

## 2022/23 Revenue Budget and Council Tax

Date: 23<sup>rd</sup> February 2022

Report of: Chief Officer Financial Services

Report to: Full Council

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### What is this report about?

#### Including how it contributes to the city's and council's ambitions

- This report seeks the consideration of Council to approve a revenue budget and level of council tax for the 2022/23 financial year. The report sets out the framework for compiling the 2022/23 budget, taking into account the [2022/23 Revenue Budget and Council Tax report](#) considered by Executive Board on 9<sup>th</sup> February 2022, the Council's [Proposed Budget for 2022/23](#) which was agreed by the Executive Board in December 2021, the final Local Government Finance Settlement and the Council's budget and policy framework, the results of budget consultation and other factors that have influenced the final budget. Further this report notes the updated provisional budgets for 2023/24 and 2024/25.
- These budget proposals are set within the context of the [Medium Term Financial Strategy 2022/23-2026/27](#), which was approved by the Executive Board on 22nd September 2021, and which continues the journey that commenced in 2019 whereby the Council's revenue budget becomes more financially robust, resilient and sustainable.
- The 2022/23 budget now being proposed supports the Council's strategic ambitions, policies and priorities aimed at tackling poverty and reducing inequalities.
- The Chancellor of the Exchequer announced the Spending Review 2021 on 27th October 2021, covering the three-year period to the end of the current Parliament, 2022/23 to 2024/25. Announcements pertaining to 2022/23 were further detailed in the provisional Local Government Finance Settlement, announced on 16th December 2021. The final Settlement, published on 7<sup>th</sup> February, and subject to debate in the House of Commons on 9<sup>th</sup> February, was consistent with these earlier announcements. As such, the implications of all relevant announcements are included in this Budget Report.
- Whilst this funding is welcomed, the nature of one-off funding and the uncertainties within the Spending Review regarding future funding for Local Government make medium term financial planning difficult.

- The forecast position for the financial period to March 2025, as referenced in this report, recognises the requirement to make the Council's budget more financially resilient and sustainable whilst providing increased resources to support demand led services within the Council.
- The current financial climate for local government continues to present significant risks to the Council's priorities and ambitions, and this report has been prepared against a background of uncertainty with regard to the Government's spending plans from April 2023. 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. It is clear from the size of the estimated budget gap for the period 2022/23 to 2026/27, detailed in the Medium Term Financial Strategy report received at Executive Board in September 2021, that the position continues to be extremely challenging, especially when account is taken of the ongoing financial impact of COVID-19. It will therefore be increasingly difficult to maintain current levels of service provision without significant changes in the way the Council operates.
- The forecast position for the financial period to March 2025, as referenced in this report, recognises the requirement to make the Council's budget more financially resilient and sustainable whilst providing increased resources to support demand led services within the Council.
- When compared to 2021/22, the Council's net revenue budget has increased by £86.7m to £521.9m, as follows:
  - An increase in the Settlement Funding Assessment (SFA) of £0.9m (0.5%).
  - An increase in council tax of 1.99% together with a further 1.00% in respect of the Adult Social Care precept. The overall increase in council tax income also reflects a recovery in taxbase growth following shrinkage last year as a consequence of the impact of COVID. In total an additional £22.2m of local funding is generated through Council Tax.
  - The net impact of business rates retention on the 2022/23 general fund is an increase of £63.6m. This is mainly a consequence of a decrease in the level of the deficit that has to be funded in 2022/23 and a slow easing of the pressures on Business Rates income such as bad debts, appeals, with a slight return of growth, rather than the result of significant business rates growth.
  - Whilst resources receivable from SFA and Council Tax have increased, pay, price and demand pressures mean that the Council will need to deliver £16.5m of savings and a further £4.2m of budget reduction measures by March 2023 to achieve a balanced budget position.
- The Proposed Budget noted that some of the savings proposals would impact on the funding assumptions and cost increases and would be reclassified as such in the final Budget report. Although the value of savings proposals has reduced by £4.3m since the Proposed Budget, £4.2m of these savings have been reclassified as changes to funding and reductions to identified cost pressures and a further £0.1m has been removed from savings. Consequently, these changes result in the Budget showing required savings of £16.5m, but the 2022/23 Budget proposals still require the Authority to deliver £20.7m of measures to achieve a balanced budget, whether through savings, ensuring that assumed increases in

funding are realised or delivering budgeted reductions in costs or implementing agreed savings. Further detail is provided at Section 5 of Appendix 1 and these updated assumptions have been incorporated into Directorate reports in Appendix 8.

- In respect of the Housing Revenue Account, it is proposed to increase rents to all properties in accordance with the government formula for rent increases of CPI+1% from April 2022. This will see rents for all tenants increase by 4.1% in 2022/23 whilst service charges will increase by RPI of 4.9%.
- In respect of the Schools Budget, the High Needs Block budget for 2022/23 proposes £104.0m of funding and £104.0m of spend. The funding position reflects Schools Forum's agreement to transfer £3.13m from the Schools Block to the High Needs Block, following consultation with schools. As such, a budget has been set within the funding available, however there is a risk that demand will rise further and the position will therefore be closely monitored during the year.
- The current Leeds City Region Business Rates Pool was established on 1st April 2021. Leeds City Council submitted an application on behalf of the member authorities (Bradford, Calderdale, Harrogate, Kirklees, Leeds, Wakefield, and York) to enable the Pool to continue operating under the national 50% scheme in 2022/23 and was informed that this application had been successful in December 2021. As such, these budget proposals recognise that Leeds City Council will be required to make a levy payment to this new pool in 2022/23.
- COVID-19 has fundamentally affected the way the Council works. Whilst the impact of COVID-19 has been to reduce the level of resources available to the Council it has also provided the opportunity to consider how its business and services should operate in the future and this is reflected in a number of the budget savings proposals that have been received at Executive Board. These budget proposals recognise the ongoing impact of COVID on expenditure and income and identify resources to deal with this impact in 2022/23.

### **How this report contributes to the city's and council's ambitions**

- The Best Council Plan is the Council's current strategic plan which sets out its ambitions, outcomes and priorities for the City of Leeds and for the local authority. The City ambitions as set out in the Best Council Plan are that the Council, working in partnership, will continue to tackle poverty and inequalities through a combination of strengthening the economy and doing this in a way that is compassionate and caring. The Authority's internal 'Best Council' focus remains on becoming a more efficient, enterprising and healthy organisation.
- In October 2021, the Executive Board considered the report, 'Leeds 2030: Shaping Our Best City Ambition' which sought agreement in principle to replace the Best Council Plan to better reflect the importance of harnessing partnership working – our Team Leeds approach – in achieving the city's shared goals. Initial proposals were considered and endorsed at the Board's meeting in December 2021, with final proposals subsequently recommended to Council for consideration and adoption. These final proposals are included elsewhere on today's agenda through the report, 'Leeds Best City Ambition'. The updated Ambition offers the opportunity to better bring together in one place the key priorities we have for the city, articulated as our three pillars of health and wellbeing, inclusive growth and zero carbon. The Best City Ambition remains our overall vision for the future of Leeds, with our longstanding mission to tackle poverty and inequality at its heart.

- It is important 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 draft proposals, 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 Council's annual revenue budget for which the proposals for 2022/23 are contained in this report.

## Recommendations

- a) As recommended by the Executive Board, this report asks Council to note the recommendation of the Council's statutory officer (the Chief Officer – Financial Services) that the Budget proposals for 2022/23 are robust and that the proposed level of reserves is adequate, as set out at Section 11 of Appendix 1 to this report.
  
- b) As recommended by the Executive Board, this report asks Council to adopt the following resolutions:
  - i) That the revenue budget for 2022/23 totalling £521.9m be approved. This means that the Leeds element of council tax for 2022/23 will increase by 1.99% plus the Adult Social Care precept of 1.00%. This excludes the police and fire precepts which will be incorporated into the Council Tax report submitted to Council alongside this report;
  
  - ii) Grants totalling £66.0k to be allocated to parishes;
  
  - iii) Approval of the strategy at Appendix 9 in respect of the flexible use of capital receipts;
  
  - iv) In respect of the Housing Revenue Account that the budget be approved with:
    - An increase of 4.1% (CPI+1%) in dwelling rents;
    - An increase of 4.9% (RPI) in garage rent;
    - A 35p per week change in the standing charge for Leeds PIPES (Providing Innovative Pro-Environmental Solutions) as the final step towards full cost recovery where tenants have moved from an old district heating scheme to the Leeds PIPES scheme;
    - A 4.9% (RPI) increase in charges for all other District Heating schemes;
    - That service charges for low/medium and multi-storey flats are increased by RPI of 4.9%;
    - That the charge for tenants who benefit from the sheltered support service is increased to £15.62 per week to reflect full cost recovery. The charge is eligible for Housing Benefit;
    - That the subsidy for tenants who are not eligible for benefits but receive the sheltered support service is set at £1.62 per week; therefore the amount payable by these tenants will increase from £12 per week to £14 per week;
    - That the Retirement Life charge for the provision of additional services linked to communal areas and for communal facilities where they are within a standalone community centre will increase by RPI of 4.9%. Whilst a full charge covering communal areas equates to £8.26 and for standalone Community Centres is £3.50, for self-payers this charge has initially been subsidised and introduced over 3 years. In 2022/23 for self-payers this charge for communal areas will be £6.54,

subsidised by £1.72 and for standalone community centres will be £2.50, subsidised by £1;

- That any overall increase to tenants in respect of rents, service and sheltered support who are ‘self-payers’ will be no more than £5 per week.

- v) In respect of the Schools Budget, that the High Needs Block budget for 2022/23, as set out in paragraph 3.4.6 of the Schools Budget Report at Appendix 8 be approved.

### **Why is the proposal being put forward?**

- 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 seeks Council’s approval to a revenue budget of £521.9m for the 2022/23 financial year.
- 2 This report presents the final budget proposals for 2022/23, updating the financial positions reported to the Executive Board in September 2021 in the Medium-Term Financial Strategy and in December 2021 in the Proposed Budget report.

### **What impact will this proposal have?**

**Wards affected:**

Have ward members been consulted?

Yes

No

- 3 The Equality Act 2010 requires the Council to have “due regard” to the need to eliminate unlawful discrimination and promote equality of opportunity. The law requires that the duty to pay due regard be demonstrated in the decision making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show due regard.
- 4 The Council is fully committed to ensuring that equality and diversity are given proper consideration when we develop policies and make decisions. In order to achieve this the Council has an agreed process in place and has particularly promoted the importance of the process when taking forward key policy or budgetary changes. Equality impact assessments also ensure that we make well informed decisions based on robust evidence.
- 5 Equality impact screenings have been carried out on all ‘service review’ savings proposals previously approved by this Board for implementation / consultation at its September and December 2021 meetings. Where appropriate, further equality impact assessments will be carried out as part of the Council’s decision-making process.
- 6 A full strategic equality impact assessment and analysis which covers the proposed Leeds Best City Ambition, the proposed revenue Budget, updated capital programme and Council Tax for 2022/23 is included at Appendix 6.

### **What consultation and engagement has taken place?**

- 7 The 2022/23 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. 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.

## ***Public Budget consultation - summary***

- 8 Following agreement by December's Executive Board, public consultation on the Council's Proposed Budget for 2022/23 took place during the four weeks between 15th December 2021 and 13th January 2022. In a change to previous years, the consultation survey was hosted on an online engagement platform. This included links to other relevant consultations, a detailed timeline, and an opportunity for participants to share and comment on each other's ideas for how the Council can improve and deliver services more efficiently.
- 9 The survey explored a range of themes relevant to the Proposed Budget including: principles of how we should be funded, proposed changes to Council Tax, and how we plan to spend the revenue budget. Further questions included satisfaction with how the Council runs things overall, and ideas for opportunities for the Council to do things in more modern and efficient ways.
- 10 The consultation was circulated primarily through Leeds City Council social media channels and online community groups, and a news item on the Council's website. The 1,421 members of the Citizens' Panel 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. Targeted social media was successful in increasing engagement of younger people aged under 30.
- 11 In total, 1,332 participants visited the engagement platform. From here, 623 clicked through to the survey, of whom 468 went on to complete it. Within the engagement platform 15 participants shared a total of 28 ideas for how the council can improve and do things in more modern and efficient ways. Although at 468, the survey response is lower than previous years (2,495 in 2021,22 and 1,537 in 2020/21) this statistically represents the population well to a confidence interval of +/-4.5% (with 95% confidence). Survey participants were from a range of different demographic groups, although young people aged under 30 were underrepresented and BAME were slightly underrepresented. Most respondents (94%) said that they live in Leeds and almost half (45%) work in Leeds. Around 1 in 7 (15%) said they work for Leeds City Council and (3%) said they study in Leeds.

### Main survey findings

- In response to the financial challenges that Leeds City Council faces:
  - Almost 4 in 5 respondents (78%, 365 of the 468 responses) agreed with the statement that we should raise money through increasing council tax and charges.
    - 30% of all respondents felt we should raise enough money by increasing council tax and charges to avoid having to cut services
    - 48% of all respondents said that council tax and charges should be slightly increased whilst balanced with cuts and reduction of some services
  - Over 1 in 5 (22%) of all respondents said we should not increase council tax or charges, even if this has a large impact on services.
- The 365 respondents who agreed we should raise money through increasing council tax and charges were asked how much they agreed or disagreed with the statements: 'Existing charges for services should be increased', 'New charges should be introduced for some services' and 'Council tax should increase'.
  - The highest proportion of these 365 respondents, 82%, agreed that new charges should be introduced for some services - this represents 63% of all 468 respondents.
  - 71% of the 365 agreed that existing charges for services should be increased – this represents 55% of all 468 respondents.
  - 77% of the 365 agreed that council tax should increase – this represents 60% of all 468 respondents.

- When asked how much they agree or disagree with our proposed approach for increasing council tax by 2.99% (1.99% for the core Leeds element plus an additional 1% to support adult social care services):
  - Two thirds (66%) of all respondents agreed – 29% of all respondents strongly agreed, 37% agreed
  - One third (34%) disagreed – 20% strongly disagreed, 14% disagreed.
  - Levels of agreement have increased significantly since last year by +7% (from 59%), though it should be noted that the overall proposed increase in council tax this year (2.99%) is less than last year (4.99%).
- When presented with the proposed net revenue budget per directorate and a summary of the services that each directorate provides, over two thirds of respondents (68%) agreed to our proposed approach, with almost a third (32%) disagreeing. Levels of agreement increased greatly since last year by +5% (from 63%).
- Over half (53%) of respondents were satisfied with the way Leeds City Council runs things, with around 1 in 4 dissatisfied (26%).
- Satisfaction was significantly lower than the previous year by -8% (from 61%), when the question was included as part of a wider discussion around council services, community engagement and the Council's response to COVID-19. It is worth noting that residents may have been feeling more goodwill towards the Council last year, following the first wave of the pandemic, when the work we do was more likely to be recognised and celebrated.
- Participants were asked to tell us more about the satisfaction rating they gave.
  - The main themes from respondents who were less satisfied included 'Improve council efficiency', 'Improve transport infrastructure and highways decisions', and 'Spread services more fairly city wide'.
  - The themes from respondents who were more satisfied were 'Thank you, LCC doing fine' and 'Services are good (particularly waste)'.
- Respondents were also asked for suggestions to improve services and help the Council to deliver them in modern and more efficient ways.
  - Of those themes about the Council in general, the largest were grouped as 'Delivering services efficiently', which included improving our digital offer / the website, reducing wastage and spending wisely, and better use of our buildings. Other groups were 'Staffing' (which included monitoring and improving performance, and reducing managers or paying them less), 'Partnership working' (which included using volunteers or 3<sup>rd</sup> sector, working with the private sector, and creating shared services), 'Introduce or increase charges and fees' (including enforcement action) and 'Consultation and engagement' (including engaging and empowering local communities).
  - Further groups of themes related to individual services, with the highest numbers of comments around 'Roads, transport & development', including cycle lanes, and 'Environment', many of which referred to improving recycling and waste services.
  - All specific service suggestions will be reviewed and considered as part of identifying further service improvements and financial savings for future years.
- Some responses varied across different groups of people.
  - Younger people were more likely than older people to say that council tax and charges should not increase to fund services, and to disagree with both the proposals to increase council tax and the overall budget proposals.
  - BAME respondents were more likely than White: British respondents to say we should not increase council tax, and to disagree with the proposals to increase

council tax and the overall budget proposals. They were less likely to be satisfied with how we run things.

- Disabled people were more likely to say we should not increase council tax and charges and were less likely to be satisfied with the way the council runs things.
- LCC staff were more likely to agree with the overall budget proposals, and to be satisfied with the way the council runs things.

### ***Scrutiny Board consultation - summary***

- 12 In accordance with the requirements of the Budget and Policy Framework, all five Scrutiny Boards considered the Proposed Budget 2022/23 during their January cycle of meetings. Prior to this, and in line with the approach taken the previous year, officers and Executive members attended working group sessions with each Board in December, an approach welcomed by the Boards.
- 13 Following the January meetings, a composite report presenting the Scrutiny Board comments and conclusions has been provided (Appendix 3) with six key findings and recommendations:
- 1 Scrutiny Boards sought and received assurance around the assumptions reflected in the Proposed Budget 2022/23. Those assurances were provided to Scrutiny Boards by the relevant officers and Executive Members.
  - 2 Assurances were sought specifically in relation to the impact on frontline services of savings classified as 'Business as Usual,' which the Boards were advised can be made within the Council's decision-making framework.
  - 3 Given the cumulative total of efficiencies classified as 'Business As Usual', Scrutiny has not had the capacity to test all of those proposals in detail and would recommend that the Executive Board confirms it is satisfied its members have received assurances in that regard.
  - 4 Given the cumulative total of savings classified as 'Business As Usual,' Scrutiny recommends a return to the publication of such efficiencies within the Budget Proposals in future years to ensure transparency.
  - 5 It is requested that the views of the Scrutiny Boards as reflected in the detailed commentary below [*within the report at Appendix 3*], are taken into account as part of ongoing financial planning in the coming months.
  - 6 It is requested that successor scrutiny boards are consulted as early as possible in the new municipal year on key areas of policy that will inform future financial planning and subsequent budget proposals.

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

- 14 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 £126.7m for the period 2022/23- 2024/25 of which a gap of £65.4m related to 2022/23. The Proposed Budget presented to the Executive Board in December 2021 encompassed a number of directorate savings proposals and corporate measures which enabled a balanced budget position for 2022/23, with gaps of £30.6m and £25.6m respectively for 2023/24 and 2024/25.
- 15 These final budget proposals, which incorporate a number of changes to the position presented in December, deliver a balanced budget for 2022/23 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.

16 The provisional budgets for 2023/24 and 2024/25 have been updated and the estimated budget gaps are now £32.9m and £25.0m for the respective years. Details are contained within Appendix 1 of this report.

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

17 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 2021, has been submitted to Scrutiny for their review and consideration. As noted above, the outcome of their review is included at Appendix 3 to this report.

18 These budget proposals, if implemented, will have implications for Council policy and governance and these are explained within the report. The budget is a key element of the Council's budget and policy framework, but, 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.

19 In accordance with the Council's Budget and Policy Framework, decisions as to the Council's budget are reserved to Full Council. As such, the recommendations are not subject to call in.

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

20 The budget proposals for 2022/23 and the provisional budgets for 2023/24 and 2024/25 need to be seen in the context of significant inherent uncertainty for the Council in terms of future funding and spending assumptions.

21 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.

22 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 strategic ambitions to tackle poverty and reduce inequalities.

23 Financial management and monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach will continue to be included in the in-year financial reports brought to the Council's Executive Board.

24 In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required.

25 Specific risks relating to some of the assumptions contained within these budget proposals are identified at Appendix 1 to this report.

### **Does this proposal support the council's three Key Pillars?**

Inclusive Growth

Health and Wellbeing

Climate Emergency

26 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 being the proposals for the 2022/23 Budget.

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

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

27 Not applicable.

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

28 Not applicable.

### **What is the timetable for implementation?**

29 Not applicable.

## **Appendices**

- 30 Appendix 1: 2022/23 Revenue Budget and Council Tax
- Annex 1: Movement in Net Managed Budget by Directorate 2021/22 to 2022/23
- Annex 2: Statement of 2021/22 and 2022/23 Budgets by Service
- Appendix 2: Proposed Budget 2022/23 – Consultation Report
- Appendix 3: Proposed Budget 2022/23: Summary of Scrutiny Board consultation
- Appendix 4: 2022/23 Proposals by Directorate Requiring Decision
- Appendix 5: Proposed Council Tax Support Payments for Parish/Town Councils
- Appendix 6: Equality Impact Assessment: Council Budget 2022/23
- Appendix 7: Virement Decisions to Amend Approved Budgets
- Appendix 8: Directorate Budget Reports 2022/23
- Appendix 9: Strategy for the Flexible Use of Capital Receipts
- Appendix 10: Budgeted movements in Earmarked Reserves 2022/23
- Appendix 11: Revenue and Capital Budget Principles

## **Background papers**

31 None.



## Appendix 1:

# 2022/23 Revenue Budget and Council Tax



## 1 Introduction

- 1.1 This report sets out the Council's budget for 2022/23. It has been prepared in the context of the Council's Proposed Budget for 2022/23 which was agreed by the Executive Board in December 2021, the final Local Government Finance Settlement, published on 7<sup>th</sup> February 2022, and 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 has also been used as a basis for wider consultation.
- 1.2 Following recommendation by the Executive Board, this report seeks approval from Council that the revenue budget for 2022/23 be approved at £521.9m. This results in an increase of 2.99% in the Leeds element of Council Tax, which for a Band D property is an increase of £45.47 to £1,566.76 for 2022/23.
- 1.3 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, which contains detailed budgets for each directorate at both service level and by type of expenditure/income.
- 1.4 This report also provides an update on the provisional budgets for 2022/23 and 2023/24, and Council are asked to note these revised positions.
- 1.5 The budget proposals contained in this report have, where appropriate, been the subject of the Council's equality impact assessment process and mitigating measures have been put in place or are planned where appropriate.

## 2 The national context and Spending Review 2021

### COVID-19 and a new operating context

- 2.1 COVID-19 has fundamentally affected the way in which the Council works, and the spread of the Omicron variant reminds us that COVID-19 continues to present a challenge. Elements of this change which relate directly to crisis response will, in time, revert largely back to normal. However, an event of this magnitude has resulted in the Council needing to consider closely how its business and services should operate and any ongoing impact of the pandemic will be one of the elements shaping services in the future. Measures introduced nationally to combat the virus have had direct and indirect negative impacts on Council finances which will need to be managed over future years. There remains a potential longstanding impact on Council income if behaviour, working practices and spending patterns in the city continue to change and this will need to be monitored and managed moving forward.
- 2.2 However, this longer-term impact remains unclear. The economy is recovering following the relaxation of lockdown restrictions and the

country's labour market has proved more resilient than expected, with employment rates higher than estimated. As a result, these budget proposals recognise the ongoing impact of COVID-19 in a number of services, and it is assumed that in 2022/23 the Council will still be incurring some additional expenditure and experiencing some income losses as a result of COVID-19. There is currently no Government support available to assist Councils to deal with this in 2022/23.

### **EU Exit**

- 2.3 On January 31st 2020 the UK left the EU. While Leeds is prepared to take advantage of the opportunities the EU exit presents, it is important to recognise the potential impact of the loss of European Structural and Investment Funds (ESIF). As a member of the European Union, the UK received structural funding worth about £2.1 billion per year, used for boosting aspects of economic development, including support for businesses, employment and agriculture. To replace it, the Government has announced the establishment of the Shared Prosperity Fund, to “reduce inequalities between communities”, to be launched in April 2022. £220 million has been allocated to pilot schemes for the new fund in 2021/22, with Government indicating that funding will increase to £1.5 billion a year. The Spending Review 2021 indicated that the Fund would be worth £2.6bn between 2022/23 and 2024/25, with £560m being allocated to a new programme to boost adult numeracy skills and improve employment prospects. Pre-launch guidance was issued in early February 2022, but there remains uncertainty about the detailed operation of the scheme and concerns that funding will not reach ESIF levels in the early years. A full prospectus is expected later in the Spring of 2022.

### **Levelling Up**

- 2.4 One of Government's flagship policies, levelling up is intended to “level up opportunities across all parts of the United Kingdom, supporting jobs, businesses and economic growth and addressing the impact of the pandemic on public services.”<sup>1</sup> A Levelling Up Fund was announced at the 2020 Spending Review and has now been established, initially making £4.8bn available for UK local infrastructure through a competitive bidding process, with this funding to be delivered through local authorities. In early February 2022, Government published the White Paper on its ‘levelling up’ strategy, setting out the next stages in the Government's plans to level up the United Kingdom through boosting productivity, pay, jobs and living standards; spreading opportunities and improving public services; restoring a sense of community, local pride and belonging; and empowering local leaders and communities. In the view of the Local Government Association, “Levelling up is at the heart of what councils and combined authorities want for their communities and they have a critical role to play in achieving the 12 national missions set out in this wide-ranging white paper”<sup>2</sup>. The first £1.7bn of funding allocations have been announced alongside Spending Review 2021, with £20m allocated to Leeds for ‘Connecting West Leeds’, a

<sup>1</sup> Prime Minister's Office, Queen's Speech 2021, 11 May 2021

<sup>2</sup> LGA statement: Levelling Up white paper, 2 February 2022

new transport infrastructure scheme focusing on travel and environmental improvements to the Outer Ring Road between Horsforth and Pudsey.

## **HS2**

- 2.5 The Government have announced their intention to not build the Eastern leg of the HS2 high speed rail line to Leeds. The impact of this decision along with the implications of the announced integrated rail plan upon the city's economy are as yet unclear.

## **NHS integration and Adult Social Care Reform**

- 2.6 The Health & Care Bill was introduced into Parliament on the 6th July 2021. The Bill will ensure each part of England has an Integrated Care Board and an Integrated Care Partnership responsible for bringing together local NHS and local government, such as social care, mental health services and public health advice, to deliver joined up care for its local population. Details around future funding will become clearer later in the financial year and updates provided accordingly.
- 2.7 In September 2021 Government announced £5.4bn of funding for adult social care reform over the next three years, to be funded by a new Health and Social Care Levy. The Spending Review 2021 confirmed that £1.7bn of this funding would be for major improvements across the adult social care system. Government published the "People at the Heart of Care: adult social care reform"<sup>3</sup> white paper on 1st December 2021, setting out how some of this money will be spent, including investment in housing and home adaptations, technology and digitisation, workforce training and wellbeing support, support for unpaid carers, innovation and improvement. The proposals do not directly address the existing local government social care funding gap.
- 2.8 The better integration of health and social care was then separately addressed in the 'Joining up care for people, places and populations' white paper', published on 9<sup>th</sup> February. Over the next few years, Government's stated aim is that "work will continue with national and local partners to deliver the best outcomes on joined-up health and care for people. Alongside concerted action at a place level, this package of initiatives will help to improve integration between the health and social care workforce, leading to improved outcomes and better person-centred care."<sup>4</sup>

## **West Yorkshire Devolution**

- 2.9 At a local and regional level 2021 has seen some major changes. Following the agreement of a devolution deal between the Government and West Yorkshire Leaders in spring 2020, a West Yorkshire metro mayor was elected in May 2021 with devolved powers across adult education, skills and transport, and with access to a range of new funding streams from government. The presence of a new regional body with significant funding

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<sup>3</sup> [People at the Heart of Care: adult social care reform - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/people-at-the-heart-of-care-adult-social-care-reform)

<sup>4</sup> Joining up care for people, places and populations, 9<sup>th</sup> February 2022, Department of Health and Social Care

will naturally impact on how services are delivered regionally.

### The 2019 Indices of Multiple Deprivation

2.10 The latest Indices of Multiple Deprivation (IMD) were released in September 2019 following the previous 2015 update. The IMD is the official measure of relative deprivation in England and ranks each Lower Super Output Area (LSOA: a small area with a population of around 1,500 people) from the most deprived (1) to least deprived (32,844). The ranking is based on 39 separate indicators organised across seven distinct domains of deprivation, which are combined and weighted to calculate the overall IMD. With a range of resources and analysis on the IMD publicly available on the Leeds Observatory [here](#), key headlines for Leeds include:

- 24% of Leeds' LSOAs fall within the most deprived 10% nationally, compared with 22% in 2015 which highlights some increase in relative deprivation.
- Leeds ranks 33 out of 317 (where 1 is most deprived and 317 is least deprived) local authorities when looking at proportions of LSOAs in the most deprived 10% nationally.
- The most deprived areas are concentrated in the inner east and inner south of the city.
- 12 LSOAs in Leeds have been ranked in the most deprived 1% nationally compared to 16 in 2015.

2.11 COVID-19 has compounded these deep-rooted inequalities, with young people, low earners and women in the labour market being primarily affected to date as they are most prevalent in the hardest hit sectors. Many families are struggling with uncertainty and the potential of mounting debt. The longer-term economic fallout is likely to have an adverse impact on already significant health inequalities, with those individuals and communities at most disadvantage hit hardest. While holistic analysis of the pandemic's effects is not yet possible in many respects, overall it is clear that the national narrative of exacerbated inequalities, disproportionate impact on older people, and emerging mental health challenges across all ages are reflected in Leeds. Further information is provided in the Equality Impact Assessment accompanying these proposals at **Appendix 6**.

### The Fair Funding Review

2.12 In December 2017, the Government launched its Fair Funding Review of Local Government finance, to refresh the methodology on which local authority needs and resources are assessed and levels of government funding are determined. It was expected that plans for both the Fair Funding Review and 75% Business Rates Retention would be announced as part of the Spending Review 2021 and the Chancellor's Autumn Budget, but no further information was provided at that point. Recently the Secretary of State for the Department for Levelling-Up, Housing and Communities (DLUHC) expressed the opinion that the introduction of 75% Retention was, in his view, not compatible with the Levelling-Up agenda as

it would tend to reward those areas with already high taxbases. The outcome of the Fair Funding Review remains highly uncertain, as does the future of business rates retention and the timing of a business rates reset, though there is some indication there may be a consultation on funding in Spring 2022. It is for these reasons that these budget proposals do not include any assumptions about the implementation of these reforms.

- 2.13 In the context of budget setting and financial planning the increase in relative deprivation shown in the IMD 2019 is significant as deprivation is expected to be reflected to a greater or lesser extent in the Fair Funding formula being developed. If and when work on the new funding formula resumes the Council will re-engage with consultation on this. These budget proposals do not currently assume any impact of the increase in relative deprivation as sufficient detail is not yet known.

### **2021 Spending Review and the Office for Budget Responsibility (OBR) Financial Forecasts**

- 2.14 The Chancellor announced the Spending Review 2021 and the Autumn Budget on 27<sup>th</sup> October 2021 in which he set out the Government's spending plans until the end of this Parliament in 2024/25. The three-year plan saw a headline increase in funding for local government of £4.8 billion over three years. The announcement included additional costs for the sector of £0.3bn, providing a net increase of £4.5 billion, with £1.5 billion provided in the first year and remaining approximately constant for the following two years. At the time of the Council's Proposed Budget report for 2022/23 it was assumed that this additional funding would be split equally between an increase in general revenue support through Settlement Funding Assessment and additional grant funding. However, when the provisional Local Government Finance Settlement was announced in December 2021 it became clear that funding for general revenue support would largely be diverted to a new specific grant outside of the Net Revenue Budget called the 2022/23 Services Grant. Consequently, rather than the £9.0m additional funding assumed through SFA, Leeds will receive unringfenced 'Services Grant' funding of £10.92m. It was also assumed at the time of the Proposed Budget for 2022/23 that the remaining additional funding identified from the Spending Review would be distributed following the then distribution of Adult Social Care grant funding, with an estimate that this would result in Leeds City Council receiving an additional £10.1m in funding. The provisional Local Government Finance Settlement proposed that Leeds would receive £1.2m less than this for current services, with the Social Care Grant for 2022/23 totalling £33.0m. The Government did announce a further social care funding stream called the Market Sustainability and Fair Cost of Care Fund, from which Leeds has been allocated £2.2m. However, this funding is for preparatory work around the introduction of Social Care reforms announced by Government earlier in the year and will therefore come with new duties and accompanying costs.
- 2.15 Although the delivery of a three-year Spending Review raised hopes that the 2022/23 Local Government Finance Settlement in December 2021

would be a multi-year settlement for local government, when the Settlement was published it covered 2022/23 only. The final Local Government Finance Settlement, which is consistent with December's provisional Settlement, was published on 7<sup>th</sup> February 2022 ahead of the formal debate in Parliament on 9<sup>th</sup> February 2022.

2.16 The headline announcements in the Spending Review 2021 are as follows:

- Local government's Core Spending Power (CSP) to be increased by £3.3bn (6.5%) in 2022/23. These figures were subsequently revised at the provisional Local Government Finance Settlement and confirmed in the final Settlement. Further details are given at paragraphs 2.17 and 2.18.
- An up to 2% increase in "core" council tax plus a further 1% increase in the Adult Social Care (ASC) precept, confirmed at the final Local Government Finance Settlement for 2022/23. The impact on the Leeds budget is an increase of £7.2m for the core increase, plus £3.6m for the ASC precept. This is further discussed at paragraph 4.6.
- The business rates multiplier will be frozen at the 2021/22 rate (49.9%). Local authorities will receive full compensation for the loss of income they will experience, for which the Government has set aside £450m.
- No additional funding was announced to support local authorities in dealing with the ongoing impact of COVID-19.
- The National Living Wage will increase by 6.6% from £8.91 to £9.50 an hour effective from 1st April 2022. The Council's proposed Budget provides for an increase to £9.90 per hour to meet the recently announced Real Living Wage requirement.

As referenced above, further detail and local authority allocations were published in the provisional Local Government Settlement and confirmed in the final Settlement. As such these budget proposals are based on the announcements made during the provisional and final Local Government Finance Settlements, the Spending Review 2021 and Autumn Budget, and previous Government announcements relating to social care funding.

2.17 At the time of the Spending Review 2021, the Office for Budget Responsibility (OBR) also published its independent economic and fiscal forecasts. The OBR noted an improvement in their economic forecasts, which allowed the Chancellor to announce significant increases in spending, as set out below:

- the OBR's forecasts for nominal GDP growth average 5.3% a year between 2021 and 2025, up from 4.4% on the forecast in March 2021.
- Real GDP is expected to grow by 4.2% in 2022/23, 1.7% in 2023/24 and 1.4% in 2024/25.
- The OBR estimates that inflation (CPI) will remain at 4.6% over the next year before falling back to 3.2% in 2023/24 and 2.8% in following two years.

- The impact of economic scarring as a result of COVID-19 has also improved, with the OBR predicting that long-term damage to economic growth will be 2% rather than the 3% assumed in March 2021.
- Rates of unemployment are peaking at a significantly lower level than forecast in March 2021, at 5.2% rather than the estimated 12%.
- Average earnings are forecast to grow by 5.2% in 2021/22, 4.0% in 2022/23 before falling back to 2.5% in 2023/24 and 2.3% in 2024/25.

### **2022/23 Final Local Government Finance Settlement**

2.18 The Secretary of State for the Department of Levelling Up, Housing and Communities published the final Local Government Finance Settlement 2022/23 documents on 7<sup>th</sup> February as a precursor to the debate held in the House of Commons on 9<sup>th</sup> February 2022. The Settlement made a number of changes to the assumptions made in the Proposed Budget report approved by Executive Board in December 2021.

2.19 The key headlines from the final Local Government Finance Settlement are:

- Settlement Funding Assessment (SFA) is the sum of Revenue Support Grant (RSG) and the Baseline Funding Level. RSG will be uplifted by the equivalent of the Consumer Prices Index at September 2021 (3.11%). The Baseline Funding Level is uplifted by the increase in the small Business Rates multiplier, which has been frozen for 2022/23. Therefore, the Baseline Funding Level remains the same in 2022/23 as it was in 2021/22. This represents a reduction in the funding assumed in the Proposed Budget of £8.12m which reflects the diversion of funding to a new specific grant, the 2022/23 Services Grant, with Leeds allocation being £10.9m.
- Core Spending Power will increase by 6.88%, or £3.47 billion.
- The maximum increase in core Council Tax is up to 2% with a further maximum additional 1% for the Adult Social Care precept.
- The Social Care Grant introduced in 2020/21 will be increased from £1.71 billion to £2.35 billion in 2022/23, with Leeds receiving £33.00m, an increase of £8.87m. Part of this grant is used to equalise resources available to councils for social care using a Council Tax income measure, with the remainder being distributed in line with the Adult Relative Needs Formula. This funding is £1.23m lower than assumed at the Proposed Budget.
- A new £162m grant to support preparatory work ahead of the introduction of Social Care reforms outlined by Government earlier in 2021. Leeds share of this funding is £2.23m.
- A £111m grant was introduced in 2021/22 to support the provision of lower tier services in England will be continued into 2022/23 with Leeds receiving £1.24m, an increase of £0.08m. Rural Services Delivery Grant will be maintained at £85m nationally. Leeds does not receive any

funding from this grant.

- In February 2021 the Government published a consultation on wide ranging reforms to the New Homes Bonus scheme. The Council responded to this consultation; however no Government response has yet been published. Due to the uncertainty surrounding the scheme the Proposed Budget report approved by Executive Board in December 2021 did not include any further allocation from the scheme in 2021/22, paid to the Council in 2022/23, other than a £2.2m legacy payment from previous years. However, in the provisional Local Government Finance settlement, later confirmed in the final Settlement papers, the Government announced a further allocation for 2021/22 based on the current scheme, with the total allocation for Leeds being £9.0m, £6.8m above expectations. This additional funding will be accounted for in 2021/22 and is a one-year only payment as allocations after 2020/21 do not give rise to legacy payments in future years.

### **3 Developing the 2022/23 Budget within the context of the Medium Term Financial Strategy and our strategic ambitions**

- 3.1 As well as a reduction in Government funding between the 2010/11 and 2021/22 budgets the Council has also faced significant demand-led cost pressures, especially within Adult Social Care and Children's Services. To date, the Council has responded successfully to the challenge since 2010 through a combination of stimulating good economic growth, managing demand for services, increasing traded and commercial income, growing council tax from new properties and a significant programme of organisational efficiencies, including reducing staffing levels since 2010/11 by 2,831 FTEs (full time equivalents) up to 31<sup>st</sup> December 2021.
- 3.2 Through targeting resources into preventative services, the Council has ensured that the implications of demand and demographic pressures that have resulted in significant cost pressures in other local authorities have been contained in Leeds. This is reflected in service areas such as the number of people registered in Temporary Accommodation where Leeds benchmarks favourably against most Core Cities and our Regional and Statistical neighbours. In respect of Children Looked After, Leeds City Council's rate per 10,000 is below those local authorities as having similar characteristics which are identified through CIPFA's nearest neighbour statistical analysis.
- 3.3 The Best Council Plan is the Council's current strategic plan which sets out its ambitions, outcomes and priorities for the City of Leeds and for the local authority. The City ambitions as set out in the Best Council Plan are that the Council, working in partnership, will continue to tackle poverty and inequalities through a combination of strengthening the economy and doing this in a way that is compassionate and caring. The Authority's internal 'Best Council' focus remains on becoming a more efficient, enterprising and healthy organisation.

- 3.4 In October 2021, the Executive Board considered the report, 'Leeds 2030: Shaping Our Best City Ambition' which sought agreement in principle to replace the Best Council Plan to better reflect the importance of harnessing partnership working – our Team Leeds approach – in achieving the city's shared goals. Initial proposals were subsequently considered and endorsed at the Board's meeting in December 2021. Final proposals are included elsewhere on today's agenda through the report, 'Leeds Best City Ambition' which seeks Council's consideration and adoption. This updated Ambition offers the opportunity to better bring together in one place the key agendas we have for the city, articulated as our three pillars of health and wellbeing, inclusive growth and zero carbon. The Best City Ambition remains our overall vision for the future of Leeds, with our longstanding mission to tackle poverty and inequality at its heart.
- 3.5 It is important 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 draft proposals, 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 Council's annual revenue budget for which the proposals for 2022/23 are contained in this report.
- 3.6 Inevitably, managing the reduction in Government funding, combined with increasing cost pressures, has meant that the Council has had to make some difficult decisions around the level and quality of services that it delivers.
- 3.7 Looking ahead, the Council is facing an estimated budget gap of £84.6m for the period up to and including 2026/27. The financial challenge now facing the Council is to manage these pressures alongside the significant impact brought about by COVID-19. The needs of the communities serviced by Leeds City Council have already increased and will continue to do so, and the various funding streams that support local government are affected by the longer-term economic scarring as a result of the virus.
- 3.8 In recognition of the financial challenge the Council has embarked on a programme of service reviews which, when combined with business as usual savings and cross-cutting reviews, have contributed towards enabling the Authority to present a balanced budget position for 2022/23. As detailed in the Council's Medium Term Financial Strategy, it is becoming increasingly difficult over the coming years to identify further financial savings without significant changes in what the Council does and how it does it. This impacts upon the delivery of the Council's ambitions as detailed in our strategic plan and will have significant implications for directly provided services and those commissioned by the Local Authority,

impacting upon staff, partners and service users. In order to deliver the Council's ambitions of tackling poverty and reducing inequalities, consideration may have to be given to stopping, delivering differently or charging for those services that are no longer affordable and are a lesser priority than others. This will be achieved through a continuing process of policy and service reviews across the Council's functions and ongoing consultation and engagement. However, the Council's focus will be on transforming the services the Authority provides.

#### 4 **Estimating the Net Revenue Budget for 2022/23**

##### 4.1 **Settlement Funding Assessment – increase of £0.9m**

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

4.1.2 In the last three financial years, local government has received single-year settlements, making financial planning more difficult. Despite there being a three-year Spending Review in October 2021, there was again only a one-year Settlement for local government for 2022/23.

4.1.3 Table 1 below sets out the Council's estimated Settlement Funding Assessment for 2022/23, as provided in the final Local Government Finance Settlement published in February 2022. This represents an increase of £0.9m compared to 2020/21.

