviews in Community Hubs and Libraries (£129k), Environmental Services (£600k), Safer Stronger Communities (£183k), Benefits administration (£28k), and Climate, Energy & Greenspaces (£140k).
- 3.14.7 A review of third sector grants and unallocated budgets is expected to deliver reductions of £287k.
- 3.14.8 Temporary continuation of the existing hub and spoke arrangements in Community Hubs for another twelve months is expected to deliver one off savings of £246k in addition to £100k of savings arising from the continuation of the revised opening hours in hubs and libraries.
- 3.14.9 Within the Climate, Energy & Green Spaces service additional income generation from new opportunities is budgeted to deliver £190k of additional income and changes to the provision of spring/summer baskets will deliver savings of £58k.
- 3.14.10 Within Leeds Benefits Service, a target saving of £150k is included for the continuation reviews of Supported Housing cases where 100% benefit is not currently recoverable from the DWP. This work has been successful in recent years. There are further savings of £140k in Council Tax Support arising from the migration from Housing Benefit to Universal Credit.
- 3.14.11 A 'line by line' review of operational expenditure across the service has saved £227k in budget reductions.

### 3.15 **Service Review £293k**

- 3.15.1 Leeds City Council operates ten Community Committees across the entire city. The committees are the main platform through which the Council executes its commitment to community engagement and democratic renewal. All 99 Elected representatives are members of the committees, and they are delegated Executive powers to make decisions on a number of Executive Functions by Executive Board. A review of the structure of Community Committees has commenced with an aim of reducing the number from ten and delivering a financial saving of £223k in the Communities, Housing and Environment Directorate and a further £20k in the Strategy & Resources Directorate.
- 3.15.2 Demand for bowling has declined by 39% since 2014 and the subsidy per bowler is more than £280 per bowler. The city has too many bowling greens for it to be sustainably delivered (61 bowling greens across 47 sites) with a cost to the service of over £360k per annum. A two stage consultation has commenced on a service review which will look to identify ways to reduce the level of subsidy. This would deliver a part year net saving of £70k from 2025/26 and a further £70k in 2026/27. The first stage of the consultation closed on 26th January – over 1,500 responses were received. Analysis of the results received is underway and a revised proposal will be developed.

## 4 **Risk Assessment**

- 4.1 In determining the 2025/26 budget, consideration has been given to all of the risks, which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered as carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2025/26

budget for the Communities, Housing and Environment Directorate are:

- The need for temporary accommodation has increased significantly during 2024. Whilst provision has been made to cover modest growth above existing demand any continuation of growth on the scale experienced in 2024 would present financial pressures to be managed, both in terms of the cost of providing temporary accommodation and the associated Housing Benefit subsidy loss.
- The majority of income streams within the Directorate are predicated on continuation of the existing economic arrangements for the city. Income from car parking, bereavement, recyclable materials, cafés, attractions, other fees and charges for services provided are all affected by local, regional and national economic conditions and therefore any downturn impacts directly in these service areas. This presents a significant risk as the uncertainty created by the current economic climate continues.
- The budgeted level of income in respect of the recovery of Housing Benefit overpayment income is not achieved and the continuing roll out of Universal Credit has a greater impact earlier than anticipated.
- Assumptions in respect of income receivable from Bus Lane and Car Parking Enforcement are impacted upon by a reduction in the number of offences.
- Assumptions in respect of waste volumes and the level of recycling across the city are not realised, impacting on disposal costs and levels of income achieved.
- A target has been set to realise capital receipts through the sale of assets. There is a risk that market demand may not generate sufficient capital receipts by 31<sup>st</sup> March 2026.
- Where savings have been identified by substituting core Council funded expenditure with external funding, there is a risk that the funding streams may not continue into the future and therefore the impact on future years will need to be carefully managed.
- The 2025/26 budget makes assumptions around the level of staffing reductions that can be achieved across the directorate mainly through deletion of posts that are currently vacant and through use of voluntary measures where possible. This is in addition to existing assumptions around vacancy factors, and there is a risk that staff turnover and the number of vacant posts across the Directorate are less than assumed in the budget, potentially impacting on the Directorate's staffing budget, although existing control mechanisms are in place across the directorate to mitigate this risk.

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## Directorate - Communities, Housing and Environment

	2025/26 £m	FTEs
<b>Net managed budget 2024/25</b>	107.731	
<b>Adjustments</b>		
Transfer of the Contact Centre from Strategy & Resources	4.917	187.96
Transfer budget for City Centre bollards from City Development	0.189	
Transfer of Business Administration from Strategy & Resources	0.065	1.46
<b>Adjusted net managed budget</b>	<b>112.902</b>	<b>189.42</b>
<b>CHANGES IN RESOURCES</b>		
<b>Grant Reductions/Fallout</b>		
Supported Housing Improvement Programme	0.453	
Accommodation for ex-offenders	0.152	
<b>Grant Increases</b>		
Extended Producer Responsibility	(14.200)	
Homelessness Prevention	(2.600)	
Domestic Abuse Safe Accommodation	(0.477)	
<b>Changes in the use of Reserves &amp; Balances</b>		
Homelessness Prevention	0.120	
S106 Greenspaces	0.250	
<b>Other Changes in Resources</b>		
Tenant Satisfaction Survey	0.075	
DFG staffing	0.216	
Other Changes in Resources	0.209	
<b>Total Change in Resources</b>	<b>(15.802)</b>	<b>0.00</b>
<b>CHANGES IN PRESSURES</b>		
<b>Pay Inflation</b>		
Increase for 2024/25 adjustment and 2025/26 pay award and NICs	7.405	
<b>General Inflation</b>		
Other contractual inflation	0.361	
<b>Demographic and demand pressures</b>		
Waste disposal - allowance for household growth	0.325	
<b>Capitalised Pensions/VLS</b>	0.172	
<b>Other</b>		
EPR - new burdens and maintaining existing provision	4.300	17.00
Benefits subsidy loss on Temporary and Supported Accommodation	4.000	
Loss of Housing Benefit overpayment income due to transfer to UC	1.100	

	2025/26 £m	FTEs
Review of charges into the HRA	1.800	
Domestic Violence Safe Accomodation and Temporary Accommodation	2.577	
Health, Safety and Wellbeing support	0.150	3.00
Insurance	0.894	
District Heating Phase 1 borrowing costs	0.359	
Bereavement Services income	0.250	
One year reduction in election costs	(0.454)	
Other net pressures	0.281	
<b>Total Change in Pressures</b>	<b>23.520</b>	<b>20.00</b>
<b>CHANGES IN SAVINGS</b>		
<b>Business As Usual</b>		
Asset rationalisation	(2.480)	
Increase existing fees and charges	(1.743)	
Simpler Recycling waste collection review	(1.560)	5.00
Maximisation of funding streams	(1.452)	
Temporary Accomodation accommodation changes	(1.400)	
Directorate wide staffing efficiencies	(1.080)	(28.00)
Review of grants to voluntary organisations	(0.287)	
Continuation of hub and spoke at Community Hubs	(0.246)	(6.50)
Review of operational income and expenditure budgets	(0.227)	
Pursue new income opportunities	(0.190)	
Reduce Housing Benefit subsidy loss	(0.150)	
Council Tax Support reduction from caseload transfer to UC	(0.140)	
Community Hub and library review of opening hours	(0.100)	(2.50)
Reduced provision of spring/summer baskets	(0.058)	
<b>Service Review</b>		
Reduction in the number of community committees	(0.223)	(4.70)
Review of bowling green provision including options to increase income	(0.070)	(2.00)
<b>Total Savings</b>	<b>(11.406)</b>	<b>(38.70)</b>
<b>Net Managed Budget 2025/26</b>	<b>109.214</b>	<b>170.72</b>

# LEEDS CITY COUNCIL 2025/26 BUDGET REPORT

## Directorate: Communities, Housing and Environment

### Housing Revenue Account

#### 1 Introduction

- 1.1 The purpose of this report is to inform members of the main variations and factors influencing the 2025/26 Housing Revenue Account (HRA) budget.
- 1.2 The 2025/26 budget has been prepared at outturn prices. This means that allowances for inflation have been included in the budget submission.

#### 2 HRA Budget Strategy

- 2.1 An increase in accordance with the Government's rent formula of CPI (1.7% as at September 2024) +1% is proposed. This overall 2.7% rise equates to approximately £5m in additional rental income, when taking into account stock reductions for Right to Buy sales (RtB).
- 2.2 The Council remains committed to directing more of the annual budget towards investment and maintenance as well as a commitment to replacing homes lost through RtB by the planned investment in new Council homes. To this end, of the total additional rental income of £5m expected in 2025/26, £4.1m will be specifically allocated to repairs budgets and an increase in the revenue contribution to the capital programme.

#### 3 Key movements 2024/25 to 2025/26 - Income

##### 3.1 Dwelling Rents

- 3.1.1 As detailed in 2.1, it is proposed to increase rents to all properties, in accordance with the government rent formula for rent increases in 2025/26, by 2.7% to generate around £5m in additional rental income.
- 3.1.2 Increasing average rents by 2.7% equates to an average increase of £2.68 per week or £140 per year as shown in the table below, however, the impact of this on individual tenants will vary.

Average rent	2024/25	2025/26	Increase
£ per week	90.60	93.28	2.68
£ per year	4,711	4,851	140

3.1.3 The budget for 2025/26 assumes that 600 properties will be sold under RtB which is an increase compared to 2024/25 due to the influx of RtB applications following the change in RtB legislation announced by the Government in October 2024. The impact of this is a forecast reduction in rental income of around £2.9m in a full year.

3.1.4 A void level of 1% has been assumed which is the same as the budgeted void level in 2024/25. The policy of re-letting properties at target rent (the rent which, under Government policy, should be charged for a property taking into account a number of factors such as the valuation of the property and the number of bedrooms) continues.

3.1.5 The budget also factors in additional income from new homes built or acquired during the year. The budget assumes 109 new homes delivered through the Housing Growth programme and 117 acquisitions brought back into the HRA from the Right of First Refusal policy and the purchase of 'off the shelf' homes.

## 3.2 Other Rents

3.2.1 It is proposed to apply a 2.7% rental income increase for garages and traveller's sites in line with rental increases. Any other increases will be in accordance with individual lease agreements.

## 3.3 Service Charges

3.3.1 Net income from service charges is budgeted to increase by £418k in 2025/26. The main movements are detailed below.

## 3.4 Service charges for MSFs, medium and low-rise properties

3.4.1 Tenants in multi storey flats (MSFs) and in low/medium rise flats receive additional services such as cleaning of communal areas, staircase lighting and lifts and pay part of the cost of these services meaning other tenants are subsidising the additional services received. It is proposed to increase service charges for tenants in low/medium rise flats from £5.16 per week in 2024/25 to £5.30 per week in 2025/26 and for tenants in multi storey flats from £12.19 per week in 2024/25 to £12.52 per week in 2025/26.