**Table 1 – Settlement Funding Assessment**

	2021/22	2022/23	Change	
	£m	£m	£m	%
Revenue Support Grant	28.4	29.3	0.9	
Business Rates Baseline Funding	158.4	158.4	0.0	
<b>Settlement Funding Assessment</b>	<b>186.8</b>	<b>187.7</b>	<b>0.9</b>	<b>0.5</b>

4.1.4 In 2022/23 the Government has increased Revenue Support Grant by the Consumer Prices Index at September 2021 (3.11%). The Business Rates Baseline Funding increases in line with the small Business Rates multiplier, which normally also increases in line with the Consumer Prices Index. However, because of the economic consequences of restrictions applied in response to Coronavirus, the Government has sought to limit increases in Business Rates bills for business and the multiplier has not been increased in 2022/23. Therefore, the Baseline Funding Level will not increase in 2022/23.

## 4.2 **Business Rate Retention**

- 4.2.1 Leeds has the most diverse of all the UK's main employment centres and has seen the fastest rate of private sector jobs growth of any UK city in recent years. Yet this apparent growth in the economy has not translated into business rate growth; in fact the income from business rates retained by the Council declined from 2015/16 to 2017/18, only returning to 2014/15 levels in 2018/19 with the introduction of the 100% retention pilot and higher than normal growth in that year. The effect of the present coronavirus crisis has reversed this growth again with in-year income levels from the Business Rates Retention (BRR) Scheme (i.e. excluding the exceptional effects of the Collection Fund deficits from 2020/21 and 2021/22) declining below 2015/16 levels in 2021/22 and not projected to recover to budgeted 2020/21 levels, set before the impact of the COVID-19 crisis, until 2024/25.
- 4.2.2 In 2016 the then Chancellor of the Exchequer announced that it was the Government's intention to allow local government to retain 100% of business rates income collected in their areas. In 2018 this was reduced to 75% retention and initially expected to be introduced at the beginning of 2019/20. However, the introduction of this policy has been repeatedly delayed due to both Brexit and the onset of the coronavirus pandemic. The last consultation on the subject was in the autumn of 2019 and included proposals for fundamental reform of the Business Rates Retention Scheme and the incorporation of Revenue Support Grant and the Public Health Grant into the Business Rates Baseline. More recently in November 2021 the Secretary of State for Levelling Up, Housing and Communities has commented to the Housing, Communities and Local Government select committee that the move to 75% business rates retention was not consistent with the Government's levelling up agenda and that instead the Government would now look at the mechanism for redistributing funding to the authorities most in need. As such, the assumed impact of increased retention, previously assumed in 2024/25, has been removed from the Council's current Financial Strategy.

**Table 2 – Rateable Value in Leeds and Business Rates Income Generated**

	£m
<b>Rateable Value in Leeds projected to 31 March 2022</b>	<b>923.82</b>
multiplied by business rates multiplier	0.499
<b>Gross business rates based on projected rateable value</b>	<b>460.99</b>
Estimated Growth	1.25
<b>equals gross business rates to be collected in Leeds</b>	<b>462.23</b>
less: -	
Mandatory Reliefs	-76.61
Discretionary Reliefs	-1.11
Government mandated reliefs	-10.26
Transitional Adjustments (year 4)	0.00
<b>equals net business rates paid by ratepayers</b>	<b>374.25</b>
less adjustments for: -	
Bad debts and appeals	-25.91
Cost of collection	-1.25
Projected Enterprise Zone and renewable energy projects yield	-4.04
Transitional Adjustments repaid to Government	0.00
<b>equals non-domestic rating income in Leeds</b>	<b>343.06</b>
Split into shares: -	
<b>Leeds City Council (49%)</b>	<b>168.10</b>
<i>West Yorkshire Fire Authority (1%)</i>	<i>3.43</i>
<i>Central Government (50%)</i>	<i>171.53</i>
less deductions from operation of business rates retention scheme: -	
Leeds City Council's tariff from Local Government Finance Settlement	-14.36
Leeds City Council's share of deficit from 2021/22	-15.95
Adjustment for spreading the 'exceptional balance' over 3 years	-12.23
<b>Leeds City Council 's 2022/23 income from business rates</b>	<b>125.56</b>

4.2.3 The total projected rateable value of businesses in Leeds as at 31<sup>st</sup> March 2022 is £923.8m, which would generate gross business rates income of £460.99m. It is projected that there will be some modest growth in gross business rates of £1.2m in 2022/23 after two years of decline due to the impact of COVID-19, this is only 25% of normal rates of growth prior to the crisis. As shown in Table 2, the impact of a range of business rate reliefs (see paragraph 4.3) and statutory adjustments reduces this to a net income figure of £343.1m.

4.2.4 Under the 50% BRR scheme, Leeds City Council's share of this income is £168.1m (49%). The Authority then pays a tariff of £14.4m to Government because Leeds is assessed to generate more business rates income than it needs.

4.2.5 Leeds must also meet its share of the business rates deficit created in 2021/22, which totals £28.2m. The unusually large deficit from 2021/22 comprises a number of components. The first is the part of the deficit generated by the continued reliefs introduced by the Government as a response to the COVID-19 lockdown for which the Council receives full compensation (see section 4.3 and paragraph 5.4.29). The Council will hold

the funding it receives in excess of expectations in the 2021/22 budget in its General Fund reserves to meet this part of the deficit in 2022/23. The second part of the deficit is the second one third payment of the 'exceptional deficit' that occurred in 2020/21 which the Government said local authorities must spread repayment to the Collection Fund over three years. This second payment will be £12.2m.

- 4.2.6 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.
- 4.2.7 In particular, BRR exposes local authorities to risk from reductions in rateable values. The system allows appeals if ratepayers think rateable values have been wrongly assessed or that local circumstances have changed. One major issue is that successful appeals are usually backdated to the start of the relevant valuation list, which means that for every £1 of rateable value lost on the 2010 list, growth of £6 would be necessary to fund the cost. The 2010 list is however closed for new appeals and the backlog of appeals has reduced greatly. At the end of December 2021 there were 144 outstanding appeals against the 2010 ratings list in Leeds although many of these appeals are for properties with high Rateable Values, such as supermarkets. The Council holds significant provisions of £6.0m against the risk that these will result in reductions.
- 4.2.8 Until the beginning of 2020/21 and the introduction of nationwide restrictions across the UK, the 2017 ratings list was proving to be less susceptible to challenge than the previous 2010 list. The 2010 list was based on rental values in 2008, just before the 'financial & economic crisis' but came into effect after that crisis, when property values had greatly reduced. Appeals submitted against the new 2017 list can be backdated to 1<sup>st</sup> April 2017, and, together with the impact of the new 'check, challenge, appeal' appeals process, which was also introduced on 1<sup>st</sup> April 2017, had appeared to reduce business rate appeals and volatility going forward. However, following the introduction of national restrictions in response to the coronavirus crisis, the number of checks submitted to the Valuation Office Agency, the first stage in the new appeals system, rose from an average of 150 per month to, during the months of May, June and July 2020, over 1,000 per month. The ratepayers sought reductions in their Rateable Values as a consequence of the lockdowns in 2020 claiming a Material Change in Circumstances, one of the grounds for appeals. The Council made provisions for these appeals and they were included in the deficit declared in 2020/21. Subsequent to this Government announced that it would retrospectively legislate to ensure these appeals would not be successful stating that generalised changes in circumstances affecting the whole economy were not the purpose of appeals based on a Material Change of Circumstance but should be rectified at the next Revaluation - scheduled to take effect on 1<sup>st</sup> April 2023 using Rateable Values as at 1<sup>st</sup>

April 2021. Legislation to enact this intention of the Government received Royal Assent in December 2021. This has significantly improved the deficit to be paid in 2022/23.

4.2.9 Since 2013/14 the total amount repaid by way of business rate appeals is £175.6m, at a cost to the Council's general fund of £91.7m. 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. With the exclusion of the appeals relating to Material Changes of Circumstances the 2022/23 Budget can reduce the contribution from the general fund to fund the provision for appeals by £1.3m.

#### 4.3 **Small Business Rates Relief and other mandatory reliefs**

4.3.1 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. Before the pandemic almost 12,600, about 30%, of business properties in Leeds paid no business rates. Of these businesses just over 9,600 receive 100% Small Business Rates Relief. Whilst Small Business Rates Relief and other threshold changes reduce the business rates income available to Leeds, the Authority recovers 69.1% of the cost of the relief through Government grant. A fixed grant of £0.8m is paid by the Government for the changes to the multiplier threshold and a further £8.9m is recovered through the ratepayers in more valuable properties who still pay rates based on the higher business rates multiplier. The overall proportion any individual authority recovers depends on the mix of large and small businesses in that area.

4.3.2 Unlike Small Business Rates Relief, in 2022/23 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 30%, from approximately £22.6m in 2012/13 to a forecast £28.4m in 2022/23 costing the Council an estimated £2.8m more in lost income under 49% retention in 2021/22.

4.3.3 In 2020/21 the Government announced a 100% relief from business rates for all retail, leisure and child-care facilities forced to close during the 2020 lockdowns. In the Autumn Budget 2020 no continuation of these reliefs was indicated and the Council's Budget was set accordingly. However, before the beginning of 2021/22 the Government announced that these businesses would receive additional relief in 2021/22 as a response to the continuing lockdowns in the winter months. Businesses in these sectors were given 100% relief for three months followed by relief of 66% for the remainder of the year. However, ratepayers that could remain open were

limited to a maximum of £105,000 whereas businesses that were closed during the lockdown were given a limit of up to £2,000,000. This cost this Authority's collection fund £64.8m, with Leeds' General Fund share being £31.8m. This cost has been fully compensated by Government through a section 31 grant, which the Council will hold in general reserve to meet the cost of the resulting deficit in 2022/23.

- 4.3.4 In the Spending Review 2021 the Government announced that a further relief scheme would be introduced in 2022/23. This scheme will see 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. Local authorities will receive full compensation for losses to their business rates income for this measure. Although it is currently somewhat uncertain, because businesses can choose where to receive their relief across England, these proposals estimate that this will cost the Collection Fund something in the order of £10.0m for which the Council will receive full compensation. It is also assumed that local newspaper offices will continue to receive a £1,500 reduction for a further year and that public lavatories and certain telecoms infrastructure will receive a new statutory 100% relief against business rates. Local authorities will receive a government grant to compensate them for any resultant loss of income.

#### 4.4 Business Rate Retention and the Budget Proposals

- 4.4.1 In terms of the budget proposals, it is estimated that the local share of business rates funding in 2022/23 will be £168.1m, as set out in Table 2. As per Table 3, the budget proposals recognise a business rate decline below the baseline of £4.7m, a decrease of £0.1m from the 2021/22 budget. This is a significant improvement in the city's locally generated revenue below the baseline since the Proposed Budget report approved by Executive Board in December 2021, but still represents a decline compared to the 2021/22 budget. The elements of this decline are set out in paragraphs below.

**Table 3 – Business Rates, Estimated Growth/(Decline) to the Baseline**

	2021/22	2022/23	Change
	£m	£m	£m
Business rates local share	168.18	168.10	(0.08)
Less: business rates baseline	172.79	172.79	0.00
Growth above baseline	(4.61)	(4.70)	(0.08)

- 4.4.2 Table 4 sets out the main changes in business rates income that results in this £0.1m decline in growth above the baseline. The single largest element (-£4.9m) is the introduction of the extended Retail and Leisure Relief announced by the Government at the Spending Review 2021, for which the Council will be fully compensated by section 31 grant. However, this is a highly uncertain assessment of the extent to which ratepayers in Leeds with multiple properties across England will choose to take their limit of £110k available nationally in relief in Leeds rather than elsewhere in the country. Further work on assessing this cost to the Collection Fund has

significantly reduced this estimate based on levels of a similar relief scheme in Leeds back in 2019/20 when compared to the assessment used in the Proposed Budget report in December 2021. As stated the cost is highly uncertain, but the Government has assured local government that it will be fully compensated for through a section 31 grant and therefore any variation in the cost, leading to an increased deficit to be met in 2023/24, will be met by increased section 31 grant funding held in reserve. The taxbase in 2021/22 is expected to decline by £0.7m before the end of the year although this is at a much slower rate than has been seen since the beginning of 2020/21. Empty Rate Relief (-£0.1m) is also expected to be a continued pressure on Business rates income in 2022/23.

- 4.4.3 It is now projected that these additional costs will be mostly netted off by a number of improved elements of business rates income as the economy continues to recover from COVID-19. They include a reduction in the requirement for provisions for appeals (£1.5m) and bad debt provisions (£1.3m), a reduction in the net cost of Small Business Rates Relief (£0.8m), a modest amount of growth in 2022/23 (£0.7m), the end of the special Nursery Discount (£0.6m) introduced as a response to the coronavirus crisis and a series of smaller changes to the taxbase as time-limited reliefs schemes such as transitional arrangements fall out of the calculation. In the forecasts for 2021/22 a higher than usual requirement for provisions for appeals cost was assumed because many ratepayers had appealed their Rateable Value in reaction to the various lockdowns, however retrospective legislation is currently before Parliament that states these appeals will not be successful. Therefore, this higher than average cost of provisions can be reversed for 2022/23, a gain to business rates income of £1.5m. The forecast for the cost of Small Business Rates Relief was also increased in 2021/22 because of a trend for large, shared offices being split into individual, small units attracting the relief. However, this trend seems to have levelled off in the last few months at a lower than forecast level representing a saving of £0.38m.

**Table 4 – Changes in Growth above the baseline between the 2021/22 and 2022/23 Budgets and later years**

	2022/23	2023/24	2024/25	2025/26	2026/27
	Final	Indicative	Indicative	Indicative	Indicative
Leeds share of growth above the baseline	49%	49%	49%	49%	49%
<b>Growth above baseline assumed previous year (£m)</b>	<b>-4.6</b>	<b>-4.7</b>	<b>3.1</b>	<b>7.0</b>	<b>11.6</b>
Reduction in current taxbase in 2021/22 (£m)	-0.7	0.0	0.0	0.0	0.0
Change in cost of bad debt provisions (£m)	1.3	1.0	1.1	1.2	0.0
Change in cost of provisions for appeals (£m)	1.5	0.0	0.0	0.0	0.0
Change in cost of empty rate relief (£m)	-0.1	0.8	0.8	0.6	0.0
Change in cost of Small Business Rates Relief (£m)	0.8	0.0	0.0	0.0	0.0
In-year growth of business rates yield (£m)	0.7	1.2	1.9	2.7	2.7
Introduction and Abolition of Retail Relief (£m)	-4.9	4.9	0.0	0.0	0.0
End of Nursery Relief (£m)	0.6	0.0	0.0	0.0	0.0
Other smaller changes in the tax base (£m)	0.7	-0.2	0.1	0.1	0.2
<b>Growth above baseline assumed current year (£m)</b>	<b>-4.7</b>	<b>3.1</b>	<b>7.0</b>	<b>11.6</b>	<b>14.5</b>

- 4.4.4 The £168.1m local share of business rates funding is then reduced by a £14.4m tariff payment and £28.2m deficit on the collection fund to reduce the funding available to the Council to £125.6m as shown in Table 5.
- 4.4.5 When compared to the £158.4m Business Rates Baseline (the Government's assessment of what it expects a local authority to collect before any local growth is taken into account), the funding available to the Council of £125.6m represents a deficit of £32.9m. Compared to the exceptional budgeted deficit in 2021/22 of £96.5m this is a net improvement to the Net Revenue Charge of £63.6m. However, in both years the Council received funding from central government for the reliefs awarded to the retail, leisure and childcare sectors as a response to the Coronavirus crisis. In 2020/21 the Council was able to hold £75.5m of this funding in reserve to apply to the deficit in 2021/22, reducing the net impact on the General Fund in 2021/22 to £26.3m. In 2021/22 the reliefs offered to ratepayers were more restricted and therefore the Council received far less compensation from the Government. At £32.1m, the amount held in reserve to apply in 2022/23 is £43.4m lower than in the previous year meaning the net impact of Business Rates Retention in 2022/23 is an improvement of only £20.2m.

**Table 5 – Business Rates Retention 2021/22 to 2022/23**

	2021/22 £m	2022/23 £m
<b>Business rates baseline (including tariff)</b>	<b>158.4</b>	<b>158.4</b>
Projected growth above the baseline to March	(4.6)	(5.3)
Estimated growth in the year	0.0	0.6
<b>Total estimated growth</b>	<b>(4.6)</b>	<b>(4.7)</b>
Estimated provision for appeals	(6.6)	1.3
Additional cost of transitional arrangements and provision for bad debts	(9.7)	2.7
Expanded Retail, Leisure and Childcare Reliefs	(75.5)	(32.1)
<b>Estimated total year-end Collection Fund deficit (Leeds Share)</b>	<b>(91.9)</b>	<b>(28.2)</b>
<b>Estimated Business Rates Funding</b>	<b>62.0</b>	<b>125.6</b>
<b>Increase/(reduction) against the Business Rates baseline</b>	<b>(96.5)</b>	<b>(32.9)</b>
<b>Business Rates Retention - Impact on General Fund Income</b>		<b>63.6</b>
<b>Change in the funding available for previous years' reliefs</b>		<b>(43.4)</b>
<b>Net impact of Business Rates Retention on the 2022/23 General Fund</b>		<b>20.2</b>

#### 4.5 **Leeds City Region application to pool 50% Business Rate Retention in 2022/23**

- 4.5.1 In December 2020, Government announced that a Leeds City Region Business Rates Pool application to pool 50% Business Rates Retention in 2021/22 had been successful. The Leeds City Region Pool (LCR Pool) was established on the 1st April 2021.

- 4.5.2 Following discussions within Leeds City Region authorities it was agreed that the Pool should continue into 2022/23 and the Council was informed that this application had been successful in December 2021.
- 4.5.3 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 central government. We estimate the gains to the region will be around £5.1 million if income from the Business Rates Retention Scheme remains at current projections. Leeds City Council's financial commitment would be in the region of £0.9m, the same whether as a levy to the Pool or to Central Government. These budget proposals recognise that Leeds City Council will be required to make a levy payment in 2022/23.
- 4.5.4 At its December 2021 meeting Executive Board agreed that, should the application for a Business Rates pool at 50% retention in 2022/23 be successful, Leeds should become a member of this new Business Rates Pool and should act as lead authority for it.

#### 4.6 Council Tax

- 4.6.1 The 2021/22 budget was supported by a 4.99% increase in the level of council tax, 3% of which was attributable to the adult social care precept. Leeds council tax remains the 2<sup>nd</sup> lowest of the English core cities and mid-point of the West Yorkshire districts, as detailed in Table 6.

**Table 6 – 2021/22 Council Tax Levels (Figures include Police and Fire Precepts)**

Core Cities	Band D £:p	West Yorkshire	Band D £:p
		Districts	
Nottingham	2,225.76	Kirklees	1,926.59
Bristol	2,163.65	Calderdale	1,904.08
Liverpool	2,129.49	<b>Leeds</b>	<b>1,799.75</b>
Newcastle	2,022.29	Bradford	1,777.57
Sheffield	1,991.42	Wakefield	1,775.57
Manchester	1,805.84		
<b>Leeds</b>	<b>1,799.75</b>		
Birmingham	1,748.19		

- 4.6.2 The 2022/23 budget proposals recognise an overall increase of £9.5m (6,268.8 band D equivalent properties) due to both increases in tax-base growth during the 2021/22 financial year and a decrease in the number of Council Tax Support claimants as employment has recovered following the relaxation of restrictions introduced during the lockdowns. It also recognises a decrease in the projected deficit on the collection fund of £2.0m, as shown in Table 7. The £2.0m is made up of a budgeted £13.2m collection fund deficit in 2020/21 offset by an adjustment of £9.0m to spread

the deficit over three years as required by Government, decreasing to a surplus of £2.2m in 2021/22, offset by payment of the second instalment of £4.5m of the three-year spread of the deficit from 2020/21.

**Table 7 – Movement in Council Tax Deficit**

	£m	£m
Declared Deficit 2020/21	(13.2)	
Spreading two thirds deficit to future years	<u>9.0</u>	
Surplus/(Deficit) 2019/20		(4.2)
Declared Deficit 2021/22	2.2	
Spreading two thirds of deficit to future years	<u>(4.5)</u>	
Surplus/(Deficit) 2021/22		(2.2)
Overall movement in Council Tax Deficit		<u>2.0</u>

- 4.6.3 In 2021/22 the Government allowed local authorities to increase their core council tax charge by up to, but not including, 2% before having to submit their proposed increase to a local referendum. The Council decided to increase its core council tax by 1.99%. During the Spending Review 2021 the Government intimated that the limit for core council tax would remain the same for 2022/23 and this was confirmed in the final Local Government Finance Settlement this month.
- 4.6.4 At the Spending Review 2020 the Chancellor announced that local authorities with social care responsibilities would be able to increase their ASC precept by up to 3% over two years beginning in 2021/22. In 2021/22, the Council decided to increase its ASC precept by 2.99%. At the Spending Review 2021 the Government stated that its expectation would be that authorities would be permitted to increase the ASC precept by up to 1% per year over the Spending Review period before requiring the authorities to submit their proposals to a local referendum and this was confirmed in the final Local Government Financial Settlement 2022/23.
- 4.6.5 The Council Tax Report (to be received at Full Council in February 2022 alongside this report) therefore proposes that core council tax is increased by 1.99% in 2022/23 and that Leeds City Council maximises the 1% Adult Social Care precept. Those assumptions are reflected in this report.
- 4.6.6 Table 8 sets out the estimated total council tax income in 2022/23; recognising the £9.5m estimated increase in the council tax base, a general £7.2m increase in the council tax rate, and a £3.6m increase due to the ASC precept. Table 8 also recognises the additional £2.2m estimated surplus on the collection fund wholly offset by an £4.5m adjustment to spread the 2020/21 council tax deficit over three years.

**Table 8 – Estimated Council Tax Income in 2022/23**

	2021/22	2022/23
	Baseline	Forecast
	£m	£m
Previous year council tax funding	333.7	344.9
Change in tax base - increase / (decrease)	(2.7)	9.5
Increase in council tax level	6.6	7.2
Adult Social Care precept	10.0	3.6
<b>Council Tax Funding before surplus/(deficit)</b>	<b>347.6</b>	<b>365.2</b>
Surplus/(Deficit) 2019/20	(1.6)	
Surplus/(Deficit) 2020/21	(13.2)	(13.2)
Surplus/(Deficit) 2021/22		2.2
Council Tax Adjustment for spreading over three years	9.0	9.0
Council Tax Adjustment for spreading over three years		(4.5)
<b>Change in collection fund contribution - increase/(decrease)</b>	<b>(2.6)</b>	<b>2.0</b>
<b>Total - Council Tax Funding</b>	<b>344.9</b>	<b>367.1</b>
Increase from previous year		<b>22.2</b>
4.6.7	<p>Spending Review 2020 included £762m to fund 75% of “irrecoverable loss of council tax and business rates revenues in 2020-21”. “Irrecoverable losses” were not defined formally until after the Council’s 2021 Budget was approved, but the Council is now estimated to receive some £2.2m from this fund for losses experienced from reduced Council Tax revenues in 2020/21. It is proposed that this funding be held in reserve to assist the Council in meeting the final instalment of the deficit from 2020/21, which will become due in 2023/24.</p>	
4.6.8	<p>In total the level of Council Tax receivable by the Council in 2022/23 is projected to increase by £22.2m when compared to that receivable in 2021/22.</p>	
4.6.9	<p>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 is pro-rated in line with the increase in Settlement Funding Assessment, an</p>	

increase of £0.3k, leading to an overall proposed payment to parish and town councils of £66k. **Appendix 5** provides a breakdown by parish/town council.

#### 4.7 The Net Revenue Budget 2022/23

4.7.1 After taking into account the changes to the Settlement Funding Assessment notified in the final Local Government Finance Settlement, business rates and council tax, the Council's overall net revenue budget is anticipated to increase by £86.7m or 19.9% from £435.3m to £521.9m, as detailed in Table 9 and at **Annex 1**. This includes a significant reduction in the business rates deficit of £63.7m.

**Table 9 – Estimated Net Revenue Budget 2022/23 compared to the 2021/22 Net Revenue Budget**

	2021/22 £m	2022/23 £m	Change £m
Revenue Support Grant	28.4	29.3	0.9
Business Rates Baseline	158.4	158.4	0.0
<b>Settlement Funding Assessment</b>	<b>186.8</b>	<b>187.7</b>	<b>0.9</b>
Business Rates Growth	(4.6)	(4.7)	(0.1)
Business Rates Deficit that will not be spread	(79.6)	(15.9)	63.7
Business Rates Deficit: One-third of 'exceptional balance'	(12.2)	(12.2)	0.0
Council Tax (incl. Adult Social Care Precept)	349.1	369.4	20.3
Council Tax Surplus that will not be spread	0.3	2.2	1.9
Council Tax Adjustment: One-third of 'exceptional balance'	(4.5)	(4.5)	0.0
<b>Net Revenue Budget</b>	<b>435.3</b>	<b>521.9</b>	<b>86.7</b>

4.7.2 Table 10 analyses this £86.7m estimated increase in the net revenue budget between the Settlement Funding Assessment and locally determined funding sources.

**Table 10 – Increase in the Funding Envelope**

Funding Envelope	2022/23 £m
Government Funding	
Settlement Funding Assessment	0.88
<b>Sub-total Government Funding</b>	<b>0.88</b>
Locally Determined Funding	
Council Tax (incl tax base growth)	22.20
Business Rates	63.60
<b>Sub-total Locally Determined Funding</b>	<b>85.80</b>
<b>Increase/(decrease) in the Net Revenue Budget</b>	<b>86.69</b>

- 4.7.3 The estimated increase in the 2022/23 net revenue budget compared to 2021/22 cannot be properly understood without considering changes in general fund income streams associated with the collection fund. In 2020/21 the Government funded exceptional reliefs against business rates for the retail and leisure sectors which was forwarded to local authorities to meet the resultant deficit in 2021/22. In 2021/22 the Government announced further reliefs but at a much reduced level, the funding for which will also be held in reserve to meet the smaller resultant deficit in 2022/23. This means that although the net revenue budget due to business rates has increased by £86.7m because the business rates deficit has reduced, the reduction in funding held in reserve to meet this deficit is £43.4m. As can be seen in Table 5 the net result of this is that business rates revenue to the Council has only increased by £20.2m.
- 4.7.4 Council tax is projected to increase by £22.2m because of a number of reasons detailed below. Since the 2021/22 budget was estimated the level of applications for council tax support has reduced as unemployment has reduced, which has the effect of increasing the council tax base. Growth in the council tax base, with new homes being completed in the city, has also markedly improved as construction resumed following the lockdowns in 2020/21. Finally, the Government announced at the Spending Review 2021 that it expected core council tax to rise up to 2% and the adult social care precept to rise by up to 1% in 2022/23. These proposals assume, subject to the approval of Full Council, that this will be the increase in Leeds.

## **5 Revenue Budget Proposals 2022/23**

- 5.1 The submitted budget needs to be seen in the context of the Council's forecast financial position from 2023/24 onwards where there are significant areas of uncertainty in respect of both funding and spending assumptions. Specifically, the Government's future spending plans for Local Government are uncertain and the outcome of the Government's Fair Funding Review will have implications for the level of resources receivable by the Council. In addition, further information is required around the future funding of both adult and children's social care.
- 5.2 This section summarises the 2022/23 budget proposals and provides an overview of the changes in resources, including specific grants (section 5.4), and cost increases (paragraphs 6.1 to 6.23) which the Council is facing in 2022/23 and concludes with savings proposals (paragraphs 7.1 to 7.8) which contribute towards balancing the 2022/23 budget to the estimated available resources. Table 11 provides a high level summary of these changes.

**Table 11 – Summary of Changes in Resources, Cost Increases and Savings Proposals in the Budget Proposals 2022/23 and comparison with the position at the Proposed Budget**

	Proposed Budget 2022/23 £m	Changes since Proposed Budget £m	Budget 2022/23 £m
<b>Funding</b>			
Increase in Net Revenue Charge	(86.2)	(0.5)	(86.7)
Change in contribution to/(from) General Reserve	(4.0)	0.0	(4.0)
Change in contribution to/(from) Earmarked Reserves	(29.7)	(5.9)	(35.6)
COVID-19 Grants (business rates reliefs)	43.8	(0.5)	43.4
COVID-19 Grants	33.8	0.0	33.8
Increases in Other Specific Grant	(9.9)	(16.9)	(26.8)
Other Non-Collection Fund Business Rates Movements	(7.7)	3.3	(4.4)
Other Changes in Resources	(12.4)	1.4	(11.0)
	<b>(72.3)</b>	<b>(19.0)</b>	<b>(91.3)</b>
<b>Pressures</b>			
Pay Inflation	14.3	0.8	15.2
Health and Social Care Levy	2.9	0.0	2.9
General Inflation	17.4	0.2	17.7
COVID	(2.2)	0.0	(2.2)
Other incl. Debt	60.6	13.6	74.2
	<b>93.1</b>	<b>14.7</b>	<b>107.7</b>
<b>Total Funding and Cost Pressures</b>	<b>20.8</b>	<b>(4.3)</b>	<b>16.5</b>
<b>Prior year savings to reduce budget gap</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Business As Usual	0.8	0.4	1.1
Service Review	(1.1)	0.0	(1.1)
<b>Total Actions</b>	<b>(0.4)</b>	<b>0.4</b>	<b>(0.0)</b>
<b>Financial Challenge actions for 2022/23</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Business As Usual	(18.6)	4.0	(14.6)
Service Review	(1.9)	0.0	(1.9)
<b>Total Actions</b>	<b>(20.5)</b>	<b>4.0</b>	<b>(16.5)</b>
<b>Gap Remaining After Actions</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(0.0)</b>

5.3 The Proposed Budget noted that some of the savings proposals contained in the report would impact on the funding assumptions and cost increases discussed in paragraphs 5 and 6. Although not 'reclassified' in the December Executive Board Report, these budget measures have now been shown against the correct category in this final Budget report. Consequently the total value of savings proposals shown in Table 11 has reduced by £4.3m since the Proposed Budget, £4.2m of these savings have been reclassified as changes to funding and reductions to identified cost pressures and a further £0.1m has been removed from savings. As such, the 2022/23 Budget proposals require the Authority to deliver £20.7m of measures to achieve a balanced budget, £16.5m of which will be through savings actions. The remaining measures will be achieved through ensuring that assumed increases in funding are realised or delivering budgeted reductions in costs. Updated assumptions have been incorporated into Directorate reports in **Appendix 8**.

#### 5.4 **Decreases/(Increases) in Resources**

- 5.4.1 Changes in both the Settlement Funding Assessment (SFA) (£0.9m increase) and local funding (£85.8m increase), lead to a net increase of £86.7m, which are detailed in sections 4.1.3 and 4.7 respectively.

#### **Changes in Reserves and Balances (£39.5m)**

- 5.4.2 **Changes in contributions to/(from) the General Reserve (£4.0m)** – The opening General Reserve position in 2021/22 stood at £27.8m with the opening position for 2022/23 estimated to be £31.7m, reflecting a budgeted contribution of £4.0m in 2021/22. Whilst this Budget doesn't incorporate a budgeted contribution to the General Reserve, it does incorporate the fallout of the 2021/22 budgeted contribution (£4m) from the base. From 2023/24 onwards the planned budget assumes a £3m contribution to the Council's General Reserve.
- 5.4.3 **Changes in contributions to/(from) Earmarked Reserves (£34.0m)** – Overall the measures in this Budget apply a net contribution to the revenue position of £34.0m from Earmarked Reserves. Contributions to and from reserves are summarised at **Appendix 10**.
- 5.4.4 Opening General Fund earmarked reserves for 2022/23 are estimated to be £110.1m. This total includes £37.3m of **Strategic Contingency** reserve, which was established in 2020/21 to fund future unforeseen budget pressures and to ensure the Council becomes more financially resilient. Given the ongoing impact of COVID-19 on service delivery across the Council, this reserve will also be used to fund the recovery of affected services following the pandemic, including targeting the backlogs of work which have built up in some services. The 2022/23 budget provides a further net contribution of £8.4m to this reserve, but also proposes use of (£15.0m) to support the General Fund position, leaving a projected balance of £30.7m at the 31<sup>st</sup> March 2023. Base budget contributions of £6.2m in 2021/22 fall out in 2022/23, benefitting the revenue budget position. Use of a further £15m from this reserve is proposed for 2023/24.
- 5.4.5 The 2021/22 approved budget allowed for the creation of an earmarked reserve for **COVID** pressures. £16.7m of funding received from Government was placed in a reserve to manage the ongoing financial impact of COVID and this funding is projected to be applied in full to address pressures arising in 2021/22 and which have been incorporated into the Financial Health reports received at this Board. These base budget contributions of £16.7m in 2021/22 fall out in 2022/23, benefitting the revenue budget position. These budget proposals reflect planned contributions of £4.2m to this reserve in 2021/22 which will be utilised in 2022/23 alongside a further £1.4m of resources so that £5.6m in total will be available to address the ongoing impact in the forthcoming financial year.

- 5.4.6 There is a further contribution of £1.8m to the **Energy** reserve which was first established in 2021/22, making £2.9m available in total to provide contingency funding should energy costs exceed the provision within these Budget proposals.
- 5.4.7 A net increase in contribution of £0.6m to the **Investment and Innovation** reserve is provided for, making £3.4m available in total at 1<sup>st</sup> April 2022. This additional funding will support a range of transformational activities across the authority both where they are identified as generating future savings and where potential savings are being explored, supporting the delivery of the Financial Strategy and improving the financial resilience of the Authority.
- 5.4.8 The budget proposals provide £0.5m for the establishment of a **Staffing and Management Support** reserve which will provide a resource to support HR initiatives.
- 5.4.9 **Adults and Health Social Care reserves** totalling £5.4m will be applied to revenue in 2022/23, an increase of £2.7m compared to those utilised in 2021/22; this is represented by a £2.7m corporate repayment of reserves utilised in 2021/22; £3.0m to support specific Adults & Health innovation programmes and £2.3m to partially mitigate cost pressures associated with service provision in 2022/23.
- 5.4.10 Movements across a range of **other earmarked reserves** provide for a net contribution of (£0.5m) to the revenue budget in 2022/23, reflecting the fallout of 2021/22 budgeted contributions to reserves in respect of Post 16 funding (£1.0m); the fallout of use of the Individual Electoral Registration (IER) grant reserve £0.3m and repayment of savings to the Investment reserve in respect of the implementation of 'Channel Shift' £0.2m.
- 5.4.11 **Changes in contributions to/(from) Balances (£1.6m)** - These budget proposals include the net application of £1.6m from balances; the one-off utilisation of £2m of commuted sum balances which are received from developers to meet the future maintenance cost of adopted Highways, and the net fallout of use of £0.4m of other Highways balances utilised in 2021/22.

#### **Changes in Grant Funding £46.0m**

- 5.4.12 **Specific Grant Funding Changes – Collection Fund COVID-19 Grants £43.4m.** In 2020/21 the Government awarded unprecedented reliefs to retail, leisure and childcare establishments in Leeds. These reliefs added to the Council's collection fund deficit for which the authority received full compensation. However, the deficit did not have to be paid until 2021/22 and therefore the £75.5m was held in reserve and applied in 2021/22. In 2021/22 the Government awarded reliefs to these sectors again, although at a lower level. Once again, the Council will hold this funding, £32.1m, in reserve to apply to the Collection Fund deficit that becomes due for payment in 2022/23.

- 5.4.13 **Specific Grant Funding Changes – COVID-19 related grants £33.8m.** In both 2020/21 and 2021/22 Government provided local authorities with additional funding to meet both expenditure pressures and income losses related to the impact of COVID. No further specific support for 2022/23 or later years has been announced by Government to date. These budget proposals reflect the fallout of £24.6m of one-off COVID Support Grant and £9.2m of COVID-related Local Council Tax Support Grant. This Budget sets aside resources of £5.8m to fund anticipated ongoing COVID pressures in 2022/23, discussed at paragraph 6.21.
- 5.4.14 **Specific Grant Funding Changes – Adults and Health (£2.2m).** The final 2021/22 Local Government Finance Settlement confirmed Government's intention to roll forward all social care grants that had been receivable in 2020/21, including Improved Better Care Fund, the Winter Pressures Grant and the Social Care Support Grant, with an additional injection of £300 million of new Social Care grant funding in 2021/22 for adults and children's services. Leeds received an allocation of £4.5m of this funding in 2021/22. This Budget reflects that all existing social care grants continue to be protected, including the 2020/21 Social Care grant allocation and these allocations have been rolled forward in the 2022/23 Budget and beyond.
- 5.4.15 At the 2022/23 final Local Government Finance Settlement the Government introduced a new grant, Market Sustainability and Fair Cost of Care Fund, with a national allocation of £162m in 2022/23. The Leeds share of this is £2.2m. The 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 neutral to the Council overall, with the expenditure being shown in paragraph 6.15 of this report.
- 5.4.16 As discussed at paragraph 4.6.4, the Budget assumes a 1% uplift in the Adult Social Care Precept as permitted at Spending Review 2021. Should this proposal be approved, this additional Precept income will provide further funding for Adult Social Care services of almost £3.6m for Leeds in 2022/23. This continues the trend in recent years whereby social care provision is increasingly funded by local taxation.
- 5.4.17 **Specific Grant Funding Changes – Children and Families Directorate £0.1m.** The final 2021/22 Local Government Finance Settlement confirmed the Government's intention to roll forward all social care grants receivable in 2020/21. This Strategy assumes a continuation of the roll forward of all existing Children's Social Care grants, including the 2020/21 Social Care grant allocation, the School Improvement Monitoring and Brokerage Grant and the Troubled Families Programme: Earned Autonomy grant.
- 5.4.18 Leeds is one of three authorities to receive funding through the Department for Education (DfE) Strengthening Families Protecting Children (SFPC) Programme to support the spread of innovation programmes across 20 local authorities over five years. The 2022/23 budget for the Children and

Families Directorate included the third tranche of additional grant of £1.6m. The remaining year of funding and the fallout of this grant are reflected in the provisional budgets for 2023/24 and 2024/25 respectively.

- 5.4.19 As such, the Budget assumes no increase in these rolled forward Children's Social Care resources over the period 2022/23 to 2026/27 and reflects the fallout of the £1.6m per annum Strengthening Families grant in 2024/25.
- 5.4.20 The DSG Central School Services Block 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 2022/23 was issued in December 2021 at £5.1m, a reduction of £176k compared to 2021/22. Whilst some of this pressure is managed within that service, the 2022/23 Budget allows for a funding reduction of £0.06m.
- 5.4.21 **Specific Grant Funding Changes – Communities, Housing and Environment (£3.6m).** The Housing Benefit and Local Council Tax Support Administration Subsidy grants are anticipated to continue to reduce in 2022/23. The budget in 2022/23 has been reduced by £0.2m and by a further £0.4m over the life of the current Medium Term Financial Strategy, reflecting the continuing reductions in the national quantum of funding allocated to Local Authorities. This is an indicative assessment at this stage as the final allocations for 2022/23 will not be made until early 2022.
- 5.4.22 The budget also assumes the fall out of £0.2m for the Community Led Local Development grant
- 5.4.23 In December 2021, the Department for Education released information for local authorities on the support for the School Holiday Activities and Food programme. Expenditure incurred under the scheme is matched to the grant so has no overall impact on the budget. The grant determination indicated that Leeds would receive an additional (£3.5m), and this has been incorporated into these budget proposals.
- 5.4.24 The Council will also receive additional (£0.1m) of funding relating to New Burdens Domestic Violence responsibilities. The Budget assumes that the Council will receive additional funding in respect of the Rough Sleepers Initiative grant (£0.4m). For both, as expenditure is matched to grant income there is no overall impact to the Council.
- 5.4.25 **Specific Grant Funding Changes – Strategic and Central Accounts (£21.0m).** At Spending Review 2021, the Government announced £4.8 billion of additional funding for the Local Government Sector, £0.3bn of which was for specific grants to meet new burdens. The remaining £4.5 billion is allocated equally across the three years covered by the Spending Review at £1.5 billion per annum. Therefore, the allocation is front loaded in 2022/23 with no further increases anticipated in 2023/24 and 2024/25.

- 5.4.26 The provisional Local Government Finance Settlement, announced in December 2021, clarified individual local authority allocations for the year 2022/23. In addition to the £2.2m Market Sustainability and Fair Cost of Funding grant detailed at paragraph 5.4.15, Leeds received a £10.9m 2022/23 Services Grant, a new one-off grant for 2022/23; £8.9m additional unringfenced Social Care Grant; and £1.2m allocation on the Lower Tier Services Grant. All were confirmed at the final Settlement.
- 5.4.27 **Specific Grant Funding Changes – New Homes Bonus £0.0m.** Government introduced the New Homes Bonus in 2011 to encourage housing growth: initially councils received grant for six years for each net additional property added to the tax base each year. This grant is funded by top slicing Revenue Support Grant. In 2016/17 Government made some changes, including gradually reducing the number of years ‘legacy payments’ are receivable from six to four years and imposing a 0.4% growth baseline on new allocations before any Bonus is paid. From 2020/21 New Homes Bonus has been paid for that year only and given rise to no further legacy payments. In February 2021 the Government published a consultation on the future of New Homes Bonus with increasing speculation that the scheme in its current form would be phased out. The consultation gave further options on how to refine the scheme in an attempt to distinguish housing growth brought about by a local authority’s actions and that growth that occurred outside of the authority’s control. The Council responded to this Consultation and is currently awaiting the Government response. The New Homes Bonus accounted for in 2021/22 was announced at the provisional Local Government Finance Settlement 2022/23 and confirmed at the final Settlement. The Government decided to provide a further allocation based on the current scheme, meaning that Leeds receives total funding of £9.0m. Due to the uncertainty caused by the reforms currently under consideration by the Government the Council only recognised £2.2 m in the 2021/22 Budget as it was assumed that the Government would only honour the final legacy payment from 2018/19. The total allocation for 2021/22 will be £9.0m with the additional allocation for 2021/22 being £6.8m. This additional £6.8m will be placed in reserve in 2021/22. In order to remain prudent amidst the continuing uncertainty about the future of the New Homes Bonus scheme no further funding is currently recognised in the Budget for 2022/23 or future years. The Government has assured the sector that it will publish its response to a consultation on the scheme undertaken in February 2021 shortly.
- 5.4.28 **Other Non-Collection Fund Business Rates and Council Tax Movements (£4.4m).** Section 31 grants are allocated to local authorities to compensate them for changes made by Government to the business rates system. An authority’s allocation depends on the level of business rates yield in that authority’s area, the extent to which it awards certain reliefs mandated by Government and its share of any losses resulting from these.
- 5.4.29 At the Spending Review 2021 the Government announced that it would award relief to retail and leisure businesses in recognition of continuing challenges for these sectors after the pandemic. These businesses will

receive 50% relief against their business rates liabilities up to a maximum of £110,000 per business. There has not been detailed guidance on how these reliefs will be administered and uncertainties persist about where businesses with many properties in different billing authority areas will claim their maximum relief of £110,000. In these proposals an allowance for this relief against business rates income of £10.0m has been assumed, attracting additional section 31 compensation of £5.4m.