## 3.5 Charges for Retirement Life Support

3.5.1 Tenants living in sheltered housing schemes across Leeds are supported by Support Officers who provide housing related support. This support includes wellbeing checks, support with tenancy and repairs issues, scheme health and safety and providing additional support to residents to enable tenants to live independently in a safe environment. The charge for this service in 2024/25 is £9.21 per week and it is proposed that this will increase to £9.82 for 2025/26.

### **3.6 Retirement Life – Access to Communal Facilities**

3.6.1 Where tenants in retirement life properties have access to communal areas either in standalone community centres or communal facilities in retirement life complexes there is a charge for these services, e.g. heating, laundry facilities, furniture and carpets. In 2025/26 the proposed charge will be increased to £5.30 per week for standalone Community Centres and increased to £12.52 per week for complexes.

### **3.7 District Heating charges**

3.7.1 Housing Leeds manages a number of district heating schemes, including the Leeds PIPES (Providing Innovative Pro-Environmental Solutions) scheme which provides heating generated by the Recycling and Energy Recovery Facility (RERF) to the Saxton Gardens, Ebor Gardens, Lincoln Green and Lovell Park areas.

3.7.2 In 2025/26 the standing charge for these district heating schemes will increase by 2.7% and it is proposed that the District Heating Schemes unit rate will remain at 10p per Kwh in 2025/26. An increase of 2.7% is proposed for sheltered complexes with heat consumption charges in line with service charge increases.

### **3.8 Leaseholders Charges**

3.8.1 The 2025/26 budget reflects contributions from leaseholders for service charges, leaseholder management fees and where their properties have benefited from capital investment. The 2025/26 budget assumes an income budget of £1,220k, although this will vary dependent upon the capital works undertaken.

### **3.9 Extra Care**

3.9.1 It is proposed that tenants living in the Wharfedale View extra care scheme will have the annual service charge increased from £50.72 per week in 2024/25 to £52.09 per week in 2025/26. Tenants living in the Gascoigne House extra care scheme will have the annual service charge increased from £64.03 per week in 2024/25 to £65.76 per week in 2025/26. In addition, the support charge at both extra care schemes will increase from £28.76 in 2024/25 to £30.75 in 2025/26 to reflect the increase in staffing costs.

### **3.10 Impact on tenants of increased rents and charges**

3.10.1 An analysis of the impact on tenants of the above charging proposals together with the increase in rents has been undertaken. With a rental increase of 2.7%, all tenants will pay more in 2025/26 than in 2024/25 as outlined in the table below, with the majority (59%) paying between £2.51 and £3.00 per week more.



<b>% of Tenants</b>	<b>Number of Tenants</b>	<b>Average Rent Increase £/week</b>
35.05	18,387	2.24 - 2.50
59.29	31,108	2.51 - 3.00
5.66	2,969	3.01 - 3.29

3.10.2 Where relevant these increases will be funded through Housing Benefit for eligible tenants and tenants eligible for Universal Credit (UC) will receive payments for this increase. Approximately 30% of tenants are in receipt of Housing Benefit with a further 44% in receipt of UC, a total of 74%.

### **3.11 PFI Grant**

3.11.1 The 2025/26 budget assumes full year PFI grant of £6,097k for Swarcliffe PFI and £15,288k for Little London Beeston Hill & Holbeck (LLBH&H) PFI. This is the same as 2024/25 and will remain fixed for the life of the PFI scheme.

### **3.12 Internal Income**

3.12.1 The budget for capitalised salaries has been inflated in line with the proposed pay award and adjusted to reflect the amount of time staff are budgeted to spend on capital work during 2025/26.

### **3.13 External Income**

3.13.1 There is budgeted external income of £1,695k in 2025/26, a small increase compared with 2024/25 and mainly due to an increase the income received from Leeds Pipes.

## **4 Key movements 2024/25 to 2025/26 – Expenditure**

### **4.1 Employees**

4.1.1 The 2025/26 budget for employees has increased by £1.7m when compared to the base budget 2024/25, with the most significant elements shown below:

- The budget assumes a pay award of 3.5% for 2025/26. The impact of the current pay award offer of £1,290 per NJC employee for 2024/25 has also been budgeted.
- The impact of the changes to Employers National Insurance Contributions (NICs) from 1 April 2025 have been reflected. The NIC rate will increase from 13.8% to 15% and the secondary threshold from which employers start to pay NICs has reduced from £9,100 to £5,000 per year which will significantly increase the employee costs in the HRA.

## 4.2 Repairs to dwellings

4.2.1 Repairs to dwellings remains a priority budget. The budget will be set at £62.5m in 2025/26, an increase of £1.8m from the adjusted 2024/25 base to take account of the inflationary costs on the budget.

## 4.3 Premises

4.3.1 The premises budget reflects a net decrease of £0.3m. Projected increases in the price of energy have been reflected, with a pressure of £0.3m in the budget for gas and electricity costs in 2025/26.

4.3.2 An increase in the costs of premises insurance and NNDR has been budgeted at a cost of £0.2m compared with 2024/25.

4.3.3 The cleaning agency budget has reduced by £0.2m in 2025/26 due to a reduction in the concierge service, this reduction is partly offset by an increase in CCTV costs.

4.3.4 A £0.6m reduction in the high rise (Reema) premises budget has been transferred to the capital charges budget to fund the cost of borrowing for these schemes.

## 4.4 Supplies & Services - Payments to PFI contractor

4.4.1 The increase in payments to the PFI contractors of £0.4m between 2024/25 and 2025/26 is consistent with the final model for the PFI programme that was agreed and received at Executive Board.

## 4.5 Supplies & Services – Other

4.5.1 The increase in the costs of the Housing Ombudsman fee and the full year effect of the Housing Regulator fee will cost an additional £0.3m in 2025/26.

4.5.2 An increase in the cost of supplies and services insurance has been budgeted at a cost of £0.3m compared with 2024/25.

4.5.3 Reflecting the fact that inflation and interest projections have reduced, and specific contingencies have been built into both the revenue repairs and capital programme budgets the general contingency budget has been reduced by £2m in 2025/26.

## 4.6 Charges for internal services

4.6.1 All charges to the HRA are reviewed each year to ensure that any expenditure remains appropriate within the ringfence and accurately reflects the level of services provided to tenants. As the council's support service functions continue to be reduced it is appropriate that the HRA receives a proportionate reduction in charges. After assumptions for pay increases the 2025/26 budget

generates a saving of £1.1m.

#### **4.7 Payments to Belle Isle Tenant Management Organisation (BITMO)**

4.7.1 The proposed management fee payable to Belle Isle Tenant Management Organisation (BITMO) is an increase of £142k to £3.9m. The BITMO management fee is adjusted each year by an agreed formula to reflect the approach to changes within the staffing and repairs budgets within Housing Leeds as outlined above.

#### **4.8 Contribution to Provisions**

##### **4.8.1 (a) Disrepair**

- Work has been on-going to rationalise the workflow processes and provide legal challenge to disrepair cases where appropriate. It is proposed that the contribution to the disrepair provision budget remains at £4m in 2025/26.

##### **4.8.2 (b) Bad debts**

- The budgeted contribution to the bad debt provision has been increased by £0.6m for 2025/26 following a review of the current level of arrears.

#### **4.9 Capital (Financing) charges**

4.9.1 The Council remains committed to prioritising resources to meet the capital investment strategy and to replace homes lost through Right to Buy by the planned investment in new homes. The costs associated with servicing the HRA's borrowing include the planned increase in borrowing to support the £350.2m Council's Housing Growth phase 1 programme which is projected to deliver 109 new build properties and 117 acquisitions in 2025/26. The overall cost of borrowing is anticipated to increase by £1.5m.

#### **4.10 Revenue Contribution to Capital**

4.10.1 The 2025/26 revenue budget includes £68.8m to fund the Housing Leeds capital programme/investment plan. The overall Housing Leeds capital programme, excluding the Housing Growth Programme is £90.6m. This includes £6.8m of borrowing earmarked to fund the decant cost and demolition costs of the High Rise (Reema) schemes and also to complete the demolition works at the Highways site

4.10.2 The 2025/26 revenue contribution to capital budget includes £1.5m to fund the Belle Isle Tenant Management Organisation (BITMO) capital programme.

	2024/25 £k	2025/26 £k
<b>Total Capital Programme</b>	<b>63,878</b>	<b>90,572</b>
Funded by:		
HRA Revenue Contribution (RCCO)	(66,497)	(68,771)
Major Repairs Reserve (MRR)	19,614	(3,574)
RtB Receipts (Allowable Debt)	(11,475)	(11,475)
Gov't grant / EU Grant	(1,364)	0
Borrowing	(4,156)	(6,752)

4.10.3 The 2025/26 budget for the Council House Growth Programme (CHGP) is shown below and the impact of the cost of borrowing is included in the figures in 4.9.

	2024/25 £k	2025/26 £k
<b>Total Capital Programme</b>	<b>46,929</b>	<b>73,956</b>
Funded by:		
Borrowing (additional each year)	(21,575)	(35,937)
RtB Receipts	(18,663)	(34,034)
Government Grant	(6,577)	(3,349)
HRA Revenue Contributions (Ukraine Grant)	(114)	(636)

#### 4.11 Appropriation to / from PFI Reserves

4.12 The appropriation account reflects the budgeted contributions to/from the Swarcliffe & LLBH&H PFI sinking funds.

4.13 The sinking fund smooths out the effect of the incidence of the payments to the PFI contractor. In 2025/26 the use of the Sinking Fund is budgeted to be £0.2m.

### 5 HRA Reserves

5.1.1 The HRA Reserves Statement reflects the anticipated movement in reserves between April 2025 and March 2026.

5.1.2 The HRA General Reserve opening balance is projected to be £8.925m at 1<sup>st</sup> April 2025 and represents 3% of the annual budget. In 2025/26 a budget of £250k has been allocated to contribute to the general reserve.

5.1.3 The PFI reserves ("Sinking Fund") are used to smooth out the effects of the unitary charge payments to the PFI contractor over the life of the contracts. In 2025/26 it is budgeted to use £217k of reserves for the Little London scheme and contribute £28k to the Swarcliffe PFI reserves in line with the approved PFI model. The value of the PFI reserves is expected to be £6.7m by March

2026.

5.1.4 A contribution to the Major Repairs Reserve is proposed at £70.3m in 2025/26, £73.9m is budgeted to be used in year to support the capital programme.

## 5.2 Forecast Level of HRA Reserves

Projected Financial Position on Reserves	Projected Reserves b/f Apr 2025	Projected Use of Reserves	Projected Contribution to Reserves	Closing reserves March 2026
	£000	£000	£000	£000
<b>HRA General Reserve</b>	<b>(8,925)</b>	<b>0</b>	<b>(250)</b>	<b>(9,175)</b>
<b>Earmarked Reserves</b>				
Wharfedale View	(68)	0	0	(68)
Tenant Satisfaction	(98)	98	0	0
Repair / Disrepair Reserve	(74)	74	0	0
	<b>(240)</b>	<b>172</b>	<b>0</b>	<b>(68)</b>
<b>PFI Reserves</b>				
Swarcliffe PFI Sinking Fund	(3,438)	0	(28)	(3,466)
Swarcliffe PFI Lifecycle Retention Fund	(389)	0	0	(389)
LLBH&H PFI Sinking Fund	(3,079)	217	0	(2,862)
	<b>(6,906)</b>	<b>217</b>	<b>(28)</b>	<b>(6,717)</b>
<b>Capital Reserve</b>				
MRR	(26,300)	73,864	(70,291)	(22,727)
	<b>(26,300)</b>	<b>73,864</b>	<b>(70,291)</b>	<b>(22,727)</b>
<b>Total</b>	<b>(42,371)</b>	<b>74,253</b>	<b>(70,569)</b>	<b>(38,687)</b>

## 6 Risks

6.1.1 There are a number of risks which, should they materialise would have a significant impact upon the 2025/25 HRA budget. These risks are reviewed throughout the year and action taken to mitigate any impact wherever possible.

6.1.2 The HRA maintains a level of reserves in order to meet the impacts of such risks should they occur. Key risks identified are as follows:

- Pay inflation may vary from the assumed pay award.
- The ongoing impact of the cost-of-living crisis may increase arrears beyond levels anticipated.
- The cost of servicing the debt for the Council House Growth programme may go up if interest rates increase beyond what is assumed in the projections.

- Property numbers may vary significantly from estimates due to fluctuations in the number of RtB sales following the change in RtB legislation in October 2024.
- The number of disrepair claims against the Council may vary from current assumptions thus requiring additional contribution to the provision.
- The increasing cost of materials and the increase in NIC's from April 2025 may increase contract costs and impact the ability to deliver the annual investment programme and repairs service.
- There may be additional demand and cost pressures on the repairs and investment programme budgets due to Awaab's Law, new Fire and Building Safety Legislation and enhanced regulation.
- Should these risks arise, the service will respond flexibly by implementing cost control measures such as vacancy management and approvals from the contingency budgets. Use would also be made of the reserves on the HRA balance sheet identified at 5.2, along with specific provisions for doubtful debt and disrepair.

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## Annex 1

	<b>Adjusted Original Estimate 2024/25</b>	<b>Original Estimate 2025/26</b>	<b>Variance</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Income</b>			
Dwelling Rents Income	(244,924)	(249,876)	(4,952)
Other Rents (Shops & Garages)	(3,392)	(3,504)	(112)
Service Charges	(10,347)	(10,765)	(418)
PFI grant	(21,385)	(21,385)	0
Internal Income	(9,311)	(9,492)	(181)
External Income	(1,667)	(1,694)	(27)
<b>Total Income</b>	<b>(291,026)</b>	<b>(296,716)</b>	<b>(5,690)</b>
<b>Expenditure</b>			
Employees	35,773	37,456	1,683
Repairs to dwellings	60,692	62,513	1,821
Premises	14,594	14,259	(335)
Supplies & Services - Payments to PFI contractor	14,348	14,700	352
Supplies & Services - Other	5,813	4,465	(1,348)
Transport	300	303	3
Recharges from General Fund	35,325	34,223	(1,102)
Payments to BITMO	3,721	3,863	142
<b>Provisions</b>			
- <i>Disrepair</i>	4,000	4,000	0
- <i>Bad debts</i>	1,136	1,761	625
Capital charges	47,361	48,821	1,460
Revenue Contribution to Capital (Investment)	68,017	70,291	2,274
<b>Total Expenditure</b>	<b>291,080</b>	<b>296,655</b>	<b>5,575</b>
<b>Appropriations</b>			
<b>General Reserve</b>	1,000	250	(750)
<b>Sinking Funds</b>			
LLBH&H PFI	(269)	(217)	52
Swarcliffe PFI	(785)	28	813
<b>Net (surplus)/deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

# LEEDS CITY COUNCIL 2025/26 BUDGET REPORT

## Directorate: Strategy and Resources

### 1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the directorate's budget for the 2025/26 financial year.

### 2 Service Context

- 2.1 The Strategy and Resources directorate contains the council's key professional support services: Financial Services; Procurement and Commercial Services; Human Resources; Integrated Digital Services; Legal, Democratic and Information Governance; Strategy and Performance; and Shared Services. Within Shared Services, the Business Support Centre manages the authority's payroll services which it also delivers to other organisations. Collectively, these services support the strategic direction of the council and provide essential support to members and managers to improve outcomes and deliver change.
- 2.2 Through Civic Enterprise Leeds (CEL), the directorate provides a range of services, some on a trading basis to other council directorates and schools as well as external customers and suppliers. These include Catering and Cleaning, Corporate Property Management, Facilities Management, Leeds Building Services and Fleet Services. CEL's Passenger Transport service specialises in transporting children and adults who would otherwise find it difficult to travel from home to various settings. CEL also offers a range of support to Leeds' residents through the Presto service, such as meals at home, gardening, cleaning, companionship and window cleaning services.

### 3 Budget Proposals

- 3.1 The 2025/26 budget has been set at £90,209k representing a net increase of £3,614k (4.17%) when compared to the adjusted budget for 2024/25. This net increase comprises of a change in resources totalling £13k and pressures totalling £16,528, offset by savings of £12,928k which are explained below (all figures rounded).

#### 3.2 Budget Adjustments and Transfers – decrease of £5,204k

- 3.2.1 There have been several organisational changes, service transfers and other budget adjustments which are reflected in the 2025/26 budget. The net total of these is a reduction of £5,204k to the Strategy and Resources directorate. These are detailed below.
- 3.2.2 An adjustment of £4,917k has been made to reflect the transfer of the Contact Centre from Strategy and Resources to Communities, Housing and Environment.
- 3.2.3 An adjustment of £287k has been made to reflect the transfer of Business Administration Service posts and budgets to other directorates as follows: £57k to Children and Families, £127k to City Development, and £103k to Communities, Housing and Environment.



### 3.3 **Changes in Resources – reduction of £13k**

3.3.1 The directorate position shows a reduction of £13k relating to the Transparency Code New Burdens grant. Through the 2025/26 Provisional Local Government Settlement, this has been rolled into the overall Settlement Funding Assessment and will therefore be reflected in the council's Strategic accounts.

### 3.4 **Pay Inflation – pressure of £9,922k**

3.4.1 This budget provides £9,922k for the following elements of pay inflation: the Employers' final pay award for 2024/25; 3.5% 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. The budget also provides £55k for the additional cost of members' pay.

### 3.5 **General Inflation – pressure of £462k**

3.5.1 Price inflation, (including an allowance for fuel, electricity and gas), totalling £462k has been provided for across a number of services.

### 3.6 **Actuarial Review**

3.6.1 The 2025/26 directorate budget reflects no increase in the Employers' Pension contribution to the West Yorkshire Pension Fund.

### 3.7 **Capitalised Pension Costs – saving of £765k**

3.7.1 The fall out of capitalised pension costs associated with staff who have left the council under early retirement initiatives will save an estimated £765k.

### 3.8 **Voluntary Leavers Scheme - pressure of £624k**

3.8.1 In October 2023 the council launched a targeted Voluntary Leavers Scheme (VLS) as an important measure to address the ongoing financial challenge. Provision of £624k has been made to meet associated pension strain costs.

### 3.9 **Other budget pressures – £6,285k**

3.9.1 A number of other pressures have been recognised in the 2025/26 budget.

3.9.2 A decrease of **£38k** is estimated in Business Rates while the cost of insurance is estimated to increase by **£780k**.

3.9.3 **£195k** reflects a shortfall in income due to a number of schools converting to academies. £165k of this has impacted the Business Support Centre (BSC) with a further £30k impacting Legal Services.

3.9.4 **£43k** is included for the impact of the increased apprentice levy within the directorate.

3.9.5 **£760k** reflects a number of pressures within Fleet Services: an ageing fleet requires increased expenditure on maintenance and also means that resources are redirected from

training and external MOT income-generating activities to ensure the existing internal fleet operates as required. A review of Fleet Services is currently underway which may address part of this pressure in future years.

- 3.9.6 The turnover requirement for Leeds Building Services (LBS) has been stretched in previous years. However, as client departments look to reprioritise budgets, this impacts the rate of return that LBS is able to make. **£1,800k** is to reset the required turnover to a more realistic and achievable level.
- 3.9.7 **£350k** recognises that the service level agreement between LBS and Corporate Property Management (CPM) has not been inflated for a number of years.
- 3.9.8 **£1,000k** reflects the additional costs of the CPM service due to higher prices in the materials and cost of labour required both to maintain the backlog maintenance programme of an ageing estate and to ensure compliance with statutory Health and Safety requirements.
- 3.9.9 **£1,173k** recognises the following additional pressures within CPM: £800k in relation to Joint Service Centres Public Private Partnerships (PPP) rents which are increasing whilst the PPP income remains static; £100k reflects the increased cost of the service charge in relation to Merrion House; £250k reflects the reversal of stretch target savings applied in previous years with a further £23k from further rationalisation of the council's estate.
- 3.9.10 **£150k** is included reflecting a shortfall in CEL events' income (for example, weddings).
- 3.9.11 Provision of **£135k** has been made within the directorate to fund two additional fire wardens and an additional Health, Safety and Wellbeing officer to ensure consistent provision of a safe, legally compliant, workplace for employees and safe environments and activities for service users.
- 3.9.12 **£85k** has been included to fund subscriptions and the Job Board to support the web presence for council-wide recruitment.
- 3.9.13 Following the extension of a licence for a core council application, **£272k** has been added to the software budget within Integrated Digital Services (IDS).
- 3.9.14 **£772k** is included to provide ongoing support following the implementation of the new finance system as part of the Corporate Business Transformation (CBT) project, with **£194k** allowed for the implementation of the Source to Contract cloud-based system.
- 3.9.15 **£1,200k** has been provided within the revenue budget to reduce the capitalisation charge to the IDS Essential Services Programme by £800k and the Fleet Service by £400k.
- 3.9.16 **£43k** reflects a reduction in Legal Services' income.
- 3.9.17 These increases in pressures are offset by **£2,629k** traded services' income recovery provided for additional pay award and employers' national insurance costs.