- 5.4.30 The Government also announced at the Spending Review 2021 that the Small Business Rates Multiplier and higher National Multiplier would be frozen at its 2021/22 level instead of increasing by CPI as would normally be the case. Local authorities also receive compensation from Government for the loss of income this entails. This was confirmed at the provisional Local Government Finance Settlement where it appeared local government would be compensated for the loss of income to the CPI rate. However once the 2022/23 NNDR1 return had been received it compensated local government to the higher RPI rate. Later clarification was received from Government that the higher compensation to RPI was the correct figure. Compared to the 2021/22 Budget this therefore entailed an increase in compensation for this element of £8.7m.
- 5.4.31 The NNDR1 return also confirmed that compensation would continue for Public Toilet exemptions, a new telecoms infrastructure relief and the limited continuation of transitional arrangements in 2022/23, for which the Council will receive £0.14m in compensation. This Budget also includes the continuation of the special relief for local newspapers. The Government makes an adjustment to the total compensation to account for the reduced increase to the tariff Leeds pays to Government, which increases in line with the multiplier. The cost of this adjustment has therefore increased by £0.9m because the multiplier was frozen in 2022/23. In total section 31 compensation for business rates reliefs and the multiplier freeze is expected to increase by £13.4m.
- 5.4.32 In addition to these movements in section 31 grants the Council will have to pay a levy on any growth in the total of retained business rates income and section 31 income either to the Leeds City Region Business Rates Pool or to the Government. Current estimates are that the Council will have to pay a levy payment of £0.9m in 2021/22, an increase of £0.4m on the budgeted amount for 2021/22 due to slow recovery in business rates income in the city.
- 5.4.33 At the Spending Review 2020 the Chancellor announced that £762m was to be used to provide support to local authorities for 'irrecoverable losses' in business rates in 2020/21 that authorities would have to repay to the collection fund in 2021/22, 2022/23 and 2023/24. The definition of irrecoverable losses was confirmed in May 2021 and the Council estimates that it will receive £14.9m in total, although final allocations have not yet been confirmed. In 2021/22 £8.6m was applied to the deficit to be repaid in that year. These proposals assume that none of the remaining funding will

be applied in 2022/23 but held in reserve to apply to the final instalment of the 2020/21 deficit in 2023/24.

### **Other Changes in Resources (£11.0m)**

- 5.4.34 These budget proposals provide for the receipt of £0.6m from West Yorkshire Combined Authority, which will contribute to supporting the delivery of the West Yorkshire Mayor's priorities. The position also reflects the fallout of a one-off receipt of £1.7m of Gain Share from WYCA in 2021/22 in respect of the West Yorkshire Devolution Deal.
- 5.4.35 In the final Local Government Finance Settlement for 2021/22, which was published in February 2021, the Government extended the regulations whereby capital receipts can be used flexibly to fund 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. In 2022/23 additional planned expenditure of £7.1m relating to transformational work that meets these criteria will be funded through the Government's flexible use of capital receipts regulations, bringing the total use to £14.4m as presented in **Appendix 9**.
- 5.4.36 Additional contributions of £5m from the NHS are reflected, to support the cost of council services where there are shared pathways of care. In Adults and Health this includes services that support the timely discharge of patients from hospital, the costs of which continue to grow due to demand and market pressures. In Children and Families there is a substantial focus on preventative work which has close links with health services, including support for mental health and trauma. The Council and NHS are also looking at further opportunities for joint working, with a focus on preventative investment that reduces demand and costs across shared pathways of care.

## 6 Projected Cost Increases

6.1 Table 12 summarises the projected cost increases in the 2022/23 Budget.

**Table 12 - Cost Increases 2022/23**

	2022/23 £m
Pay - Leeds City Council	15.2
Health and Social Care Levy	2.9
Employer's LGPS contribution	0.0
Fall-out of capitalised pension costs	(0.0)
Capitalised Pension Costs (New ELI scheme)	(0.7)
Wage costs - commissioned services	8.8
Inflation: General	8.0
Inflation: Electricity and Gas Tariffs	1.0
Demand and demography - Adult Social Care	7.2
Demand and demography - Children Looked After	6.1
Demand and demography - Other	0.2
Financial Sustainability	8.0
IDS Restructuring	3.5
Holiday Activities and Food Schools Programme (grant funded)	3.5
Market sustainability (social care) (grant funded)	2.2
Investment in Children Looked After areas	2.0
Leeds 2023	0.9
Income pressures	1.6
COVID Pressures	(2.2)
Debt - external interest / Minimum Revenue Provision	32.8
Other Pressures/Savings	7.1
<b>Cost Increases</b>	<b>107.8</b>

6.2 **Pay Inflation** – these budget proposals allow for £15.2m of pay inflation in 2022/23. Spending Review 2020 indicated a public sector pay freeze in 2021/22. However, it is now assumed that a pay award will be required in 2021/22. The increase of £15.2m therefore provides for two elements: £5.7m which reflects the Employer's final offer for 2021/22 and which had not been provided for in the 2021/22 base budget and £9.5m for an assumed 2022/23 pay award incorporating the recently announced Real Living Wage of £9.90 at pay scale points 1 and 2 and a 2% pay award for all other staff.

6.3 **Health and Social Care Levy** – The 2021 Spending Review confirmed plans to increase funding for health and social care over the next three years through the introduction of a new tax, the Health and Social Care Levy. The Levy will initially take the form of a 1.25% increase in National Insurance contributions (NICs), which are paid by employees, employers and the self-employed. These budget proposals allow for a cost to the Authority of £2.9m. The Spending Review also announced that the cost to the Local Government sector would be funded. This funding forms part of

the additional grant referenced at paragraph 5.4.25. The adult social care reform white paper, published on 1<sup>st</sup> December, sets out how some of the funding generated by the Levy will be spent.

- 6.4 **Employers Local Government Pensions Contributions** – The most recent actuarial valuation showed that the West Yorkshire Pension Fund is in a surplus position. As a result, the Council was notified that the employer’s contribution would reduce from 16.2% to 15.9% from the 1st April 2020 and remain unchanged for three years. The Medium Term Financial Strategy has initially reflected concerns that the COVID-19 pandemic may impact the Pension Fund adversely both by affecting return on investments and by changing the profile of membership of the Fund, assuming a short term increase in the employer’s contribution to 16.1% in 2022/23 and a return to 15.9% in 2023/24. This assumed temporary increase has now been reversed.
- 6.5 In 2022/23 the net **capitalised pension costs** associated with staff who have left the Council under the Early Leaver’s Initiative (ELI) will reduce by an estimated £0.7m, with further net savings in the later years of the Council’s financial strategy as pension strain costs continue to fall out.
- 6.6 **National Living Wage for commissioned services and the Ethical Care Charter** - in respect of services commissioned from external providers by both Adults and Health and Children and Families directorates, provision of £8.8m has been included in these budget proposals for 2022/23. This is consistent with the national minimum wage assumptions for 2022/23. Elements of the Ethical Care Charter, particularly in respect of better terms and conditions including improved rates of pay for care staff, were implemented in 2019/20 and the provision required in 2022/23 consolidates this position.
- 6.7 The increased costs are associated both with paying our staff the Real Living Wage and ensuring that the services we commission pay their staff the national minimum wage. In 2022/23 the Council will be paying the Real Living Wage in respect of commissioning Home Care services with the additional cost of this being resourced by the Council.
- 6.8 These budget proposals allow for **net price inflation** of £8.0m. It provides inflation where there is a contractual commitment but anticipates that the majority of other spending budgets are cash limited. An inflationary uplift on fees and charges is assumed where they can be borne by the market, with the percentage increase varying in line with the area concerned. Specific energy increases for **gas and electricity** of £1.0m (5%) have been incorporated into these proposals. In addition, an assessment of current and projected energy prices indicates there may be an additional pressure in 2022/23, in response to which £2.9m has been placed into reserve, as discussed in paragraph 5.4.6, and will be applied as required.
- 6.9 The 2022/23 budget proposals recognise the increasing **demography** and consequential **demand pressures** for services in Adults and Health and

Children and Families. Within Adults and Health, the population growth forecast assumes a steady increase from 2020 in the number of people aged 85-89 between 2020 and 2026. These increases of 2.8%, 1.8%, 2.6%, 0.9% and 0% respectively result in additional costs for domiciliary care and care home placements. In addition, the Medium Term Financial Strategy reflects the anticipated impact of increasing cash personal budgets through to 2026. The Learning Disability demography is expected to grow by 1.0% (based on ONS data) over the period. It should be noted that the high cost increase in this area of service is primarily a combination of increasingly complex (and costly) packages for those entering adult care, as well as meeting the costs of the increasing need for existing clients whose packages may last a lifetime. A sum of £7.2m has been built into the Budget for 2022/23 to deal with this demand and demographic growth.

- 6.10 Children and Families continues to face **demographic and demand pressures** reflecting relatively high birth rates (particularly within the most deprived clusters within the city), increasing inward migration into the city (particularly from BME groups from outside the UK), the increasing population of children & young people with special and very complex needs, greater awareness of the risks of child sexual exploitation, growing expectations of families and carers in terms of services offered and changes in Government legislation, including 'staying put' arrangements that enable young people to remain with their carers up to the age of 21. Consequently, the Budget for 2022/23 provides £6.1m for the projected demand in the 0-19 year old population and the impact this will have on transport costs, Children Looked After (CLA) and financially supported non-CLA budgets. Financially supported non-CLA budgets include arrangements that prevent children from becoming looked after, such as special guardianship orders.
- 6.11 Based on **demand pressures** due to assumed housing growth, provision of £0.2m has been made for the increased disposal costs of waste to the Recycling and Energy Recovery Facility (RERF).
- 6.12 These budget proposals include further measures to include **financial sustainability**. The 2022/23 Budget allows for an additional £5.0m to reduce reliance on the capitalisation of revenue expenditure and £3.0m to reduce the extent to which internal charging mechanisms are used in the Council's revenue budget, where the application of internal charging is driving the wrong financial behaviours and sustaining inefficiencies. A further £5.0m to reduce the Authority's reliance on Capital Receipts is incorporated in the position at paragraph 6.19.
- 6.13 An additional £3.5m will be invested in **IDS** for 2022/23 to allow for the creation of and recruitment to new posts which will largely be used to support delivery of key Council priority 1 projects and a programme of work to rationalise software applications. The new 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 (e.g. COVID 19); prevent reputational damage and/or; have a deadline that must be delivered in the next 6-9 months. The application rationalisation programme will reduce the number of applications supported thereby reducing the support and maintenance costs and simplifying business processes.

- 6.14 The Department for Education have announced the **Holiday Activities and Food Schools Programme** grant for 2022. The purpose of the grant is for local authorities to make free places at holiday clubs available in the Easter, summer and Christmas school holidays in 2022. This will be made available to children in the local authority area who are eligible for and receive benefits-related free school meals. The value of grant for Leeds (reflected in the relevant section of this report) is £3.5m. The Budget includes the same value of corresponding expenditure.
- 6.15 **Market sustainability and Fair Cost of Care Fund** – at the final Local Government Finance Settlement the Government confirmed the Market Sustainability and Fair Cost of Funding with Leeds receiving £2.23m in 2022/23. This expenditure will relate to the forthcoming reforms of the social care system. As expenditure will be matched to grant income there will be no overall impact to the Council.
- 6.16 **Investment in Children Looked After (CLA)** – in considering the Leeds trends for CLA numbers, the Budget includes a £2.0m investment across social care and learning inclusion.
- 6.17 **Leeds 2023** – the budget proposals provide for £0.9m to fund additional costs as we approach the City’s celebration of culture. This is partially offset by the funding assumed from WYCA (£0.6m), noted at paragraph 5.4.34.
- 6.18 **Income variations** of £1.6m are included in these proposals. This includes £0.5m for realigning income due to the planned elections schedule, £0.5m for a reduction in Procurement and Commercial Services income, £0.3m in respect of the capital receipt fee income budget, and £0.1m due to legislation changes relating to street café licencing. The remainder, approximately £0.2m is due to reductions in Aspire income and schools catering income.
- 6.19 These budget proposals provide for a £32.8m increase in the cost of **debt**. The budget includes an increase of £36.1m in Minimum Revenue Provision (MRP), reflecting a £6.6m increase for the MRP due on new borrowing to fund capital expenditure, and a further MRP pressure of £29.5m reflecting the fact that the Council no longer intends to reduce its MRP requirement by the use of capital receipts to redeem debt. Other Debt variations total reductions of £3.3m and include a £1.1m increase in net external debt costs, offset by an increase of £1.6m in prudential borrowing recharges to directorates and a £2.9m increase in the capitalisation of PFI lifecycle costs.

6.20 At Spending Review 2020, Government announced a further £1.55bn of national funding for additional **COVID** related expenditure pressures in 2021/22. The Leeds allocation was anticipated to be £24.6m and utilised in the 2021/22 budget. This is now fully utilised and has been used to offset additional COVID expenditure pressures in 2021/22 as reported through the monthly Financial Health reports to the Executive Board. As such these proposals reflect the fallout of £8.1m of this funding applied to COVID in the 2021/22 budget.

6.21 Whilst no further financial support is expected from Government to fund the economic impact of COVID, these budget proposals for 2022/23 makes provision for a £5.8m continued impact on the Council's income and expenditure, specifically:

- £5.4m for car parking and waste services income losses
- £0.4m for additional Planning expenditure to deal with backlogs,
- £0.07m for Registrars.

As such the net movement in COVID provision is (£2.2m).

6.22 **Other Pressures and Savings** Other net budget pressures of £7.1m have been identified for 2022/23. These include:

- £1.0m for Microsoft licences as the Authority moves towards a cloud-based system
- £1.0m for an additional payment to WYCA which recognises the cessation of a previously agreed rebate
- £1.0m in respect of Supported Accommodation pressures
- £0.7m is provided for pressures in LBS
- £0.6m is provided for the impact of universal credit on budgeted overpayment income
- £0.5m is provided for repayment of schools balances
- £0.4m of additional spend on Rough Sleepers funded by additional grant
- £0.4m investment in the waste strategy
- £0.4 is provided for work towards Council Tax automation
- £0.3m for bulky waste
- £0.3m is provided for the revenue costs of additional grounds maintenance including those associated with new capital schemes
- £0.3m is provided for the revenue costs of Highways schemes
- £0.2m for front of house staff to support key Council buildings
- £0.2m contribution to the rent costs of the Coroners Court
- £0.1m for additional apprentice levy costs in 2022/23.
- The net effect of other pressures across all Directorates is £0.4m

- The pressures listed are part offset by reductions in expenditure, reflecting grant fall out £0.2m, Schools premature retirement costs £0.2m and anticipated savings for improved performance in respect of Housing enquiries £0.2m.

6.23 Further detail on Pressures and Savings can be found in the **Directorate Reports** in **Appendix 8**.

## 7 Addressing the Budget Gap

7.1 The proposed Budget included savings of £20.8m and this contributed towards a balanced budget being presented to Executive Board in December. These savings included £20.5m identified as a result of the 2021 Financial Challenge savings programme, and nearly £0.4m of savings identified from the 2020 Financial Challenge programme with future year impacts.

**Table 13 Budget Gap And Savings Options**

	Proposed Budget 2022/23 £m	Changes since Proposed Budget £m	Budget 2022/23 £m
<b>Total Funding and Cost Pressures</b>	<b>20.8</b>	<b>(4.3)</b>	<b>16.5</b>
<b>Prior year savings to reduce budget gap</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Business As Usual	0.8	0.4	1.1
Service Review	(1.1)	0.0	(1.1)
<b>Total Actions</b>	<b>(0.4)</b>	<b>0.4</b>	<b>(0.0)</b>
<b>Financial Challenge actions for 2022/23</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Business As Usual	(18.6)	4.0	(14.6)
Service Review	(1.9)	0.0	(1.9)
<b>Total Actions</b>	<b>(20.5)</b>	<b>4.0</b>	<b>(16.5)</b>
<b>Gap Remaining After Actions</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(0.0)</b>

### The Corporate & Directorate Savings Programme

7.2 The Medium Term Financial Strategy 2022/23–2026/27, approved at September's Executive Board, reported an estimated budget gap of £65.4m in 2022/23.

7.3 Building on the Financial Challenge savings programme carried out in 2020 which resulted in £56.1m of budgeted savings and contributed to the setting of a balanced budget for 2021/22, the Council established a new Financial Challenge savings programme in 2021 focused on identifying robust and sustainable savings not just to help close the gap for 2022/23 but for the following years 2023/24 and 2024/25. This approach has enabled 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 brought to the Executive Board for consideration at its September and December 2021 meetings through the *'Revenue Savings Proposals for 2022/23 to 2024/25'* reports span the next three financial years.

- 7.4 The Financial Challenge programme has continued to aim to protect services that support the most vulnerable whilst ensuring that the organisation becomes more financially resilient and sustainable for the future. Reviews have been carried out across all council services: some cross-cutting (such as procurement), others focused on specific services or activities. The cross-council senior officer group established in 2020 to provide support and ensure a co-ordinated, consistent approach across the Financial Challenge programme, was reconvened. Further support and challenge has again been provided by Scrutiny Board working groups.
- 7.5 These reviews led to proposals categorised as either 'Business as Usual' (BAU) or 'Service Reviews'. BAUs do not require consultation to implement: for example, they relate to improving the efficiency of the service, are cost reduction measures with no impact on service users or, where there are budgeted staffing reductions, these are anticipated to be met through deletion of vacant posts or voluntary means, as has been collectively agreed. Where voluntary measures have a modest and/or residual impact on the workforce, local / BAU consultation would be expected. 'Service Review' proposals are of more significance and therefore may require meaningful consultation with staff, trade unions, service users and the public as appropriate prior to any decisions being taken.
- 7.6 With regard to 2022/23, across its September and December meetings, the Executive Board approved £17.7m of savings proposals for implementation or consultation as required: £15.8m classed as BAUs, a further £1.9m as Service Reviews. The five Service Reviews are as follows:
- Reduction in grants and contracts to five third sector organisations supporting older people and other client groups (September Executive Board)
  - In-house strategic mental health review (September Executive Board)
  - Diversifying children's residential provision (September Executive Board)
  - A Review of Adult Social Work Provision, with areas for consideration being:
    - Changes to Social Care at "the front door" to maximise capacity to meet growing demand for information, advice and a social care assessment of needs, embedding an "independence first" approach that uses Occupational Therapy staff.
    - Changes to Social Work Reviewing Functions to maximise capacity to meet statutory social care duties by piloting a new

Community Reviewing Team. This will include Occupational Therapy and Social Work staff to enhance the capacity of the current Adult Reviewing Team to deliver an increased reviewing schedule thereby right-sizing care packages. (December Executive Board)

- Leeds Museums & Galleries Invest to Save: Kirkstall Abbey Admissions (Non-Leeds Residents) and Café (*December Executive Board*)

7.7 In 2021/22 Council spent c.£650m in revenue procuring external goods and services. Through a combination of reviewing both contract usage and contract specifications targeted procurement saving of £4.0m has been incorporated into the 2022/23 Budget, £1.3m of which has been identified within the directorate savings discussed at paragraph 7.6 and included in the £17.7m of savings that were presented to Executive Board in both September and December. In addition a further £2.7m of procurement savings have been identified and incorporated into Directorate budget proposals and further information on these procurement savings can be found in the Directorate Reports in **Appendix 8**.

### **Reclassification of Savings Proposals**

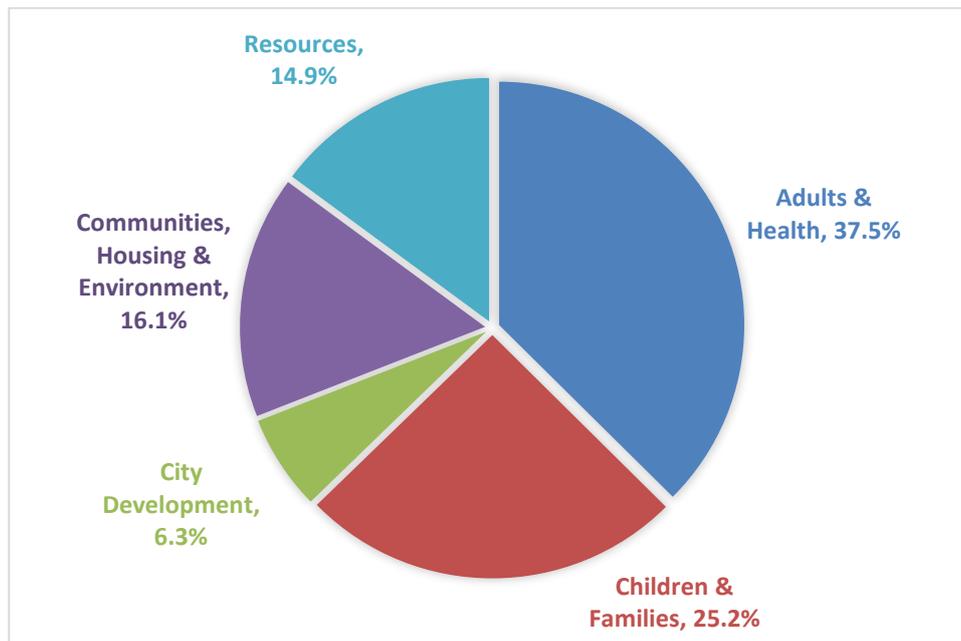
7.8 As noted in the Proposed Budget, presented to the Executive Board in December 2021, the identified level of gross savings identified at that point included measures to mitigate funding changes and reduce cost pressures. Since the Proposed Budget £4.2m of the savings reported at that time have been reclassified, savings have been further reduced by £0.1m where further work indicated the action was not achievable. These changes result in the Budget showing the required savings as £16.5m. The 2022/23 Budget Proposals still require the Authority to deliver £20.7m of measures to achieve a balanced budget, whether through ensuring that assumed increases in funding are realised, delivering budgeted reductions in costs or implementing agreed savings.

### **Summary Budget By Directorate**

7.9 The pie chart below shows the proposed share of net managed expenditure between directorates for 2022/23 based on these budget proposals.

7.10 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.

### Share of Net Managed Expenditure 2022/23



- 7.11 The budget proposals would mean that the Council's spend on Children and Families and Adult Social Care is 62.7% of service budgets in 2022/23. The size of this overall share of the Council's resources continues to reflect the Council's priorities around supporting the most vulnerable across the city and therefore to prioritise spending in these areas.

## 8 Impact of proposals on employees

- 8.1 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 2,831 full time equivalents (FTEs) or 3,699 headcount up to the 31<sup>st</sup> December 2021.
- 8.2 The budget savings proposals detailed in this report (please refer to **Appendix 8**) result in an estimated potential reduction of 19 FTEs. Offsetting these reductions there is a growth of 211 FTEs (14 FTEs relate to the HRA) across Directorates. Therefore there is a net increase of 192 FTEs (14 HRA) when this 2022/23 Final Budget is compared to the approved 2021/22 budget.
- 8.3 Details of the movement in full time equivalents for the 2022/23 Budget are shown by Directorate in Table 14 and detailed in **Appendix 8**:

**Table 14 - Movements in Full Time Equivalents 2022/23 Budget**  
**2022/23 Budget**

	+	-	Net
Adults and Health	31	0	31
Children and Families	53	0	53
City Development	17	0	17
Communities, Housing and Environment Resources	45	(2)	43
	51	(17)	34
	<b>197</b>	<b>(19)</b>	178
Housing Revenue Account	14	0	14
	<b>211</b>	<b>(19)</b>	<b>192</b>

- 8.4 However given the context of the estimated budget gaps for 2023/24 and 2024/25, £32.9m and £25.0m respectively, budget savings proposals to bridge these gaps will be required to be identified and these could result in a reduction in the number of budgeted FTE posts. In the context of the potential reduction of FTE posts the Council intends to issue a further section 188 notice in February 2022 following approval of the 2022/23 Budget at Full Council.
- 8.5 The Council remains committed to doing everything it can to try to avoid compulsory redundancies through natural turnover, continuing the voluntary early leaver scheme, staff flexibility, reviewing and reducing both agency and overtime spend and continuing the positive consultation and joint working with the trade unions.
- 9 **Breakdown of the 2022/23 budget**
- 9.1 Annex 1 to this report provides a summary of the budget changes by directorate and in total.
- 9.2 Annex 2 provides a detailed analysis of the 2022/23 revenue budget at directorate level.
- 10 **Reserves Strategy and General Reserve**
- 10.1 Under the 2003 Local Government Act, the Council's Statutory Financial Officer is required to make a statement to Council on the adequacy of reserves as a part of the annual budget setting process.
- 10.2 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.

- 10.3 The purpose of the general reserve policy is 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.
- 10.4 The general reserve policy encompasses an assessment of financial risks both within the Medium Term Financial Strategy and also in 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.
- 10.5 The proposed Budget for 2022/23 assumes a general reserve balance of £31.7m will be brought forward from 2021/22, with no contribution to the reserve proposed in 2022/23.
- 10.6 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 over the life of the Medium Term Financial Strategy to address this position while having minimum impact on front line services.
- 10.7 The 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. Grant Thornton's Annual Audit Letter for the year ended 31<sup>st</sup> March 2020 noted that "the Council should consider the adequacy of its reserves going forward and the appropriate level of balances which should be linked to the approved MTFs and which should be reviewed each year." The current MTFs approved in September 2021 by the Board provides for a £3m annual contribution to the General Reserve from 2023/24 onwards. As a result, the balance on the General Reserve is projected to be £37.7m by 31<sup>st</sup> March 2025 as shown in Table 15.

**Table 15 - General Reserve**

General Reserve	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m
<b>Brought Forward 1st April</b>	27.8	31.7	31.7	34.7
Budgeted Contribution/(Use) in-year	4.0	0.0	3.0	3.0
Repayment of Treasury Management Savings	0.0	0.0	0.0	0.0
Additional Contribution in-year	0.0	0.0	0.0	0.0
<b>Carried Forward 31st March</b>	<b>31.7</b>	<b>31.7</b>	<b>34.7</b>	<b>37.7</b>

10.8 As stated above, 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.

10.9 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**.

## 11 Robustness of the Budget and Adequacy of Reserves

11.1 The Local Government Act (Part II) 2003 places a requirement upon the Council's statutory officer (the Chief Officer – Financial Services) in Leeds to report to members on the robustness of the budget estimates and the adequacy of the proposed financial reserves.

11.2 CIPFA's Financial Management Code of Practice also requires that the annual budget report also includes a statement by the Chief Officer - Financial Services on the robustness of the estimates.

11.3 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 budget 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.

11.4 In coming to a view as to the robustness of the 2022/23 budget the Chief Officer – Financial Services has taken account of the following issues:

- Detailed estimates are prepared by directorates in accordance with principles laid down by the Chief Officer – Financial Services based upon 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 “Silver” group approach provided high support, co-ordinated and consistent approach to the identification of robust, realistic and deliverable budget savings proposals.
- The same “Silver” group has had oversight over the 2022/23 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 adopted budget principles, alternative proposals will be identified to ensure that a balanced budget position can be delivered in 2022/23. Progress against the delivery of these targeted savings will be incorporated into the monthly Financial Health reporting to this 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 2021/22 have been recognised in preparing the 2022/23 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 2022/23 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. This is all the more important given that the Council will face further financial challenges over the years beyond 2022/23.
- In recognition of the financial challenge that the Council continues to face, the Council established a Strategic Contingency Reserve in 2020/21 which is used to fund future unforeseen budget pressures and to ensure the Council becoming more financially resilient. In addition, specific provision has been made for the ongoing impact of COVID and the likely increases in the cost of energy in 2022/23.
- 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 2022/23 is budgeted at 99%, returning to the pre-COVID-19 collection rate.
- Where the budget assumes the generation of capital receipts from property and land sales which are utilised to offset PFI liabilities, 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. In addition, and as detailed in paragraph 4.4 in this report, the impact of COVID-19 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, however, 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 current 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. 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 this Board agreed the adoption of principles which were developed to support both the determination and management of the revenue budget, provided at Appendix 11. Adoption of 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.

- Each year Corporate Governance and Audit Committee receive the annual assurance report from the Chief Financial Officer – Financial Services 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 also has a sound framework for reviewing and challenging financial performance, has realistic plans in place to make the necessary savings in the 2022/23 financial year, that it will take the appropriate steps to deliver them and that the Authority has contingency plans in place to help to manage unforeseen variations against the budget.

11.5 In the context of the above, the Chief Officer – Financial Services considers the budget proposals for 2022/23 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 as such 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 £16.5m of budget reduction measures contained in the 2022/23 budget.
- Risk based budget reporting to members will continue in 2022/23.
- 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 2022/23 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.

- 11.6 The impact of the COVID-19 pandemic has had a significant impact upon the Council's financial position in 2020/21 and 2021/22 and beyond. Whilst the impact of the pandemic could not have been foreseen the Council's Executive Board have been regularly updated on the financial impact of the pandemic and the actions being taken to achieve a balanced budget position. As detailed in this report specific provision has been factored into this budget to deal with the ongoing impact of COVID-19.
- 11.7 Grant Thornton in their Annual Audit Letter for 2019/20 referenced that "the financial impact of Covid-19 has been significant and highlights the inadequacy of the Council's General Fund Reserves" and that this "situation indicates weaknesses in the level of General Fund Reserves to deal with significant unforeseen circumstances." In response, and as detailed in the Medium Term Financial Strategy and this annual budget report, provision has been established 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. In addition specific provision has been set aside within earmarked reserves to fund future unforeseen budget pressures and to ensure the Council becoming more financially resilient.

## 12 **Provisional Budget Update 2023/24 and 2024/25**

- 12.1 At its meeting in December 2021 Executive Board received the Council's Proposed Budget Report for 2022/23. Contained within this report were the Provisional Budget positions for 2023/24 and 2024/25 which showed budget gaps of £30.6m and £25.6m respectively. The report recognised that savings would need to be identified in order that a balanced budget position could be delivered in 2023/24 and 2024/25.
- 12.2 In the context of the final Local Government Finance Settlement and other variations identified during the determination of the Budget for 2022/23 (and later year impact of 2022/23 savings), the financial projections for 2023/24 and 2024/25 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 2023/24 and 2024/25 are for information and planning purposes only and the decisions will continue to be made as part of the Council's annual budget setting process.
- 12.3 Following a statement from the Secretary of State for the Department for Levelling Up, Housing and Communities, it is understood that the move to 75% business rates retention is not consistent with the Government's levelling up agenda and that other mechanisms for redistributing funding would be sought. Therefore, the strategy for 2024/25 has been revised to reflect this. It is uncertain what impact this may have on the proposed business rates reset and the implications of the outcome of the Government's Fair Funding review. As such, it is assumed these will be

revenue neutral upon the Council with any impacts being addressed through transitional arrangements. No increases have been assumed in SFA for either 2023/24 or 2024/25.

- 12.4 In the determination of the revised financial projections for both 2023/24 and 2024/25 significant areas of uncertainty remain as to the Council's financial position in respect of both funding and spending assumptions, compounded by the ongoing impact of COVID-19. Specifically the implications of the Government's future spending plans remain unclear. Whilst the high-level Spending Review announced on 27<sup>th</sup> October 2021 covered the three year period to 2025, the more detailed final Local Government Finance Settlement (received in February 2022) only covered the year 2022/23.
- 12.5 After taking account of the funding assumptions outlined in 12.2 to 12.4 above and the variation in pressures and savings that have been identified in the determination of the 2022/23 proposed Budget proposals, the provisional positions for 2023/24 and 2024/25 are detailed in Table 16.

**Table 16 - Provisional Revenue Budget 2023/24 and 2024/25**

	2023/24	2024/25
	£m	£m
<b>Proposed Budget December 2021</b>	<b>30.6</b>	<b>25.6</b>
<b>Changes to Funding</b>		
Net Revenue Charge Assumptions	10.2	0.1
Contribution to General Reserve	0.0	0.0
Changes in Earmarked Reserves	3.7	0.0
Grants	(12.4)	(0.3)
Other Funding Changes	0.3	0.1
	<u>1.9</u>	<u>(0.1)</u>
<b>Revised Pressures</b>		
Pay and Pensions	(0.6)	(0.7)
Capitalised Pensions (ELI)	(0.2)	0.0
Other	4.5	0.1
	<u>3.7</u>	<u>(0.6)</u>
<b>Revised Savings</b>		
Business as Usual	(3.2)	0.1
Service Review	<u>(3.2)</u>	<u>0.1</u>
	<u>(3.2)</u>	<u>0.1</u>
<b>Revised Gap at 2022/23 Budget</b>	<u><b>32.9</b></u>	<u><b>25.0</b></u>

- 12.6 As can be seen in Table 16, the estimated budget gap has been revised to £32.9m in 2023/24 and to £25.0m in 2024/25. Since the Proposed Budget was presented to December's Executive Board meeting, the 2023/24 estimated gap has increased by £2.3m and the 2023/24 position has

reduced by £0.6m. The main changes since the Proposed Budget are as follows:

- **Changes to Funding:** In 2023/24 the strategy no longer assumes that the Government would offer reliefs against business rates to businesses, which the Council would receive as compensating grants. Conversely, we assume this will be offset by the resulting increase in rates, increasing the Net Revenue Charge assumptions. The 2023/24 and 2024/25 adjustments also include the ongoing impact of new and continuing grants confirmed at the final Local Government Finance Settlement in February 2022 and the fall out of use of reserves in 2022/23.
- **Revised Pressures:** Adjustments made since the Proposed Budget include the expenditure commitment for the grants to be received (noted above) and the fall out of one-off funding of pressures provided by the Council from contingency in 2022/23.
- **Revised Savings:** the changes since the Proposed Budget largely reflect the later year impacts of reclassifying the 2022/23 savings proposals, noted at paragraph 7.

12.7 The position set out above contains a number of assumptions, as set out in paragraphs 12.2 to 12.6, for which updated information would alter the projected financial position and 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 the Executive Board.

### 13 **Schools Budget**

13.1 The Dedicated Schools Grant (DSG) for 2022/23 is funded in four separate blocks for early years, high needs, schools and central schools services.

13.2 A National Funding Formula (NFF) was implemented from April 2018 for high needs, schools and central schools services. The schools formula was initially a “soft” formula to allow local authorities some limited flexibility and this remains the case for 2022/23.

13.3 The Early Years block funds 15 hours per week of free early education for 3 and 4 year olds and the early education of eligible vulnerable 2 year olds. There is an additional 15 hours per week provision for working families of 3 and 4 year old children. The funding hourly rates have been confirmed as £5.57 for 2 year olds and £5.12 for 3 and 4 year olds. The grant received will continue to be based on participation. The actual grant received during 2022/23 depends on pupil numbers in the 2022 and 2023 January censuses. The early years pupil premium is also included in this block and is payable to providers for eligible 3 and 4 year olds. The hourly rate for 2022/23 has been set at £0.60. In addition, there is a Disability Access Fund which is £800 per eligible child per year in 2022/23. The grant value shown below is based on the actual pupil numbers in January 2021 as the

final January 2022 pupil numbers have not yet been confirmed.

- 13.4 The High Needs Block supports places and top-up funding in special schools, resourced provision in mainstream schools and alternative provision; top-up funding for early years, primary, secondary, post-16 and out of authority provision; central SEN support and hospital & home education. The values in Table 17 is before any deductions are made by the Education and Skills Funding agency (ESFA) in respect of funding for academies, free schools and post 16 places. The High Needs Block is facing a number of financial pressures nationally and in recognition of this the national allocation has increased again for 2022/23. For Leeds the allocation of £109.73m is an increase of £11.73m for 2022/23 although there is still a cap on gains within the national funding formula and this has been applied to the funding allocation to Leeds to the value of £1.903m. Despite the increase in funding for 2022/23 the anticipated increase in special school places and pupils eligible for additional top-up funding means that there is expected to be on going funding pressures for the High Needs Block which will need managing within the overall available funding. As part of managing the funding pressures it is proposed to transfer funding from the Schools Block as outlined below.
- 13.5 The Schools Block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11. For Leeds the allocation of £625.5m is an increase of £23.6m for 2022/23. The grant allocation for 2022/23 is based on pupil numbers (including those in academies and free schools) as at October 2021. Schools have been consulted on options for the local formula in 2022/23 and on proposals to transfer funding to the High Needs Block. The results of the consultation have been presented to Schools Forum to enable further discussion with a final decision on the local formula being made by the Director of Children and Families in early 2022. As part of the consultation the majority of schools which responded supported a proposal to transfer 0.5% (£3.127m) from the Schools Block to the High Needs Block. A Schools Forum meeting on the 18<sup>th</sup> November approved this transfer. The majority of schools who responded to the consultation also supported a proposal for maintained schools to contribute funding of £150k towards severance costs. Schools Forum also approved this contribution.
- 13.6 As part of the NFF, the Central School Services block (CSSB) was created from the DSG funding that is held by the local authority for central services. This includes the funding which was previously delivered through the retained duties element of the ESG along with ongoing responsibilities and historic commitments. For Leeds the allocation of £5.14m is a decrease of £18k for 2022/23. The funding for the historic commitments element has been reduced by 20% in 2022/23.
- 13.7 At the end of 2021/22 it is projected that there will be a deficit balance of £4.835m on DSG compared to a deficit balance of £2.002m at the end of 2020/21. The deficit balance will be carried forward into 2022/23 and proposals to address the deficit will need to be incorporated into the

medium term financial plan for the High Needs Block and DSG funding. The conditions of grant for the Dedicated Schools Grant requires that any local authority with an overall deficit on its DSG account at the end of 2019/20 financial year must be able to present a plan to the DfE for managing their future DSG spend. The initial DSG management plan has been presented to Schools Forum and this will be regularly updated with termly updates presented to future Schools Forum.

- 13.8 Funding for post-16 provision is allocated by the ESFA. Funding for high need post-16 pupils is no longer to be part of this grant and is now included in the DSG High Needs Block totals. Funding for 2022/23 will be based on 2021/22 lagged student numbers.
- 13.9 Pupil Premium grant is paid to schools and academies based on the number of eligible Reception to year 11 pupils on the school's roll in January each year. The rates for 2022/23 have been set at: primary £1,385, secondary £985, for each pupil registered as eligible for free school meals (FSM) at any point in the last 6 years and £320 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 is £2,410.
- 13.10 The PE and Sport premium for primary schools grant will be paid in the 2021/22 academic year to all primary schools at a rate of £16,000 plus £10 per pupil. It is expected that these rates will remain the same for 2022/23.
- 13.11 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 2021/22 academic year is based on a rate of £2.34 per meal taken by eligible pupils, giving an annual value of £444.60. Data from the October and January censuses will be used to calculate the allocations for the academic year.
- 13.12 Since 2021/22 the funding for the additional teachers' pay costs from 1<sup>st</sup> September 2018 and September 2019 has been paid to schools and high needs settings through the National Funding Formula (NFF) instead of being paid as separate grants. However mainstream academies continued to receive the teachers' pay grant for April to August 2021, as they did not receive their 2021/22 NFF allocations until September 2021. This grant is now within the NFF for all settings with the exception of school nursery and sixth form provision from 1<sup>st</sup> April 2021.
- 13.13 A further grant in relation to additional costs incurred in respect of increases in the teacher's pension scheme from September 2019 is also now be paid to schools and high needs settings through the National Funding Formula (NFF) instead of being paid as separate grants. However mainstream academies continued to receive the teachers' pension grant for April to August 2021, as they did not receive their 2021/22 NFF allocations until September 2021. This grant is now within the NFF for all settings with the

exception of school nursery and sixth form provision from 1st April 2021.

- 13.14 In 2020/21 and 2021/22 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). For the financial year 2021/22 this was made up of the following elements:
- A one-off universal £650 million catch-up premium for the 2020 to 2021 academic year. Schools allocations were calculated on a per pupil basis with each mainstream school receiving £80 for each pupil in years reception to 11. Special, alternative provision and hospital schools received £240 per place.
  - A School led tutoring grant for the academic year 2021 to 2022 was introduced to allow schools to fund locally sourced tutoring provision for disadvantaged pupils. The calculation of this grant is based on pupils eligible for pupil premium.
  - A summer schools programme was introduced and funding made available to secondary schools based on the number of year 7 entry pupils, this was for 2021 only.
  - A Covid Recovery Premium was introduced for the academic year 2021/22 again based on pupil premium eligibility to further support pupils through evidence based approaches.
- 13.15 In December 2021, the Government announced that a supplementary grant is to be made in respect of the Health and Social Care Levy and other cost pressures for 2022/23. It is expected that this supplementary grant is for 2022/23 only and will be incorporated onto core budget allocations from 2023/24 onwards.
- 13.16 For maintained schools and academies (including early years and post 16 provision), this amount is £1.2billion nationally and the indicative allocation for Leeds is £18m. School level allocation of this grant will be published in spring 2022. For the high needs block, the additional allocation to Leeds is £4.15m.
- 13.17 The amounts in Table 17 are the allocations based on the October 2021 census, unless otherwise stated.