### 3.10 Savings

#### 3.11 Business As Usual – £8,579k

- 3.11.1 The proposals include **£578k** for increased savings already planned in the setting of the 2024/25 budget which are a continuation of actions from the 2023/24 budget. These are in the following areas: £378k IDS savings from the implementation of CBT and £200k planned savings from graduate recruitment.
- 3.11.2 **£692k** will be achieved within IDS: £250k as a result of moving to a new contract for mobile phones, £101k from moving a number of separate supplier platforms to the GovTech platform, £231k from a reduction in the number of Line of Business licences required, £50k from a reduction in overtime, £50k from a reduction in desktop applications and £10k from a reduction in subscriptions.
- 3.11.3 **£309k** will be saved within Legal and Information Governance Services through a reduction in operational costs, deletion of vacant posts and a reduction in hours.
- 3.11.4 **£260k** of staffing savings from the Democratic Services budget will be made as a result of deleting vacant posts and a reconfiguration of support to members along with a reduction in the civic allowance budget arising from activities which are no longer undertaken.
- 3.11.5 **£260k** of savings will be made within Strategy and Performance through the deletion of vacant posts and a review of grant income.
- 3.11.6 **£644k** of savings is budgeted within HR to reflect the implementation of a new delivery model, holding vacancies and exploring opportunities to increase charging options.
- 3.11.7 An additional savings target of **£1,386k** is included within HR in relation to a cross-council Voluntary Leavers' Scheme (VLS). As specific staff are identified and confirmed this saving will be allocated to the relevant directorate and service.
- 3.11.8 Within Shared Services, **£1,569k** planned savings have been budgeted for:
- £930k of savings within the Business Administration Service. These include staffing savings through vacancy management, voluntary measures and the reprioritisation of administrative support across directorates in line with CBT programme implementation.
  - £189k of savings within the Business Support Centre. These include staffing savings through vacancy management and voluntary measures in line with CBT programme implementation and targeting an increase in external income.
  - £450k as a result of the employee savings which will arise from extending the salary sacrifice scheme to include unpaid leave and from reflecting the current unbudgeted position in existing schemes.
- 3.11.9 **£2,881k** of 'BAU' savings will be achieved in CEL through:
- £920k price increases within LBS to mitigate the budgeted pay award along with increasing productivity and performance.
  - £187k within CPM in relation to the accelerated estate reduction and front-of-house efficiencies in line with the estate rationalisation programme.

- £450k Property Cleaning: price increases to mitigate the pay award and reduced cleaning linked to estate rationalisation.
- £144k Cleaning Schools: price increases to mitigate the pay award.
- £49k Security: savings through a review of the increased use of technology such as CCTV and alarms plus staffing savings through voluntary measures.
- £145k School Crossing Patrol savings are anticipated through the continued application of the current policy.
- £231k reflects the anticipated acceleration of the fleet replacement programme to reduce hire costs & vehicle downtime.
- £601k within Catering by reviewing prices, productivity and targeting an increased take up of the offer.
- £55k of price increases within the Presto service and an expansion of the services offered.
- £99k within Facilities Management through rationalisation of the services provided and an increase in charges to pass on the pay award.

### 3.12 **Service Reviews - £4,349k**

- 3.12.1 **Financial Services - £903k:** Financial Services comprises four main service areas: Financial Management, including Exchequer Services; Revenues; Internal Audit, Corporate Governance & Insurance; and Procurement and Commercial Services. As the overall council reduces in size in line with the reset and prioritisation agenda this context provides opportunities to reshape and redesign Financial Services' functions. In addition, new technology brings greater opportunities for efficiencies and rationalisation of processes meaning some roles, over time, will no longer be required. To ensure the delivery of savings, a programme reviewing non-pay budget streams (for example growing income opportunities where benefits will be realised in 2025/26, efficiencies and transformation) will be undertaken across the Financial Services' functions. Alongside this, through a mix of workforce measures including the Voluntary Leavers' Scheme and Flexible Retirement scheme, the number of FTEs across the service will be reduced, reflective of the wider organisational reductions.
- 3.12.2 **IDS - £3,087k:** Over the coming months and years, many of the council's services, including where and how they are delivered, will change, significantly impacting upon the requirements of IDS. New technology, ongoing building rationalisation and implementation of the authority's Digital Strategy will continue to bring greater opportunities for efficiencies and streamlining of systems and processes. Against this context, IDS will carry out a full structural review to ensure staffing resources and capabilities remain aligned to the council's current and future digital priorities. Prior to the review, IDS will delete a number of non-income-generating posts that have remained unfilled for a significant period in order to deliver a full-year saving from 2025/26. Following the full structural review, and through a mix of workforce measures including the Voluntary Leaver's Scheme and Flexible Retirement scheme, further savings will be delivered.
- 3.12.3 **Legal Services - £66k:** with longer-term savings to be delivered through a service review, these BAU savings for 2025/26 will be met through a mix of workforce measures, further work realignment and use of the Flexible Retirement scheme.

3.12.4 **Print and Signs functions within the Business Support Centre - £273k:** The Print and Signs unit is the internal service provider for council printing. Within the context of the financial savings targets, digital developments, a more established external market, changing customer needs (both internal and external) along with the changing shape of the council over the next 3 years, it is timely to review the current operating model to ensure value for money along with an efficient service provision in this area. A high-level options appraisal has been undertaken to identify possible future operating models. Further work needs to be carried out to fully understand the implications of options including a full cost / savings analysis to identify a preferred target operating model to be delivered for 2025/26. The potential impact on budgeted posts will emerge through the review, though the service is holding a small number of budgeted vacant posts which are likely to be deleted to contribute to the immediate savings required.

3.12.5 **Members Allowances through Community Committees savings proposal - £20k:** A service review proposal within the Communities, Housing and Environment directorate to reduce the number of Community Committees from ten to eight will result in savings in members' allowances within Strategy and Resources.

## 4 Risk Assessment

4.1 In determining the 2025/26 budget, consideration has been given to all of the risks, which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered as carrying the highest risk and therefore requiring careful and regular monitoring has been prepared.

4.2 The key risks in the 2025/26 budget for the Strategy and Resources directorate are:

- The 2025/26 budget makes assumptions around the level of staffing reductions that can be achieved across the directorate through voluntary measures where possible. This is in addition to existing assumptions around vacancy factors. There is a risk that staff turnover and the number of vacant posts across the directorate are less than assumed in the budget, resulting in pressures on pay budgets.
- A pay award is agreed beyond the budgeted level.
- Inflationary pressures result in increased expenditure.
- Full cost recovery within traded services may lead to reduced demand resulting in less income whilst a proportion of costs are fixed.
- Savings reliant on transformation through digital solutions could be delayed due to competing demand for a reduced IDS service.
- Turnover within LBS is reliant on client directorates' programme of work. These programmes may be impacted by changes in economic circumstances.
- Workload pressures may limit the ability to meet expectations of all services, directorates, members and partners.

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Directorate - Strategy and Resources

	2025/26 £m	FTEs
<b>Net managed budget 2024/25</b>	91.800	
<b>Adjustments</b>		
Transfer of Business Admin to Directorates	(0.287)	(11.60)
Transfer of Contact Centre to CH&E	(4.917)	(187.96)
<b>Adjusted net managed budget</b>	<b>86.596</b>	<b>(199.56)</b>
<b>CHANGES IN RESOURCES</b>		
<b>Grant Reductions/Fallout</b>		
Transparency Code New Burdens Grant fall out	0.013	
<b>Grant Increases</b>	0.000	
<b>Changes in the use of Reserves &amp; Balances</b>	0.000	
<b>Other Changes in Resources</b>	0.000	
<b>Total Change in Resources</b>	<b>0.013</b>	<b>0.00</b>
<b>CHANGES IN PRESSURES</b>		
<b>Pay Inflation</b>	9.922	
<b>General Inflation</b>	0.462	
<b>Commissioned Services</b>	0.000	
<b>Demographic and demand pressures</b>	0.000	
<b>Employers Pension</b>	0.000	
<b>Capitalised Pensions/VLS</b>	(0.141)	
<b>Other</b>		
Business rates	(0.038)	
Insurance costs	0.780	
Reduction in Schools Income (academy conversions)	0.195	
Apprenticeship Levy	0.043	
Fleet - Subcontractors	0.144	
Fleet - Training SLA	0.300	
Fleet - External Income M.O.T.	0.250	
Fleet - Transend system replacement	0.066	
LBS - Rewinding previous stretch target	1.800	
CPM - SLA with LBS	0.350	
CPM - Backlog Maintenance - Revenue	1.000	
CPM - Joint Service Centres PPP	0.800	
CPM - Merrion House Service Charge	0.100	
CPM - Property review savings	0.250	
CPM - Estate Rationalisation	0.023	
CEL - Adjustment to events income	0.150	
HR - Fire Management posts	0.085	
HR - Health and Safety Workers	0.050	
HR - Job Board	0.052	
HR - Subscriptions (Reed etc)	0.033	
IDS - Cornerstone Savings	0.272	
IDS - CBT Futjitsu support	0.772	
IDS - CBT Source to Contract Revenue costs	0.194	
IDS & Fleet - Unwinding of Capital	1.200	
Legal adjustment to income	0.043	
Recovery of Pay Award/NI through traded income	(2.629)	
<b>Total Change in Pressures</b>	<b>16.528</b>	<b>0.00</b>

<b>CHANGES IN SAVINGS</b>		
<b>Business as Usual</b>		
<i>From prior years</i>		
IDS - CBT Savings	(0.378)	
HR - Graduate Trainees	(0.200)	
<b>New for 2025/26</b>		
<b>Integrated Digital Services</b>		
Move to new mobile phone contract	(0.250)	
IIEG4 forms solution moved to GovTech	(0.101)	
Line of Business (LOB) licences – reduction based on organisational size	(0.231)	
Reduction in overtime	(0.050)	
Reduction in desktop applications	(0.050)	
Reduction in subscriptions	(0.010)	
<b>Legal, Democratic and Information Governance Services</b>		
Legal Services: Reduction in operational costs	(0.030)	
Legal Services: Staffing savings	(0.156)	(3.00)
Democratic Services: Staffing savings	(0.240)	(5.40)
Democratic Services: Reduction in the civic allowance budget	(0.020)	
Information Governance: Staffing savings	(0.123)	(3.00)
<b>Strategy and Performance</b>		
Intelligence & Improvement: Staffing savings	(0.045)	(1.00)
Resilience & Emergencies Team: Deletion of vacant posts	(0.023)	(0.46)
Communications: Deletion of vacant posts and review of grant income	(0.192)	(3.80)
<b>Human Resources</b>		
Implementation of new HR delivery model, staffing savings and increasing income	(0.644)	(13.00)
Additional cross-council Voluntary Leavers' Scheme (VLS)	(1.386)	(27.72)
<b>Shared Services</b>		
Business Administration Service: Staffing savings	(0.930)	(26.60)
Business Support Centre: Staffing savings	(0.189)	(5.40)
Shared Services - Salary Sacrifice	(0.250)	
Shared services: Additional Employer National Insurance savings from Salary Sacrifice schemes	(0.200)	
<b>Civic Enterprise Leeds</b>		
Leeds Building Services: Price increases and increased work programme	(0.920)	
Corporate Property Management savings	(0.187)	
Property Cleaning: Price increases and reduced cleaning	(0.450)	
Cleaning Schools: Price increases	(0.144)	
Security: Reduce security, review use of technology and staffing savings	(0.049)	(1.33)
School Crossing Patrol: Application of policy	(0.145)	
Fleet Review, accelerate fleet replacement programme to reduce hire costs & downtime	(0.231)	
Catering: Price increase, productivity improvements, increased take up	(0.601)	
Presto: Price increase / expansion	(0.055)	
Facilities Management: Increased charging / rationalisation of provision	(0.099)	
<b>Service Reviews</b>		
Financial Services - Service Review	(0.903)	(18.06)
IDS - Service Review	(3.087)	(61.70)
Legal Services: Staffing savings	(0.066)	(1.32)
Business Support Centre: Move to optimum operating model for the mail and print services	(0.273)	
Community Committees savings proposal in CH&E - members' allowances	(0.020)	
<b>Total Savings</b>	<b>(12.928)</b>	<b>(171.79)</b>
<b>Net Managed Budget 2025/26</b>	<b>90.209</b>	<b>(371.35)</b>

# LEEDS CITY COUNCIL 2025/26 BUDGET REPORT

## Directorate: Strategic and Central Accounts

### 1. Introduction

- 1.1 This report has been produced in order to inform members of the main variations and factors influencing the Strategic and Central accounts budget for the 2025/26 financial year.

### 2 Service Context

- 2.1 The Strategic and Central accounts hold a variety of corporate budgets which do not relate directly to individual services, as well as council-wide budgets which largely for timing reasons have not been allocated to individual services. Generally, these council-wide budgets will be allocated to services during the year, once their impact is known. Corporate budgets include the Council's capital financing costs and associated entries relating to the complexities of the capital accounting requirements. Other budgets within Strategic and Central accounts include contributions to joint committees and levies.

### 3 Budget Proposals

- 3.1 This 2025/26 budget has been set at £47,316k representing a net increase of £19,581k (70.6%) when compared to the adjusted budget for 2024/25. This net increase comprises a number of changes in resources totalling £8,176k and pressures totalling £11,405k, which are explained below.

#### 3.2 Budget Adjustments and Transfers

- 3.2.1 There have been no organisational changes, service transfers or other budget adjustments affecting the Strategic and Central Accounts 2025/26 budget.

#### 3.3 Changes in Specific Grant Funding – increase of £35,714k

- 3.3.1 The Strategic and Central accounts reflect a number of new grants receivable for the 2025/26 year. These are a £20,524k Recovery Grant, an estimated £7,127k grant towards the cost of increased employers national insurance rates, and a £5,054k grant towards the costs of childrens social care. There is also an increase of £4,160k in the grant to fund adults social care.
- 3.3.2 The budget also reflects the fall-out of the remaining £1,086k of services grant, and of £65k of other grants which have been rolled up into the overall Revenue Support Grant.

#### 3.4 Changes in Use of Reserves and Balances – increase of £41,065k

- 3.4.1 The Strategic and Central accounts budget for 2025/26 includes an increased contribution to the Strategic Contingency Reserve of £26,757k, and an increase to the Social Care Contingency Reserve of £9,379k, representing the transfer to this reserve of the new grant funding for both adults and childrens social care referred to in 3.3.1 above.



3.4.2 There is also a £3,000k reduction representing the removal of the budgeted contribution to the General Fund Reserve, and a further reduction of £3,000k representing the removal of the budgeted contribution to the Strategic Resilience Reserve.

3.4.3 The budget of £8,279k for the use of S31 grants carried forward in relation to additional NDR reliefs is removed, as this reserve has now been fully utilised.

3.4.4 A new National Insurance Contingency reserve of £1,460k has been established, to hold the element of the new support grant for the employers national insurance increase which has not been allocated to services. Other increased contributions to earmarked reserves amount to £237k.

### 3.5 **Business rates income - reduction of £2,824k**

3.5.1 The budget for 2025/26 includes projected reductions of £2,653k in S31 grants relating to business rates reliefs, as some reliefs awarded to businesses by the government, in particular retail, hospitality and leisure relief, are due to reduce. As a result, the council's share of the business rates collectable for the year will increase.

3.5.2 This is also a projected increase of £171k in the levy payable to the regional business rates pool, as a result of a forecast increase in business rates collectable.

### 3.6 **Increase in Debt costs - £6,526k**

3.6.1 The budget for external debt costs has increased by £8,447k, reflecting the increasing need to borrow for the capital programme and the expected continuation of relatively high interest rates. This is partially offset by a budgeted increase in investment income of £156k. and an increase in projected internal recharge income from directorates for prudential borrowing of £1,103k.

3.6.2 The budget for debt costs includes an increase of £1,748k in the Minimum Revenue Provision (MRP) budget.

3.6.3 There is a net saving of £2,410k in the budgets for capitalisation of PFI lifecycle costs and for MRP chargeable on PFI schemes, as a result of annual fluctuations in PFI accounting models.

### 3.7 **Changes to levies and other contributions – increase of £288k**

3.7.1 From the information available to date, contributions to joint committees and other bodies will increase by £288k. The most significant change is an increase of £188k in the contribution to the West Yorkshire Joint Services joint committee. Increases of £90k in the contribution to the West Yorkshire Coroners Service and of £10k in the regional flood defence levy have also been budgeted for.

3.7.2 The following table gives details of the contributions and levies. In approving these contributions, Members will note that they are not approving the individual budgets of the Joint Committees, but the estimated effect on the Council's budget.

	Leeds' contribution			
	2024/25	2025/26	Variation	
	£m	£m	£m	%
<b>Joint Committees</b>				
Joint Services	1.71	1.90	0.19	11%
<b>Other Bodies</b>				
Flood Defence Levy	0.46	0.47	0.01	2%
Combined Authority and Transport Fund	33.48	33.48	0.00	0%
Coroners	1.70	1.79	0.09	5%

### 3.8 Voluntary Leavers Scheme – pressure of £2,190k

3.8.1 A corporate contingency budget of £2,190k has been included within the Strategic and Central accounts, to meet potential costs of the council's targeted Voluntary Leavers Scheme (VLS), to meet associated pension strain costs.

### 3.9 Other budget pressures – £2,400k

3.9.1 A budget pressure of £1,900k has been included, reflecting a £250k reduction in the general capitalisation target budget, and a further £1,650k budget to improve resilience and reduce reliance on capitalisation across the council.

3.9.2 The budget for recharges of corporate cost to the ringfenced public health budget has been reduced by £500k, reflecting the latest circumstances.

## 4 Risk Assessment

4.1 In determining the 2025/26 budget, consideration has been given to all of the risks, which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered as carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2025/26 budget for the Strategic and Central Accounts are:

4.2 The budgeted external debt costs are based on assumptions about market interest rates during 2025/26. If rates are greater than forecast then the actual borrowing costs incurred could be greater.

Briefing note prepared by: Mary Hasnip (Head of Finance)  
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Directorate - Strategic and Central Accounts

	2025/26 £m	FTEs
<b>Net managed budget 2024/25</b>	27.73	
<b>Adjustments</b>		
<b>Adjusted net managed budget</b>	<b>27.73</b>	<b>0.00</b>
<b>CHANGES IN RESOURCES</b>		
<b>Grant Reductions/Fallout</b>		
Fall out of Services grant	1.09	
Fall out of other grants	0.06	
<b>Grant Increases</b>		
New Recovery grant	(20.52)	
New National Insurance increase support grant	(7.13)	
New Childrens Social Care grant	(5.05)	
Increase in Adults Social Care grant	(4.16)	
<b>Changes in the use of Reserves &amp; Balances</b>		
General Fund Reserve	(3.00)	
Strategic Contingency reserve	26.76	
Social Care Contingency reserve	9.38	
S31 Grants Reserve	8.28	
Strategic Resilience Reserve	(3.00)	
NI contingency reserve	1.46	
Other earmarked reserves	1.19	
<b>Business Rates Income</b>		
Increase in Business Rates levy	0.17	
Reduction in S31 grants for business rates	2.65	
<b>Total Change in Resources</b>	<b>8.18</b>	<b>0.00</b>
<b>CHANGES IN PRESSURES</b>		
<b>Debt costs</b>		
Increases in external Debt costs	8.45	
Increase in external interest income	(0.16)	
Movement in MRP contribution from revenue	1.75	
Change in PFI related debt charges	(2.41)	
Reduction in prudential borrowing recharges to directorates	(1.10)	
<b>Capitalised Pensions/VLS</b>		
VLS Pensions Corporate contingency budget	2.19	
<b>Other</b>		
Reduction in capitalisation budgets	1.90	
Reduction in recharges to Public Health	0.50	
<b>Levies and other contributions</b>	0.29	
<b>Total Change in Pressures</b>	<b>11.41</b>	<b>0.00</b>
<b>CHANGES IN SAVINGS</b>		
<b>Business As Usual</b>		
<b>Total Savings</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Managed Budget 2025/26</b>	<b>47.32</b>	<b>0.00</b>

### Strategy for the Flexible Use of Capital Receipts

#### 1. Background and Purpose

The council is required to prepare a Flexible Use of Capital Receipts Strategy annually to be approved by Full Council.

This appendix provides background information with regards to the statutory guidance on the Flexible Use of Capital Receipts and its application within this authority.

The main permitted purpose of capital receipts is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not permitted by the regulations.

The Local Government Act 2003, section 15(1) requires a local authority "... to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify ..."

As such, the Flexible use of Capital Receipts is permitted, based on a capitalisation direction issued by the Secretary of State under Section 15(1) of the Act<sup>1</sup>, which has the effect of amending sections 16(2)(b) and 20 of the Act: Treatment of costs as capital expenditure by specifying that Local Authorities can treat as capital expenditure, expenditure which:

- i. is incurred by the Authorities that is **designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners**; and
- ii. is properly incurred by the Authorities **for the financial years that begin on 1 April 2022, 1 April 2023 and 1 April 2024.**
- iii. is not incurred with respect to redundancy payments, except where such redundancy costs are necessarily incurred and limited to the amounts available as statutory redundancy payments.

*(Updated August 2022)*

At the Local Government Finance Settlement for 2022/23 the then Government announced an extension of the flexible use of capital receipts up to 2024/25. Subsequently, in December 2023, they extended the programme further to March 2030 giving local authorities the continued freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings.

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<sup>1</sup> [Direction - Flexible use of capital assets](#)

The 2024 Autumn Policy Statement made clear the current Government's confirmation of this extension to 2030. The Government also announced the removal of the restriction with respect to redundancy costs, imposed from April 2022, that had limited the use of the flexibility to statutory redundancy costs only.

It should be noted that in order to manage the various demands on available capital receipts, the council is currently limiting the use of capital receipts flexibilities from 2027/28 onwards. These assumptions will continue to be reviewed and adjusted accordingly.

In using the flexibility, the Council will have due regard to the requirements of the Prudential Code and to the CIPFA Local Authority Accounting Code of Practice.