## 13.18 Schools funding Summary

**Table 17 – the Estimated Schools Budget**

	2021/22 Current £m	2022/23 Estimate £m	Change £m
DSG - Schools Block	601.90	625.50	23.60
DSG - Central Schools Services Block	5.16	5.14	-0.02
DSG - High Needs Block	98.00	109.73	11.73
DSG - Early Years Block	60.95	59.61	-1.34
ESFA Post 16 Funding	22.85	23.96	1.11
Pupil Premium Grant	43.99	45.27	1.28
PE & Sports Grant	4.32	4.33	0.01
Universal Infant Free School Meals Grant	9.11	9.01	-0.10
Teachers Pay Grant	1.96	0.74	-1.22
Teachers Pension Grant	5.56	2.09	-3.47
Coronavirus Catch Up Grant	4.03	0.00	-4.03
School Led Tutoring	2.50	1.79	-0.71
Covid Summer School	2.27	0.00	-2.27
Covid Recovery Premium	3.11	2.22	-0.89
Supplementary Grant: Schools	0	18.00	18.00
Supplementary Grant: High Needs	0	4.15	4.15
	<b>865.71</b>	<b>911.54</b>	<b>45.83</b>

**14 Housing Revenue Account**

14.1 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.

14.2 The determination of the 2022/23 budget proposals for the Housing Revenue Account needs to be seen in the context of reduction in the Council's housing stock as tenants exercise their right to buy their own home. An increase in accordance with the Government's rent formula of CPI+1% is proposed.

14.3 Details of the 2022/23 Housing Revenue Account can be found in **Appendix 8**.

**15 Management of Key Risks****15.1 Risk management**

15.1.1 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 these risks are subject to regular review and reporting.

- 15.1.2 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 Plan ambition to tackle poverty and reduce inequalities.
- 15.1.3 Financial management and monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. This risk-based approach will continue to be included in the in-year financial reports brought to Executive Board.
- 15.1.4 In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required. Specific risks relating to some of the assumptions contained within this proposed Budget are identified below.
- 15.1.5 The impact of COVID-19 upon the Council's revenue budget in 2020/21 and 2021/22 has been significant and the receipt of specific financial support from the Government has been necessary to deliver balanced budget positions. Whilst the proposed Budget for 2022/23 provides for the ongoing impact of COVID within both the Waste Management and Car Parking services, any ongoing impact of COVID within other services is not specifically budgeted for. This position assumes that there will not be a requirement for further lockdowns and therefore the Council will not be required to incur, with the exception of Waste Management in 2022/23, specific additional expenditure relating to COVID-19. In addition, it is assumed that income realisable from sales, fees and charges, with the exception of car parking income in 2022/23, return to pre-COVID levels. However if the ongoing impact of COVID is greater than budgeted for, and no further government support is forthcoming, then there will be a requirement for contingency actions to be identified and implemented.
- 15.1.6 As detailed in the 'Revenue savings proposals for 2022/23 to 2024/25' reports considered by this Board at its September and December meetings the proposed Budget for 2022/23 assumes the delivery of £17.7m of budget savings proposals, including some that are subject to consultation. There remains a risk that there is slippage in the implementation of these proposals or that the assumptions contained in these proposals change as a result of the consultation exercises. This could lead to a variation in the assumed level of savings. Should this be the case, in accordance with the Revenue Budget principles agreed at Executive Board in July 2019 through the ['Medium-Term Financial Strategy 2020/21 to 2024/25'](#) report, directors

would need to identify budget savings options to mitigate the directorate from going into an overspend position.

### 15.2 Risks to Funding

- 15.2.1 The Government's current Spending Review covers the three years until the end of this Parliament in March 2025. Whilst the Spending Review on the 27<sup>th</sup> October 2021 provided details of the Government's spending intentions for this three year period, these have not yet been ratified by Government through the annual budget process.
- 15.2.2 The 2022/23 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 2022/23 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 approved at Executive Board in June 2019, the directorate concerned will need to manage the reduction in both expenditure and income through the identification and implementation of an exit.
- 15.2.3 Under the Business Rates Retention Scheme the Council's local share of business rates is exposed to risks both from collection and from 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 business new-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.
- 15.2.4 The level of business rates appeals continues to be a risk. Although the 2010 ratings list is now closed and only limited scope remains for ratepayers to challenge that list, this is the final year of the 2017 ratings list being in force which tends to result in a higher than normal number of appeals to be submitted by ratings agents on behalf of their clients. Provision will have to be made for these appeals. However, the 2017 ratings list has proven to be unusually robust compared to the 2010 ratings list, although the impact of COVID-19 on the commercial property market may have implications for the business rates tax base in 2023/24 when the new ratings list will be introduced following the 2023 Revaluation.
- 15.2.5 In 2022/23 Leeds will again be part of the Leeds City Region Business Rates Pool. As with previous years' Pools, there remains a risk that if a member authority becomes entitled to a safety net payment, because its retained income has fallen dramatically, then that safety net payment will no longer be received from the Government but will have to be met by other members of the Pool. This will represent a loss of income to the region.
- 15.2.6 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.

15.2.7 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.

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

15.3.1 Demographic and demand pressures, particularly in Adult Social Care and Children's Services, could be greater than anticipated and this will impact upon the assumptions made in the 2022/23 proposed Budget.

15.3.2 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 report.

15.3.3 Inflation including the pay award and energy costs could be higher than that assumed in this report. In addition this proposed Budget makes a number of assumptions about the costs associated with managing the Council's debt. Whilst the Council has benefited from converting some of its shorter term borrowing into longer term borrowing at record low interest rates, it still has debt at short term rates which means that it is exposed to any upward movement in rates which would result in an increase in costs to the Council.

15.3.4 The Council's and City's economic and fiscal position is clearly impacted upon by the wider national economic context. The impact of the UK's withdrawal from the EU is still largely unclear and combined with the economy recovering from the impact of the COVID pandemic there remains a significant degree of uncertainty as to how this will impact upon the pound, increase inflation, reduce domestic and foreign direct investment and impact upon borrowing costs. All of this has implications for the level of resources available to the Council and the level of demand for the services that it provides.

15.3.5 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.

## 16 **Conclusions**

16.1 The Budget for 2022/23 and the provisional budgets for 2023/24 and 2024/25 need to be seen in the context of inherent uncertainty for the Council in respect of future funding and spending assumptions. Whilst the Government's future spending plans with regard to local government and

other areas of the public sector were outlined in the Chancellor's Autumn Budget Review and Spending Review Statement to Parliament on October 27<sup>th</sup> 2021, the final Local Government Finance Settlement published on the 7<sup>th</sup> February 2022 is for 2022/23 only. In addition to the continued uncertainty resulting from only having a one year settlement, the Government's spending plans will continue to be influenced by the performance of the economy following the UK's withdrawal from the European Union, the recovery of the economy following the COVID-19 pandemic and the Government's ongoing response to the significant increase in borrowing that has been undertaken in response to the COVID-19 pandemic.

- 16.2 As a result of the **COVID-19** pandemic the Council incurred additional expenditure in both 2020/21 and 2021/22, whilst at the same time seeing reductions in the level of resources available through a combination of lower forecast income levels for both Business Rates and Council Tax and a reduction in the level of income receivable from sales, fees and charges. Whilst the estimated ongoing impact of COVID-19 upon the Council's financial position has been incorporated into this Budget for 2022/23 it is assumed in 2023/24 and 2024/25 that there will be no further expenditure incurred as a result of COVID-19 and that level of income receivable from sales, fees and charges return to pre-COVID levels. However if the ongoing impact of COVID is greater than budgeted for, and no further government support is forthcoming, then there will be a requirement for contingency actions to be identified and implemented.
- 16.3 In addition, and to compound the uncertainty over the period covered by the Medium Term Financial Strategy, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) has announced that the move to 75% business rates retention was not consistent with the Government's levelling up agenda and that instead the government would now look at the mechanism for redistributing funding to the authorities most in need. It is unclear how this mechanism would operate, how it impacts upon any reset of business rates baselines and whether it will include elements of any outcomes from the Government's Fair Funding review of the methodology by which funding is allocated, which determines current funding baselines and is based on an assessment of relative needs and resources. The timing of all these changes to the local government finance system remain uncertain and whether they will be introduced alongside further reforms of the business rates system as a tax. An early resolution with regard to the future structure of local government finance would have the advantage of adding some stability to the funding system over the medium-term. Whilst the Government's White Paper for Adult Social Care, published on 1<sup>st</sup> December 2021, provides proposals for system reform and the use of funding generated by the Health and Social Care Levy, it does not address the wider financial sustainability of the sector or the issue of better integration with the NHS. A white paper was published on 9<sup>th</sup> February which further indicated the Government's aim to improve integration between the health and social care workforce .

- 16.4 In the determination of this Budget for 2022/23 and the forecast position for 2023/24 and 2024/25 a number of assumptions have been made as to the level of resources available to the Council. These assumptions are under constant review to reflect any changes in circumstances or if further information emerges in respect of known risks.
- 16.5 Given the scale of the financial challenge faced by the Council there is a requirement to deliver £16.5m of budget savings in 2022/23. As detailed in this report, robust processes have been established to monitor and report on the achievement of these.
- 16.6 The final Local Government Settlement confirmed that in 2022/23 the Settlement Funding Assessment will increase by 0.5% or £0.9m. Further, that Councils will be allowed a core council tax increase of up to but not including 2% and an increase on the Adult Social Care precept of 1%. Combined with these increases the increase in the Council Tax Base due to a significant reduction in the expected demand for Council Tax Support and a return to historical levels of collection of 99% mean that it is expected that levels of Council Tax to be collected in Leeds will increase by £22.2m in 2022/23 compared to expectations in the 2021/22 Budget. In addition to this, total income retained from the Business Rates Retention Scheme is expected to increase by £63.6m mainly due to a decrease in the level of the deficit that has to be funded in 2022/23 and a slow easing of the pressures on Business Rates income such as bad debts, appeals and a slight return of growth. However this improvement is partly offset by a reduction in section 31 grant funding held in reserve to meet the deficit caused by Government mandated reliefs of £43.4m. The net impact of Business Rates Retention on the General Fund is therefore a £20.2m increase compared to 2021/22. Pay, price and demand pressures mean that the Council will need to deliver £20.7m of budget reduction measures by March 2023. Overall these budget proposals result in a Net Revenue Charge which has increased by £86.7m from £435.3m in 2021/22 to £521.9m in 2022/23, although this remains £3.8m below the pre-pandemic levels budgeted for 2020/21.
- 16.7 The Council's Medium Term Financial Strategy which was received at Executive Board in September identified a funding gap of £65.4m for 2022/23. Following the receipt of budget savings proposals at both September's and December's Executive Boards, the announcement of additional resources in December's provisional Local Government Finance Settlement, confirmed at the final Settlement, the review of Council Tax and Business Rates along with the use of the Council's Strategic Contingency reserve a balanced position for the forthcoming financial year, 2022/23, can be presented in this report.
- 16.8 In accordance with the final Local Government Finance Settlement this Budget assumes a Council Tax increase of 2.99% in 2022/23.
- 16.9 The initial budget positions for 2023/24 and 2024/25 identify estimated budget gaps of £32.9m and £25.0m respectively. The revised gaps for

these two years take into account the directorate savings proposals brought to this Board in September and December. Further budget savings proposals to reduce the estimated gaps for 2023/24 and 2024/25 will be brought to this Board for consideration.

- 16.10 As set out in both the Medium Term Financial Strategy 2022/23-2026/27, and this Budget report for 2022/23, the budget proposals detailed in this report need to be viewed within the context of the longer term approach to increase the financial sustainability, robustness and resilience of the Council's financial position. Specifically this is to reduce reliance upon one-off funding sources to fund revenue expenditure e.g. capital receipts, and to reduce the Council's expenditure base so that it is affordable with the level of resources that are available to the Council in line with the Council's MTFS.



Service	2021/22			2022/23		
	Net managed budget £000s	Net budget managed outside service £000s	Net budget £000s	Net managed budget £000s	Net budget managed outside service £000s	Net budget £000s
<b>Adults and Health</b>						
Health Partnerships	511	133	644	528	174	702
Social Work and Social Care	219,236	2,654	221,890	229,340	3,709	233,049
Service Transformation Team	1,895	189	2,084	153	259	412
Strategic Commissioning	(47,214)	1,099	(46,115)	(53,605)	1,216	(52,389)
Resources & Strategy	4,716	1,316	6,032	4,625	1,277	5,902
Provider services	15,695	4,588	20,283	16,451	5,657	22,108
Leeds Safeguarding Adults Board	150	38	188	151	57	208
Public Health	222	345	567	0	532	532
Pensions adjustment	0	(6,873)	(6,873)	0	(9,864)	(9,864)
	<b>195,211</b>	<b>3,489</b>	<b>198,700</b>	<b>197,643</b>	<b>3,017</b>	<b>200,660</b>
<b>Children and Families</b>						
Learning	5,436	1,749	7,185	6,208	2,529	8,737
Social Care	91,811	27,282	119,093	106,781	35,347	142,128
Resources and Strategy	19,777	(5,102)	14,675	20,041	(4,878)	15,163
Pensions adjustment	0	(6,380)	(6,380)	0	(10,695)	(10,695)
	<b>117,024</b>	<b>17,549</b>	<b>134,573</b>	<b>133,030</b>	<b>22,303</b>	<b>155,333</b>
<b>City Development</b>						
Planning and Sustainable Development	999	856	1,855	1,457	1,264	2,721
Economic Development	1,707	411	2,118	1,956	243	2,199
Asset Management & Regeneration	(3,638)	2,012	(1,626)	(3,003)	4,466	1,463
Employment & Skills	913	477	1,390	1,697	736	2,433
Highways and Transportation	14,989	51,481	66,470	13,382	59,694	73,076
Arts and Heritage	10,476	2,207	12,683	11,294	2,656	13,950
Sport and Active Recreation	5,838	4,450	10,288	6,579	5,005	11,584
Resources and Strategy	602	204	806	1,121	263	1,384
Markets and City Centre	(1,238)	150	(1,088)	(1,116)	204	(912)
Pensions adjustment	0	(8,092)	(8,092)	0	(11,473)	(11,473)
	<b>30,648</b>	<b>54,156</b>	<b>84,804</b>	<b>33,367</b>	<b>63,058</b>	<b>96,425</b>
<b>Resources</b>						
Strategy and Improvement	3,584	(1,363)	2,221	3,701	(1,166)	2,535
Finance	7,926	(356)	7,570	7,885	140	8,025
Human Resources	5,090	510	5,600	5,272	799	6,071
Integrated Digital Services	22,188	12,029	34,217	24,903	9,581	34,484
Procurement & Commercial Services	1,078	124	1,202	(1,367)	252	(1,115)
Legal Services	2,787	549	3,336	2,896	903	3,799
Democratic Services	4,780	(3,202)	1,578	4,952	(3,091)	1,861
Leeds Building Services	(10,000)	3,460	(6,540)	(9,649)	4,724	(4,925)
Corporate Property Management	6,638	369	7,007	6,130	339	6,469
Shared Services	22,893	3,063	25,956	22,177	3,827	26,004
Commercial Services	2,974	10,255	13,229	3,365	11,764	15,129
Facilities Management	7,099	1,025	8,124	7,023	1,119	8,142
Sustainable Energy and Air Quality	835	3,908	4,743	1,061	972	2,033
Pensions adjustment	0	(15,739)	(15,739)	0	(22,823)	(22,823)
	<b>77,872</b>	<b>14,632</b>	<b>92,504</b>	<b>78,349</b>	<b>7,340</b>	<b>85,689</b>
<b>Communities, Housing and Environment</b>						
Safer Stronger Communities	5,935	1,903	7,838	5,706	2,041	7,747
Community Hubs	15,389	2,649	18,038	15,825	3,081	18,906
Elections, Licensing and Registration	209	426	635	1,066	619	1,685
Welfare and Benefits	151	260	411	1,713	363	2,076
Car Parking Services	(7,361)	956	(6,405)	(7,332)	1,089	(6,243)
Waste Management	34,980	3,740	38,720	40,351	4,555	44,906
Parks & Countryside	7,693	4,900	12,593	8,229	5,681	13,910
Environmental Action - City Centre	1,713	240	1,953	1,775	317	2,092
Environmental Health	1,326	227	1,553	1,398	300	1,698
Cleaner Neighbourhood Team	8,066	3,230	11,296	8,634	3,649	12,283
Supporting People Contract	6,083	35	6,118	6,083	34	6,117
Strategic Housing Partnership	1,241	7,064	8,305	1,603	4,449	6,052
Pensions adjustment	0	(11,218)	(11,218)	0	(15,548)	(15,548)
	<b>75,425</b>	<b>14,412</b>	<b>89,837</b>	<b>85,051</b>	<b>10,630</b>	<b>95,681</b>
<b>Strategic and Central Accounts</b>						
Strategic and Central accounts	(64,883)	(68,733)	(133,616)	(5,497)	(68,543)	(74,040)
Pensions adjustment	0	(35,305)	(35,305)	0	(37,805)	(37,805)
	<b>(64,883)</b>	<b>(104,038)</b>	<b>(168,921)</b>	<b>(5,497)</b>	<b>(106,348)</b>	<b>(111,845)</b>
<b>NET COST OF CITY COUNCIL SERVICES</b>	<b>431,297</b>	<b>200</b>	<b>431,497</b>	<b>521,943</b>	<b>0</b>	<b>521,943</b>
Contribution to/(from) General Fund Reserves	3,961	0	3,961	0	0	0
<b>NET REVENUE CHARGE</b>	<b>435,258</b>	<b>200</b>	<b>435,458</b>	<b>521,943</b>	<b>0</b>	<b>521,943</b>

# Proposed Budget 2022/23 - Consultation Report

Consultation held December 2021 - January 2022

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## 1. Introduction and approach

Public consultation on Leeds City Council's (LCC) Proposed Budget for 2022/23 took place between the 15<sup>th</sup> December 2021 and 13<sup>th</sup> January 2022, through an online survey. The full Proposed Budget can be viewed in the public reports pack for the 15th December 2021 Executive Board (available [here](#) at item 8), where the initial proposals were considered.

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. Online only has also mitigated the challenge of sending, collecting and processing paper surveys during a period when many staff are working from home due to COVID-19 guidelines. Staff in the Community Hubs were supplied with an information sheet to help them support anyone who was unable to access the survey online.

In a change to previous years, the consultation survey was hosted on an online engagement platform. This included links to other relevant consultations (such as the Best City Ambition), a detailed timeline, and an opportunity for participants to share and comment on each other's ideas for how the council can improve and do this more efficiently.

The survey explored a range of themes relevant to the proposed budget including: principles of how we should be funded, proposed changes to Council Tax, and how we plan to spend the revenue budget - considered by directorate. Further questions included satisfaction with how the council runs things overall, and ideas for opportunities for the council to do things in more modern and efficient ways.

The consultation was circulated primarily through LCC social media channels and online community groups, and a news item on the council's website. The 1,421 members of the Citizens' Panel 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 intranet (InSite). Invitations were also emailed to partner organisations, requesting that they share through their networks. Targeted social media was successful in increasing engagement of younger people aged under 30.

## 2. Analysis of respondents

In total 1,332 participants visited the engagement platform. From here, 623 clicked through to the survey, of whom 468 went on to complete it. Within the engagement platform 12 participants shared a total of 28 ideas for how the council can improve and do things in more modern and efficient ways.

While at 468, the response is lower than previous years (2,495 in 2021/22 and 1,537 in 2020/21) this statistically represents the population well - to a confidence interval of +/-4.5% (with 95% confidence). Survey participants were from a range of different demographic groups. When compared with the population of Leeds residents as identified through the 2011 Census, it was seen that young people (aged under 30) were underrepresented and those from minority ethnic groups were slightly underrepresented.

Proportions of respondents are shown in Table 1 – please note that the ‘% Valid’ includes only those who answered the relevant question and excludes those who preferred not to say.

Table 1. Comparison of respondents to Census 2011

		Survey Respondents	% Valid Respondents	% Leeds Residents - Census 2011	
Age / years	Under 18	0	<b>0%</b>	-	Residents of Leeds, aged 18 and over only
	18 - 29	24	<b>5%</b>	27%	
	30 - 44	101	<b>23%</b>	26%	
	45 - 64	186	<b>42%</b>	29%	
	65+	136	<b>30%</b>	18%	
	<i>Prefer not to say</i>	15	-	-	
Sex	Female	189	<b>44%</b>	52%	
	Male	242	<b>56%</b>	48%	
	Non-binary/Other	0	<b>0%</b>	-	
	<i>Prefer not to say</i>	30	-	-	
Ethnicity	BAME*	45	<b>10%</b>	17%	
	White: British	388	<b>90%</b>	83%	
	<i>Prefer not to say</i>	35	-	-	
Disability	Yes	57	<b>14%</b>	8%	All Leeds Residents - day to day activities limited a lot
	No	365	<b>86%</b>	92%	
	<i>Prefer not to say</i>	46	-	-	
Sexuality	Heterosexual / Straight	353	<b>90%</b>	N/A	Not a question in the 2011 Census
	LGBT+**	41	<b>10%</b>		
	<i>Prefer not to say</i>	74	-		
Religion	No religion or belief	189	<b>47%</b>	30%	Residents of Leeds, aged 18 and over only
	Christian	188	<b>47%</b>	60%	
	Other religion or belief	26	<b>6%</b>	10%	
	<i>Prefer not to say</i>	65	-	-	

\* This group refers to those who selected another ethnicity than ‘White: English / Welsh / Scottish / Northern Irish / British’

\*\* This group refers to those who either said they are ‘Lesbian, Gay, Bisexual or Other’ or told us that the gender they identify with is different to their sex as registered at birth.

Most respondents (94%) said that they live in Leeds and almost half (45%) work in Leeds. Around 1 in 7 (15%) said they work for Leeds City Council and a smaller group (3%) said they study in Leeds. Only 7 respondents (1.5%) said that they neither live, work nor study in Leeds.

### 3. Executive summary

- Public consultation on the Proposed Budget for 2022/23 took place between the 15<sup>th</sup> December 2021 and 13<sup>th</sup> January 2021 through an online engagement platform and survey. In total 1,332 participants visited the engagement platform, of whom 468 completed the survey. While lower than previous years, this statistically represents the population well.
- Survey participants were from a range of different demographic groups, although young people aged under 30 were underrepresented and BAME were slightly underrepresented.
- Most respondents (94%) said that they live in Leeds and almost half (45%) work in Leeds. Around 1 in 7 (15%) said they work for Leeds City Council and (3%) said they study in Leeds.

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

- In response to the financial challenges that Leeds City Council faces:
  - Almost 4 in 5 respondents (78%, 365 of the 468 responses) agreed with the statement that we should raise money through increasing council tax and charges.
    - 30% of all respondents felt we should raise enough money by increasing council tax and charges to avoid having to cut services
    - 48% of all respondents said that council tax and charges should be slightly increased whilst balanced with cuts and reduction of some services
  - Over 1 in 5 (22%) of all respondents said we should not increase council tax or charges, even if this has a large impact on services.
- The 365 respondents who agreed we should raise money through increasing council tax and charges were asked how much they agreed or disagreed with the statements: 'Existing charges for services should be increased', 'New charges should be introduced for some services' and 'Council tax should increase'.
  - The highest proportion of these 365 respondents, 82%, agreed that new charges should be introduced for some services - this represents 63% of all 468 respondents.
  - 71% of the 365 agreed that existing charges for services should be increased – this represents 55% of all 468 respondents.
  - 77% of the 365 agreed that council tax should increase – this represents 60% of all 468 respondents.
- When asked how much they agree or disagree with our proposed approach for increasing council tax by 2.99% (1.99% for the core Leeds element plus an additional 1% to support adult social care services):
  - Two thirds (66%) of all 468 respondents agreed – 29% of all respondents strongly agreed, 37% agreed.
  - One third (34%) disagreed – 20% strongly disagreed, 14% disagreed.
  - Levels of agreement have increased significantly since last year by +7% (from 59%), though it should be noted that the overall proposed increase in council tax this year (2.99%) is less than that put forward last year (4.99%).

#### The proposed budget

- When presented with the proposed net revenue budget per directorate and a summary of the services that each directorate provides, over two thirds of respondents (68%) agreed to our proposed approach, with almost a third (32%) disagreeing.
  - Comments supporting these responses were most likely categorised as 'Improve council efficiency', including staffing levels, council decision making and salaries, followed by 'Views on council tax', with some recognising the need to raise council tax and others concerned that disposable incomes have not risen.

- Levels of agreement increased greatly since last year by +5% (from 63%).
- Most directorates received a balanced distribution of responses to how they should be funded, with over half of respondents saying, 'as proposed'.
  - Children and Families and Communities, Housing and Environment directorates had the highest proportion of respondents that thought they should receive more (24% each). Comments that supported these were most likely to be categorised as 'Important Service, spend what is needed'.
  - Respondents were more likely to say that City Development and Resources directorates should receive less funding than more (44% each). Supporting comments were more likely to be categorised as 'Improved council efficiency, better decision making or reduced salaries'.
- When the comments supporting funding choices at directorate level were grouped together, the highest number of comments cut across all directorates: 'Important services, spend what is needed', followed by 'Improved council efficiency, better decision making or reduced salaries'.
- Subsequent themes with much less frequency, such as 'Encourage more self-reliance' and 'Prioritise the vulnerable', were mostly for Adults & Health or Children & Families. 'Spend now for future benefit' was mostly for Children & Families or City Development, and 'Use money elsewhere' was mostly for City Development or Resources.
- The proportion of respondents that said they 'Don't know' or gave no response was less than half of that from last year (10% compared to 21% last year) and a lower proportion referred to this in the comments, indicating that including summaries of the services provided per directorate was appreciated by participants.

### Perceptions of Leeds City Council

- Over half (53%) of respondents were satisfied with the way Leeds City Council runs things, with around 1 in 4 dissatisfied (26%).
- Satisfaction was significantly lower than the previous year by -8% (from 61%), when the question was included as part of a wider discussion around council services, community engagement and the council's response to COVID-19. It is worth noting that residents may have been feeling more goodwill towards the council last year, following the first wave of the pandemic, when the work we do was perhaps more likely to be recognised and celebrated.
- Participants were asked to tell us more about the satisfaction rating they gave.
  - The main themes from respondents who were less satisfied included 'Improve council efficiency', 'Improve transport infrastructure and highways decisions', and 'Spread services more fairly city wide'.
  - The themes from respondents who were more satisfied were 'Thank you, LCC doing fine' and 'Services are good (particularly waste)'.

### Suggestions for improvements

- Respondents were also asked for suggestions to improve services and help the council to deliver them in modern and more efficient ways.
  - Of those themes about the council in general, the largest were grouped as 'Delivering services efficiently', which included improving our digital offer / the website, reducing wastage and spending wisely, and better use of our buildings. Other groups were 'Staffing' (which included monitoring and improving performance, and reducing the number of managers or paying them less), 'Partnership working' (which included using volunteers or the third sector, working with the private sector, and creating shared services), 'Introduce or increase charges and fees' (including enforcement action) and 'Consultation and engagement' (including engaging and empowering local communities).

- Further groups of themes related to individual services, with the highest numbers of comments around 'Roads, transport & development', including cycle lanes, and 'Environment', many of which referred to improving recycling and waste services.
- All specific service suggestions will be reviewed and considered as part of identifying further service improvements and financial savings for future years.

#### **Responses by different groups**

- Younger people were more likely than older people to say that council tax and charges should not increase to fund services, and to disagree with both the proposals to increase council tax and the overall budget proposals.
- BAME respondents were more likely than White: British respondents to say we should not increase council tax, and to disagree with the proposals to increase council tax and the overall budget proposals. They were less likely to be satisfied with how we run things.
- Disabled people were more likely to say we should not increase council tax and charges and were less likely to be satisfied with the way the council runs things.
- LCC staff were more likely to agree with the overall budget proposals, and to be satisfied with the way the council runs things.

## 4. Dealing with the challenges of reduced funding and prioritising service provision

### Dealing with the challenges of reduced funding

Respondents were advised of the financial challenges the council is facing for the next financial year and the estimated gap in the council's budget of £65m for 2022/23. They were asked which option they agreed with most in response to the statement: 'It will be increasingly difficult to maintain the level of services we currently provide without considering stopping, changing or charging for services we can no longer afford or that are less of a priority to the people of Leeds'. Responses are shown in Table 2 below and these are then compared with results of previous budget consultations in Figure 1.

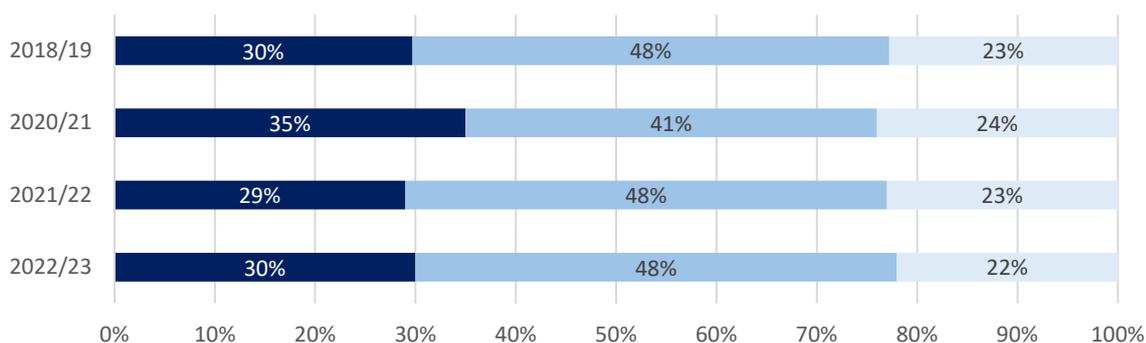
Table 2. How should we deal with the challenges of reduced funding?

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	30%	142
We should raise money by slightly increasing council tax and charges, whilst reducing or cutting some services	48%	223
We should not increase council tax or charges, even if this has a large impact on the services we can provide	22%	101
Did not respond to this question	-	2
<b>Grand Total</b>	<b>100%</b>	<b>468</b>

Almost 4 in 5 respondents (78%) agreed we should raise money through increasing council tax and charges, with around 3 in 5 of these (61%) agreeing that this should be balanced with cuts and reduction of services, representing 48% of all respondents.

Over 1 in 5 respondents (22%) agreed with the statement that we should not raise council tax or charges, even if this has a large impact on the services we can provide.

Figure 1. Comparison with previous responses around how we should deal with financial challenge.



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 raise council tax or charges, even if this has a large impact on the services we can provide
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Comparing responses, it can be seen that attitudes of respondents around balancing raising funds through tax and charges with protecting services has stayed much the same as last year.

## Responses by different groups

Figure 2. How should we deal with the challenges of reduced funding? By different groups.

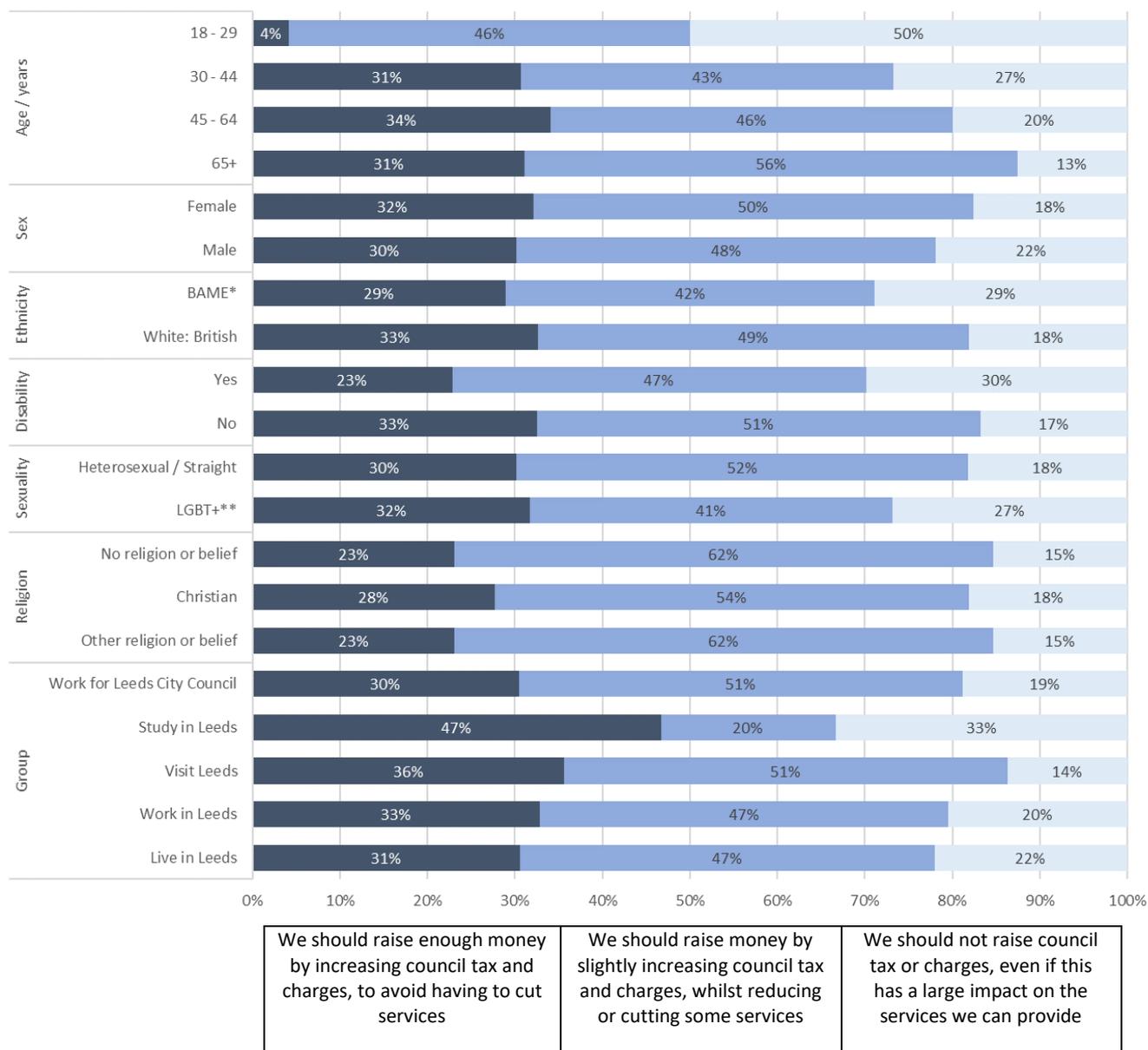


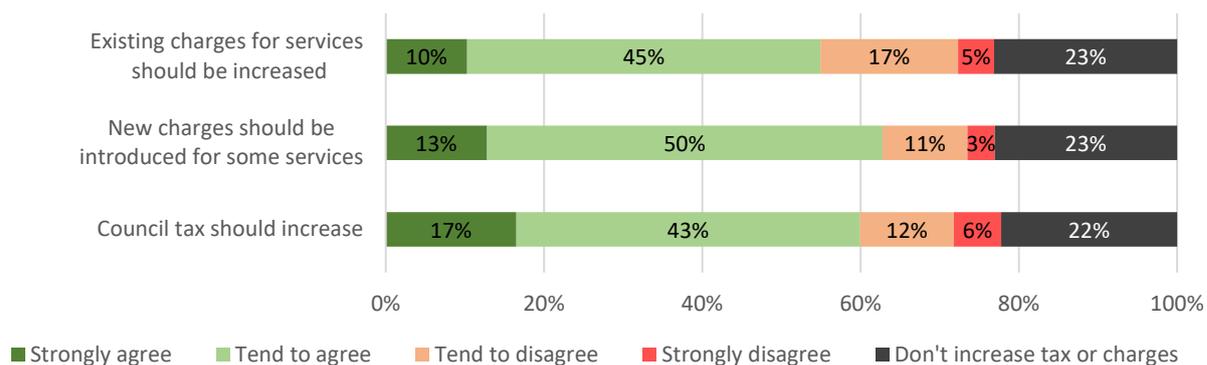
Figure 2 shows the responses made by different groups.

- Younger people were more likely to say that council tax and charges should not increase to fund services than older people.
- BAME respondents were more likely to say we should not increase council tax and charges (29% compared to 18% of White: British respondents).
- Disabled people were more likely to say we should not increase council tax and charges (30% compared to 17% of non-disabled respondents).

### Raising money to help deliver services

Where respondents agreed that the council should raise money to help deliver services in the previous question (78%), they were asked to say how much they agree or disagree with statements proposing different options for raising money. Responses are shown in Figure 3 below, as a percentage of all those that responded, including those that earlier said council tax or charges should not be increased.

Figure 3. Options for raising money to deliver services



The highest proportion of respondents agreed with the statement that new charges should be introduced for some services (63% of all respondents).

The lowest proportion said that existing charges for services should be increased (55% of all respondents).

Of those who agreed we should raise money through increasing council tax and charges, over three quarters (77%) said that council tax should increase (60% of all respondents),

## 5. Council Tax

Participants were asked how much they agree or disagree with our proposal to increase council tax in Leeds by 2.99%: 1.99% for the core Leeds element, plus an additional 1% to support adult social care services. Responses are shown in Table 3 below.

Table 3. To what extent do you agree with our approach to increase council tax?

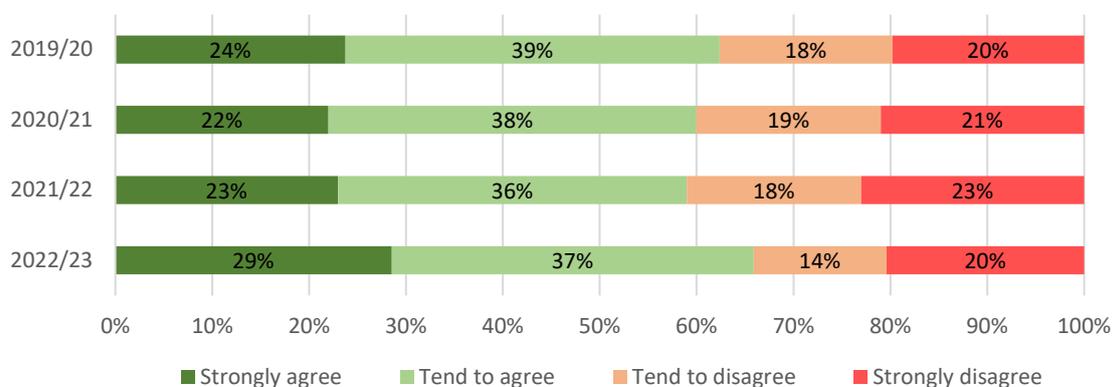
To what extent do you agree?	Valid %	Count
Strongly agree	29%	133
Agree	37%	174
Disagree	14%	64
Strongly disagree	20%	95
No response	-	2
<b>Total</b>	<b>100% (rounded)</b>	<b>468</b>

In total, two thirds of respondents (66%) agreed with our approach to increase council tax for 2022/23. However, the remaining one third of respondents (34%) disagreed with this approach.

Figure 4 compares these results with those of previous budget consultations, where council tax was proposed to increase as follows:

- 2018/19 (4.99% - 2.99% for the core Leeds element, 2% to fund adult social care)
- 2020/21 (3.99% - 1.99% for the core Leeds element, 2% to fund adult social care)
- 2021/22 (4.99% - 1.99% for the core Leeds element, 3% to fund adult social care).

Figure 4. Comparison with previous responses around approach to increase council tax



The proportion of those agreeing with our proposed raise in council tax increased significantly since last year by +7% (from 59%), bucking a trend of steadily decreasing levels of agreement. It should be noted that the overall proposed increase in council tax for 2022/23 is, at 2.99%, less than in previous years.

Figure 5: Level of agreement with council tax proposals by different groups

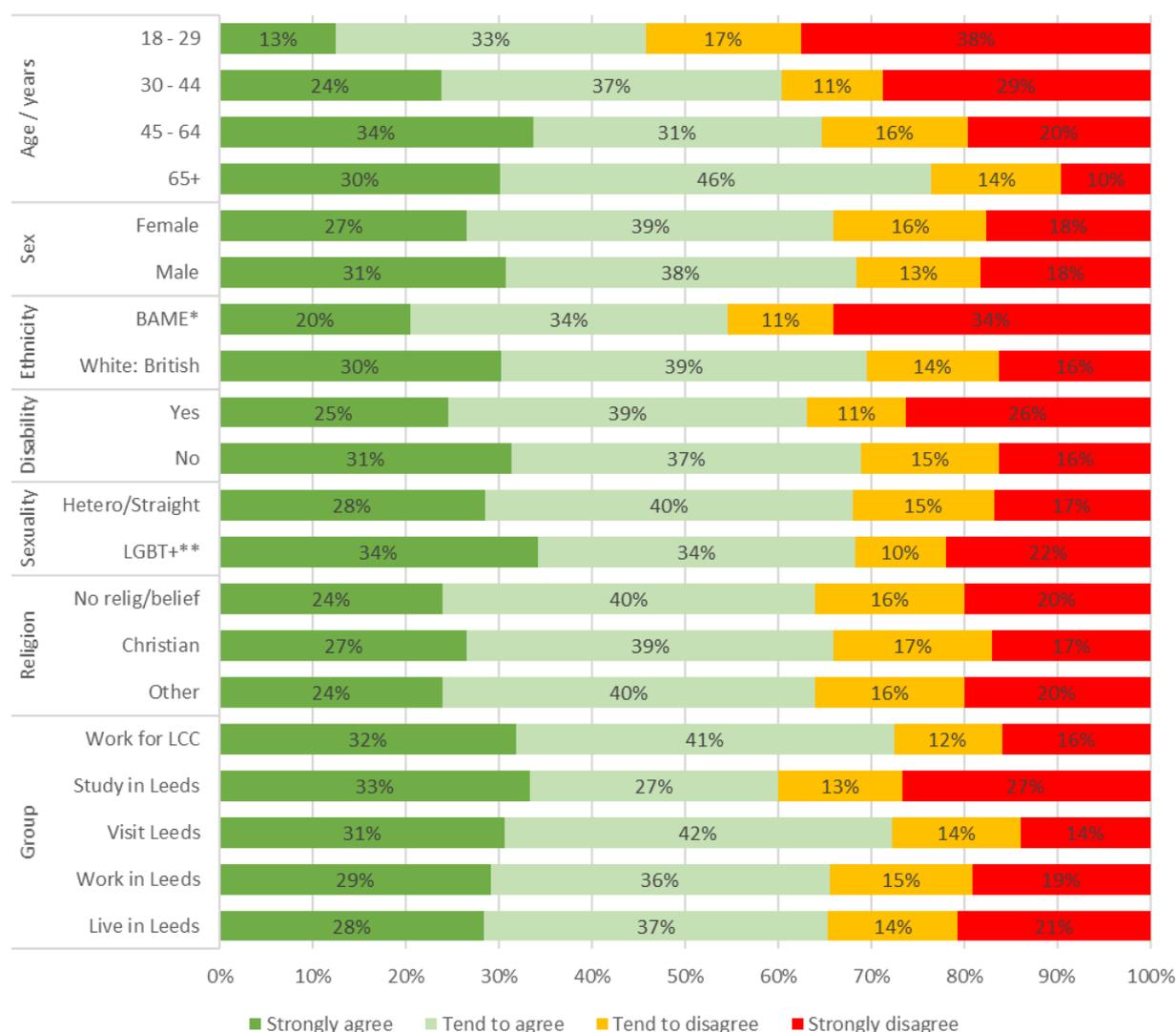


Figure 5 shows the responses made by different groups.