## **2. Strategy for the Use of Flexible Capital Receipts**

- 2.1 The Statutory Guidance, most recently updated in August 2022, requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy, with the initial strategy being effective from 1st April 2022 with future Strategies included within Annual Budget documents.
- 2.2 There is no prescribed format for this Strategy, but the underlying principle is to demonstrate the use of capital receipts to support the delivery of more efficient and sustainable services by extending their use to finance the costs of efficiency initiatives that deliver significant savings. A list detailing each project should be provided in the strategy along with the expected savings each project is expected to realise.
- 2.3 The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators. Since the Council's capital programme does not currently assume the use of general capital receipts as a source of funding for capital schemes there will be no change to the council's Prudential Indicators as a result of using capital receipts in this flexible way.
- 2.4 Local authorities applying this direction must send details of their planned use of the flexibility to the Secretary of State for each financial year in which the direction is used. Following Council's approval, this strategy document is provided to Government to meet this requirement.

## **3. Qualifying Expenditure**

- 3.1 Government has provided a definition of the expenditure which qualifies to be funded from capital receipts:

*“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the*

*public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.”<sup>2</sup>*

#### 4. Flexible Use of Capital Receipts – Revised 2024/25 position

- 4.1 The council’s 2024/25 Month 9 Financial Health Report submitted to Executive Board on 12<sup>th</sup> February 2025, notes that the budgeted use of capital receipts for 2024/25 is £18.9m, as agreed by Full Council in February 2024. The Month 9 2024/25 Financial Health Report notes that it is planned to utilise £22.8m of capital receipts flexibilities, an increase of £3.9m on the budgeted position for the year. The increases are due to 2023/24 slippage and the addition of new projects as detailed in Table 1. At Quarter 3 2024/25 forecast spend against these plans is £18.6m.

*Table 1 – Change to Budgeted Position 2024/25*

<b>Project Description</b>	<b>Directorate</b>	<b>Planned Spending 2024/25 £m</b>
<b>2023/24 Slippage</b>		
Core Business Transformation 2023/24 Slippage	Strategy & Resources	0.6
IDS - Highways Enterprise Architecture system 2023/24 Slippage	City Development	0.4
Council Tax Automisation 2023/24 Slippage	Strategy & Resources	0.1
<b>Subtotal</b>		<b>1.0</b>
<b>New projects in 2024/25</b>		
Additional Voluntary Leave Statutory Severance Costs	Strategic & Corporate	1.8
CBT Licencing and support staff	Strategy & Resources	0.7
CBT Post Go Live – Fujitsu	Strategy & Resources	0.4
<b>Subtotal</b>		<b>2.9</b>
<b>Grand Total</b>		<b>3.9</b>

- 4.2 Where these projects have a later year impact, this is shown at Table 2.
- 4.3 The budgeted level of savings to be realised through the flexible use of Capital Receipts in 2024/25 is £9.2m. At Quarter 3 2024/25 forecast savings against these plans is £11.5m. Forecast savings are incorporated into directorate positions reported in the Financial Health Report for Month 9, received at February 2025 Executive Board.

<sup>2</sup> [Guidance on the flexible use of capital receipts \(updated August 2022\) - GOV.UK](#) Part 4

## 5. Flexible Use of Capital Receipts – Budget 2025/26

Table 2 – Budgeted Flexible Use of Capital Receipts 2025/26

Project Title	Planned Spending 2024/25	Planned Savings 2024/25	Planned Spend 2025/26	Planned Savings 2025/26
	£m	£m	£m	£m
Adults and Health Service Transformation team	1.800	(4.000)	1.800	(7.800)
Adults and Health - specific IDS staff supporting transformation.	0.100	(0.250)	0.100	(0.250)
Transformational Change - Adults & Health Leadership Team	0.243	0.000	0.243	0.000
Children & Families Transformation Team	1.400	0.000	1.433	0.000
IDS - Highways Enterprise Architecture system	0.802	0.000	0.150	0.000
Capital Scheme Support City Development Head of Service	0.110	0.000	0.114	0.000
Transformation Resources within the Communities, Housing & Environment Directorate	0.138	(0.138)	0.000	0.000
Customer Strategy	0.000	0.000	1.900	(2.200)
Council Tax Automisation	0.101	0.000	0.000	0.000
CEL staff time: Transformational projects	0.100	(1.530)	0.100	(1.530)
BSC Staff supporting the delivery of system changes within Shared Services.	0.468	0.000	0.468	0.000
Legal Staff supporting Delivery of DAT (Documents and Time recording system)	0.000	0.000	0.056	0.000
Corporate Transformation Capacity Team	1.042	0.000	1.042	0.000
LBS Transformation Workstreams	0.368	0.000	0.000	0.000
PACS staff delivering innovative solutions to realise Procurement savings	0.773	0.000	0.773	0.000
Additional PACS staff to support transformation projects across the Council	0.628	0.000	0.628	0.000
Ernest & Young Contract Review Exercise	0.050	0.000	0.000	0.000
CBT Staff supporting delivery of the key Core Business Transformation Programme	7.163	0.000	0.970	0.000
CBT Post Go Live Technical Support	0.000	0.000	1.039	0.000
CBT Post Go Live Consultancy Support	0.000	0.000	0.121	0.000
CBT Post Go Live Fujitsu Support	0.448	0.000	0.000	0.000
CBT Source to Contract Procurement System	0.662	0.000	0.507	(2.889)
IDS - Staff supporting the delivery of key projects across the Authority	3.140	0.000	2.640	0.000
IDS - Driving a digital approach across the Council	0.500	(0.500)	0.000	0.000
Voluntary Leavers Scheme Statutory Severance Costs	2.753	(2.753)	2.753	(2.753)
<b>Grand Total</b>	<b>22.789</b>	<b>(9.171)</b>	<b>16.837</b>	<b>(17.422)</b>

5.1 In total the 2025/26 budget plans for £16.8m of expenditure to be funded through capital receipt flexibilities. Use of capital receipts will contribute towards the delivery of £17.4m of savings next year with further anticipated savings in future years. The schedule in Table 2 and the following paragraphs present the 2024/25 projects that will be funded through flexible use of capital

receipts, and the associated revenue savings or future cost avoidance. In some cases, there is a direct link between a project and the realisable financial benefit. In others, the project contributes to enabling the savings in other business cases or provides a wider benefit, which would not otherwise be realised. Some of the expenditure incurred in 2025/26 will contribute towards the realisation of savings in future years through transformation of the way that the Council delivers some of its services.

5.2 Within the Adults and Health Directorate £2.14m of capital receipts is required to fund the costs of staff who are responsible for the delivery of the directorate's transformation programme from which savings of £8.05m have been incorporated into the 2025/26 budget. Specifically, the transformation programme covers:

- Delivery of budget action plans and support for the Adults and Health Budget Review Group Board.
- Working with social work practitioners to design the most efficient pathways for clients and delivering on the Independent Living project, supporting people to live independent lives for longer.
- Supporting front line social work to develop an Early Intervention Team to help support people to live independently for longer.
- Working with the NHS to ensure pathways for transfer are right first time.
- Developing invest to save business case for increasing capacity in the care market, e.g. new homes for dementia and autism, designed in conjunction with external partners and Cross-Council.
- Work on design of IT systems and workflows to ensure data is input right first time.
- Ensure where income is due that this is collected in full. Development of the A&H Client recording system, HCAIT (Home Care Analysis & Information Tool system) and the creating of the new billing system, Billing Engine.

5.3 Within the Children and Families Directorate £1.4m of capital receipts will be used to continue to resource the Transformational Team. This team is driving forward a programme of transformation activity, focused in some key areas of activity including diversification of our residential offer, improved commissioning outcomes, changes to our fostering offer, and end to end review of our EHCP processes, a sustained focus on delivering as effective as possible transport arrangements, review of LCC Children Centres, review of Little Owls Provision, creating a focused adolescent support service, closer working with health partners etc. to further increase capacity, achieve efficiencies, deliver required financial savings and seeking to position services on a sustainable future footing.

5.4 In City Development £0.15m is allocated to continued work on the Highways Enterprise Architecture system and a further £0.11m to continue to fund a City Development Head of Service who will support various capital schemes in City Development, ensuring more effective management of these schemes leading to efficiencies and identification of potential income generating opportunities.



- 5.5 The Customer Strategy aims to make it easy for all customers to interact with the council by delivering an excellent customer experience. The programme will deliver three key benefits: improvements to customer experience; improvements to colleague experience and efficiency in performing their roles; and financial benefits to the council. £1.9m of capital receipts funding will be applied in 2025/26 with expected in year savings of £2.2m.
- 5.6 Capital receipts of £0.10m will be used to resource Senior Management Team time within Civic Enterprise Leeds which is spent on driving forward the transformational change programme within CEL to deliver the ongoing efficiency savings of £1.5m per annum.
- 5.7 With regard to the Business Support Centre, £0.47m of capital receipts flexibilities will be used to resource staff involved in transformational work both within the Shared Services function and the Contact Centre. The work undertaken will continue to complement and help realise the benefits and costs reductions that will be realised through the implementation of the Core Systems Transformation Programme.
- 5.8 £0.06m is allocated to fund the staffing costs associated with the delivery of the DAT (Documents and Time Recording) system in Legal Services, enabling time saving and efficiencies in the service.
- 5.9 Within Financial Services, the Corporate Transformation Capacity Team has specific provision of £1.04m in 2025/26, to fund transformational activity relating to digitising transactional activity in the service to enable agile working across Directorates and the reduction in manual processes within the Council Tax and Business Rates functions. This work is enabling the Council to manage and implement transformational change through the wider Core Business Transformation process, which will realise cashable savings to contribute towards the Council being able to present a balanced budget position in future financial years.
- 5.10 Within Procurement and Commercial Services £1.4m will be utilised to support the delivery of procurement savings that have been built into the 2025/26 budget. Specific activities include:
- Ongoing feasibility work/pilot scheme with a view to improving commercial capacity and capability within services.
  - Supporting service reviews/reconfiguration/investment/improvement (including in relation to Contract Management and Social Value) with a view to generating efficiency savings, added value from procurement activity and/or service transformation.
  - Embedding the new e-tendering system and developing the contract management system to ensure integration with wider Council systems and developing digital approach to monitoring and reporting in order to support the delivery of more efficient public services.
  - Improving systems and processes to help tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy (including training to services).

- Setting up (both within PACS and services) commercial or alternative delivery models (including through Social Value commitments from suppliers etc) to deliver public services more efficiently and bring in revenue (for example, through selling services to others).
- 5.11 As detailed in the report to Executive Board in September 2020, capital receipts are being used to resource the Core Business Transformation Programme which seeks to bring about fundamental changes in the way Finance, Procurement, Human Resource (HR) and Payroll activities are undertaken across the Council. Capital receipts have supported delivery of Phase 1 (replacement of Finance System) and Phase 2 (replacement of HR & Payroll systems) of the programme. The CBT Programme supports the Council's aim set out in its People Strategy to be the best place to work, with staff provided with the right tools for the job, the Leeds City Digital Strategy which aims to transform how we work using the many opportunities provided by digital technology and deliver savings through more efficient ways of working and application rationalisation. Both the replacement HR/Payroll system and the replacement Finance System will be implemented in 2025/26, supported by a £0.97m allocation of flexible use of capital receipts. External post go-live support consultancy and technical support for the CBT programme will utilise a further £1.2m of capital receipts in 2025/26.
- 5.12 Whist Procurement was included in the original CBT business case in 2020 alongside Finance, HR and Payroll, it was necessary to undertake further research and market engagement to determine the functional and non-functional requirements for Source to Contract technology, assess if the market could satisfy these needs and determine how the Council would meet statutory requirements under the Procurement Act 2023. Subsequently the procurement of a new Procurement system to better support contract management, reduce risks and prevent value leakage has been agreed, supported by £0.5m of capital receipts in 2025/26 and anticipated to deliver £2.9m of savings in year.
- 5.12 In 2025/26 £2.64m of capital receipts will be invested in Integrated Digital Services (IDS) to allow for the creation of and recruitment to new posts, used to support delivery of key Council priority 1 projects and a programme of work to rationalise software applications. The posts will be a combination of Solution Architects, Integration Specialists, Technical Leads, Project Managers, Business Architects and Business Analysts. Priority 1 projects are those which: bring a significant saving; prevent a critical service failure; are a legislative requirement; a major unforeseen event; prevents reputational damage. The application rationalisation programme will reduce the number of applications supported thereby reducing the support and maintenance costs and simplifying business processes. Savings from this work programme will assist in delivering those transformational activities throughout the authority which are built into the Medium Term Financial Strategy and are dependent upon an information technology solution.

- 5.13 In October 2023, the council launched a targeted Voluntary Leavers' Scheme (VLS) as an important measure to address the ongoing financial challenge. Capital receipts of £2.8m will be used to meet the severance costs of staff exiting the authority through this scheme, where approvals require business cases which demonstrate that savings can be realised through releasing the identified staff. The direct revenue savings are £2.8m as these costs are being met from capital receipts. However, the VLS scheme also enables services to transform and restructure to deliver services in a way which aligns with the council's long term vision, making us fit for the future. These wider savings are built into the Medium Term Financial Strategy.
- 5.14 Overall this Strategy aims to support the delivery of a more integrated approach to delivering services and to deliver greater Value for Money with productivity improvements resulting from: better partnership working; different and more joined-up activities and solutions; and timely and flexible interventions to prevent problems escalating. Work continues to look at geographical intervention, maximise and rationalise use of assets, improve commissioning, identify and deliver workforce requirements and maximise the role of technology in sharing and using data to inform the approach and deliver outcomes.

Description of Reserve	Projected	Budgeted	Budgeted	Projected	Reason for the Reserve
	balance at 1st April 2025	Contributions (To) Reserve	Contributions From Reserve	Balance at 31st March 2026	
	£k	£k	£k	£k	
<b>GENERAL FUND</b>	<b>(36,248)</b>	<b>0</b>	<b>0</b>	<b>(36,248)</b>	
<b>EARMARKED RESERVES</b>					
S256 funding for health inequalities	(23)			(23)	Specific funding from Leeds South and East CCG for tackling health inequalities.
Health & Social Care (CCG)	(1,103)			(1,103)	To fund Health and Social Care priorities
Safeguarding (Adults)	(288)			(288)	Independent Safeguarding Board - c/f of partner contributions.
Spring Budget	(892)			(892)	To earmark the Spring Budget monies from MHCLG.
Trauma Informed programme	(344)			(344)	S256 funding agreement with CCG to set up new service.
Dewsbury Road Annexe	(191)			(191)	0-19 Public health Integrated Nursing Service funding
ROMA Capacity Funding	(110)			(110)	To fund a Family Outreach Worker
Henry 5-12 project	(49)			(49)	Public Health funding to support a healthy weight programme for families with children aged 5-12 years old.
Adoption National Recruitment Strategy	(250)			(250)	LCC hosting fee for National Adoption week
Armed Forces Day	(6)			(6)	Funding for Armed Forces Day.
Local Welfare Support Fund	(362)			(362)	To provide ongoing funding to the Local Welfare Support Fund service who provide support to Leeds residents experiencing financial hardship
Economic, Social and Environmental Wellbeing fund	(302)			(302)	Carried forward balances on the wellbeing budgets of Community Committee.
Communities Innovation Fund	(22)			(22)	Fund work with 3rd sector to develop future financial sustainability in the sector.
Car Parking Upgrade of Meters	(100)			(100)	To cover the cost of upgrading or replacing car parking meters when no longer supported by supplier.
Homelessness Grants	(120)			(120)	To fund Homelessness prevention
Supporting People	(349)			(349)	Supporting People Fund - linked to Homelessness Prevention above
Civil Penalties	(400)			(400)	To fund potential new Selective Licensing scheme, approved at Executive Board (Spring 2024)
Lord Mayor	(10)			(10)	Balance of budget carried forward.
District Heating Network	(188)			(188)	To underwrite any losses made by District Heating Company
Energy Efficiency Reserve - LCC	0			0	Energy efficiency reserve to fund invest to save energy efficiency initiatives.
Section 256	(1,059)			(1,059)	Funding from CCG for development of digital solutions for personalised care.
General Insurance	(3,278)			(3,278)	To meet the costs of future insurance claims and overspends of the insurance fund.
Mutual Municipal Insurance	(11)			(11)	To fund potential claw backs of past insurance receipts from MMI.
Legal Cost of VAT claims	(63)			(63)	Funds set aside from £8.4m VAT claim refund received in 10/11 (originally £100k) to help fund legal costs for remaining VAT cases
Capital Reserve	(1,850)	(624)		(2,474)	Directorate contributions towards borrowing costs of capital schemes. Contributions received over life of asset and released back to revenue to cover debt costs over life of loan.
City Development - Major Events	(50)			(50)	To reinvest an element of event profits to cover potential future events costs such as one off infrastructure, to protect future delivery
City Development - Museum & Galleries	0			0	Museums and Galleries - LMG exhibitions
S31 Business Rates reserve	0			0	Reserve to carry forward S31 NDR relief grants received in 20/21 to 21/22
Social Care Contingency Reserve	0	(9,474)		(9,474)	Fund to support the significant risks facing the Council in regard to demand and cost pressures in both Adult and Children's Social Care
Strategic Resilience Reserve	0			0	Fund for future unforeseen budget pressures and to ensure the Council becoming more financially resilient
Strategic Contingency Reserve	(10,470)	(14,651)		(25,121)	Fund for future unforeseen budget pressures and to ensure the Council becoming more financially resilient
COVID Reserve	0			0	To be applied to residual COVID pressures
Purchase of vehicles reserve	(800)			(800)	For purchase of vehicles
Investment/Innovation	(1,556)	(2,500)		(4,056)	Fund to get projects off the ground that will generate future revenue savings.
Business Rates Distribution	(367)			(367)	Business rates pool surplus and funding allocated to projects.
Schools Income	(480)			(480)	To carry forward schools income to be allocated to individual schools
National Insurance Contingency Reserve	0	(1,460)			NEW: To meet unfunded costs of National Insurance increase
<b>RING FENCED RESERVES: GENERAL FUND</b>	<b>(25,093)</b>	<b>(28,709)</b>	<b>0</b>	<b>(52,342)</b>	
	<b>(61,341)</b>	<b>(28,709)</b>	<b>0</b>	<b>(88,590)</b>	
PFI Surplus / Deficit	(285)			(285)	PFI sinking fund
Rapid test Fund	(115)			(115)	Funding from Central Government to support testing of individuals
Community Discharge Grant	(934)			(934)	Funding from Central Government for transitions costs from Hospitals back to Community Settings
Public Health Grant	(871)			(871)	Public Health grant carried forward
Taxi & Private Hire Licensing Surplus	(478)			(478)	Ring fenced reserve for taxi and private hire licensing service.
Energy Efficiency Reserve - Salix	(614)			(614)	Energy efficiency reserve to fund invest to save energy efficiency initiatives.
Revenue Grants	(17,597)			(17,597)	Various Revenue Grants
<b>Sub-total General Fund Ring-fenced Reserves</b>	<b>(20,894)</b>	<b>0</b>	<b>0</b>	<b>(20,894)</b>	
<b>Total General Fund Reserves</b>	<b>(82,235)</b>	<b>(28,709)</b>	<b>0</b>	<b>(109,484)</b>	

### REVENUE & CAPITAL PRINCIPLES

#### A. REVENUE BUDGET PRINCIPLES

The revenue budget principles have been developed to support the budget process and need to be complied with in conjunction with compliance with the Council's Budget and Policy Framework, the Budget Management Accountability Framework and detailed guidelines provided for setting the budget for the current year and the provisional budgets for the following two years.

The budget position is based on a number of significant subjective assumptions. To enable the Council to react to changes in these assumptions in a timely fashion, these principles should be adhered to, which should support a balanced budget being set.

The current financial year will also have a significant impact on future years budgets being set and therefore a number of the principles relate to the current financial year.

#### **1. Budget Principles for Future Years Budgets**

1.1 The budget will initially be prepared on the basis that current resources support existing service levels in line with budget assumptions and with the exception of:

- (a) The full year effect of previous year's savings proposals and spend.
- (b) Consequences of the approved capital programme.
- (c) Where expenditure needs to be reduced with regard to adjustments in relation to specific 'one year only' allocations and other time expired funding.
- (d) Other specific Council decisions.
- (e) Directors and Departmental Chief Officers, supported by Financial Services, are responsible for:
  - Business cases (rationale) which need to be developed for growth invest to save proposals and innovation proposals, with evidence based justification for increasing demand included in business cases to be considered as part of the budget gap. These are to achieve the priorities in the Best City Ambition.
  - All savings within a Directorate are to be agreed by the Executive Board, however if a saving is not approved then an alternative must be found. If an approved saving is not delivered in year, then a reason why this hasn't happened needs to be considered by the Council's Corporate Leadership Team (CLT), then Executive Board and an alternative found.
  - Identifying potential savings with No Options for savings being off the table. Savings are to be presented to Executive Members at the earliest opportunity to obtain all Executive Members views as to whether these are to be progressed.

- Contingency Action Plans – The value of any risks / pressures in the Directorates managed budgets should be quantified. As a contingency, savings proposals which can be implemented quickly are to be identified. These proposals will be actioned if the service goes into an overspend position during the financial year.

(f) Budget Action Plans – Saving proposals to manage:

- The savings requirement for the Directorate
- Pressures identified within the service
- Future developments

The contingency and Budget Action Plans must be robust and fit for purpose. Each Director will be required to verify that the actions contained in the plan are achievable.