- Younger people were more likely to disagree with the proposal to increase council tax than older people.
- BAME respondents were more likely to disagree with the proposal to increase council tax (45%, compared to 30% of White: British respondents).

## 6. How we spend the money we receive

Participants were presented with a summary of how we plan to spend our revenue budget of £521m for 2022/23, split by directorate area and compared to 2021/22, as per Table 4:

Table 4. Revenue budget comparison 2022/23 and 2021/22

Directorate	Net revenue budgets			
	2021/22	2022/23	Change	Change
	£m	£m	£m	%
Adults & Health	195.2	199.1	3.9	2.0%
Children & Families	117.0	129.8	12.8	10.9%
City Development	31.0	33.8	2.8	8.9%
Communities, Housing & Environment	75.5	80.6	5.1	6.7%
Resources	77.4	83.9	6.5	8.4%
<b>Total directorate budgets</b>	<b>496.2</b>	<b>527.2</b>	<b>31.0</b>	<b>6.3%</b>
Strategic	-60.9	-5.8	55.2	N/A
<b>Total net revenue budget</b>	<b>435.3</b>	<b>521.4</b>	<b>86.2</b>	<b>19.8%</b>

The following pages of the survey explored each of these five directorate areas separately and the services they provide, asking respondents their opinion on how much the directorate should receive and giving them the opportunity to say more about their answer. The consultation explained that the council's options are limited, since some funding is provided by government grants for specific services, and others have to be delivered to a certain level by law.

## 6.1 Adults and Health directorate budget

A summary of the services provided by Adult Social Care and Public Health was provided, followed by the statement: 'Through our proposed budget for 2022/23, 37.8% of all directorate net revenue budgets will support Adults & Health. What are your views on this proposal?', with respondents asked whether the directorate should receive the proposed amount of £199.1m, or more or less of the total net revenue budget. Responses are shown in Table 5 below.

Table 5: Adults and Health directorate should receive...

The directorate should receive...?	Valid %	Count
Much less	7%	33
Slightly less	16%	72
As proposed (£199.1m)	57%	265
Slightly more	13%	59
Much more	7%	34
Don't know / no response	-	5
<b>Total</b>	<b>100%</b>	<b>468</b>

Participants were given the opportunity to tell us more about their answer via an open comment box. In total 145 respondents commented and referred to 164 themes which have been analysed and grouped. Table 6 below illustrates these grouped themes in descending order, and details whether the respondent had previously stated that they agreed with the proposed budget for Adults and Health directorate, or whether it should be less, or more, of the proposed revenue budget. Examples of the comments are shown later in the report at Table 15.

Table 6: Comments relating to Adults and Health directorate budget

Adults & Health directorate	Respondent's view of budget proposal for the directorate			Total
	Spend more	As proposed	Spend less	
Important services, spend what is needed	18	27		45
Improve council efficiency / reduce salaries		4	16	20
Prioritise the vulnerable	14		1	15
Encourage more self-reliance	2	1	8	11
Spend more on social care	10	1		11
Don't increase Council Tax			10	10
Spend more on mental health	9	1		10
Need to deal with the impact of Covid	9			9
Need more information	1	4	3	8
Government responsibility	1	1	5	7
LCC doing best it can / rely on your expertise		5		5
ASC and NI levy will help		3		3
Use money elsewhere			3	3
Spend now for future benefit	2			2
This is a significant budget		2		2
Not want to reduce funding to other directorates		2		2
Consider charges more	1			1
<b>Total</b>	<b>67</b>	<b>51</b>	<b>46</b>	<b>164</b>

## 6.2 Children and Families directorate budget

A summary of the services provided by directorate, including Children's Social Work services, Children's Centre and Early Start services, and Learning Services, was provided, followed by the statement: 'Through our proposed budget for 2022/23, 24.6% of all directorate net revenue budgets will support Children and Families. What are your views on this proposal?' with respondents asked whether the directorate should receive the proposed amount of £129.8m, or more or less of the total net revenue budget. Responses are shown in Table 7 below.

Table 7: Children and Families directorate should receive...

The directorate should receive...?	Valid %	Count
Much less	8%	35
Slightly less	16%	76
As proposed (£129.8m)	52%	243
Slightly more	16%	74
Much more	8%	38
Don't know / no response	-	2
<b>Total</b>	<b>100%</b>	<b>468</b>

An open comment box allowed respondents to tell us more about their answer. In total 134 respondents commented and referred to 153 themes which have been analysed and grouped. Table 8 below illustrates these grouped themes in descending order and details whether the respondent had previously stated that they agreed with the proposed budget for Children and Families directorate, or whether it should be less, or more, of the proposed revenue budget. Examples of the comments are shown later in the report at Table 15.

Table 8: Comments relating to Children and Families directorate budget

Children & Families directorate Theme of comment	Respondent's view of budget proposal for the directorate			Total
	Spend more	As proposed	Spend less	
Important services, spend what is needed	18	18		36
Encourage more self-reliance	3		18	21
Spend now for future benefit	20			20
Improve council efficiency / reduce salaries	1	3	15	19
Prioritise the vulnerable	12		6	18
Need to deal with the impact of Covid	11			11
Don't increase Council Tax			8	8
Need more information		5		5
Government responsibility	1		3	4
Spend more on education	3			3
Use money elsewhere			3	3
LCC doing best it can / rely on your expertise		2		2
Not want to reduce funding to other directorates		2		2
This is a significant budget		1		1
<b>Total</b>	<b>69</b>	<b>31</b>	<b>53</b>	<b>153</b>

### 6.3 City Development directorate budget

A summary of the services provided by City Development, including Highways, Planning, Museums & Galleries and Active Leeds, was provided, followed by the statement: 'Through our proposed budget for 2022/23, 6.4% of all directorate net revenue budgets will support City Development. What are your views on this proposal?' with respondents asked whether the directorate should receive the proposed amount of £33.8m, or more or less of the total net revenue budget. Responses are shown in Table 9 below.

Table 9: City Development directorate should receive...

The directorate should receive...?	Valid %	Count
Much less	17%	80
Slightly less	27%	127
As proposed (£33.8m)	38%	177
Slightly more	11%	51
Much more	6%	28
Don't know / no response	-	5
<b>Total</b>	<b>100%</b>	<b>468</b>

Respondents could provide more information on their answer in a subsequent open comment box. In total 166 respondents commented and referred to 210 themes which have been analysed and grouped. Table 10 below illustrates these grouped themes in descending order, and details whether the respondent had previously stated that they agreed with the proposed budget for City Development directorate, or whether it should be less, or more, of the proposed revenue budget. Examples of the comments are shown later in the report at Table 15.

Table 10: Comments relating to City Development directorate budget

City Development directorate Theme of comment	Respondent's view of budget proposal for the directorate			Total
	Spend more	As proposed	Spend less	
Improve council efficiency / reduce salaries		6	31	37
Views on roads and transport	11	1	13	25
Important services, spend what is needed	10	15		25
Views on city centre	3	1	17	21
Views on cycle lanes			15	15
Wait until finances better			14	14
Use money elsewhere			14	14
New projects not needed			12	12
Encourage more from private sector	5		7	12
Spend now for future benefit	11			11
Views on arts and culture	3	1	7	11
Need more information		3	1	4
Service to prioritise within directorate		3		3
Consider charges more		1	2	3
This is a significant budget			2	2
Encourage volunteers		1		1
<b>Total</b>	<b>43</b>	<b>32</b>	<b>135</b>	<b>210</b>

#### 6.4 Communities, Housing and Environment directorate budget

A summary of the services provided by Communities Housing and Environment was provided, followed by the statement: 'Through our proposed budget for 2022/23, 15.3% of all directorate net revenue budgets will support Communities Housing and Environment. What are your views on this proposal?', with respondents asked whether the directorate should receive the proposed amount of £80.6m, or more or less of the total net revenue budget. Responses are shown in Table 11 below.

Table 11: Communities, Housing and Environment directorate should receive...

The directorate should receive...?	Valid %	Count
Much less	8%	38
Slightly less	16%	75
As proposed (£80.6m)	51%	237
Slightly more	17%	81
Much more	7%	32
Don't know / no response	-	5
<b>Total</b>	<b>100%</b>	<b>468</b>

Respondents were given the opportunity to tell us more about their answer in an open comment box. In total 130 respondents commented and referred to 152 themes which have been analysed and grouped. Table 12 below illustrates these grouped themes in descending order, and details whether the respondent had previously stated that they agreed with the proposed budget for Communities, Housing and Environment directorate, or whether it should be less, or more, of the proposed revenue budget. Examples of the comments are shown later in the report at Table 15.

Table 12: Comments relating to Communities, Housing and Environment directorate budget

Communities, Housing and Environment directorate	Respondent's view of budget proposal for the directorate			Total
	Spend more	As proposed	Spend less	
Theme of comment				
Important services, spend what is needed	15	13		28
Importance of decent, affordable housing	15	7		22
Improve council efficiency / reduce salaries		6	14	20
Importance of environment	7	7		14
Spend more on community	10	3		13
Prioritise the vulnerable	7	1		8
Need more information		5	2	7
Encourage volunteers	2	3	1	6
Encourage more self-reliance			6	6
Importance of refuse removal	4	1		5
Reluctantly cut here			5	5
Encourage more from private sector	1	3		4
Spread services more fairly city wide		3		3
House local residents only			3	3
Don't increase Council Tax			3	3
Consider charges more			3	3
LCC doing best it can / rely on your expertise		2		2
<b>Total</b>	<b>61</b>	<b>54</b>	<b>37</b>	<b>152</b>

## 6.5 Resources directorate budget

A summary of the services provided by Resources, including Civic Enterprise Leeds, was provided, followed by the statement: 'Through our proposed budget for 2022/23, 15.9% of all directorate net revenue budgets will support Resources. What are your views on this proposal?' with respondents asked whether the directorate should receive the proposed amount of £83.9m, or more or less of the total net revenue budget. Responses are shown in Table 13 below.

Table 13: Resources directorate should receive...

The directorate should receive...?	Valid %	Count
Much less	14%	67
Slightly less	30%	137
As proposed (£83.9m)	49%	229
Slightly more	5%	24
Much more	2%	7
Don't know / no response	-	4
<b>Total</b>	<b>100%</b>	<b>468</b>

An open comment box allowed participants to tell us more about their answer. In total 109 respondents commented and referred to 109 themes which have been analysed and grouped. Table 14 below illustrates these grouped themes in descending order, and details whether the respondent had previously stated that they agreed with the proposed budget for Resources directorate, or whether it should be less, or more, of the proposed revenue budget. Examples of the comments are shown later in the report at Table 15.

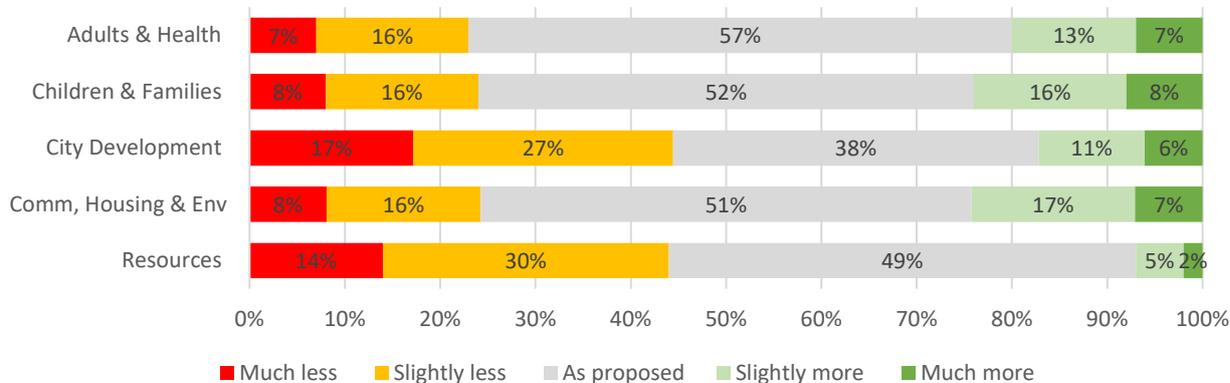
Table 14: Comments relating to Resources directorate budget

Resources directorate	Respondent's view of budget proposal for the directorate			Total
	Spend more	As proposed	Spend less	
Theme of comment				
Improve council efficiency / reduce salaries		11	36	47
Important services, spend what is needed	4	12		16
Use money elsewhere			11	11
Encourage more from private sector		4	3	7
Need more information		6	1	7
Encourage more self-reliance			6	6
LCC doing best it can / rely on your expertise		5		5
Spend more on environment	3			3
Don't increase Council Tax			2	2
Prioritise the vulnerable	1			1
Keep people safe	1			1
Spend more on passenger transport	1			1
Consider charges more		1		1
Spread services more fairly city wide		1		1
<b>Total</b>	<b>10</b>	<b>40</b>	<b>59</b>	<b>109</b>

## 6.6 Summary of views on the proposed net revenue budget by directorate

A comparison of responses around whether each directorate should receive more funding or less is included in Figure 6 below.

Figure 6. Comparison in view of the proposed net revenue budget by directorate



Most directorates saw a balanced distribution of positive and negative responses - with over half of respondents saying these should receive the proposed figure. Children and Families and Communities, Housing and Environment had the highest proportion of respondents that thought they should receive more (24% each). However, respondents were more likely to say that City Development and Resources should receive less funding (44% each) than more funding, and Resources saw the least saying they should receive more funding (7%).

## 6.7 Examples of comments on the proposed net revenue budget by directorate

The consultation provided several opportunities for respondents to leave a comment, whether in relation to the proposed budget for each directorate, the overall budget (see Table 17 later in the report), or their satisfaction with the way Leeds City Council runs things (see Table 19 later in the report). Many of these comments referenced similar themes.

Examples of the cross-cutting and major themes are provided in Table 15 with the examples extracted from the comments left with reference to a directorate's budget proposal. It provides examples of these themes, in descending order of frequency, and details the directorate question in which the comment was left.

- The cross-cutting theme with the highest number of comments was, 'Important services, spend what is needed'. For most directorates, the main theme emerging from the comments was the importance of the services provided and so they needed to be properly funded. Table 15 gives an example for each directorate.
- The second most frequent theme was again cross-cutting and referred to in the comments for each directorate. These comments are summarised as calling for 'Improved council efficiency, better decision making or reduced salaries'.
- The subsequent themes show less frequency, and often relate to one or two directorates. Examples are given from the main directorates where the theme occurred.

Table 15: Examples of cross-cutting and major themes with reference to directorates

Examples of cross-cutting and major themes with reference to Directorates			
Theme	Count	Directorate	Examples
Important services, spend what is needed	150	Adults & Health	I think more needs to be spent on this directorate as it includes vulnerable groups that we need to support more as a council.
		Children & Families	Given the increased demand and the fact that giving children and young people the best start in life leads to significantly improved outcomes for those individuals, their families and communities, and the economy, I believe Children's should be given the maximum amount possible going forward.
		City Development	As a city we are reeling in the wake of the pandemic. With the loss of the high-speed rail and northern powerhouse developments, we need to move to save and improve our city lest it turn into another northern casualty.
		Communities Housing & Environment	This department is absolutely essential in reducing poverty and inequalities which is the main goal of the council in these new plans. A small amount of funding in this department has a huge impact on the most deprived communities, especially around supporting people to access food and fuel support.
		Resources	This directorate seems to co-ordinate the finances and other essential services for every directorate so is essential to the city.
Improve council efficiency / better decision making / reduce salaries	143	Adults & Health	This is a key priority for the council and should be protected and enhanced where possible. Waste needs to be eliminated where possible and sharing resources with other directorates would help reduce duplication of staff roles to enable more intervention with the same staff levels.
		Children & Families	Need to look at how transporting children around city can be delivered cheaper. Current use of taxis which cost millions is not the most cost-effective method. Also need to look at spend on delivery of services and cut out waste.
		City Development	Money is used badly, e.g. installing speed bumps [sic] whilst leaving potholes. Patching roads which need renewing. Creating cycle lanes which are hardly used.
		Communities Housing & Environment	Chase late rent payers and council taxpayers more.
		Resources	Look at staffing levels and roles in teams. Are there roles that are replicated in teams where one role could serve different teams?
Encourage more self-reliance	44	Adults & Health	In my opinion, and as a result of Covid, I believe that greater emphasis needs to be put on educating people to take more responsibility for themselves and others.
		Children & Families	Families should not have children unless they can afford to keep them and not rely on the council to pay.
Prioritise the vulnerable	42	Adults & Health	If Leeds wants to be the best City to grow old in, you have to provide the support to adults as they age.
		Children & Families	Supporting children with disadvantages is essential to improve their chances later in life. Reading about the struggles of young adults who have been in care, or have physical or mental disadvantages, shows that present provisions in the UK are inadequate.
Spend now for future benefit	33	Children & Families	More investment in children always means less problems or need to invest when they have grown up. Kids need to have support, get educated and eat healthy. That's the most important thing for a sustainable future. We have to think ahead.
		City Development	Business and economic growth for the city are the bedrock for the young people of the city. Investment in maintaining a diverse economy for Leeds is essential.
Use money elsewhere	31	City Development	This city sadly seems to be being over developed in the wrong direction. Care for its citizens first, then its development.
		Resources	This is absolutely the lowest priority. There should be more effort made in CEL generating income to fund these services.
Views on roads and transport	25	City Development	Leeds needs a better infrastructure of roads and transport to support the local economy. We need to invest in the future of Leeds as a great northern city.
			The roads around Leeds are shocking they need fixing.
Don't increase Council Tax	23	Adults & Health	The Government is going to be taxing us an additional amount for Adult Social Care so the Council should get some of this, rather than taxing us twice.

Examples of cross-cutting and major themes with reference to Directorates			
Theme	Count	Directorate	Examples
		Children & Families	All people have been affected in one way or other with COVID-19 and have had reductions in household income. This together with escalating Gas and Electricity costs will push more people who can't get assistance, i.e. people retired from work, into financial difficulty.
Encourage more from private sector	23	City Development	City Development can be funded in other ways, i.e. by using private funding initiatives.
		Resources	The Council should set up a local development bank to collect and generate financial funds for local development.
Importance of decent, affordable housing	22	Communities Housing & Environment	Invest in housing!! There is a housing crisis. Invest in community work to lower poverty crime and invest in youth services.
			We must commit to decent housing standards for all, particularly the most deprived sections of BAME and White working-class communities and neighbourhoods.
Views on city centre	21	City Development	City Development proposals seem to be solely based on removing cars from the city centre, and I think that is wrong. Less cars means less tourists visiting those museums and galleries, less footfall for businesses, and less people deciding to have a night out in the city centre. That will destroy our city.
			Leeds City has become impossible for many due to pedestrianisation which is impossible for older or disabled residents. Disabled parking doesn't seem to exist
Need to deal with the impact of Covid	20	Adults & Health	Given the health and care challenges we face, not least Covid-19, it's important to fund this work appropriately.
		Children & Families	There is much to do to deal with the legacy of Covid on children. Strengthen education and ensure we do not see more cases of child abuse so we need to fund this service appropriately.
Importance of environment	17	Communities Housing & Environment	The environment is key to our future, and green space being accessible to all helps to improve their sense of wellbeing and mental health which is increasingly important given the current state of the world due to covid.
			Again environment is extremely important and social issues still need to be addressed particularly homelessness and drug use.
Views on cycle lanes	15	City Development	We don't need any more cycle lanes! Seriously, looking after the citizens of the Leeds is now more important than anything else
LCC doing best it can / rely on your expertise	14	Adults & Health	The proposal will have been costed for these difficult times. Therefore it is imperative we support the needs of the city.
		Resources	It is dispiriting to realise how much needs to be done, against a background of falling resources. The present budget is as good a compromise as can be achieved.
Wait until finances better	14	City Development	City development can hold off while citizens deal with the effects of covid, Brexit, inflation etc
Spend more on community	13	Communities Housing & Environment	The past 2 years have impacted the most deprived areas the most and these areas need help to reverse this impact.
New projects not needed	12	City Development	The city needs to concentrate on what is already there not pumping money in to make it grow... We don't need more shops, businesses or student flats. We need more social housing, more medical services and more money injected to what is already in place.
Government responsibility	11	Adults & Health	Greater share should now be provided via NHS budget.
Spend more on social care	11	Adults & Health	Adults Social Care is an area of high demand services which are essential to the city and normally the last safety net to save disadvantaged people from extreme hardship and destitution.
Views on arts and culture	11	City Development	Events should be cut in order to save money.
			I feel that currently the budget only supports Highways and I would love to see more arts projects etc
Spend more on mental health	10	Adults & Health	Due to the pandemic. I feel more should be put in mental health services.

## 6.8 Overall proposed budget

After considering the net revenue budget for each of the directorates, respondents were asked how much they agreed or disagreed with the overall proposed approach to the revenue budget. Results are shown in Table 16 below, with a comparison with previous years included in Figure 7.

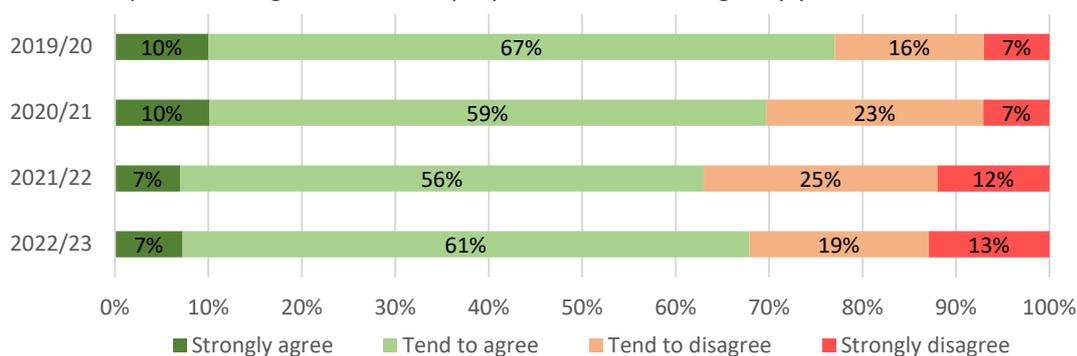
Table 16. To what extent do you agree with how we propose to spend the revenue budget?

To what extent do you agree?	Valid %	Count
Strongly agree	7%	32
Agree	61%	268
Disagree	19%	85
Strongly disagree	13%	57
Don't know / no response	-	46
<b>Total</b>	<b>100%</b>	<b>468</b>

Over two thirds of respondents (68%) agreed with our proposed approach to the revenue budget at a directorate level, with almost a third (32%) disagreeing.

The proportion of respondents that said they 'Don't know' or gave no response was less than half of that from last year (10% compared to 21% last year), and the proportion of supporting comments that said they needed more information was much lower (6% compared to 10% last year), indicating that including summaries of the services provided per directorate was appreciated by participants.

Figure 7. Comparison in agreement with proposed revenue budget by year



Levels of agreement have increased since last year by +5% (from 63%) bucking the trend of a steady decrease in those that agree with our proposed revenue budget year-on-year. However, those who strongly disagree with our proposed revenue budget remained similar to last year with +1% (to 13%).

## Responses by different demographic group

Figure 8. Level of agreement with overall proposed budget by different group.

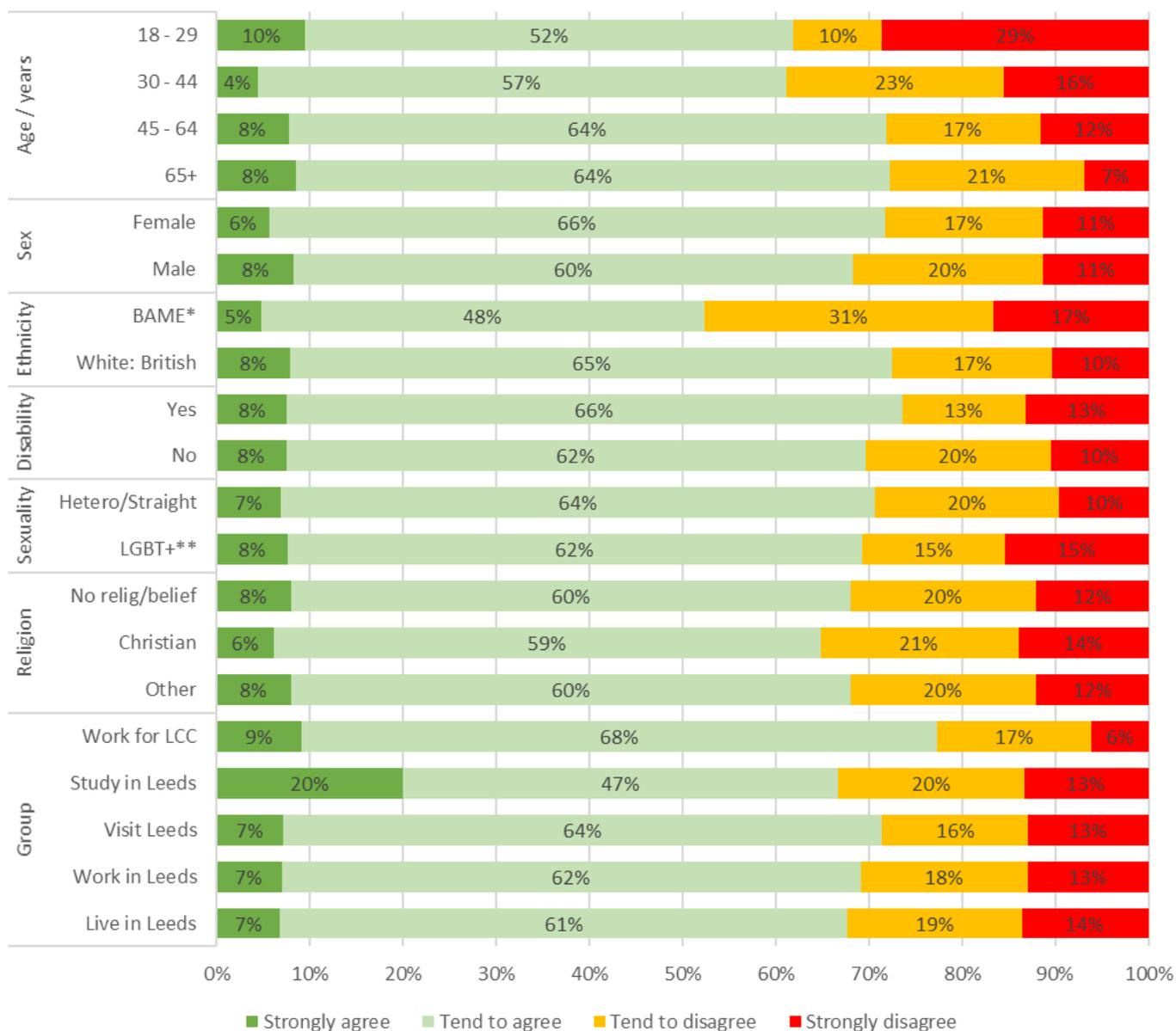


Figure 8 above shows the responses made by different groups.

- Younger people were more likely to disagree with the overall budget proposals than older people.
- Almost half of BAME respondents (48%) disagree with the overall budget proposals, compared to 27% of White British respondents.
- LCC staff were more likely to agree with the overall budget proposals (77%).

## 6.9 Comments about the overall proposed budget

Respondents were invited to make any comments around the proposed approach to how we spend our revenue budget. In total 146 respondents commented and referred to 167 themes which have been grouped. Table 17 below illustrates the grouped themes in descending order and shows whether the respondent had previously stated that they agreed or disagreed with the proposed revenue budget. (Only 8 respondents leaving a comment had previously said they 'Don't know' whether they approved of the proposed revenue budget - their comments have been included in the Disagree column). The comments when analysed and grouped into principle themes identified:

- The theme with the highest number of comments was 'Improve council efficiency' with comments including reference to staffing levels, council decision making, and salaries.
- The second most frequent theme was 'Views on council tax' with some comments recognising the need to raise council tax, and others concerned at the proposed increase when disposable incomes have not risen.

Examples of the major themes emerging from all the open comment boxes in the consultation are provided earlier in the report at Table 15.

Table 17: Comments relating to Overall budget proposal

Overall budget Theme	Respondent's view of budget proposal overall		Total
	Agree	Disagree	
Improve council efficiency	18	18	36
Views on Council Tax	6	16	22
More for Adults & Health	7	8	15
More for Children and Families	6	6	12
Need more information	5	5	10
More for Communities, Housing & Environment	5	5	10
Encourage more self-reliance	5	3	8
Stop changes to city centre, cycle lanes	6	2	8
Spend now for future benefit	7		7
LCC doing best it can / rely on your expertise	6		6
Stop unnecessary projects		5	5
Prioritise the vulnerable	5		5
Invest for the future		5	5
Consider charges more	3	1	4
Government responsibility	1	3	4
More for City Development	3		3
Spread services more fairly city wide	2		2
Less for Childrens and Adults	2		2
More on transport		2	2
Encourage more from the private sector	1		1
<b>Total</b>	<b>88</b>	<b>79</b>	<b>167</b>

## 7. Perceptions of Leeds City Council

Finally, participants were asked how they feel about the way the council runs things, followed by an opportunity to suggest ideas for how the council can improve and do things in more modern and efficient ways.

### 7.1 Satisfaction with the way Leeds City Council runs things

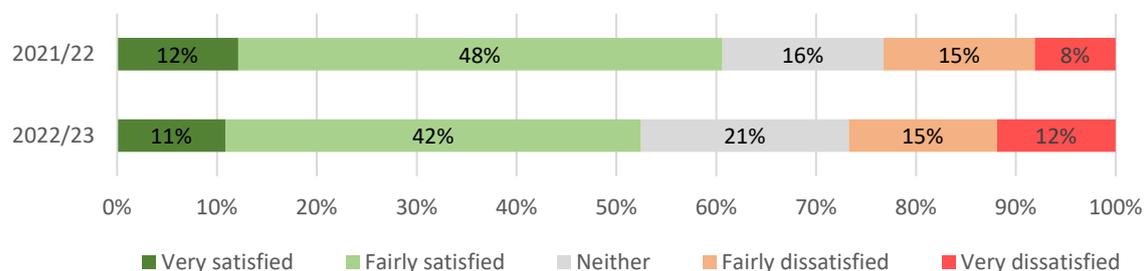
Respondents were asked how satisfied they were with the way Leeds City Council runs things. Results are shown in Table 18 below, and a comparison with last year is included in Figure 9.

*Table 18. To what extent do you agree with how we propose to spend the revenue budget?*

To what extent do you agree?	Valid %	Count
Very satisfied	11%	52
Fairly satisfied	42%	194
Neither satisfied nor dissatisfied	21%	95
Fairly dissatisfied	15%	67
Very dissatisfied	12%	54
Don't know / no response	-	6
<b>Total</b>	<b>100%</b>	<b>468</b>

Over half of respondents (53%) were satisfied with the way Leeds City Council runs things, with more than 1 in 4 dissatisfied (26%).

*Figure 9. Comparison with last year's response for satisfaction with the way Leeds City Council runs things*



Comparison with the consultation last year shows a large decrease in satisfaction of -7% (from 60%), when it was included as part of a wider discussion around council services, community engagement and the council's response to COVID-19. It is worth noting that residents may have been feeling more goodwill towards the council last year, following the first wave of the pandemic, when the work we do was perhaps more likely to be recognised and celebrated.

## Responses by different demographic group

The question for overall satisfaction on how the Leeds City Council runs things has been broken down into different groups in Figure 10 below.

Figure 10. How Leeds City Council runs things, by different groups

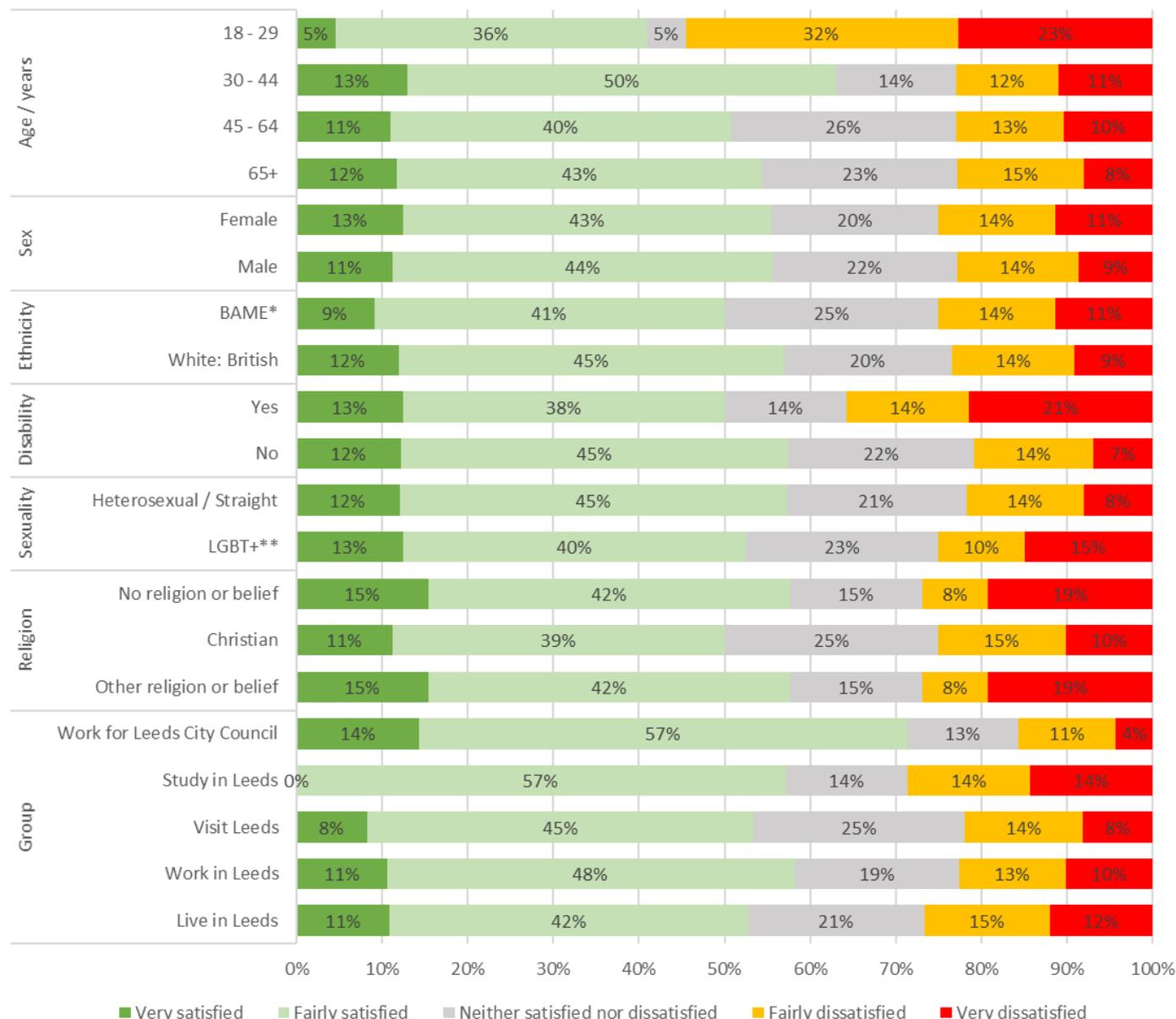


Figure 10 shows the responses made by different groups.

- BAME people were less likely to be satisfied with how we run things (50%, compared to 57% of White: British).
- Disabled people were less likely to be satisfied with how we run things (51%, compared to 57% of people without a disability).
- LCC staff were more likely to be satisfied with the way we run things (71%).
- Although younger people (aged under 30) were very much less satisfied with how we run things, it should be noted that the sample size for this group was small (24).

## 7.2 Comments on satisfaction with the way Leeds City Council runs things

Participants were asked to tell us more about their satisfaction rating for the way Leeds City Council runs things. In total, 157 comments were provided. Comments were often found to include more than one theme and, in total, 213 themes were identified. These have been grouped as shown in Table 19.

The main themes emerging included:

- Thoughts and suggestions on how Leeds City Council could improve efficiency
- Views on changes to transport infrastructure and highways decisions
- Appreciation of the way Leeds City Council runs things
- Views on spreading services more fairly city wide

Table 19: Comments on satisfaction with the way Leeds City Council runs things

Theme of comment	Respondents' satisfaction with the way LCC runs things			Total
	Satisfied	Neither	Dissatisfied	
Improve council efficiency	7	5	18	30
Improve transport / highways decisions	6	5	18	29
Thank you, LCC doing fine	26	1		27
Spread services more fairly city wide	2	3	17	22
Improve waste and recycling		5	13	18
Importance of the environment	8	2	7	17
Improve customer service	1		8	9
Generate more income	4		4	8
Services are good (particularly waste)	8			8
Prioritise the vulnerable		2	5	7
Involve residents more	2	1	4	7
Unhappy with councillors			5	5
Unhappy re crime, anti-social behaviour			5	5
Some projects not necessary	1	2	1	4
Don't increase Council Tax		1	3	4
Improve city centre decisions	3			3
Improve housing decisions	2		1	3
Service quality varies		3		3
More for communities	1	1		2
Improve Adults & Health decisions	1			1
Invest for the future / celebrate city		1		1
<b>Total</b>	<b>72</b>	<b>32</b>	<b>109</b>	<b>213</b>

Many of the themes reflect the same approval, concerns or priorities as the comments relating to the proposals for directorate budgets, examples of which are shown earlier in the report in Table 15. Examples of two additional key themes are provided in Table 20.

Table 20: Additional examples of comments relating to satisfaction with the way Leeds City Council runs things

Theme of comment	Count	Example
Thank you, LCC doing fine	27	I think Leeds is an excellent Council and provides very well for its population. It is efficient and innovative so what more could one ask! <i>Good quality services for a lower Council Tax than many other cities.</i>
Spread services more fairly city wide	22	There should be more equality of spending throughout the city. <i>As far as local communities are concerned the City council could do a lot better than at present. Our area has been starved of funds for too long.</i> Although Leeds in itself is visibly 'improving', the villages outside of Leeds City seem to be going backwards.

### 7.3 Suggestions for improvements

A final open text box asked respondents to share any suggestions they might have to improve services and help the council to deliver them in modern and efficient ways.

In total, 174 comments and suggestion were provided. These were read and assigned with a 'code' to identify the dominant themes, then gathered into groups of themes. Comments were often found to include more than one idea or statement and, in total, 218 themes were identified. Groups of themes are included in Table 21 on the next page, along with example comments.

- Groups of themes that related to how the council works in general were:
  - 'Delivering services efficiently' (46 comments), which included improving our digital offer / the website, reducing wastage and spending wisely, and better use of our buildings.
  - 'Staffing' (21 comments), which included themes around monitoring / improving performance and reducing the number of managers or paying them less.
  - 'Partnership working' (19 comments), which included themes around using volunteers or the third sector, working with the private sector and creating shared services.
  - 'Introduce or increase charges and fees' (16 comments), including enforcement action.
  - 'Consultation and engagement' (15 comments), including engaging and empowering local communities.
- Other groups of themes made suggestions relating to individual services, with the highest numbers of comments around 'Roads, transport & development' (34 comments) relating to improving roads, public transport and concerns around cycle lanes, and 'Environment' (22 comments), many of which referred to improving recycling and waste services.

Table 21: Suggestions to improve / modernise services

Theme of suggestion	Count	Examples
<b>Delivering efficient services</b>	<b>46</b>	There are many outdated practices at the council, which could be digitalised through the use of online platforms, forms etc. This would save time processing paperwork...
Improve digital offer / website	17	<i>The website's very antiquated - it's hard to find what you're looking for and even when you do, for many things you're unable to completely self-serve online...</i>
Reduce wastage / spend wisely	14	Look at energy saving in all council buildings. Make sure they are not lit or heated when it is not needed.
Sell / better use of buildings	8	<i>Why have LCC sold off a huge number of buildings - they could have been leased or rented which would have ensured a regular income for years and years.</i>
Procurement / contract management	4	Buying items like beds for foster children could be done with three comparison prices and purchasing the cheapest rather than being tied to a company that charges about three times as much for the same items...
Support face-to-face where possible	3	<i>Everything seems to need to be done on line but I rely on my phone for internet - most people my age are not able to do things on line.</i>
<b>Roads, Transport &amp; Development</b>	<b>34</b>	Yes. Roadwork is taking far too long meaning disruption on our roads. Slower moving traffic equals more air pollution. Highways and utilities should be made to work together to minimise disruption.
Improve road developments	13	<i>Stop resurfacing roads by 'surface dressing' them. Loose chippings on top of wet tarmac doesn't work and within a year the road is worse than it was before the work was done and grates are lower and drains are full of chippings...</i>
Improve public transport	9	Cut back on spending more money on Cycle lanes as the cost is not appropriate for the very few cyclists seen on our roads and of course they do not pay a Road Traffic tax...
Fewer / relocate cycles lanes	8	<i>Well public transport in Leeds is poor. Better and more frequent buses. Ways to transport bikes on buses!</i>
Fewer grand schemes	4	You've run everything to the bone. Wasted on vanity projects such as bike lanes and European city of culture.
<b>Environment</b>	<b>22</b>	Should collect glass waste in line with most other areas - Get takeaways to sponsor provision and collection from waste bins or else increase the payments they make in line with the amount of litter carrying their names.
Improve recycling / waste	13	<i>Less red tape. More protection of green spaces, we need them. More power to make builders build on brownfield sites, loads lying empty for years in Leeds.</i>
Cleaning / improve local environment	4	Roadside verges & central reservations currently look dreadful and give a bad impression... consideration should be given to some form of permanent covering that does not require maintenance.
Protect green spaces	3	<i>Keep innovating. Leeds has made great strides with LED lighting and electric vehicles. Next up - low carbon housing (Real Living Homes), community food growing (Incredible Edible) and community composting</i>
More green initiatives	2	
<b>Staffing</b>	<b>21</b>	Just make it an expectation that you do the job you are employed to do and do it well no exceptions!!
Monitor / improve staff performance	13	<i>Monitor workforce more closely to ensure they do as they supposed to or even with more enthusiasm. No one takes pride anymore.</i>
Reduce managers / pay them less	6	I have heard on a number of occasions there are too many chiefs and not enough Indians. Management structures need to be looked at again.
Reduce Cllrs / their pay & expenses	2	<i>...look at some expenses claimed by councillors</i>
<b>Partnership working</b>	<b>19</b>	

Theme of suggestion	Count	Examples
Use volunteers / third Sector	9	Volunteer opportunities should be simpler to access. Advertise them more particularly in local areas. Engage more on local community Social media platforms. Not LCC pages... <i>An independent review of all services led by the private sector.</i>
Work with private sector	5	
Shared services / Co-op	5	Perhaps look at joining with neighbouring local authorities in setting up a 'shared services' model for administrative functions e.g. HR, payroll, procurement etc., that can offer economies of scale. Very common in the private sector.
<b>Charges / Fees</b>	<b>16</b>	What about a single annual membership to enter the council's different cultural attractions (e.g. Lotherton, Tropical World, Temple Newsam etc.), payable by direct debit? ...could then use Gift Aid too. <i>I'd like it if Leeds Building Services offered a competitively priced home maintenance service to homeowners.</i> I think the council should look to raise revenue by things such as more enforcement action against people littering
Charge for services or increase fees	11	
Enforcement income	5	
<b>Consultation &amp; Engagement</b>	<b>15</b>	Bolster your budget for user-centred design. It's the best way to ensure you concentrate on schemes that genuinely meet genuine user needs. <i>Better consultation is needed, listen to the local people, they are the best to give advice and manage local initiatives.</i> Communities to do more for themselves.
Listen / consult better	11	
Engage / empower local communities	5	
<b>Other</b>	<b>45</b>	Building more council housing. <i>Leisure centres offer brilliant value but don't cater to the needs of working people. Opening earlier and offering classes at 7 or 8am would appeal to a lot of people and generate new members.</i> Looking at it from a hospital worker's point of view: social services is inefficient and slow, and drastically under-staffed... A better connection and communication method needs to be developed so that healthcare and social care can work in partnership with each other and improve these services.
Improve / build social housing	3	
Improve Leisure Centres	3	
Improve Adult Social Care	3	
<b>Miscellaneous</b>	<b>36</b>	

A similar question asking respondents to share any suggestions they might have to improve services and help the council to deliver them in modern and efficient ways was included as a forum in the engagement platform. In total, 12 people published 28 ideas and suggestions, listed in full as Table 22. These were seen to cover broadly the same themes as those in the survey, with a particular focus on 'Roads, Transport and Development' and 'Environment'.

Table 22. Full list of engagement platform forum suggestions to improve / modernise services

Suggestion as posted to engagement platform forum
<b>Making Leeds roads safer:</b> This won't be popular with everyone(!), but how about more seriously committing to increasing road safety by cutting speeding rates on Leeds' roads, by making sure all existing speed cameras are operational and actually switched-on, all the time? Signs that inform drivers of their current speed are also useful, but speed cameras (& proper enforcement) could be an entirely legitimate & highly cost-effective public revenue raiser (it is hard to think of a justification for speeding, really... ).
<b>Really push car sharing:</b> Mass transport is a way off. Car sharing could start tomorrow. In principle, you could get half the city's cars off the roads, or more even. People save money. The city reduces its carbon footprint. Less congestion. Etc. Form a partnership of orgs, across the city. Media will be key. Offer incentives - e.g. participants enter a weekly or monthly prize draw (winners announced via local media?). Work hard at changing the culture of the city, towards car sharing.

Suggestion as posted to engagement platform forum
<p>Again, this is rushed, it's late, but this feels like something that could be a game changer, with zero new infrastructure and relatively minimal cost.</p>
<p><b>Transport:</b> I would like to see <b>more viable options for travelling around Leeds</b>. Currently, if I wish to go anywhere in Leeds from my home in Rothwell, I need to go via the city centre. If I wanted to visit white rose or the springs over in Colton, what takes 15 minutes to drive, takes 1 hour plus on a bus. I have written to both Arriva and First to express an idea for a bus route, however both advised that there was no funding available for new routes. I don't know how the situation works with the bus companies but I'm interested to understand more. This would help with emissions as well as local economies and maybe even reduce the amount of drink drivers!</p>
<p><b>Create networks of Quietways across the city:</b> Create networks of Quietways across the city, to enable/support more intra-community cycling etc. QWs are low-tech, low-cost cycle ways, running through communities (away from the big roads). This will build up a culture of cycling in the city. Just focusing on the big schemes (which I realise aren't paid for from LCC budgets) seems unproductive.</p>
<p><b>Cycling:</b> Why are cyclists allowed to cycle without a licence.... or insurance... or pay road tax.... even though they use specifically "paid for" by council tax payers... private lanes....</p>
<p><b>Ring road cycle works</b> would be a death trap: I've seen suggestions in The Squeaker of ring road cycle works between Rodley and Horsforth. Are cyclists truly desperate to cycle that? It could be a death trap in either direction. It's largely uphill one way (which would be ridiculously slow to stationary) and largely downhill the other way (which could become too fast to handle). Such a plan would be directly dangerous for cyclists and indirectly dangerous for drivers trying to avoid them. Save money and save lives: don't do it.</p>
<p><b>Lobby for the right to do smart tolling on the M621:</b> No idea if this is in the realm of possible, but lobby government to give us the right to own/control the M621? Then set up a smart toll. E.g. cars pay a modest fee (50p/day?) if they use it. This is a long term project, but can we get the balls in motion..?</p>
<p><b>Footway works:</b> Current footway works in my area are in my view totally unnecessary, and a waste of tax revenue. Therefore please ensure that expenditure is directed to areas and activities where a definite need has been fully justified.</p>
<p><b>Elevated Light Rail for the city/region</b>, and (more generally) <b>crowdsourcing vision and ideas around transport</b>, and everything.: Beyond the remit of this year's budget, but surely Elevated Light Rail is worth exploring for the city, in the place of all those failed trams and trolleybuses. Befits a congested city (we've surely less highways space than cities like Sheff and Manchester). Less disruption, so therefore easier / quicker to realise? And / or could you host a 'hack' where a load of people gather around the issue, online over weeks, and perhaps face to face over a weekend, to crack mass transport in the city. This might or might not lead to Elevated Rail - I'm just one person.</p> <p><b>More generally, this crowdsourcing approach to cracking big issues for the city</b> would harness a wide range of wisdoms and insights (on the cheap), and develop civic participation: win win.</p> <p>In this scenario, you'd have a key role being LCC staff, or externals, as facilitators - ensuring that the expert and amateur knowledge of different people (e.g. LCC staffers, and community enthusiasts) is blended for best effect. Ref: the Fox and Hedgehog (Isaiah Berlin), and 'New Power' (Heimans / Timms).</p>
<p><b>Could Leeds become THE participative city?</b> And therefore save a ton of £.</p>
<p><b>Priorities wrong:</b> You have stated that council tax will rise to cover social care support. You said this 2 years ago but still no improvements were seen "Where is the money going" clarification is needed as the money is spent....</p> <p><b>Public Transport</b> is in tatters the Mayor promised change but still nothing the bus company are always asking for financial support and no improvements are made they should be fined if service is not supplied or loss of contract. If service users (public) should be able to claim loss of income if the bus companies fail to supply the advertised service. If they can't supply the service find a company that can.</p>
<p>Run a pilot project to <b>set up a network of neighbourhood stewards / wardens</b>: There are plenty of good intentions within the Council's communities teams, but I'm struck on repeat at how a longer term approach to working *with* communities, instead of doing things *to* communities, could provide much better and more efficient results.</p> <p>For example (the current model): outside orgs are brought in to deliver services, or even established charities who simply aren't well-connected into the community do so, and do so at high cost, but have (often very)</p>

<b>Suggestion as posted to engagement platform forum</b>
<p>limited impact.</p> <p>Instead, how about putting ££ put into the hands of local residents? E.g. £25 per week* 'stipends' that residents can apply for, to become neighbourhood wardens/stewards. (*I've plucked that figure out of the air.) They could be eyes and ears on the ground (fly tipping), litter picking, noticing highways issues, reporting stuff, etc. It might or might not work, but at such a small figure, what's the harm in trying?</p> <p>PS: target it at priority neighbourhoods first?</p>
<p>An <b>innovative approach to fly tipping?</b>: The LCC enviro teams face a conundrum on fly tipping: clear it up, and it encourages people to do it again, or others to copy; leave it, and it brings the area down, and more people pile in regardless. Is there a creative alternative? Allegedly, one of the local authorities in the Midlands addresses fly tipping as follows: their enviro teams cover the offending items with tape, tarps, etc, with a big sign saying: FLYTIPPING OFFENCE UNDER INVESTIGATION. Plus the amount that someone can be fined. Ideally, you might also include a line like "LAST YEAR (2021), X NUMBER OF FLYTIPPERS IN LEEDS WERE PROSECUTED, AND PAID FINES BETWEEN (£ FIGURES)". You basically turn the fly tipped junk into an anti-fly tipping advert. Residents are reassured that LCC are acting. Fly tippers or would-be fly tippers are perhaps spooked. Etc. You then clear it up after a week or two. This creates more work in a way (the taping / tarping, then clearing), but also gives you extra time to do it somewhat at your leisure / convenience. You'd then need to actually up you game on catching fly tippers. Mobile CCTV systems for use on hot spots (e.g. I've mentioned this to your enviro team in south Leeds, but there's a guy whose house faces a fly tipping hot spot, and he'd happily have a CCTV system on his house). Use DNA? Offer £ incentives to local residents who supply info that leads to a successful prosecution (a % of the fine?). Etc.</p>
<p><b>Instruct people who clear up fly-tipping properly:</b> I saw two men clearly sent to clear up the small heap of tipping I had reported, who couldn't find it. It had been pinpointed exactly on a map, with additional verbal details. They still didn't seem to know where to look, so wasted their time (I couldn't get to them in time to help). Give them detailed instructions, and if they do get them, tell them to read them.</p>
<p><b>Graffiti: Tag and curfew</b> any person (s) caught causing graffiti.</p>
<p>Allow <b>clearing up of all graffiti and look at getting some community involvement</b> in helping with this. It is a major blight in my area.</p>
<p><b>Shoplifting: Zero tolerance!</b> Any theft! Over £200.00 seems to be the value you can steal up to before landing up in Court, ridiculous. Automatic tagging for one year even on the first offence, and curfews 1 month per pound stolen. No room for negotiation.</p>
<p>Introduce a <b>city centre Workplace Parking Levy</b>: Made a real impact in Nottingham: raised money, and reduced congestion, with minimal set-up. Win win win? (Admittedly, the goalposts have perhaps changed with Covid.)</p>
<p><b>Kirkgate Market:</b> You spend our money on improving our market then let the outside market turn into a car boot sale.. "now that's how you waste our money.</p>
<p><b>Levy on all hotels etc, incl AirBnB:</b> Create a modest levy (£1 per person per night?) on all hotels in the city, including AirBnB places.</p>
<p><b>Borrow ££ from government or via bonds to create green energy schemes:</b> Fuel prices aren't going to become cheap again, anytime soon. LCC has the capacity to borrow at very low interest from central government. There are also robustly conceived schemes, now being adopted by some local authorities, for local government to create green bonds schemes - for citizens to invest in green innovation and developments for the city. Let's do that. Then create a raft of schemes (run a crowdsourcing competition for ideas, like a Dragons Den?) that make money. E.g. hydro electric power. Giant battery systems (not necessarily electric: they can use reservoirs of water) to use energy at low-cost times, then sell it at peak times. Etc.</p>
<p><b>Create pop-up urban farms on brownfield sites:</b> They've done this in cities including Rotterdam, to great effect. Basically, oblige landowners sitting on brownfield sites to make their land available for pop-up urban farms. Over a given spring-autumn season, a team would turn up, install lines of poly tunnels, and metre cubed bags of soil, then teams of apprentices / volunteers / partners grow loads of produce, which is sold to pay for the scheme.</p> <p>You get better food security, lower food miles, use up brownfield land, etc.</p> <p><b>Maybe link this with a city composting scheme</b>, like the one in San Francisco, which makes quite a lot of ££ for that city authority. This is rushed, but would be happy to talk more. The starting point would be: gathering a diverse team to thrash this out, and work out if / how it's viable.</p>

<b>Suggestion as posted to engagement platform forum</b>
<b>Make brownfield sites available for Travellers and Gypsies:</b> Draw up a list of brownfield sites that fit certain criteria. (There are some in Holbeck Urban Village that have laid empty for years, and seem perfect.) And oblige the owners to make them available for short-term encampments of Travellers and Gypsies. This will save costs of provision for those encampments (because things like portaloos could stay in one location, not have to go to every new site). It will make everyone (established communities, and those in the Traveller and Gypsy networks) happier. Win win win.
<b>Prioritise prevention over treatment:</b> at a time where the health system is experiencing enormous pressure and many people are unfortunately missing diagnose or treatment, I think we should start thinking about educating people to prevent some of these issues. There are many researches that show popular illnesses could be prevented and even reversed via a healthy lifestyle (nutrition, exercise and work-life balance).
Save some money: <b>LCC to stop commissioning "artwork"</b>
Get workers to stay at home to do there <i>[sic]</i> jobs... <b>why do you need buildings in the town centre?</b> Waste of money...you gotta get a grip.
<b>Raise funds by renting out electronic video screen advertising space inside local authority building window space.:</b> LCC has many high profile / main location buildings throughout the city which have a vast amount of available / empty public facing window space i.e. Merrion House, Carriageworks Theatre, Canal Gardens and so many more. This is a huge untapped commercial resource! Why don't LCC rent out this huge, existing, available and mostly unused asset to commercial advertising companies by allowing them to install / rent commercial digital advertising screen space inside LCC buildings empty street facing window space? The screens can be easily installed by LCC or commercial advertising companies, usually need little maintenance and then would generate ongoing income to support council services. If it's done correctly LCC wouldn't even have to provide the equipment, it's the same idea as renting space for a commercial vending machine.
<b>Sack all diversity managers</b>

## Annexe 1. Survey Questionnaire

**[Page 1]**

### Leeds City Council Budget Consultation for 2022/23

**Leeds City Council is asking for views on how it spends its money to deliver vital services and meet its legal requirement to set a balanced budget for 2022/23.**

To help tackle an estimated gap of more than £65m in 2022/23 and set a balanced budget, we're asking for your views on our budget proposals. Councillors will see the results of the consultation before they make a final decision on the budget. Your views will help make sure that the final decision is in the best interests of the city and the people who live, work, visit and study in Leeds.

To help you consider your responses, we've provided a summary of the key points throughout the survey. If you'd prefer to look at the proposals in full, you can read them in the [Proposed Budget for 2022/23](#) report available on the 15th December Executive Board agenda (Item 8) from our website.

The survey should take about 5 to 10 minutes to complete and closes at the end of 13<sup>th</sup> January 2022. We'll review every response we get with the results feeding into a report that you can read in February as part of the final Budget papers.

Thank you for taking part.

#### Privacy Notice

Your response to this public consultation is being collected by Leeds City Council (as data controller) and will be used to help us make decisions about our budget proposals.

By submitting your response, you are giving your consent for us to use the information you have provided. When results of the consultation are shared publicly or with other organisations, your information is anonymised so you cannot be identified.

We will keep your information safe and secure in line with UK data protection law. Your data will be processed by the relevant services (departments) within Leeds City Council. Our software supplier, SmartSurvey Ltd, will also process your data on our behalf but will never use these for its own purposes. We will store your responses for up to 2 years.

You have rights under UK data protection law including withdrawing your consent for us to use your information. Visit the [ICO website](#) (data protection regulator) to learn more. General information about how Leeds City Council uses your data can be found [here](#).

We use cookies to help improve your experience of using our website. See our cookies page for more information. If you continue without changing your cookie settings, we assume that you are happy with our use of cookies.

**[Page 2]****Meeting our financial challenge**

Since 2010, the council has saved over £655m and protected frontline services as much as possible. But, like many councils across the UK, we continue to face enormous financial challenges due to reductions in government funding, rising costs and growing demand for services, especially those that support some of the city's most vulnerable people. The effects of the COVID-19 pandemic also continue to affect our income and costs.

These factors led to an estimated gap in the council's budget for 2022/23 of £65m – that's more than 10% of our total net revenue budget. Our budget proposals for 2022/23 set out how we intend to close this gap but looking ahead, the financial challenge continues: we estimate we'll need to find another £56m savings over the following two years - £30.6m in 2023/24 and another £25.6m in 2024/25.

It will be increasingly difficult to maintain the level of services we currently provide without considering stopping, changing or charging for services we can no longer afford or that are less of a priority to the people of Leeds.

**Which one of these options do you agree with most?**

- 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

*[Note: if a participant selects 'we should not increase', they'll skip the next question and move on to page 4]*

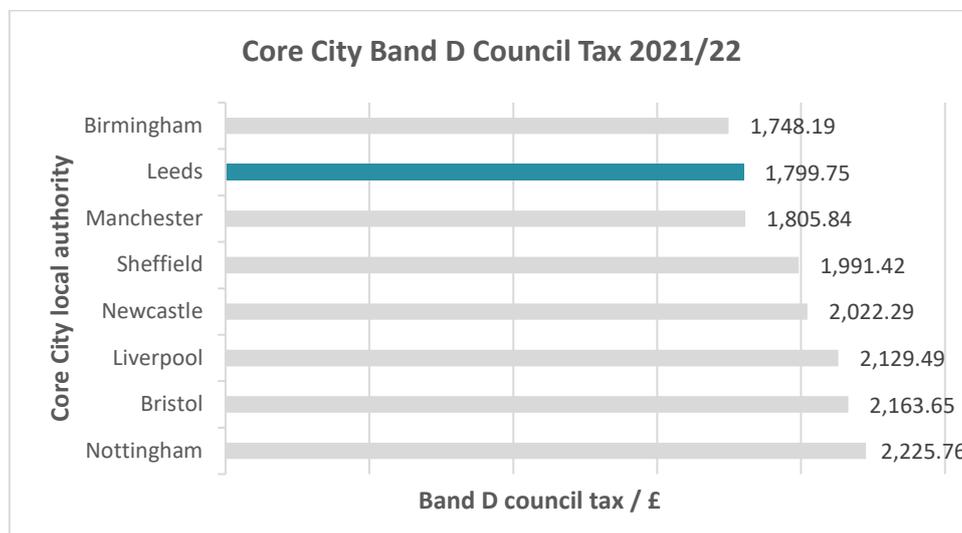
**[Page 3]**

**You said that we should raise money to help us deliver services. How much do you agree or disagree with these statements? (Please select one option for each.)**

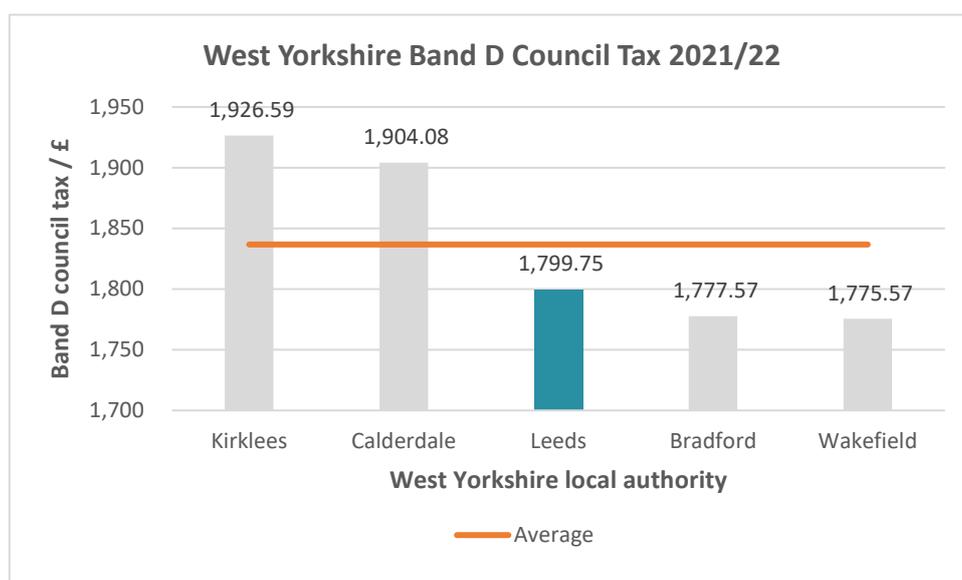
	Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know
Existing charges for services should be increased	<input type="checkbox"/>				
New charges should be introduced for some services	<input type="checkbox"/>				
Council tax should increase	<input type="checkbox"/>				

**[Page 4]****Meeting our financial challenge**

At a local level, we can raise additional income through council tax. Leeds currently has the second lowest rate of council tax compared to England's eight 'core city' (the largest cities outside London) local authorities:



Leeds' council tax is currently below the West Yorkshire district average of £1,836.71:



For 2022/23, in order to help balance our budget, we are proposing to increase council tax in Leeds by 1.99% and to apply an Adult Social Care precept of 1% to help pay for adult social care.

**How much do you agree or disagree with our approach for increasing council tax in 2022/23 by 2.99%: an increase to the core rate of 1.99%, plus 1% to support adult social care services?**

- Strongly agree
- Tend to agree
- Tend to disagree
- Strongly disagree

**[Page 5]****How we propose to spend the money we receive**

The day-to-day costs of running Leeds City Council as a business are managed through a revenue budget, and we make long-term investments to look after assets Leeds already has or create new ones through capital spend.

The council's net revenue budget is funded through the main government support grant, business rates, and the council tax you pay. It represents our required resource – in other words 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.

The 2022/23 Provisional Budget sets this required resource at £521.4 million, an increase of £86.2m or 19.8% from the current financial year, 2021/22. The increase for 2022/23 takes into account the changes in how the council is funded, the changes we'll get to our funding from government support grant and from council tax, and the anticipated recovery to our business rates income. However, since our costs have gone up so much, in particular due to growing demand in adult and children's social care, we've still had to find more than £65m of savings to balance the budget.

The following table shows the changes proposed in the budgets for all of our directorates (how we group council services together in our organisational structure), when compared to last year.

Directorate	Net revenue budgets			
	2021/22	2022/23	Change	Change
	£m	£m	£m	%
Adults & Health	195.2	199.1	3.9	2.0%
Children & Families	117.0	129.8	12.8	10.9%
City Development	31.0	33.8	2.8	8.9%
Communities, Housing & Environment	75.5	80.6	5.1	6.7%
Resources	77.4	83.9	6.5	8.4%
<b>Total directorate budgets</b>	<b>496.2</b>	<b>527.2</b>	<b>31.0</b>	<b>6.3%</b>
Strategic	(60.9)	(5.8)	55.2	N/A
<b>Total net revenue budget</b>	<b>435.3</b>	<b>521.4</b>	<b>86.2</b>	<b>19.8%</b>

The following pages explore each of these directorate areas and the services they provide, and will ask for your opinion on whether you think they should receive more or less of the total directorate budget spend. Please note that some of this funding is provided by government grants which have to be spent on specific services and others have to be delivered to a certain level by law, so the council's options at budget time are limited.

**[Page 6]****Our Directorate Budgets****Adults & 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.

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 such as COVID-19.

**Through our proposed budget for 2022/23, 37.8% of all directorate net revenue budgets will support Adults & Health. What are your views on this proposal?**

**Adults & Health directorate should receive....**

Much less	Slightly less	As proposed (£199.1m)	Slightly more	Much more
<input type="checkbox"/>				

Please use this space to tell us more about your answer:

**[Page 7]****Our Directorate Budgets****Children & 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 Children's Centres and Early Start services, where facilities, activities and support are offered for people expecting a new baby or with young children. 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 to provide a good education to children and young people and help them make a successful transition to adult life. This part of the directorate helps meet the council's legal duty to ensure every child in Leeds has a school place.

**Through our proposed budget for 2022/23, 24.6% of all directorate net revenue budgets will support Children & Families. What are your views on this proposal?**

**Children & Families directorate should receive....**

Much less	Slightly less	As proposed (£129.8m)	Slightly more	Much more
<input type="checkbox"/>				

Please use this space to tell us more about your answer:

**[Page 8]**

## Our Directorate Budgets

### City Development

This directorate provides a range of services that help shape the future of Leeds. It develops and implements major projects that aim to improve and transform city, regenerating the physical environment and boosting the economy. 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 - maintaining the city's roads, street lighting, road sign installation and winter gritting – and Planning, through which it 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 supports people to be more active. The directorate also oversees and manages the council's land and property assets.

**Through our proposed budget for 2022/23, 6.4% of all directorate net revenue budgets will support City Development. What are your views on this proposal?**

**City Development directorate should receive....**

Much less	Slightly less	As proposed (£33.8m)	Slightly more	Much more
<input type="checkbox"/>				

Please use this space to tell us more about your answer:

**[Page 9]**

## Our Directorate Budgets

### Communities, Housing & Environment

This directorate delivers a number of front-line services, some of which affect every Leeds resident, others that are more targeted to certain parts of the city 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 neighbourhoods and communities, especially those who are 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 contact services, access to books, resources, events and computers in local communities. It provides advice and support about welfare and benefits and administers housing benefit, council tax support and free school meals. It also runs a range of initiatives and schemes that aim to 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. The directorate also delivers elections services, manages car parking, provides a range of licensing functions including entertainment licensing and taxi and private hire licensing, and delivers a registrars service as well as the provision of a local land charges service.

**Through our proposed budget for 2022/23, 15.3% of all directorate net revenue budgets will support Communities, Housing & Environment. What are your views on this proposal?**

**Communities, Housing & Environment directorate should receive....**

Much less	Slightly less	As proposed (£80.6m)	Slightly more	Much more
<input type="checkbox"/>				

Please use this space to tell us more about your answer:

**[Page 10]**

## Our Directorate Budgets

### Resources

This directorate supports the whole organisation and all its services by providing a wide range of functions including Finance, Procurement, HR, 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. Since April 2021, the directorate now runs the council's Contact Centre. It also leads the council's response to the climate emergency and air quality strategy.

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.

**Through our proposed budget for 2022/23, 15.9% of all directorate net revenue budgets will support Resources. What are your views on this proposal?**

**Resources directorate should receive....**

Much less	Slightly less	As proposed (£83.9m)	Slightly more	Much more
<input type="checkbox"/>				

Please use this space to tell us more about your answer:

**[Page 11]**

## Overall

**Overall, to what extent do you agree or disagree with how we propose to spend our net revenue budget for 2022/23?**

- Strongly agree
- Tend to agree
- Tend to disagree
- Strongly disagree
- Don't know

Please use this space to tell us more about your answer, or to make any further comments about our proposed budget:

**[Page 12]**

## Overall

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?

- Very satisfied
- Fairly satisfied
- Neither satisfied nor dissatisfied
- Fairly dissatisfied
- Very dissatisfied
- Don't know

Please use this space to tell us more about your response:

Finally, we're really keen to hear where you think there are opportunities for the council to do things in more modern and efficient ways. Have you spotted something in the way we deliver services that could be improved?

## About you

We would like to know a little more about you so we can be sure we are hearing from a wide range of people from different backgrounds. Answering these questions will also help us consider how our policies affect people from different backgrounds; we have a legal duty to do this under the Equality Act 2010. All questions are voluntary.

### Do you? (please tick all that apply)

- Live in Leeds
- Work in Leeds
- Visit Leeds
- Study in Leeds
- Work for Leeds City Council

Please tell us the first part of your post code, for example 'LS8' or 'WF3'.

### How old are you?

- Under 18
- 18 - 29
- 30 - 44
- 45 - 64
- 65+
- Prefer not to say

**Sex and gender identity**

Please select the option that you most identify with:

- Male
- Female
- Non-binary
- Other
- Prefer not to say

Is the gender you identify with the same as your sex registered at birth?

- Yes
- No
- Prefer not to say

**[Page 14]****About you**

Please indicate which best describes your ethnic origin:

**White**

- English / Welsh / Scottish / Northern Irish / British
- Irish
- Any other White background

**Mixed / Multiple ethnic groups**

- White and Black Caribbean
- White and Black African
- White and Asian

Any other Mixed / Multiple ethnic background

**Asian / Asian British**

Indian

Pakistani

Bangladeshi

Kashmiri

Chinese

Any other Asian background

**Black / Black British**

African

Caribbean

Any other Black background

**Other ethnic group**

Arab

Gypsy or Traveller

Any other background

**Prefer not to say**

Prefer not to say

**[Page 15]**

**About you**

**Do you consider yourself to be disabled?**

Yes

No

Prefer not to say

**Please indicate which best describes your sexual orientation:**

Heterosexual / Straight

Lesbian / Gay woman

Gay man

Bisexual

Other

Prefer not to say

**Please indicate which best describes your religion or belief:**

Buddhist

Christian

Hindu

Jewish

Muslim

Sikh

No religion

No belief

Other

Prefer not to say

**Please now click the Submit button below to save and send your responses to us.  
Thank you very much for taking part.**



# **Proposed Budget 2022/23**

## **Summary of Scrutiny Board consultation**

## Scrutiny Board Membership (2021/22):

61 of the 99 city councillors are members of a Scrutiny Board. The membership of the individual Scrutiny Boards can be viewed via the following links:

### [Adults, Health and Active Lifestyles Scrutiny Board](#)

Chair: Cllr Abigail Marshall-Katung

### [Children and Families Scrutiny Board](#)

Chair: Cllr Alan Lamb

### [Environment, Housing and Communities Scrutiny Board](#)

Chair: Cllr Barry Anderson

### [Infrastructure, Investment and Inclusive Growth Scrutiny Board](#)

Chair: Cllr Paul Truswell

### [Strategy and Resources Scrutiny Board](#)

Chair: Cllr Andrew Scopes

## ***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.”***

Further information about the work of the committees can be found here:

[Committee Structure: Scrutiny Board](#)

For regular updates about Leeds City Council's Scrutiny Service follow us on Twitter:

 [@ScrutinyLeeds](#)

For queries please contact:

**Angela Brogden**

 [Angela.Brogden@leeds.gov.uk](mailto:Angela.Brogden@leeds.gov.uk)

 0113 37 8661

**Rebecca Atherton**

 [Becky.Atherton@leeds.gov.uk](mailto:Becky.Atherton@leeds.gov.uk)

 0113 37 88642

**Robert Clayton**

 [Robert.Clayton@leeds.gov.uk](mailto:Robert.Clayton@leeds.gov.uk)

 0113 37 88790

# Foreword

## Foreword from the Scrutiny Chairs

The last year has been another incredibly challenging period for local government. In Leeds services have continued to respond with flexibility and agility to support residents and businesses affected by the ongoing Covid-19 pandemic. However, from the perspective of the Council's finances, the pandemic has also created uncertainty in relation to spending pressures and the ability to generate income at levels predicted pre-pandemic.

In addition to the intensity of the pandemic response there continues to be increased demand for many Council services - particularly those that support our most vulnerable citizens – and long-term issues such as climate change, housing, welfare reform and an aging population pose complex social and economic challenges.

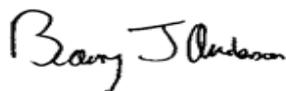
Within this context it is therefore more important than ever that the Council delivers a robust, sustainable budget.

Scrutiny of the budget proposals provides a unique opportunity for members in non-finance roles to challenge and influence the budgetary process. In line with the Budget and Policy Framework the Scrutiny Boards have all considered this year's budget proposals through a series of public meetings. In addition, Scrutiny Boards took part in initial consultation in December.

Outside of this dedicated process over the last year members have used their regular work programmes to examine specific policy issues in detail, often engaging with partner organisations and stakeholders. As an example, all the Scrutiny Boards have dedicated time to reflect on the experience of the last two years, seeking to learn from the positives as well as from the challenges. This has included exploring the Council's readiness to use new technology, changes to the estate and ways in which partnerships that developed through periods of lockdown can be built upon. Boards have also worked collaboratively to add value to the organisation as it develops future policies. The outcome of these discussions has informed debate around the budget proposals.

As Chairs it is our strong belief that consultation with the Council's five Scrutiny Boards is most effective when carried out at the earliest opportunity, thereby maximising the potential for our members to influence and strengthen decision making. Given the scale of the challenges facing the organisation in the coming years we would urge Executive Members and their officers to work with the relevant scrutiny boards on specific policy options with a view to the conclusions and recommendations of Scrutiny constructively informing future financial planning.

**Cllr Barry Anderson**



**Cllr Abigail Marshall-Katung**



**Cllr Paul Truswell**



**Cllr Alan Lamb**



**Cllr Andrew Scopes**



# Consultation Summary

## Key Findings and Recommendations

1	<b>Scrutiny Boards sought and received assurance around the assumptions reflected in the Proposed Budget 2022/23. Those assurances were provided to Scrutiny Boards by the relevant officers and Executive Members.</b>
2	<b>Assurances were sought specifically in relation to the impact on frontline services of savings classified as 'Business as Usual,' which the Boards were advised can be made within the Council's decision-making framework.</b>
3	<b>Given the cumulative total of efficiencies classified as 'Business As Usual' scrutiny has not had the capacity to test all of those proposals in detail and would recommend that the Executive Board confirms it is satisfied its members have received assurances in that regard.</b>
4	<b>Given the cumulative total of savings classified as 'Business As Usual,' Scrutiny recommends a return to the publication of such efficiencies within the Budget Proposals in future years to ensure transparency.</b>
5	<b>It is requested that the views of the scrutiny boards as reflected in the detailed commentary below, are taken into account as part of ongoing financial planning in the coming months.</b>
6	<b>It is requested that successor scrutiny boards are consulted as early as possible in the new municipal year on key areas of policy that will inform future financial planning and subsequent budget proposals.</b>

# Consultation Summary

## 1. Background

### Proposed Budget 2022/23

- 1.1 At its meeting on [15 December 2021](#) the Executive Board considered a report from the Chief Officer for Financial Services setting out the Proposed Budget for 2022/23 and Provisional Budgets for 2023/24 and 2024/25.
- 1.2 The proposals were set within the context of the Medium-Term Financial Strategy, as agreed by Executive Board on [22 September 2021](#), the national Autumn Budget and Spending Review 2021, and the revenue savings proposals identified as part of this year's Financial Challenge savings programme.
- 1.3 In September 2021 the Medium-Term Financial Strategy 2022/23-2026/27 reflected an estimated budget gap of £126.7m for the period 2022/23- 2024/25 of which £65.4m related to 2022/23. However, in December 2021 the Chief Officer for Financial Services presented a revised position, which anticipates that the successful delivery of proposed revenue savings would ultimately deliver a balanced budget in 2022/23, along with a reduction in the financial gap in the two subsequent years to £30.6m for 2023/24 and £25.6m for 2024/25.

### Financial Challenge Programme

- 1.4 Building on last year's approach, the Council has again established a Financial Challenge savings programme. This aims to enable the authority to take a longer-term view of its savings options, recognising that the implementation of major change often requires a significant lead time. Revenue savings identified through this process are designated as either 'Business as Usual' or 'Service Reviews.'



# Consultation Summary

- 1.5 At its meetings in September and December, the Executive Board resolved that decisions relating to 'Business as Usual' savings would be taken by the relevant Director or Chief Officer.
- 1.6 It was agreed in September that consultation should commence as required for three service reviews and in December it was agreed this should also be the case for a further two proposed service reviews.
- 1.7 Whilst noting the approach taken in the Financial Challenge Programme and that Business As Usual measures can be carried out within the existing decision making framework, the Boards wanted to see transparency around the BAU proposals maintained, particularly where the saving is material.

## 2. Scrutiny Consultation Process

- 2.1 In line with the requirements of the Budget and Policy Framework all five scrutiny boards considered the Proposed Budget 2022/23 during their January cycle of meetings – links to the agendas, webcasts and minutes of those meetings are included in the chart below. Prior to this, and in line with the approach taken the previous year, officers and Executive members attended working group sessions with each Board in December.
- 2.2 This document summarises the comments, conclusions and recommendations of the five Boards during those meetings. The Executive Board is asked to consider the views of Scrutiny ahead of the final budget proposals being referred to full Council in February 2022.



# Consultation Summary

## 3. Scrutiny Board Comments



### Adults, Health and Active Lifestyles

- 3.1 The Adults, Health and Active Lifestyles was briefed on the Service Review proposals that fall within its remit. These included the two proposals aimed at creating efficiency savings through a review of the local authority's in-house mental health provision and the local authority's social work provision. It also included the proposal to reduce funding in grants and contracts to five third sector organisations supporting older people and other client groups who did not receive a 10% funding reduction in 2021/22. Linked to this proposal, the Board had been assured that the Council was engaging closely with the five organisations as part of the consultation process in determining the potential impact, as well as providing support and advice to those organisations in realising the 10% savings with the minimum impact on service users and the organisation as well as supporting them to explore alternative funding sources too.
- 3.2 With regard to the Business As Usual saving proposals that also fall within the Board's remit, Members were conscious that some equate to significant sums of money and while it was noted that these actions are to be taken in accordance with the Officer Delegation Scheme, further assurance was sought that the necessary decision-making and governance processes will be followed with regard to the Business As Usual proposals.
- 3.3 The Board noted the two Business As Usual saving proposals relating to the Active Leeds Service which were focused around income generation and the intention to enhance the programme of activities and service delivery. These related to the 'Health and Well Being offer' to businesses based within or nearby to Leeds and also an increase in swimming tuition income based upon a remodelling of existing activities expanding the duration of the programme. The Board was assured that the proposals would enhance service delivery and that there would be limited impact upon existing staff as additional staffing resource will be required for delivery.
- 3.4 The timeliness of the Board's consideration of the initial budget proposals had coincided with its consideration and support of the proposal for Leeds to become a Marmot City with regard to taking action to reduce health inequalities by focusing on the social determinants of health as set out in the most recent Marmot report, "Build Back Fairer" and for Leeds to initially focus on taking a Marmot approach to giving children the best

# Consultation Summary

start in life which would have lifelong and intergenerational benefits. Statistics show that a quarter of Leeds residents live in the most deprived 10% of areas in England. The Board had learned that improvements made in health inequalities in the city have stalled and that nationally, working aged people living in the 10% most deprived areas were four times more likely to die from Covid.

- 3.5 Linked to this, Members had therefore sought further clarity surrounding the Business As Usual saving proposal relating to Public Health that would see a significant reduction in the contracts for One You Leeds (£890k), Drug and Alcohol Treatment (£47k), Chlamydia Testing (£45k) and Microbiology (£18k). The Board was informed that while the Public Health Grant received annually from central NHS funding is not reducing, the Council is exploring how to use that grant differently to support the Council's financial position but also reinvest in service areas such as Early Years, which is linked to the Marmot framework in addressing health inequalities.
- 3.6 With regards to One You Leeds, it was noted that funding for the Stop Smoking cessation element has been prioritised and would be retained. While it will have an impact on other commissioned services around healthy eating/weight management, the Board was informed that the current contract still has 18 months of service provision and that the Council will be actively working with NHS partners during that time to explore alternative and more creative ways of trying to provide similar support services in future. The Board also received assurance that funding for the Drug & Alcohol service will be offset with other new funding streams which would result in no impact to the service itself. It was confirmed that the NHS had also agreed to cover the Chlamydia testing costs too.
- 3.7 Members made reference to the Business As Usual proposal to achieve £500k through maximising funding contributions from the NHS and sought clarity on how this is to be achieved while also enquiring as to why it had not been actioned previously. In response, it was reported that work has been undertaken for a number of years primarily to ensure that an individual's care needs are being funded appropriately and fairly across relevant organisations and that protocols are now in place which help to speed up this process which has led to increased funding contributions made by the NHS. However, the Board noted the ongoing work to look at maximising funding contributions from the NHS in terms of wider services which are commissioned jointly, such as Carers Leeds.
- 3.8 Reference was also made to the Business As Usual proposal to develop a direct payment plan that is easy to administer for social workers to become the default option and which will improve client contributions and reduce instances of incorrect billing. The Board acknowledged that the current direct payment service is quite onerous and can therefore be off putting even though the direct payment option offers more autonomous control to individuals who require services. It was noted that by improving the administration of this service and encouraging greater uptake, this will lead to greater efficiency savings within the service too.