**1.2 Salary budgets** are to be prepared with reference to that year's staffing budget (net of any vacancy factor) adjusted for pay awards, approved service changes, savings and other approved variations. The salary budgets can only be used to employ staff in established posts on approved grades in line with the following conditions:

(a) All changes to the approved staffing budget where Council funding is available in full must be approved by Executive Board, or within the requirements of the Scheme of Delegation.

(b) All changes to the approved staffing budget where resource implications arise, even if the costs are met entirely from external funding, must also be approved by Executive Board, or within the requirements of the Scheme of Delegation.

(c) Posts funded from external sources must be established as temporary or specific purpose posts unless it can be demonstrated that:

- the external funding is permanent, or specific approval has been given, or future years' costs can be contained within current budgets.

**1.3. Discretionary Fees and Charges.** Directors are to provide a report to CLT on their proposals to generate income from within the Directorate.

(a) Fees and charges are to be varied to achieve an overall annual increase in income for each Directorate in line with the Fees and Charges Policy. Increases can be implemented at any time subject to the overall financial target being achieved.

(b) If the target cannot be achieved by varying fees and charges then alternative savings must be identified. Claims by Directors to exempt or apply a lesser increase to any part of their service must be justified in the context of their Directorate policies and plans and referred to CLT.

### **1.4. External Funding**

(a) Wherever possible external funding should be used to reduce pressure on current expenditure, thereby releasing resources for redirection into priority areas.

(b) All legal, human resources, financial and administrative support costs required to manage grant conditions and fulfil the role of the accountable body should be charged, wherever possible, against the funding regime.

### **2. Current Year Principles**

2.1 In regard to Revenue Grants received in the year, agreement to be reached at CLT whether substitution of general funding should be identified before the grant is utilised.

2.2 Contributions to a non-ringfenced reserve can only be made if a directorate is forecast to be underspending. Contributions needs to be agreed by the Interim Assistant Chief Executive – Finance, Traded and Resources.

2.3 Carry forward of budget into the next year will be considered by CLT and will only be considered if the service is forecast to be underspending at the reported provisional outturn position.

2.4 Directors must balance service requirements against the need to manage within their budgets when taking decisions to fill vacant posts or employ temporary staff.

2.5 No overspend in budgets should be incurred unless there is a safeguarding / statutory need and these, where possible, should be agreed by the Director. A report with a budget action is to be provided to CLT and Executive Board detailing proposals as to how this variation will be managed within the Directorate's approved budget.

2.6 When a revenue grant received from Central Government stops the Directorate will need to manage the reduction in both expenditure and loss of income. The Director, with support from Financial Services, will be required to provide an exit strategy or an evidence based business case to set out why this expenditure should be added to the base budget.

2.7 Services need to manage budget pressures identified within the service. Any pressures which the service identifies which cannot be managed need to be agreed by CLT and Executive Board with a robust business case being developed.

2.8 Where in year saving proposals have not been achieved in the current financial year, the Director will need to identify budget savings options to mitigate and prevent the Directorate from going into an overspend position. These savings options will be incorporated into Financial Health reports which are received initially at Executive Board and then subsequently at both Strategy and Resources and the respective service Scrutiny Boards.

### **B. CAPITAL PROGRAMME PRINCIPLES**

The Capital principles have been developed to enable focus on the purpose of the Capital Programme and to seek agreement for the use of limited resources.

#### **1. Capital Programme Principles**

1.1 The Capital Programme is compiled for a ten year period. The format of the capital schemes submissions, which are to be supported by a business case, will be determined by the Financial Challenge: Strategic Investment Board (SIB). The Capital schemes being considered by SIB are to meet the priorities identified in the Business Case Guidance.

1.2 The profiling of capital expenditure into the correct financial years and over a project's development will be key to ensure the amount of re-profiling of capital resources from one year to another is kept to a minimum, and to minimise the amount of revenue budget required to finance the project.

1.3 When a Capital Scheme has been completed, the business case and outcomes will be reviewed to ensure the specified outcomes have been achieved and a lessons learnt document will be produced to be used for future capital programmes.

1.4 Capital Resources are to be used as follows:

- Decisions on the use of Capital Receipts will be considered as part of the budget process. Should any in-year decisions on the additional use of Capital Receipts be required these will be considered within quarterly capital reporting to Executive Board.
- Unringfenced and ringfenced externally funded grants are considered on a case by case basis for their utilisation by SIB.
- Any external funding secured after the Capital Programme is set is to be used to replace any internal funding sources including Corporate or Prudential borrowing of any relevant scheme in the first instance, where conditions allow, to provide maximum flexibility in the use of available resources.
- Approval of any new borrowing must be considered alongside the implications for the revenue budget position.

1.5 Capital projects for approval where no funding solution is identified are:

- Considered by Executive Member for the service who agrees to the Directorates putting forward a request for funding the Capital Scheme. Ward members in relevant localities affected by the capital investment will also be consulted on the proposals.
- Completed to ensure all implications of the Capital Scheme are included in the 'Business Cases'. Business cases are to be developed and a scheme will only be included in the Capital Programme when considered by SIB and CLT and ultimately approved by the Executive Board in line with the Budget and Policy Framework.
- Supported by business cases which are developed by the Directorates with support from Financial Services. The ongoing monitoring of the Capital



Schemes is the responsibility of the Director in accordance with the Financial Regulations.

- Profiled accurately across the relevant financial years.

1.6 External Funding is maximised before the use of internal funding sources, including Corporate or Prudential Borrowing, is considered.

1.7 Capital Expenditure is reviewed to ensure the capital scheme provides value for money, is sustainable in the future and meets the priorities detailed in the Best City Ambition. In order to ensure that schemes meet Council priorities and are value for money, the Interim Assistant Chief Executive – Finance, Traded and Resources will continue to ensure:

- the introduction of new schemes into the capital programme will only take place after completion and approval of a full business case and identification of the required resources; and
- the use of prudential borrowing by directorates is based on individual business cases and that revenue resources to meet the borrowing costs are identified.
- All revenue implications of the Capital Programme (regardless of the capital funding of those schemes) are considered and are reviewed by FPG and, where relevant, by SIB to enable informed decisions to be made, for example regarding:
  - Ongoing operating costs and life cycle costs
  - Cost of any prudential borrowing including both MRP and Interest

1.8 Capitalisation of expenditure (including staffing costs) must be in line with CIPFA Guidance.

### **C. General Principles**

The budget process shall adhere to the approved timetable.

# Appendix 12: Housing Leeds – tenant priorities to inform 2025/26 budget consultation

January 2025



## Background

In line with the Housing Leeds Service Plan commitment to ‘*maximise the use of customer feedback*’ the service has included within its quarterly tenant satisfaction survey programme questions to help us understand tenants service priorities, which can be used to help inform annual budget setting.

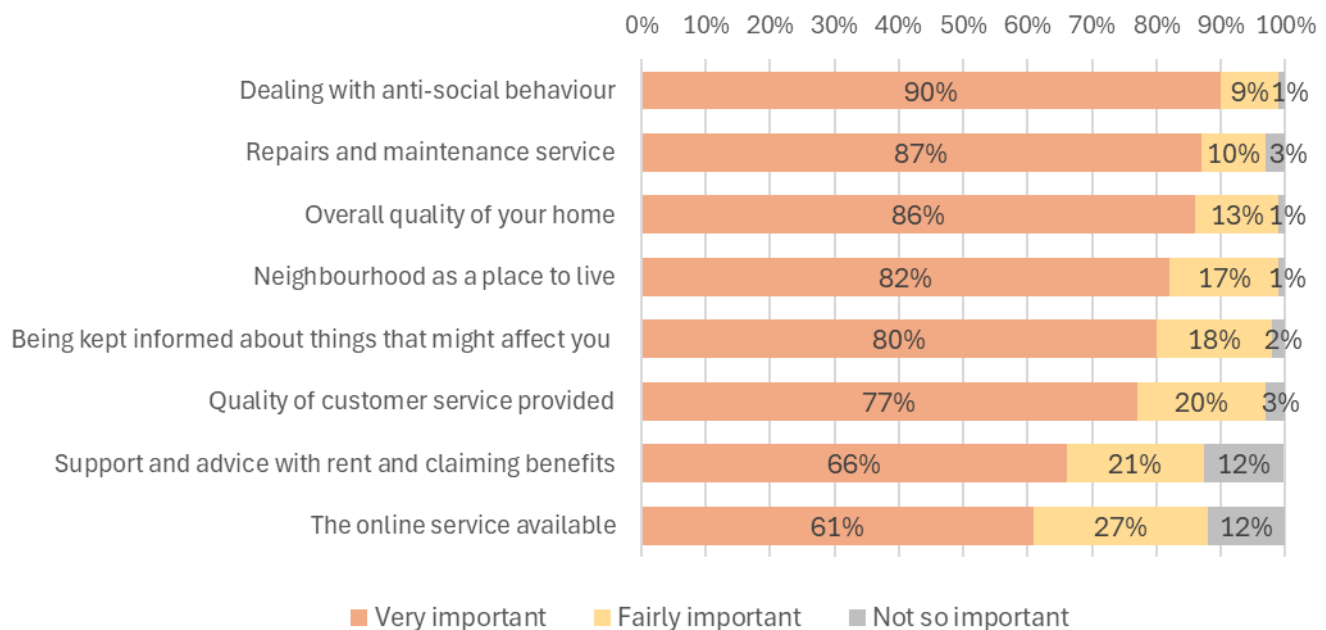
The satisfaction programme, launched in April 2022, issues quarterly online and telephone surveys to a random sample of tenants across the city. Between April 2024 and the end of December 2024, 1,892 responses have been received, with 378 of these collected through an online survey including questions around tenants’ priorities. These are accurate to within a margin of error of +/-5%.

The survey asked the following question: ‘*We would like to understand what our service priorities should be for you. Thinking about the services we provide, please tell us how important the following are to you.*’

## Summary of survey findings:

- The most important services to tenants were reported as:

Tenant Priorities Qtr1-Qtr3 2024/25 Cumulative



The repairs and maintenance service, dealing with anti-social behaviour, the overall quality of the home and the neighbourhood as a place to live were the four most important aspects of our service.

- Whilst there have been some positive trends in various areas of performance, a full year of data is not yet available to be formally reported. However, from the first three quarters of 24/25, survey returns suggest some of the key areas of dissatisfaction linked to tenants' priorities (% reported as dissatisfied or very dissatisfied) are:
  - Approach to handling anti-social behaviour (36%)
  - Neighbourhood appearance (31%)
  - Well maintained home (23%)
  - Repairs and maintenance (23%)
  - Safety in neighbourhood (22%)
  - Easy to deal with (Customer services) (22%)
  - Being kept informed (20%)
  
- There is now the opportunity to consider budget prioritisation, supporting the areas that are both most important to tenants and where perceptions of the service are lower.