# Consultation Summary



## Children and Families

- 3.9 The Children and Families Scrutiny Board discussed the proposed budget for 2022/23, acknowledging the increasing demography and consequential demand pressures for services in Children and Families as well as in Adults and Health. Linked to this, the Board noted and welcomed the significant budget increase to the Children and Families directorate.
- 3.10 The Board was briefed on the specific Service Review proposal that falls within its remit. This involves investing in fostering and residential provision to create increased in-house capacity for children and young people and reduce reliance on externally commissioned fostering and residential placements.
- 3.11 The Board was advised that this will be achieved by reviewing the existing payment and support structure for foster placements that can manage and support the needs of more complex children. This will include the introduction of a placement type at a higher rate of fees with the expectation of returning children from residential care to family-based living.
- 3.12 In addition, four new residential hubs will also be established to provide care for up to 16 children and will also provide additional capacity to support children with higher level needs, which in turn will create capacity in the current 4 person homes for those young people who can manage this level of care.
- 3.13 As a Service Review proposal, the Board noted that this will be subject to consultation and that the Council will be actively engaging with stakeholders (young people, staff and foster carers) and with communities on the potential changes, with feedback reported back to the Executive Board prior to a final decision being made.
- 3.14 The Board also noted the relevant Business As Usual proposals which reflected operational cost savings of £0.5m across the Children & Families directorate for 2022/23 and one off savings of £100K for 2022/23 and 2023/24 associated with schools premature retirement and FE pension costs.

# Consultation Summary



## Environment, Housing & Communities

- 3.15 Members of the Environment, Housing and Communities Scrutiny Board explored the long-term impact of energy efficiency measures on the Council's energy consumption and therefore its finances. Mitigation measures discussed included the installation of ground source heat pumps, provision of external wall insulation and progress with the district heating network. Members put on record their support for a major programme of activity linked to 'greening' energy supplied to significant public buildings including the Civic Hall, library and Town Hall.
- 3.16 The board sought clarification about the ongoing programme of investment in Council housing stock to improve thermal efficiency, decrease carbon emissions and reduce fuel poverty.
- 3.17 Members highlighted the significant impact of this programme for tenants and their communities and noted the success of Council officers in securing high levels of external funding to deliver this work.
- 3.18 The Board sought a specific commitment to the continuation of investment in back-to-back housing and multistorey properties. It was noted that 'back-to-back- housing – of which there is an unusually high quantity in Leeds - poses particular challenges with regards to the options available for retrofitting.
- 3.19 Members put on record their collective support for a continuation of investment in a 'materials first' approach to retrofitting 'back-to-back' homes, despite the new national retrofit standards framework (PAS2035) favouring alternatives – such as air source heat pumps – for most traditional homes.
- 3.20 The Board explored the impact on local budgets of the increased presentation of household waste since the onset of the Covid-19 pandemic and the uncertainty that has created in terms of spending pressures.
- 3.21 It was noted that in 2021/22 the 'overspend' in the waste management service relating to Covid pressures was funded via the centrally managed Covid Contingency reserve. Members were supportive of proposals within the 2022/23 budget to provide that additional covid-related funding directly to the service to assist in tackling the cost pressures associated with the ongoing need to collect extra tonnage of waste.

# Consultation Summary

- 3.22 However, members sought further clarity about the way in which waste presentation levels would be monitored in 2022/23 so as to fully understand the additionality of funding required to meet actual tonnage levels. The Board expressed concern about any proportion of funding being withdrawn from the waste service while presentation levels remain high.
- 3.23 Members sought and received assurances that the budget proposals provide sufficient funding to enable the ongoing route review to conclude and make its recommendations.
- 3.24 Members sought clarification about the impact of the budget on staffing levels within Communities, Housing and Environment, particularly in frontline services.
- 3.25 Board members explored proposals for rent increases, seeking to understand how the approach compared to other local authorities. The Board explored the impact of the five-year rent cap and attention was drawn to reduced staffing levels over that period.
- 3.26 Board members sought clarity around the implications of transferring the £2.3m Sheltered Housing Reserve into the Major Repairs reserve. Members were assured work would still take place within sheltered housing stock at the levels planned but work would be funded by the mainstream capital programme in future years.
- 3.27 In discussing service charges in independent living accommodation, members expressed concern about whether residents clearly understand what is currently included within their service charges, particularly given the disruption to support services and communal facilities during the last two years. It was agreed that further communication should be provided to reiterate the current position for residents to ensure clarity and transparency around service charges.

# Consultation Summary



## Infrastructure, Investment & Inclusive Growth

- 3.28 The Infrastructure, Investment and Inclusive Growth Scrutiny Board began its discussions by considering asset management, exploring the impact of estate reduction in securing capital receipts, reducing maintenance and running costs, and providing opportunities to sub-let properties thereby generating income.
- 3.29 Members acknowledged the potential future strategic benefits of owning land around Elland Road. The Board explored proposals to modernise the current cash-based car park at Elland Road in the meantime, in part to allow the Council to implement incremental price increases more easily in future.
- 3.30 Members sought clarification about the assumptions in the budget regarding the provision of £3m from West Yorkshire Combined Authority. In response the Board was advised that where the ambitions of WYCA are being delivered by the Council there is an expectation that payment will be made. However, it was further noted that the assumptions must be ratified by WYCA through its own budgetary process.
- 3.31 Members requested further information about proposals to deliver efficiencies through tighter vacancy management. The Board was provided with an outline of the current 'checks and challenges' within the directorate and was advised that further rigor would be applied to this system. The Board was assured that in line with corporate procedures priority would be given to positions which have health and safety implications, essential/statutory responsibilities or that generate significant income.
- 3.32 Members further queried the way in which staffing structures are reviewed more broadly and how this interacts with reactive vacancy management.
- 3.33 Members of the Board sought assurances about the level of risk built into income generation assumptions – for example, in relation to chargeable services. In response members were assured assumptions were regarded as 'prudent' and reflected an expectation that the income generated by different services would be impacted by external factors beyond the Council's control.
- 3.34 The Board reiterated concerns about capacity within services such as planning and building control, following a surge in demand relating to smaller scale applications over the last year. Within this context members also sought reassurance that resources

# Consultation Summary

devoted to income generation would not divert resources from core services or impede the responsiveness of the service to concerns raised by elected members of Leeds citizens.

- 3.35 Members queried whether the Council is as effective as it could be in applying Section 38 functions and sought further information about the appetite of other Local Authorities to utilise expertise in Leeds via a consultancy service considering new national 'burdens'.
- 3.36 Given proposed savings relating to reductions in energy consumption, including in street lighting, the Board explored ways in which the budget reflects anticipated increases in the cost of energy. A range of mitigation measures were considered including a base assumption of a 5% increase across all services, a corporate contingency fund and the policy of purchasing energy in advance as an organisation to provide some short-term protection.
- 3.37 Members sought and received assurance that the budget proposals minimise the impact on frontline services.

# Consultation Summary



## Strategy & Resources

- 3.38 Scrutiny Board Strategy and Resources welcomed the approach taken in this year's budget round which saw officers and Executive Board members attend both a Working Group session in December and the formal meetings in January, believing that additional consultation such as that done through the Working Groups is beneficial to consultation with Scrutiny and the budget setting process as a whole.
- 3.39 Members noted and welcomed the use of capital receipts on service transformation initiatives in the budget for 2022/23 in line with Government regulations on how capital receipts can be used. This has enabled investment to take place and longer-term efficiencies to be initiated which will aid budgetary sustainability and future budgetary robustness.
- 3.40 When discussing the service review that features within the Board's remit relating to the Abbey House café at Kirkstall Abbey, board members sought assurances that the estimated income projections were both robust and if there was scope for more in future years if the scheme were to perform above expectations. The service believed the amount projected for the café was prudent.
- 3.41 Members also expressed an interest in future plans for the Museums and Galleries service in respect of income generation linked to the refreshed service strategy that is due later in 2022, a key factor being ensuring that income from these sources is maximised to contribute to the ongoing Financial Challenge Programme.
- 3.42 In addition, linked to the proposals to charge non-Leeds residents entry to Kirkstall Abbey members were keen to ensure the robustness of methods used to check addresses. The concern being that income could be missed or that Leeds residents wrongly charged. Assurances were provided to that effect linked to a similar scheme that operates at the Industrial Museum in the city.
- 3.43 On a wider note, and linked to the city's cultural offer, members believed that decision makers should seek to maximise the take up of annual renewal for the annual passes that grant access to the city's diverse cultural offer. The suggestion being that a more proactive approach could be taken to ensure existing members are contacted and offered renewal of their annual subscriptions.
- 3.44 The Board understood and noted the approach taken to the Financial Challenge in

# Consultation Summary

dividing the savings into Business as Usual (BAU) and Service Review approaches. Members were keen to ensure that full details of the BAU proposals are provided to members for information purposes, recognising the difference between operational decisions taken within existing decision making and policy frameworks and those requiring more detailed consultation.

- 3.45 Assurances were provided to the Board around budget allocations within the Adult Social Care directorate. The concern being that the planned savings in the directorate could impact some vulnerable service users. This assurance was provided in respect of the funding reductions being relatively small compared to overall spend within that directorate.
- 3.46 Mindful of the need to ensure budgetary robustness and future sustainability, and the remit of the Board, members observed that there was not a contribution to general reserves in 2022/23. However, it was noted that plans are in place to contribute to the general reserve in 2023/24 and in the years after as part of the wider Medium Term Financial Strategy and the ambition to maintain and increase budget sustainability through that strategy.

## 4 Conclusions and Next Steps

- 4.1 In line with the Council's 'Vision for Scrutiny' members of all five Boards have sought to provide constructive challenge to officers and members in relation to the Proposed Budget for 2022/23 and the provisional budgets for the subsequent two years. Members have welcomed the time and contributions of Executive Members, directors and senior officers throughout this process.
- 4.2 This document summarises the response from the five Scrutiny Boards to the Proposed Budget for 2022/23. The Executive Board is asked to consider the issues raised ahead of the final budget proposals being referred to full Council in February 2022.
- 4.3 During the consultation process members have also reflected upon the future engagement of scrutiny in the organisation's financial planning and how board members might best add value to the budgetary process.
- 4.4 Scrutiny members are keen to provide a different perspective on savings proposals brought forward for their consideration, reflecting the interests of the citizens they represent, and exploring on a non-party political basis what 'good value' might look like for the Council in terms of social, economic and environmental outcomes.
- 4.5 Given the complex challenges facing the council in the coming years, which will all involve financial pressure for the Council, the scrutiny boards have reiterated the importance of their members working collaboratively with decision makers at the earliest possible opportunity within the financial planning process.

**Budget Consultation with Scrutiny**

**January 2022**

**Report authors: Rebecca Atherton, Angela Brogden & Robert Clayton**

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2022/23 Budget Amount £	Decision Maker
Review of Social Work provision	Embedding an independence first approach for clients that uses Occupational Staff for support and increase capacity in the Adult Social Care Reviewing Team.	There is a risk that client independence will be diminished and wrong pathways for care signposted	Consultation in progress	To be undertaken at the same time as the decision	March 2022	£18,346k	Director of Adults and Health
Reduction in Services – Older People	Reducing grants, contracts	There is a risk that services provided will be reduced	Consultation in progress	To be undertaken at the same time as the decision	March 2022	£2,046k.	Director of Adults and Health
Review of In-House Mental Health Service provision and capacity	Reducing commissioned Mental Health packages	There is a risk that services continue to be commissioned when availability In-House	Consultation in progress	To be undertaken at the same time as the decision	March 2022	£4,523k	Director of Adults and Health

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2022/23 Budget Amount £	Decision Maker
Investing in the council's fostering and residential provision for Children Looked After	<p>The options considered and the justification for the proposal were set out in the September Executive Board report.</p> <p>The proposal will increase the proportion of in-house provision, which should improve outcomes while also providing a financial saving.</p>	<p>This is a transformational project and as such there are various risks that will be monitored as part of the project governance.</p>	<p>Initial consultation was carried out for the previous Executive Board report and this budget report.</p> <p>More detailed consultation will follow for individual decisions needed as the project progresses.</p>	<p>These changes are for the children looked after by Leeds. They will increase the potential to provide the best quality care for them and improve their outcomes. Parenting Board.</p> <p>Appropriate consultation will be carried out with stakeholders.</p>	<p>Various during 2021/22 and 2022/23</p>	<p>£295k net savings</p>	<p>Director of Children &amp; Families</p>
Investing in additional staff to meet demand	<p>Additional staff are required in key posts reflecting increased demand for social care and services that support special</p>	<p>Recruitment to posts will be affected by market forces, this risk is being managed through appropriate recruitment</p>	<p>Consultation will be undertaken as appropriate as part of the decision making process.</p>	<p>Equality impact assessments</p>	<p>By April 2022</p>	<p>£2m expenditure</p>	<p>Director of Children &amp; Families</p>

<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>2022/23 Budget Amount £</b>	<b>Decision Maker</b>
	educational needs and disabilities.	campaigns and support from HR.					

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2022/23 Budget Amount £	Decision Maker
Leeds Arts, Events & Venues - Ticketing Solution	Purchase of new corporate ticketing software has provided opportunity to increase income	Additional income target not achieved	Internal staffing consulted	No significant implications	Already taken as a BAU decision	£80k	Chief Officer – Culture and Economy
Leeds Museums & Galleries – Kirkstall Abbey charging to non-Leeds residents	Ensures the Abbey is more financially sustainable, whilst protecting Leeds residents.	Demand assumptions not achieved	Internal staffing and ward members already consulted, further public consultation to be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2022	£160k	Chief Officer – Culture and Economy
Utilisation of Business Rates Pool Balances as substitution for Leeds 2023 expenditure	Reduces net cost of Leeds 2023 to the Council in 2022/23	Confirmation required of balances available for use	Other participating Pool Authorities – awaiting confirmation	None	March 2022	£867k	Chief Officer – Culture and Economy
Active Leeds – Health & Wellbeing Offer	Meeting demand from private sector, creates income stream to Council	Demand not as high as anticipated	Internal staffing consulted	No significant implications	Already taken as a BAU decision	£50k	Chief Officer – Operations and Active Leeds

<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>2022/23 Budget Amount £</b>	<b>Decision Maker</b>
Active Leeds – swimming tuition income	Improves service offer and generates additional income	Additional income target not achieved	Customers	No Significant Implications	Already taken as a BAU decision	£150k	Chief Officer – Operations and Active Leeds
Highways & Transportation – establishment of procurement framework for major schemes	Reduces costs of procurement to LCC and generates income	Other Authorities don't utilise the framework as envisaged	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2022	£200k	Chief Officer – Highways & Transportation
Highways & Transportation – manage S38 approval process for other WY LAs	Utilises existing expertise and generates income	Demand not there from the other WY Authorities	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2022	£40k	Chief Officer – Highways & Transportation
Asset Management & Regeneration – sub-let surplus office space	Aligns to Future Ways of Working programme and generates income	Ability to complete in timescales	N/A	To be undertaken as a part of the decision process	March 2022	£275k	Chief Officer – Asset Management & Regeneration
Asset Management & Regeneration – Elland Road car park cash collection	More efficient method of cash collection provides opportunity to	None identified	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2022	£20k	Chief Officer – Asset Management & Regeneration

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2022/23 Budget Amount £	Decision Maker
	generate additional income						

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2022/23 Budget Amount £	Decision Maker
3% increase in bereavement charges	Proposed price increase reflects savings requirement of the Council and will ensure there continues to be no subsidy for this service	None identified	To be undertaken as a part of the decision process	To be undertaken as a part of the decision process	March 2022	£0.21m additional income	Chief Officer – Parks and Countryside
Removal of charges for the collection of Bulky Waste.	Maintain existing charge or charge an admin fee. The charge is not a statutory charge.	None	Actions in report as a result of feedback from Community Committees, Scrutiny Boards, local forums.	To be undertaken as a part of the decision process	February 2022	£0.23m loss of income	Chief Officer – Waste Management

## Resources

## Appendix 4

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2022/23 Budget Amount £	Decision Maker
To enter into a contract to support the delivery of an Electrical Goods Salary Sacrifice scheme for LCC staff.	Will result in Employer National Insurance savings as well as tax and NI savings benefits to the employee. This may assist in employee retention.	Delays to implementation impact on the savings assumed.	To be undertaken with Trade Unions prior to the decision report.	To be undertaken prior to the decision report.	February 2022	£100k	Director of Resources
To enter into a contract to support the delivery of a Lease Car Salary Sacrifice Scheme for Ultra Low Emission Vehicles for LCC Staff.	Will result in Employer National Insurance savings as well as tax and NI savings benefits to the employee. This may assist in employee retention.	Delays to implementation impact on the savings assumed.	To be undertaken with Trade Unions prior to the decision report.	To be undertaken prior to the decision report.	February 2022	£100k	Director of Resources

**PROPOSED COUNCIL TAX SUPPORT  
PAYMENTS FOR PARISH/TOWN COUNCILS**

**Appendix 5**

<b>Parish</b>	<b>Proposed 2022/23 Payment £</b>
Aberford and District	342
Allerton Bywater	2,054
Alwoodley	794
Arthington	36
Bardsey cum Rigton	644
Barwick in Elmet and Scholes	1,282
Boston Spa	1,475
Bramham cum Oglethorpe	620
Bramhope and Carlton	805
Clifford	562
Collingham with Linton	761
Drighlington	1,136
East Keswick	288
Gildersome	1,381
Great and Little Preston	577
Harewood	19
Horsforth	4,676
Kippax	2,651
Ledsham	92
Ledston	127
Micklefield	3,559
Morley	12,712
Otley	15,487
Pool in Wharfedale	797
Rawdon	1,516
Scarcroft	142
Shadwell	324
Swillington	2,056
Thorner	803
Thorp Arch	231
Walton	77
Wetherby	8,027
<b>TOTAL</b>	<b>66,053</b>

## Equality Impact Assessment

### Leeds Best City Ambition and 2022/23 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 proposed Leeds Best City Ambition and Budget and Council Tax for 2022/23 (both as detailed in the accompanying reports to the Executive Board meeting on 9<sup>th</sup> February 2022 recommending proposals to Full Council at its meeting on 23<sup>rd</sup> February 2022). The lead person for this equality impact assessment was Neil Evans, Director of Resources. Members of the assessment team were:

- Coral Main - Head of Business Planning & Risk
- Lelir Yeung - Head of Community Relations and Cohesion
- Naomi Eastwood – Head of Finance, Strategic
- Amy Porter – Policy Development Officer
- Mike Eakins – Intelligence & Policy Manager
- Chris Shillito – Intelligence & Policy Officer
- Graham Sephton - Head of HR
- Jess Dolphin – HR Service Manager

#### Overview

The Best Council Plan 2020 to 2025 (available [here](#)) is the council's current strategic plan which sets out its ambitions, outcomes and priorities for the city of Leeds and for the local authority. The City ambitions as set out in the Best Council Plan are that the council, working in partnership, will continue to tackle poverty and inequalities through a combination of strengthening the economy and doing this in a way that is compassionate and caring. The authority's internal 'Best Council' focus is on becoming a more efficient, enterprising and healthy organisation.

In October 2021, the Executive Board considered the report, '*Leeds 2030: Shaping Our Best City Ambition*' (available [here](#)) which sought agreement in principle to replace the Best Council Plan to better reflect the importance of harnessing partnership working – our Team Leeds approach – in achieving the city's shared goals. Initial proposals were subsequently considered and endorsed at the Board's meeting in December 2021 (available [here](#)). Final proposals are included elsewhere on today's agenda through the report, '*Leeds Best City Ambition*' which seeks the Board's endorsement to refer them to Council for consideration and adoption at its February meeting. This updated Ambition offers the opportunity to better bring together in one place the key priorities we have for the city, articulated as our three pillars of health and wellbeing, inclusive growth and zero carbon. The Best City Ambition remains our overall vision for the future of Leeds, with our longstanding mission to tackle poverty and inequality at its heart.

It is important 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 draft proposals, 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 2022/23 are contained in the *2022/23 Revenue Budget and Council Tax* report and in the '*Capital Programme*

*Update 2022-2026'* being considered by the Executive Board in February 2022 for recommendation later in the month to Full Council.

The Budget 2021/22 was developed in the context of the approach agreed by the Executive Board at its meeting on 15<sup>th</sup> December 2021 through the '*Proposed Budget for 2022/23 and Provisional Budgets for 2023/24 and 2024/25*' 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 2022/23 to 2026/27 (available [here](#)) which was approved by the Executive Board on 22<sup>nd</sup> September 2021, the Government's Spending Review 2021 (announced by the Chancellor of the Exchequer on 27<sup>th</sup> October 2021) which covers the three-year period of this current Parliament 2022/23 to 2024/25, and the Provisional Local Government Settlement - the annual determination of funding at a national level to local government - published by the Department for Levelling Up, Housing and Communities on 16<sup>th</sup> December 2021 (available [here](#)), a one-year settlement for 2022/23.

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 continues to be difficult to manage. Resource implications will impact on all communities but those who have been identified as being at the greatest potential risk of negative impact include:

- Disabled people – including all impairment groups;
- Black, Asian and Minority Ethnic (BAME) 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 BAME communities).

### ***Best City Ambition***

The proposals contained in the '*Leeds Best City Ambition*' report take forward Executive Board's resolution to develop a Best City Ambition rooted in partnership between the council, partner organisations and local communities. The Ambition aims to build upon the strengths that have come to the fore throughout Leeds's response to the COVID-19 pandemic, capturing the spirit of genuine partnership between organisations to deliver for local people, and the vital contribution that everyone living or working here can make to our shared efforts to improve the lives of people who live in all parts of the city.

The Best City Ambition offers the opportunity to bring together in one place the key priorities we have for the city – articulated here as our three pillars of health and wellbeing, inclusive growth and zero carbon. Each of these pillars is underpinned by a range of important work to make Leeds the best it can be, the best place to live, work and visit, the best city in the UK, and crucially to deliver meaningful improvements in people's quality of life so everyone in Leeds can thrive. In bringing the pillars together, the Ambition highlights how progress against each is equally dependent on the other two, with many of our greatest challenges and opportunities sitting at the intersection between the three.

The Best City Ambition will provide a platform to review the council's wider strategic framework and the city's partnership infrastructure, maximising opportunities to align activity, reduce duplication and strengthen our shared focus on a set of cross-cutting key priorities in a way that helps to ensure progress is being made. Importantly, the Ambition also outlines the limits of Leeds's ability to directly

affect change, noting that while there is much in the city's control, some of the most aspirational aspects of our city ambition will require us to influence greater support, resources and new approaches from Government and other stakeholders.

Adopting the Best City Ambition will provide the council and city with a refreshed strategic intent shared amongst partners. It brings up to date and refines some long-standing ambitions, brings into sharper focus the current priorities gathered through consultation and engagement, and better connects priorities which are co-dependent to achieving the outcomes we want to see. The Ambition will provide a platform and context for more detailed plans, projects and programmes to be developed. It will also underpin influencing activity and bids for funding by offering a coherent narrative about the city's overall aims and direction.

The Ambition offers a bold statement of what Leeds stands for: it paints a picture of where we want Leeds to be in the future and highlights what people who live here have told us is important to them. Many of the things it includes are challenging to achieve and will take time, sustained effort and resources – but it is grounded in what is possible with some of the meaningful first steps outlined in the second half of the document. These parts will be kept up to date with annual 'light-touch' reviews to update on progress of current work and add any new or further work underway. A fuller review of the Ambition will be undertaken on a three-yearly rolling programme using the [Joint Strategic Assessment](#) as context – the next of which is due in 2024.

#### *Best City Ambition consultation and engagement*

Between September and early December 2021, extensive engagement with internal and external stakeholders was carried out to inform the development of the initial Best City Ambition proposals considered at December's Executive Board meeting. This included a range of targeted engagement to ensure the people with a protected characteristic or from a minority background had the opportunity to influence the proposals, and those conversations will continue on an ongoing basis as the Ambition is adopted and implemented. A full list of those people, groups, organisations, fora and committees engaged up to that point is included within the December Executive Board report at Appendix 2 (available [here](#)).

Following agreement by December's Executive Board, public consultation on the draft Best City Ambition took place during the four weeks between 16<sup>th</sup> December 2021 and 13<sup>th</sup> January 2022. The consultation was delivered through a series of short online surveys which broke the Ambition down into thematic sections. Overall, 285 survey responses were completed by 197 people with additional full written submissions received via email from a small number of partner organisations.

The results of the public consultation are included in full at Appendix 2 to the February 2022 '*Leeds Best City Ambition*' report with the results of the consultation with Scrutiny Boards at Appendix 4.

#### **Budget**

The council has so far responded successfully to the funding challenges since 2010 by reducing a number of areas of revenue expenditure - most significantly on employees and through better procurement and demand management - and by increasing income as outlined in the Medium-Term Financial Strategy. Also, through targeting revenue resources into preventative services, the council has ensured that the implications of demand and demographic pressures, which have resulted in significant cost pressures in other local authorities, have been contained within Leeds. The council's capital programme has also been reviewed and prioritised in light of the ongoing financial challenge, but continues to deliver capital investment to support the delivery of our strategic objectives and to support the realisation of revenue savings.

The council is committed to responding to the challenges of inequality in Leeds within the pressures of the financial context in which we are now operating and ongoing uncertainty with regard to the Government's future spending plans.

After taking into account the impact of the anticipated changes in funding and cost pressures and the ongoing impact of COVID-19 on the council's financial position it is forecast that we will need to generate revenue savings, efficiencies and additional income to the order of £20.7 million in 2022/23 to balance to the anticipated level of resources available. 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 2022/23 through a combination of efficiencies, changes to service and increased income. Details of proposals can be found in the directorate reports appended to the February 2022 Executive Board and Full Council '2022/23 Revenue Budget and Council Tax' report and in the 'Capital Programme Update 2022-2026' report.

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

Last year, the council's revenue budget for 2021/22 required the authority to deliver budget reduction measures of £87.5m, on top of the significant savings already achieved since 2010. Accordingly, in February 2021, following Council approval of the 2021/22 Budget, the council 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.

However, the financial challenge continues: as set out in the Medium-Term Financial Strategy 2022/23 to 2026/27 considered at September 2021's Executive Board meeting, a budget gap of £146.5m was estimated for that five-year period, of which £65.4m related to 2022/23. Throughout the 2021/22 financial year, the council has held ongoing discussions with Trade Unions regarding this financial position and our response, including highlighting the 'service review' savings proposals that, subject to consultation where appropriate, will be taken forward during 2022/23 and beyond (as considered by the Executive Board at its meetings in September and December 2021). In previous years this has been constructive and has collectively worked to avoid, reduce and mitigate the need for compulsory redundancies in the authority.

The council has operated a voluntary retirement and severance scheme since 2010/11 which has already contributed significantly to the reduction in the workforce of around 2,831 FTEs (or 3,699 headcount) to December 2021. The Budget proposals for 2022/23 provide for an estimated reduction of 19 FTEs, offset by growth of 211 FTEs, a net increase of 192 FTEs (178 FTEs in the General Fund and 14 FTEs in the Housing Revenue Account) by 31st March 2023. However, with the council's budget for 2022/23 requiring the authority to deliver budget reduction measures of £20.7m and within the context of the estimated revised budget gap of £85.5m for 2023/24 to 2026/27, further budget savings proposals will be required to bridge this gap. This could result in a reduction in the number of budgeted FTE posts, and it is therefore the council's intention to issue an updated S188 notice following Full Council approval of the 2022/23 Budget in line with our statutory duties to consult with recognised Trade Unions for ways to avoid, reduce and mitigate compulsory redundancies. Any service reviews that arise as part of the further budget savings proposals that could 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 support 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.

#### *Budget consultation and engagement*

The 2022/23 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. 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.

Following agreement by December's Executive Board, public consultation on the council's Proposed Budget for 2022/23 took place during the four weeks between 15th December 2021 and 13th January 2022. In a change to previous years, the consultation survey was hosted on an online engagement platform. This included links to other relevant consultations (including the Best City Ambition), a detailed timeline, and an opportunity for participants to share and comment on each other's ideas for how the council can improve and deliver services more efficiently.

The survey explored a range of themes relevant to the proposed budget including: principles of how we should be funded, proposed changes to Council Tax, and how we plan to spend the revenue budget. Further questions included satisfaction with how the council runs things overall, and ideas for opportunities for the council to do things in more modern and efficient ways.

The consultation was circulated primarily through Leeds City Council social media channels and online community groups, and a news item on the council's website. The 1,421 members of the Citizens' Panel 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. Targeted social media was successful in increasing engagement of younger people aged under 30.

In total, 1,332 participants visited the engagement platform. From here, 623 clicked through to the survey, of whom 468 went on to complete it. Within the engagement platform 15 participants shared a total of 28 ideas for how the council can improve and do things in more modern and efficient ways. Although at 468, the survey response is lower than previous years (2,495 in 2021,22 and 1,537 in 2020/21), this statistically represents the population well to a confidence interval of +/- 4.5% (with 95% confidence). Survey participants were from a range of different demographic groups, which broadly represents the population of Leeds residents as compared with the 2011 Census.

The public consultation results are included in full at Appendix 2 to the February 2022 '2022/23 Revenue Budget and Council Tax' report with the results of the consultation with Scrutiny Boards at Appendix 3.

## **Fact finding – what we already know**

### ***Demographics: A Changing Population***

The population of Leeds was estimated to be 799,000 people in 2020 (ONS mid-year estimate) - an increase of 0.8% (6,000 people) in the year since the previous 2019 mid-year estimate. The population has increased by about 48,000 compared to the 2011 Census.

Based on the ONS 2020 MYE, there are estimated to be:

- 51% (407,119) female and 49% (391,667) male
- 154,400 children and young people aged 0 to 15 years
- 520,600 people of working age (16 to 64 years)
- 123,800 older people aged 65 and over
- One in ten people (10%) in the 20 to 24 age band, reflecting the large student population

Looking at the nine years between 2011 and 2020:<sup>1</sup>

- It is estimated that the Leeds population increased by 6.4% (48,100 people).
- The working age population had a smaller percentage increase (3.6%) than both the population of children and young people (12.0%) and the population aged 65 and over (11.6%).
- The population of older people aged 65 and above increased by 13,600 people. Although the 65 and above age group still has more women than men, there has been a bigger increase in

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<sup>1</sup> ONS mid-year population estimates 2011-2020

the number of men, with 7,400 more men aged 65 and over resident in Leeds in 2020 than in 2011 (compared to 6,200 more women).

- There was an increase in the number of primary school age children in Leeds, with an additional 10,400 (11.7%) children in the 0 to 10 age group.

Looking at the projected population 2020 to 2030:<sup>2</sup>

- Over the 10 years 2020 to 2030, the peak of those primary age pupil increases will continue to feed into secondary school, with an increase in the number of teenagers in Leeds. There are projected to be 6,300 more young people aged between 11 and 17 by 2030 (10.3%).
- The increase in the older population is projected to be even bigger with almost 17,000 more people aged 65 and over resident in Leeds in 2020 than in 2030.
- The Leeds population overall is predicted to continue to grow, reaching almost 820,000 by 2030; a 24,000 (3.0%) increase from 2020. The working age population will have a smaller percentage increase (1.8%) than those aged 65 and over (13.6%). The population of 0 to 15-year olds is predicted to fall by 1.5%.

The makeup of the city is outlined below:

- Leeds continues to become more ethnically diverse. The national 2011 Census showed that 18.9% of Leeds population was from a BAME background.
- According to the January 2021 Leeds School Census:
  - The proportion of the school population from BAME backgrounds more than doubled since 2005, increasing from 17.4% in 2005 to 36% in 2021.
  - The greatest ethnic diversity is in younger age groups, with 36.7% BAME pupils in primary schools and 34.4% BAME pupils in secondary schools.
  - In 2021, 20.2% of Leeds school pupils spoke English as an additional language, with the top five main languages being Urdu, Polish, Arabic, Romanian and Panjabi (this excludes the category 'Other than English', which is the second most selected category).
- According to the national 2011 Census, the population aged 65 and older is less ethnically diverse than younger age groups, but the proportion from BAME backgrounds will increase as people who settled in Leeds as young adults grow older.
- The religious profile of the city is changing. In the 10 years between the 2001 Census and 2011 Census, the proportion of people who said they are Christian decreased from 68.9% to 55.9%. The proportion with no religion increased from 16.8% to 28.2%. Compared to England and Wales, Leeds had higher than average proportions of people stating their religion as Jewish (0.9% compared to 0.5%), as Muslim (5.4% compared to 4.8%) and as Sikh (1.2% compared to 0.8%). The Muslim community had the youngest age profile.
- There is no direct count of disability for the whole population, but the Census 2011 collected information about 'long-term health problems or disability'. In Leeds 83.3% of people said that their day-to-day activities are not limited by long-term health problems or disability, 7.9% said they are limited a lot and 8.9% said that they are limited a little.
- 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. In Leeds, 41.5% of adults were married, which is lower than the England and Wales rate of 46.6%; 0.2% of adults were in a registered same-sex civil partnership, which is the same as the England and Wales rate; 40.8% of adults were single (never married or never registered in a same-sex civil partnership), which is much higher than the England and Wales rate of 34.6%; 17.5% of adults were separated, divorced or widowed, which is slightly lower than the England and Wales rate of 18.6%.

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<sup>2</sup> ONS projections - 2017 release, 2020 revisions

## Poverty and Inequality

The key message in the council's strategic plan, the Best Council Plan, is that for Leeds to be the Best Council in the Best City, we need to tackle poverty and reduce inequalities. Whilst, subject to final approval by Full Council in February 2022, the Best Council Plan will be replaced with a Best City Ambition, this strategic ambition will continue, aligned to three pillars of health and wellbeing, inclusive growth and zero carbon.

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*

A significant number of people in Leeds were already being impacted by low income and poverty before COVID-19 took effect in March 2020.

Local authorities are often ranked on the proportion of neighbourhoods in the most deprived 10% nationally. Based on the most recent 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.

### *Long-Term Challenges*

Long-term challenges for the city in relation to poverty include:

- In 2019/20, 22% of the Leeds population (equating to 174,000 people) were classed as living in relative poverty after housing costs are deducted from income<sup>3</sup>.
- 24% of children, (36, 496) were estimated to be living in relative low-income families before housing costs in 2019/20<sup>4</sup>.
- It is estimated that 18.2% of all Leeds working residents earned less than the Real Living Wage in 2020, affecting 61,593 FTE residents. It is also estimated that 12,417 workers are on zero-hour contracts<sup>5</sup>.
- Between 1st April 2020 and 31st March 2021, 153,335 food parcels in Leeds were given out informally via Community Care Hubs, Emergency Food Provisions which equates to an 860% increase since 2019/20.
- In 2019, 16.8% of Leeds' households (57,429 households) were estimated to be in fuel poverty<sup>6</sup>.

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<sup>3</sup> Relative Poverty measures individuals who have household incomes 60% below the median average. Source: DWP households below average income 2019/20, published March 2021

<sup>4</sup> Children in Low Income Households Local Area Statistics 2021 (Source: HMRC & DWP Combined data published for the first time in 2020, replacing DWP's Children in out-of-work benefit households and HMRC's Personal Tax Credits: Children in low income families. This local measure provides a picture of children in low income families for both Relative and Absolute measures, but only Before Housing Costs (BHC)

<sup>5</sup> More information on Wages, Household Income and Employment in Leeds can be found in the [Leeds Poverty Factbook](#)

<sup>6</sup> Source: Department for Energy & Climate Change, 2019 results published in June 2021. Details are available online [here](#)

## ***Impact of COVID-19***

Even before COVID-19 the scale of the challenge was significant: the combined impact of austerity with sustained public sector funding cuts, welfare reform and an increase in low paid and insecure employment all contributed to increasing and deepening levels of poverty across the UK - and Leeds was no exception. Prior to the pandemic, local research highlighted that in 2018 households in Leeds were less resilient and worse prepared for an external financial shock or crisis than in 2004, with significantly lower propensity to save and a higher likelihood of being in debt.

The COVID-19 pandemic in 2020 proved to be such a crisis, increasing pressures on low income households and the most vulnerable in our society, as well as pushing many additional households to experience financial uncertainty and hardship for the first time.

The last year has seen further impact on low income households, with both local and national evidence describing how many are left trapped between a reduction in income due to job losses, furlough ending and the removal of the £20 uplift in the Universal Credit (UC) weekly standard allowance, compounded by rising costs from energy prices, household bills and supply issues. In a new report '*Dragged Down by Debt*<sup>7</sup>', Joseph Rowntree Foundation has found 3.8 million low-income households across the UK are in arrears and 4.4 million have had to take on new or increased borrowing through the pandemic. Many of these households weren't in arrears before the pandemic, and have faced income loss and increases in their expenses.

Despite the combined impact of national COVID-19 response and recovery measures, including government funding allocated to local authorities, and the strong, well-established supportive infrastructure in place in Leeds, the actions undertaken have not been enough to prevent increasing numbers of households falling into poverty and hardship.

- In February 2020, pre-pandemic, 33,715 people citywide were claiming UC<sup>8</sup>, but by October 2020, this had more than doubled to 70,127 claims. Although rising further during 2021 to a peak in March of 74,515, the number of claimants has since fallen back to 70,892 in October 2021, still more than double the pre-pandemic figure. (Stat-Xplore – People on UC)
- According to the January 2021 school census, 29,350 children from Reception to Year 11 claimed free school meals (FSM) in Leeds. This was an increase of 1,462 since October 2020 (5.2%) and an overall increase of 4,843 since January 2020, giving an annual increase of children claiming FSM of 19.8%.

At a national level, research has shown how protected characteristics (particularly disabled households, BAME and disadvantaged communities) have been disproportionately impacted both by COVID-19 directly and the associated negative economic impacts of the pandemic.

- The Money and Mental Health Policy Institute (MaMHPI) 2021 report '*The State We're In*<sup>9</sup> found that, 'more than one in four people with mental health problems owe more than they did a year ago and those with the least manageable debts were most likely to have increased what they owe.'
- The same report also found that '44% of UK adults with mental health problems who fell behind on bills last year either considered or attempted to take their own life, amounting to 2.5m people nationally'.

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<sup>7</sup> Joseph Rowntree Foundation, '*Dragged down by Debt*', October 2021. Available at: [Dragged down by debt: Millions of low-income households pulled under by arrears while living costs rise | JRF](#)

<sup>8</sup> Leeds moved to the full-service digital platform of Universal Credit (UC) in October 2018. Full service means that all new claims to the 6 key legacy benefits (Job Seekers Allowance, Employment support Allowance, Income Support, Child Tax Credit, Working Tax Credit, Housing Benefit), will now be made to UC instead.

<sup>9</sup> Bond N and D'Arcy C., '*The state we're in: money and mental health in a time of crisis*'. Money and Mental Health Policy Institute, November 2021. Available at: [The-State-Were-In-Report-Nov21.pdf \(moneyandmentalhealth.org\)](#)

- A survey conducted in January 2021 by The Disability Benefits Consortium<sup>10</sup> highlighted, 'during the pandemic, 67% of respondents stated at some point, they had to go without essential items and 44% were unable to meet financial commitments such as rent and household bills'.
- 62% of severely food insecure people are claiming benefits, according to research published in October 2021 by the Welfare at a Social Distance Project<sup>11</sup>.
- The Resolution Foundation reported in October 2021 that, 'three quarters of households on UC will still be worse off as a result of the removal of the £20 uplift, despite the reduction in the taper rate and increase to work allowances.'<sup>12</sup>

Citizens Advice Leeds (CAL) and Chapeltown Citizens Advice have reported that in most cases, data has returned to 2019 levels, following the period of disruption in 2020:

- UC enquiries rose to 26% of total enquiries (15,711 enquiries), compared to 19% in 2019 and 24% in 2020, reflecting numbers of people becoming unemployed or losing income throughout the pandemic.
- Other Welfare Benefits enquiries increased again to 24% in 2021 as forbearance measures ended (compared to 17% in 2020 and 23% in 2019). Of all benefit enquiries, the largest issue in all three years continued to be initial claims for UC.
- Employment enquiries increased from 6% in 2019 to 10% in 2020, largely due to furlough, redundancy, and job insecurity. This reduced to 5% in 2021 as employment became more stable.
- Overall there has been a fall in debt advice enquiries at 9% of all enquiries in 2021 compared to 12% in 2020 (and 14% in 2019). However it is important to recognise that the overall fall does not necessarily reflect a fall in demand – due to a variety of reasons, advisers are spending more time on individual cases, reducing the number of clients they are able to help. In addition, in 2021 Citizens Advice developed a national debt line and local callers are being diverted to this service rather than to CAL.
- Fuel debts and Council Tax arrears continue to be the largest debt enquiry areas, the former rising from 6% of debt enquiries in 2019 to 12% in 2021.
- Across the two organisations, the number of BAME clients has returned to pre-pandemic levels (35%), having fallen slightly in 2020 to 33% in 2020. But households with dependent children, working age clients and those with a long-term health condition or disability have all increased in 2021, compared with 2019 prior to the pandemic.

### **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.

The council demonstrates 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

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<sup>10</sup> Disability Benefits Consortium, 'Pandemic Poverty', February 2021. Available at: [MS Society External template \(wordpress.com\)](#)

<sup>11</sup> The Welfare at a (Social) Distance Project. Available at: [Project Report #6 \(October 2021\): Hunger and the welfare state: Food insecurity among benefit claimants during COVID-19](#)

<sup>12</sup> The Resolution Foundation, 'The Boris Budget', October 2021. Available at: <https://www.resolutionfoundation.org/app/uploads/2021/10/The-Boris-Budget.pdf>

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 minority 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. This allows council colleagues and partners to track trends, scrutinise and build an overview of where investment is made.

In 2019/20, provisional analysis shows the council's overall investment in the third sector to have been £130.5m with 1,264 individual third sector organisations. Members Improvement in the Community and Environmental (MICE) allocation totalling £153,000 was invested in third sector-led, community-based initiatives. Analysis for 2020/21 is currently in progress to be taken to Third Sector Partnership in Spring 2022. 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:

- In February 2022, the council's Deputy Chief Officer Financial Services will provide Leeds Third Sector Partnership with an overview of the council's financial position and the challenges that will need to be addressed. Further discussion is planned on the analysis of council and CCG third sector spending alongside analysis from the National Lottery Community Fund and Leeds Community Foundation.
- 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.
- Third sector partners across West Yorkshire and Harrogate have carried out three Resilience of the Third Sector surveys during COVID-19. The surveys sought to capture the impact of COVID-19 emergency arrangements on the third sector looking at: sector viability in the light of changing income and expenditure; pressures on communities and changes in volunteering; and the third sector's ability to adapt to changing circumstances and positive experiences. As a result, recommendations have been made to help reduce the worst impacts of the crisis on

the third sector and capture the key positives of new working practices and changed relationships.

- The Resilience of the Third Sector Bronze Group set up during COVID-19 in recognition of the critical support a thriving third sector provides to the people of Leeds has now been stood down. However, the Bronze Group remains part of the Leeds COVID-19 Multi-Agency Command and Control Arrangements should it need to be reinstated. The workstreams initiated on resources, communities, volunteering, environment and generous leadership continue to report into the Third Sector Partnership.
- The close working between Voluntary Action Leeds (VAL) and other community and voluntary organisations to respond to needs in our communities during COVID-19 has led to an established network of Community Care Hubs covering each ward of the city. Several of these hubs are now exploring community anchor and alternative models to create and sustain strong local partnerships. This ward hub structure is available for the wider sector, commissioners and other stakeholders to link in with and has provided ongoing support throughout the winter period.
- The Communities of Interest network of community-based organisations was established in partnership between Forum Central, VAL, Healthwatch and the council's Communities Team following COVID-19 to ensure information and support connects with the most marginalised and vulnerable communities in Leeds. The network brings together representatives from third sector organisations supporting diverse communities from across Leeds to discuss and identify priority needs/issues and opportunities. An independent qualitative evaluation explored the role of the network, the related benefits, and learning from the perspective of the members and wider system stakeholders. A number of successes were reported including the network's diverse involvement, the capability to gain and share knowledge and information, the making of new connections and partnerships, and the opportunities to challenge and influence system change. Recommendations for future organisation and delivery suggest a review and refinement of action plans to support communities into the COVID social recovery phase and the methods of addressing health inequalities for the most marginalised groups.

### ***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 and Third Sector Resilience work continue 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 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 2022 to engage with the network and share good practice.

- The council facilitates the cross-sector Funding Leeds Partnership, which has been leading on ambitions to maximise external investment into Leeds through the third sector by making funding information and support accessible. This includes the Funding Leeds platform: a comprehensive database of funding opportunities with information about local support that is available online and free to access.
- The People’s Commissioning arrangements in the council provide a vehicle to ensure that investment, including in the third sector, is coherent and coordinated.

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.

### The council’s workforce profile

In recent years in response to the financial challenges, the council has significantly reduced its workforce. Working closely with the trade unions and with the take-up of our voluntary leaver scheme we have managed to reduce staffing with relatively few compulsory redundancies. Reducing agency staff costs, overtime, 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.

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 2021 the council’s minimum hour rate increased to £9.50 which mirrored the Living Wage Foundation’s recommended minimum rate of pay.
- 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 and part-time workers. The council remains committed to annually reviewing pay in the overall context of the budget strategy. Increases are considered in terms of affordability, impact on pay structures and national pay settlements.

As at December 2021 there were 14,141 people employed in the council (excluding schools and casual staff), equating to 12,126 FTEs. The workforce profile of all employees is shown below.

Leeds City Council workforce profile – December 2021		
Profile area	Headcount	% of overall headcount
<b>Gender</b>		
Male (including Trans)	5,554	39%
Female (including Trans)	8,587	61%
<b>Total</b>	<b>14,141</b>	<b>100%</b>
<b>Age / years</b>		
16 – 25	921	7%
26 – 40	4,105	29%
41 – 54	5,288	37%
55 – 64	3,434	24%
Over 65	393	3%
<b>Total</b>	<b>14,141</b>	<b>100%</b>

Leeds City Council workforce profile – December 2021

Profile area	Headcount	% of overall headcount
<b>Ethnicity</b>		
Non BAME	10,763	76%
BAME	2,053	15%
Prefer not to say	30	0%
Not declared	1,295	9%
<b>Total</b>	<b>14,141</b>	<b>100%</b>
<b>Disability</b>		
Disabled	842	6%
Not disabled	11,771	83%
Prefer not to say	119	1%
Not declared	1,409	10%
<b>Total</b>	<b>14,141</b>	<b>100%</b>
<b>Carer</b>		
Carer	1,267	9%
Not a carer	7,870	56%
Prefer not to say	110	1%
Not declared	4,894	35%
<b>Total</b>	<b>14,141</b>	<b>100% (rounded)</b>
<b>Sexual orientation</b>		
Heterosexual	8,667	61%
Lesbian	127	1%
Gay Man	163	1%
Bisexual	137	1%
Other	62	0%
Prefer not to say	168	1%
Not declared	4,817	34%
<b>Total</b>	<b>14,141</b>	<b>100% (rounded)</b>
<b>Religion or belief</b>		
Religion stated	9,818	69%
Prefer not to say	138	1%
Not declared	4,185	30%
<b>Total</b>	<b>14,141</b>	<b>100%</b>
<b>Additional gender details</b>		
Same as assigned at birth	3,496	25%
Not same as assigned at birth	42	0%
Not declared	10,603	75%
<b>Total</b>	<b>14,141</b>	<b>100%</b>

## 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, 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 strategic 'Best City' ambition to tackle poverty and reduce inequalities.

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 strategic priorities and Budget proposals. The Equality Improvement Priorities recognise that there are currently 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.

Tackling poverty and reducing inequalities has been the council's strategic ambition for a number of years and thus work was already in progress by the council and its partners prior to COVID-19. Improving equality outcomes and tackling inequality are inextricably linked and the impact of the COVID-19 pandemic has brought this to the fore: work that has been taking place since the start of the pandemic in 2020 demonstrates that there is a disproportionate or differential impact on inequality due to COVID-19 on the city's Communities of Interest and the protected characteristics as required under the Equality Act 2010. This work highlights that action needs to be taken to address these social, structural and economic inequalities to ensure that they do not worsen.

As a result, in July 2021 the council agreed a new approach to the council's Equality Improvement Priorities for 2021 to 2025, developed to take into account the disproportionate and differential impact of COVID-19 on inequality. Three cross-council Equality Improvement Priorities were agreed with a further eight 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><li>Sustainable Infrastructure</li><li>Inclusive Growth</li><li>Housing</li><li>Safe, Strong Communities</li></ul>

The new Strategic Equality Improvement Priorities 2021 to 2025 will ensure the council continues to meet its legal duties but, more importantly, will 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 highlights 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.

## **Summary and Next Steps**

The proposed Best City Ambition and Budget 2022/23 recognise the challenges that the city and the council are facing: rising cost of living and other financial pressures, increased demands on public services and deep-rooted inequalities, many of which have worsened as a result of COVID-19. Maintaining a clear, strategic vision centred firmly on tackling poverty and inequalities with a Budget and wider financial strategy that supports this will help tackle these challenges.

Our strategic ambitions and Budget are aimed at tackling inequalities through a range of activity and interventions. This requires an understanding of the potential negative impacts on communities and protected characteristics covered by the Equality Act 2010 and action identified to mitigate against these. The Budget will impact on all communities and, as previously stated, those groups identified as being at the greatest potential risk of negative impact include:

- Disabled people – including all impairment groups;
- Black, Asian and Minority Ethnic (BAME) 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 BAME communities).

Other considerations consider a range of factors including:

- Stakeholder status - for example, whether one is a service user, employee or elected member; and
- Potential barriers - for example, the built environment, location, stereotypes and assumptions, timing etc.

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.

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. Equality impact screenings were carried out on all ‘service review’ revenue savings proposals previously approved by the Executive Board for implementation / consultation at its September and December 2022 meetings, contributing to this proposed Budget. Full equality impact assessments will continue to be carried out as appropriate on specific proposals in relation to implementing the Budget during 2022/23 and beyond through the council’s decision-making processes.

This is a high-level strategic analysis and equality impact assessment of the proposed Leeds Best City Ambition and Budget and Council Tax for 2022/23. It has not identified any specific gaps in the equality and diversity information used to carry it out.

### 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. Since by definition decisions which require virements do not fall within an existing budget, they should be treated as significant operational decisions unless they meet the threshold to be treated as key 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.
- 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 outlined within the Corporate Plan
- 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 £10k, 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 fulfilled by the Chief Officer Financial Services

**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 2022/23 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 2022/23 financial year.
- 1.2 The 2022/23 Revenue Budget provides £2,570k within the Council's Strategic Budget for the ongoing impact of COVID-19 pandemic. As such no Directorate COVID impacts are detailed below.

### 2 Service Context

- 2.1 The current context for Adult Social Care and Public Health is still heavily influenced by the Covid pandemic. It has necessarily changed significantly how, and which, services are commissioned and delivered. The near future is therefore somewhat uncertain; in Public Health sizeable efforts will still need to be directed to managing the pandemic and its after-effects throughout next year and a possible reprioritisation of services funded by the Public Health grant. 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. 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 demographic increases, increased life expectancy, increasing complexity of need and service user 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 putting increasing pressure on public finances and the reductions in public spending have added to the financial challenges faced by Adult Social Care.
- 2.3 In an attempt to mitigate this financial pressure, the Government, in its 2021 Spending Review, announced an increase in the Social Care Grant and that local authorities will be permitted to levy a 1% adult social care precept increase.
- 2.4 There is a 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. In September 2021 the Government presented to Parliament proposals for future funding reforms for Health and Social Care, "Building Back Better: Our Plan for Health and Social Care". Specifically, for the Care sector, the Government published its Policy Paper, "People at the Heart of Care: adult social care reform", on the 1<sup>st</sup> December 2021 setting out its 10 year vision for how it will transform support and care in England. The Policy Paper has 3 objectives:
- i) People have choice, control, and support to live independent lives
  - ii) People can access outstanding quality and tailored care and support
  - iii) People find adult social care fair and accessible

- 2.5 The pandemic has had an impact on the mix of care provided, particularly a move from residential to community-based care, over the last year and the long-term effects of this may impact on the types and volumes of future provision. Also impacting on the mix will be the promotion of the, 'Independence First' agenda and putting resources into supporting people to live independently for longer.
- 2.6 Adult Social Care will continue to develop and implement its approach to design care and support arrangements around the strengths of individual service users 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 health partners to develop plans for meeting the needs of the NHS England-led Transforming Care programme and Health and Social Care reforms. The year will also see preparations begin for the Social Care Funding Reforms announced recently by the Government which will take effect in 2023.
- 2.7 **Public Health:** Public Health commissions a wide range of providers to deliver Public Health services. These include 3rd sector providers, GPs, Pharmacists and Leeds Community Healthcare. Though the government has announced that Public Health grant will be maintained in real terms until 2024/25, this does not reverse the 24% 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.

### 3 **Budget Proposals**

- 3.1 This 2022/23 budget has been set at £197,643k representing a net increase of £2,361k (1.2%) when compared to the adjusted budget for 2021/22. This net increase comprises a number of changes in resources totalling £11,958k and pressures totalling £21,313k offset by savings of £6,995k which are explained below.

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

- 3.2.1 There have been several organisational changes, service transfers and other budget adjustments which are reflected in the 2022/23 budget which have an overall net impact of increasing the budget by £71k.
- 3.2.2 These include £113k pay inflation costs for Passenger Transport employees in Resources & Housing; Leeds Community Equipment Service and removal of £15k income recharge for staffing costs supporting Children & Families Directorate; the transfer to Resources & Housing for funding for the public sector decarbonisation scheme, £16k; transfer of staffing budgets to Resources and Housing - Business Support Centre, £7k; Communities Housing and Environment – Welfare Rights, £34k.

#### 3.3 **Changes in Specific Grant Funding – increase of £ 2.235k**

- 3.3.1 As part of the reforms of the social care system, the Government announced a new grant funded scheme, Market Sustainability and Fair Cost of Care Fund, of which Leeds is due to receive £2,235k.

### **3.4 Changes in Use of Reserves and Balances – increase of £2,683k**

3.4.1 Social Care reserves totalling £5,417k will be applied in 2022/23 an increase of £2,683k on those utilised in 2021/22; this is represented by a £2,652k corporate repayment for reserves utilised in 2021/22; £3,035k to support specific Adults & Health innovation programmes; £2,300k utilised to partially mitigate cost pressures associated with service provision in 2022/23.

### **3.5 Changes in Other Resources - increase of £7,040k**

3.5.1 The budget reflects £5,000k contribution from Leeds Health partners to support Leeds City Council expenditure that directly supports their services. This contribution will support both Adults & Health and Children & Families services, and discussions are taking place with Health partners to agree how the contribution will be split across the directorates. Until the details are confirmed, the £5,000k has been initially included in the Adults & Health budget. If required, budgets can be adjusted to reflect the contribution in respect of Children & Families once this has been agreed.

3.5.2 In accordance with the Government's guidance on the flexible use of capital receipts which allows for expenditure on projects designed to generate ongoing revenue savings or expenditure associated with transforming service delivery to be funded with capital receipts, the Adults and Health budget provides for £2,040k to be funded in this way. Details of the identified expenditure is contained in Appendix 9.

### **3.6 Changes in prices – pressure of £3,981k**

3.6.1 Spending Review 2020 indicated a public sector pay freeze in 2021/22. However, it is now assumed a pay award will be required and negotiations are ongoing. As such the budget provides £2,211k for two elements of pay: the Employers final offer for 2021/22 not provided for in the 2021/22 base budget and an assumed 2022/23 pay award incorporating the recently announced Real Living Wage of £9.90 as scale points 1 and 2 and a 2% pay award for all other staff. The provision reflects the Council's continuing commitment to be a Real Living Wage employer. Consequently, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.90 per hour which is 40 pence above the National Living Wage rate. Apprentices and new starters on the A1 spinal point will be also be paid £9.90 per hour.

3.6.2 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 £2,150k for care packages and other commissioned demand led services. A 5% increase has been provided for inflation on utilities budgets, providing £20k. The current assessment of projected energy prices indicates there may be an additional pressure in 2022/23, in response to which a reserve has been created within the Council's Strategic Budget and will be applied as required.

3.6.3 Inflationary increases in the level of fees, charges and income from other organisations are estimated to generate additional income of £400k. Many adult social care fees and charges are related to Department for Works and Pensions benefits rates and will be uplifted accordingly from April 2022. Those changes not linked to benefits rates have been budgeted to increase by 3%. An increase in the charges for services does not necessarily generate a proportionate increase in income as the amount people pay for most services is determined by individual financial circumstances.

### **3.7 Actuarial Review**

3.7.1 The 2022/23 budget does not provide for an increased contribution to the West Yorkshire Pension fund. Whilst this reflects the most recent Actuarial Review, which showed the West Yorkshire Pension Fund to be in a surplus position, the Council will continue to monitor this position.

### **3.8 Capitalised Pension Costs – saving of £177k**

3.8.1 The Council continues to provide an Early Leavers Initiative (ELI) to reduce the wage bill as a mechanism to contribute towards the budget gap. The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £177k.

### **3.9 Cost of Care/Ethical Care Charter Commissioned Services – pressure of £8,061k**

3.9.1 In respect of services commissioned from external providers by the Directorate, provision of £8,061k has been included in the proposed Budget for 2022/23. This reflects the finalised outcomes of the two Cost of Care exercises undertaken in 2021-22 financial year for Home Care and Residential Settings and provision to enable a continuation of meeting the aims of Ethical Care Charter. The Government announced an increase to the National Living Wage from £8.91 to £9.50 and for the Real Living Wage from £9.50 to £9.90. For Home Care the strategy funds the Real Living Wage allowance of £9.90 per hour. For Residential settings the strategy funds a minimum of £9.50 per hour.

### **3.10 Demand and Demography – pressure of £7,179k**

3.10.1 Additional provision of £6,186k has been made to reflect the demand and demographic pressures forecast for the 2022/23 for care packages. 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.

3.10.2 An additional provision of £993k has been built into the budget recognising the national Transforming Care agenda which will result in more people with learning disability and/or autism being discharged from long-stay hospitals to their home location and supported in more independent settings such as supported living and with enhanced community support in place.

### **3.11 Other budget pressures – £2,269k**

3.11.1 Offsetting expenditure relating to the new grant funding in 3.3 above, Market Sustainability and Fair Cost of Care, £2,235k.

3.11.2 A number of corporately managed areas have had a small impact on the Adults and Health 2022/23 budget: increased insurance provision, £28k; increased Apprentice Levy provision, £11k; offset by savings on NNDR of £5k. The increased insurance costs reflect changes in the number and value of insurance claims.

### 3.12 **Savings**

#### 3.13 **Business As Usual – £4,434k**

- 3.13.1 Additional CCG income of £575k. This is a combination of inflationary uplift in the Better Care Fund including additional £75k relating to 2021/22 financial year which is now in the base budget for future years and new funding agreements with the CCG around current Adult & Health budgeted programmes supporting the NHS.
- 3.13.2 A review of primarily Working Age Adults care packages to ensure value for money is being achieved and that packages are appropriate when aligned to Strengths-Based approach adopted by the Directorate. This exercise will also take in a review of s117 eligibility. The total target of these initiatives is to deliver a saving of £500k.
- 3.13.3 Within the commissioned services for Working Age Adults and Older People a continuing review of eligibility for Continuing Health Care is calculated to save £250k per annum.
- 3.13.4 The Directorate continues to improve its processes for the billing and collection of assessed client contributions, a further net £2,300k is projected to be recoverable in 2022/23.
- 3.13.5 An adjustment re the 2021/22 one-year freeze on home care uplift has added £700k to the Directorate's budget.
- 3.13.6 A detailed review of commissioned services within the Learning Disability service will save £250k through efficiencies in provision and best use of resources.
- 3.13.7 A programme for refurbishing the 3 remaining residential homes is scheduled to commence 2021/22. This will result in increased occupancy in the LCC run homes delivering savings of £190k on externally commissioned placements.
- 3.13.8 A review of general expenditure across the Directorate will deliver savings of £380k.
- 3.13.9 Develop a direct payment plan that is easy to administer for social workers to become the default option; will improve client contributions and reduce instances of incorrect billing, budgeted to deliver £50k savings.
- 3.13.10 Additional trading income for Workforce Development via increased training of £20k.
- 3.13.11 A corporate review of the PFI schemes has delivered insurance savings of £100k for the Independent Living Places programme.
- 3.13.12 Budgetary provision for Public Health grant funding to support Adults & Health, including Neighbourhood Networks, has been included at £520k.

#### 3.14 **Service Review £2,561k**

- 3.14.1 Further savings from the closure of the two care homes in 2021/22, Richmond House and Home Lea House, £1,111k. This takes the full year saving around the closure of the homes to £1,600k.
- 3.14.2 A review of Adult Social Work provision, with areas for consideration being (a) changes in Social Care at 'the front door', to maximise capacity to meet growing demand for information, advice, and a social care assessment of needs, embedding an 'independence

first' approach that uses Occupational Therapy staff; (b) Changes to Social Work reviewing functions to maximise capacity to meet statutory social care duties by piloting a new Community Reviewing Team. This will include Occupational Therapy and Social Work staff to enhance the capacity of the current Adult Reviewing Team in order to deliver an increased reviewing schedule, will generate a saving of £1,365k.

- 3.14.3 Align in-house mental health provision with strategic commissioning work & reviews, leading to increased health contributions, greater alignment to care pathway (i.e., provision supporting more individuals who would have otherwise needed another MH care package elsewhere), reduction in void costs, better use of internal resources and increased move on, saving £50k.
- 3.14.4 The Directorate is consulting to reduce contracts and grants with the third sector across organisations supporting older people and other client groups saving £35k.

## 4 Risk Assessment

- 4.1 In determining the 2022/23 budget, consideration has been given to all the risks which are managed within the Directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2022/23 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 impact of the pandemic and the change on 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 somewhat volatile and subject to demand factors that Adults & Health cannot directly control. The numbers of service users and the complexity of their needs may exceed the provision made within the budget. With approximately 3,500 placements in total a relatively modest percentage variance in numbers can give rise to a substantial cash variance. These variations could affect community care packages for adults, including those commissioned within the pooled budget for people with learning disabilities. In this context, delivering a number of the savings included within the 2022/23 budget carries some risk.
  - 4.4 For Public Health, outside of the uncertainties that the Covid pandemic continues to provide, there is a continued risk of harm to health and an increase in health inequalities due to the impact of the Public Health cuts on commissioned services and programme budgets over the last few years. Though the grant was increased in 21/22 it is still lower than several years ago.
  - 4.5 A risk of newly endorsed NICE (National Institute for Clinical Excellence) treatments becoming a cost pressure due to the Council's Public Health responsibilities. The Office of the Director of Public Health is responsible for a number of 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.

4.6 There is an overarching risk covering public health and social care relating to changes in national policy, including Health and Social Care, “Building Back Better: Our Plan for Health and Social Care” and practice and legislation e.g., Agenda for Change.

Briefing note prepared by: Alun Ellis (Head of Finance)  
Telephone: 0113-3783557

Directorate - Adults & Health

	2022/23 £m	FTEs
<b>Net managed budget 2021/22</b>	195.21	
<b>Adjustments</b>		
Transfers of function		
Other adjustments	0.071	
<b>Adjusted net managed budget</b>	195.28	
<b>Grant Fallout</b>		
<b>Grant Increases</b>		
Market Sustainability and Fair Cost of Care Fund	(2.23)	
<b>Changes in the use of Reserves &amp; Balances</b>		
NHS Contribution	(5.00)	
Repayment of 2021-22 Reserves	2.65	
Use of 2022-23 reserves	(2.30)	
Use of Reserves to pump prime future years savings plans	(3.035)	
Capital Receipt Flexibilities	(2.040)	
<b>Total Change in Resources</b>	<b>(11.96)</b>	<b>0.00</b>
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	2.21	
Price	2.15	
Income	(0.40)	
<b>Employers Pension</b>		
<b>Capitalised Pensions</b>	(0.18)	
<b>National Living Wage - commissioned services</b>		
National Living Wage/Ethical Care Charter	8.06	
<b>Demographic and demand pressures</b>		
Demand and Demography	7.18	
<b>Other</b>		
Insurance	0.03	
NNDR	(0.01)	
Electricity & Gas (Utilities)	0.02	
Apprentice Levy	0.01	
Offsetting expenditure for Market Sustainability and fair Cost of Care Fund	2.23	
<b>Total Pressures</b>	<b>21.31</b>	<b>0.00</b>
<b>Savings Proposals:</b>		
<b>Business As Usual</b>		
Fallout of 2021-22 freeze on home care wage uplift	0.70	
Review of general expenditure	(0.38)	
Maximising funding contributions from NHS & Better Care fund inflationary uplift.	(0.58)	
Continued Value for Money work on high cost packages (Working Age Adults)	(0.50)	
Workforce Development - additional training income	(0.02)	
Improved processes and administration of Direct Payments	(0.05)	
Continued review of CHC eligibility (older people & mental health)	(0.25)	
Learning Disability commissioned services - efficiencies in provision and best use of resources	(0.25)	
Increased occupancy of in-house provision reducing external commissioned	(0.19)	
Improved collection of financially assessed client income	(2.30)	
Public Health -review contracts to be awarded for efficiencies	(0.52)	
Independent Living Project PFI scheme insurance premium reduction	(0.10)	
<b>Service Review</b>		
Decommission 2 Care Homes (full year effect)	(1.11)	
Reduction in commissioned services - older people and other client groups	(0.04)	
In-House strategic mental health review	(0.05)	
Review of Adult Social Work provision promoting Independence First agenda	(1.37)	31.00
<b>Total Savings</b>	<b>(6.99)</b>	<b>31.00</b>
<b>Net Managed Budget 2022/23</b>	<b>197.64</b>	<b>31.00</b>

# LEEDS CITY COUNCIL 2022/23 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 2022/23 financial year.
- 1.2 The 2022/23 Revenue Budget provides £2,570k within the Council's Strategic Budget for the ongoing impact of COVID-19 pandemic. As such, no directorate COVID impacts are detailed below.

### 2 Service Context

- 2.1 The overall aim of Children and Families continues to be delivering outstanding services that improve the lives of children, young people and families and make Leeds a child-friendly city.
- 2.2 The demand for Children and Families services are significantly influenced by the Covid-19 pandemic. The pandemic has had a huge impact on the communities of Leeds with those most vulnerable significantly affected in terms of their health and well-being as well as their economic circumstances. This has also led to an increased need for children's social care and learning inclusion services. The recent Ofsted focused visit acknowledged the impact of Covid-19 on all aspects of children's services, identified a number of areas of strength and areas for improvement in social work practice.
- 2.3 In response to these challenges, the directorate has developed a Covid-19 Transition Plan. This is a single plan which brings together Children and Families Services activity with that of other council services and partners, where appropriate, to support key improvement priorities from the Children & Young People's Plan during the period of transition from the Covid-19 pandemic.
- 2.4 The Transition Plan is underpinned by restorative, strength-based and family-led approaches which seek to address the impacts of poverty, and promote equality and diversity, and the voice and influence of children, young people, and their families.
- 2.5 The plan has three key themes:
- Improving the lives of children, young people and families
  - Creating the conditions for success
  - Securing the future and financial sustainability
- 2.6 In line with these principles, the 2022/23 Children and Families budget includes plans to invest resources to meet demand through a £2m investment in additional staff in key areas of the service. This includes the front door, children's social work and services for children with special education needs and disabilities. The additional investment is focussed on ensuring that children and young people's needs continue to be met effectively, despite the

increased need across the city, and builds upon an invest to save proposal with regard to the council's fostering and residential services.

- 2.7 In combination these proposals seek to ensure that the Directorate maintains the strategy of helping families early and in a preventative way wherever possible, and ensuring that where children are looked after this happens within the council's own provision, locally and in family settings wherever possible. This will continue to support positive outcomes for children and families in Leeds and over the medium-term result in financial savings to the Council.

### **3 Budget Proposals**

- 3.1 This 2022/23 budget has been set at £133,030k representing a net increase of £16,007k (11.9%) when compared to the adjusted budget for 2021/22. This net increase comprises a number of changes in resources totalling £58k and pressures totalling £17,878k offset by savings of £1,661k which are explained below.

#### **3.2 Budget Adjustments and Transfers - £68k**

- 3.2.1 There is a minor net adjustment of £68k in the 2022/23 budget relating to decarbonisation and a number of staffing adjustment between Children & Families and other directorates.

#### **3.3 Changes in Specific Grant Funding – reduction of £58k**

- 3.3.1 There is a reduction of £58k in Dedicated Schools Grant (DSG) funding for central school services provided by the council. This is due to ongoing phased reductions in the funding provided to local authorities by the Education and Skills Funding Authority, as some areas that were historically funded are no longer eligible for funding.

#### **3.4 Changes in Use of Reserves and Balances – no change**

- 3.4.1 There are no changes in the use of reserves and balances for 2022/23.

#### **3.5 Changes in Other Resources – no change**

- 3.5.1 There are no changes in other resources for 2022/23.

- 3.5.2 The Adults & Health budget reflects a £5,000k contribution from Leeds Health partners to support Leeds City Council expenditure that directly supports their services. This contribution will support both Adults & Health and Children & Families services, and discussions are taking place with Health partners to agree how the contribution will be split across the directorates. Until the details are confirmed, the £5,000k has been initially included in the Adults & Health budget. If required, budgets can be adjusted to reflect the contribution in respect of Children & Families once this has been agreed.

#### **3.6 Changes in prices – pressure of £8,866k**

- 3.6.1 Spending Review 2020 indicated a public sector pay freeze in 2021/22. However, it is now assumed a pay award will be required and negotiations are ongoing. As such the budget provides £5,055k for two elements of pay: the Employers final offer for 2021/22 not provided for in the 2021/22 base budget and an assumed 2022/23 pay award incorporating the recently announced Real Living Wage of £9.90 as scale points 1 and 2 and a 2% pay award

for all other staff. The provision reflects the Council's continuing commitment to be a Real Living Wage employer. Consequently, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.90 per hour which is 40 pence above the National Living Wage rate. Apprentices and new starters on the A1 spinal point will be also be paid £9.90 per hour.

- 3.6.2 No provision has been made for inflation on running cost budgets other than demand based budgets and where there are specific contractual commitments. A 5% increase has also been provided for inflation on utilities budgets, providing £85k. The current assessment of projected energy prices indicates there may be an additional pressure in 2022/23, in response to which a reserve has been created within the Council's Strategic Budget and will be applied as required. Business rates for Children and Families will increase by £90k.
- 3.6.3 In relation to demand based budgets, inflation of £2,652k is provided for the increased cost of external provision for Children Looked After. This amount reflects inflation on expected demand increases, and also includes an adjustment to reset the Strategy at a level reflecting inflation on existing demand, which has exceeded the available budget in recent years.. A further £1,100k has also been included to reflect the actual staffing structures currently in place across the Directorate.

### 3.7 **Actuarial Review**

- 3.7.1 The 2022/23 budget does not provide for an increased contribution to the West Yorkshire Pension fund. Whilst this reflects the most recent Actuarial Review, which showed the West Yorkshire Pension Fund to be in a surplus position, the Council will continue to monitor this position.

### 3.8 **Capitalised Pension Costs – saving of £29k**

- 3.8.1 The Council continues to provide an Early Leavers Initiative (ELI) to reduce the wage bill as a mechanism to contribute towards the budget gap. The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £29k.

### 3.9 **National Living Wage/Ethical Care Charter Commissioned Services – pressure of £720k**

- 3.9.1 Provision of £720k has been included for the estimated cost of the increase in the national living wage for external placement costs.

### 3.10 **Demand and Demography – pressure of £6,103k**

- 3.10.1 £5,403k 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). This amount reflects expected demand increases, and also includes an adjustment to reset the Strategy at a level reflecting actual demand, which has exceeded the available budget in recent years. The increase is partly offset by savings proposals detailed later in this report, which will increase the proportion of internal CLA provision.
- 3.10.2 A further £700k has also been provided for the increasing number of children eligible for transport support.

### 3.11 **Other budget pressures – £2,581k**

- 3.11.1 Provision has been included in the budget for an additional £2,000k of staffing costs, reflecting increased demand for social care and services that support special educational needs and disabilities.
- 3.11.2 £500k has been included for repayment towards previous borrowing against school balances, which supported early intervention and preventative services in Children's Services.
- 3.11.3 A further £75k has also been included in the budget for direct payments reflecting increased demand. An additional £20k has also been included to reflect increased apprentice levy payments.
- 3.11.4 Additional provision of £186k has been included for insurance costs, which reflects changes in the number and value of insurance claims.
- 3.11.5 Savings of £200k have been included for school premature retirement costs and Further Education pension costs, based on recent trends.

### 3.12 **Savings**

#### 3.13 **Business as Usual – saving of £1,366k**

- 3.13.1 Savings of £280k have been included for Passenger Transport savings on home to school transport through increasing efficiency and offering a flexible choice to parents and carers
- 3.13.2 Savings of £500k have been included for reductions in operational costs across the Directorate.
- 3.13.3 Additional income of £378k is included in the budget for the use of public health funding to support Children and Families services that deliver public health outcomes.
- 3.13.4 Contract savings of £208k have been included for expected insurance rebates on PFI contracts.

#### 3.14 **Service Review – saving of £295k**

- 3.14.1 Net savings of £295k are included from proposals that were reported to Executive Board in September 2021. The proposals invest in the council's fostering and residential provision based on an analysis of the needs of children in care. The proposals aim to create increased in-house capacity for children and young people to reduce reliance on externally commissioned fostering and residential placements.

## 4 **Risk Assessment**

- 4.1 In determining the 2022/23 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2022/23

budget for the Children and Families Directorate are set out below.

- 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, financially supported Non-CLA and on the transport budget. These budget proposals provide for increased demand, however there is a risk that demand may increase beyond current projections. In particular, the longer term impact of Covid on children and young people is still developing, and there is a risk that demand on services may increase as a result of this. 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 Directorate's proposed budget assumes no change in the amount of income from grants and other sources. Some of this income will require further work to secure, including ongoing discussions on appropriate contributions from health. The income budget also includes assumptions on 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. Further income pressures could also be seen on the council's nursery provision depending on the ongoing impact of Covid.

Briefing note prepared by: Lucie McAulay (Head of Finance)  
Telephone: 0113 3788766

## Directorate - Children & Families

	2022/23 £m	FTEs
<b>Net managed budget 2021/22</b>	117.02	
<b>Adjustments</b>		
Transfers of function	0.00	
Other adjustments	0.20	
<b>Adjusted net managed budget</b>	117.22	
<b>Grant Fallout</b>		
Dedicated Schools Grant - central school services	0.06	
<b>Grant Increases</b>	0.00	
<b>Changes in the use of Reserves &amp; Balances</b>	0.00	
<b>Changes in Other Resources</b>	0.00	
<b>Total Change in Resources</b>	<b>0.06</b>	<b>0.00</b>
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	5.06	
Price	2.98	
Income	0.00	
<b>Employers Pension</b>	0.00	
<b>Capitalised Pensions</b>	(0.03)	
<b>National Living Wage - commissioned services</b>		
National Living Wage/Ethical Care Charter	0.72	
<b>Demographic and demand pressures</b>		
Demand and demography	6.10	
<b>Other</b>		
Staffing to meet demand	2.00	38.40
Repayment of borrowing	0.50	
Direct Payments	0.08	
Apprenticeship Levy	0.02	
School premature retirement costs and FE pensions	(0.20)	
Insurance	0.19	
<b>Total Pressures</b>	<b>17.41</b>	<b>38.40</b>
<b>Savings Proposals:</b>		
<b>Business As Usual</b>		
Passenger Transport	(0.28)	
Operational costs	(0.50)	
Public Health funding	(0.38)	
Contract insurance rebates	(0.21)	
<b>Service Review</b>		
Children Looked After proposals	(0.30)	15.00
<b>Total Savings</b>	<b>(1.66)</b>	<b>15.00</b>
<b>Net Managed Budget 2022/23</b>	<b>133.03</b>	<b>53.40</b>

# LEEDS CITY COUNCIL 2022/23 BUDGET REPORT

## Directorate: Children and Families

### The Schools Budget 2022/23

#### 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 2022/23 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 maintained 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 academy conversions.

### **3 Budget**

3.1 The 2022/23 expected schools funding for Leeds is £911.54m representing a net increase of £45.83m (5.03%) when compared to the adjusted funding for 2021/22. 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. Any under or over spend of grant from one year must be carried forward and applied to the schools budget in future years.

3.2.2 The Dedicated Schools Grant (DSG) for 2022/23 continues to be funded in four separate blocks for early years, high needs, schools and central school services.

3.2.3 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 2023/24.

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

3.3.1 The Early Years Block funds the early education of eligible vulnerable 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. The funding hourly rate has been confirmed as £5.57 for 2 year olds (increased from £5.36 in 2021/22) and £5.12 for 3 and 4 year olds (increased from £4.95 in 2021/22).

3.3.2 The early years pupil premium is also included in this block and is payable to providers for eligible 3 and 4 year olds. The hourly rate for 2022/23 for this element is £0.60 per hour, an increase of £0.07. In addition, the Disability Access Fund rate will increase by £185 to £800 per eligible child for 2022/23.

3.3.3 The grant received during 2022/23 will be based on the January 2022 and January 2023 censuses and is estimated at £59.61m.

#### **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 £113.88m for 2022/23 has been notified by the ESFA, an increase of £15.88m compared to 2021/22, although adjustments to this figure are expected up until July 2022. The allocation includes a new £4.15m supplementary grant for additional costs that high needs settings will incur in

respect of the Health and Social Care Levy and other pressures. Excluding this new grant, the increase is £11.73m on a like for like basis.

- 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 cap on gains which means that the Leeds allocation for 2022/23 will be £1.90m less than the full National Funding Formula. Leeds has historically been underfunded in comparison to some other local authorities, and although the National Funding Formula is moving towards funding local authorities based on need, the funding increases are currently capped during the transitional period. Between 2018/19 and 2022/23 this has resulted in Leeds receiving £22.75m less for High Needs than would have been due under the full National Funding Formula.
- 3.4.3 Despite the £11.73m like for like increase in funding for 2022/23, the anticipated increase in special school places and pupils eligible for additional top-up funding means that there is expected to be on going funding pressures for the High Needs Block and there is a risk that costs exceed the budgeted assumptions as a result of the increasing demand.
- 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 operates a funding system (Funding for Inclusion, FFI) which provides additional funding for high level needs without the need for a statutory EHCP. This reduces the numbers and costs of undertaking and maintaining EHCPs compared to statistical neighbours and supports inclusion within mainstream schools. 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 medium-term action plan to address the pressures on the High Needs budget is being developed, further details of which are provided in section 3.8 below. As part of addressing these pressures in 2022/23, Schools Forum has agreed to transfer £3.13m from the Schools Block to the High Needs Block, following consultation with schools. A budget has been set within the funding available, however there is a risk that demand will rise further. The position on the High Needs Block will therefore be closely monitored during the year.
- 3.4.6 The proposed budget for 2022/23 taking into account the known and estimated changes is as follows:

	<b>2021/22</b>	<b>2022/23</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>

#### **High Needs Block DSG Income**

High Needs Block baseline	97,872	109,725	11,853
Places funded directly by the ESFA	-9,656	-13,018	-3,362
Transferred from Schools Block	2,887	3,127	240
Supplementary Funding		4,147	4,147

<b>Total High Needs Grant</b>	<b>91,103</b>	<b>103,981</b>	<b>12,878</b>
<b>High Needs Block Expenditure</b>			
<b>Funding Passported To Institutions</b>	<b>84,724</b>	<b>95,107</b>	<b>10,383</b>
<b>Commissioned Services</b>	<b>1,953</b>	<b>2,539</b>	<b>586</b>
<b>Directly Managed By Children &amp; Families</b>	<b>5,607</b>	<b>6,335</b>	<b>728</b>
<b>Total High Needs Expenditure</b>	<b>92,284</b>	<b>103,981</b>	<b>11,697</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 2022/23 is based on pupil numbers (including those in academies and free schools) as at October 2021. The final schools block funding for 2022/23 has been confirmed by the ESFA as £643.50m, an increase of £41.60m compared to 2021/22. This includes a new £18m supplementary grant for additional costs that schools will incur in respect of the Health and Social Care Levy. Excluding this new grant, the increase is £23.60m on a like for like basis.

3.5.2 Schools have been consulted on options for the local funding formula in 2022/23. 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 2022. As part of the consultation a majority of schools which responded supported a proposal to transfer 0.5% (£3.13m) to the High Needs Block from the Schools Block. Schools Forum approved this transfer at their meeting in November 2021.

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 £150k 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 2022/23 was issued in December 2021 at £5.14m, a reduction of £0.02m compared to 2021/22. This is due to 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 2022/23 allows for funding to be moved within the DSG blocks. Schools Forum have previously agreed a transfer of £3.13 from the schools block to the high needs block.

### **3.8 DSG balance**

- 3.8.1 At the end of 2021/22 it is projected that there will be an overall deficit balance of £4.84m on DSG compared to a deficit balance of £2.00m at the end of 2020/21. The deficit balance will be carried forward into 2022/23. The proposed budget for 2022/23 utilises a £229k underspend on the schools block during 2021/22. The deficit has resulted from pressures on the High Needs Block over recent years.

- 3.8.2 The Children and Families directorate is developing a medium-term DSG Management Plan which looks to bring the High Needs Block back into balance and address the current DSG deficit, to the extent this is possible given any limitations in funding and increases in demand. The current version of the DSG Management Plan includes several workstreams that will help identify opportunities to explore. The ESFA recognises that this will take time for some local authorities. The Directorate is working with the Leeds Schools Forum on development of the plan, including providing regular budget monitoring reports and updates on progress with identifying options.

- 3.8.3 In addition a previous review by Children and Families of the High Needs Block in 2017 identified a range of options to reduce costs, which were consulted on with stakeholders and implemented as appropriate at the time. The findings from that review will be re-visited with partners and are being analysed against benchmarking data to identify areas for further investigation. However the benchmarking data indicates that Leeds spends less per population head on most SEND services and support than comparators.

- 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. Once developed further, details of the plan will be brought to a future Executive Board meeting during 2022/23.

### **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 £23.96m for 2022/23. 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 2022/23 is estimated at £45.27m. The rates for 2022/23 have been set at: primary £1,385, secondary £985, for each pupil registered as eligible for free school meals (FSM) at any point in the last 6 years and £320 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 £2,410.

### **3.11 Primary PE grant**

3.11.1 The Primary PE grant will be paid in the 2021/22 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 2022/23, resulting in a total grant of £4.33m.

### **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 2021/22 academic year is based on a rate of £2.34 per meal taken by eligible pupils, giving an annual value of £444.60. The total value of the grant is estimated at £9.01m. Data from the October and January censuses will be used to calculate the allocations for the academic year.

### **3.13 Teachers' pay and pension grants**

3.13.1 Previously there were separate grants for teachers' pay and pension increases that took effect in the academic year 2018/19. For 2022/23 these grants are fully within DSG for all settings except school nursery and sixth form provision, for whom the total grant due is estimated to be £2.83m in 2022/23.

### **3.14 COVID funding**

3.14.1 Since 2020/21 the Government has provided a range of funding streams to support children and young people to catch up following the disruption caused by COVID-19. For 2022/23, grants totalling £4.01m are expected for School Led Tutoring and Covid Recovery Premium.

### **3.15 Schools Funding Summary**

3.15.1 The grants expected to be received for Leeds in 2022/23 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 2022/23 amounts are estimates and are subject to final confirmation by the ESFA.

### Estimated Schools Funding

	2021/22 Current £m	2022/23 Estimate £m	Change £m
DSG - Schools Block	601.90	643.50	41.60
DSG - Central Schools Services Block	5.16	5.14	-0.02
DSG - High Needs Block	98.00	113.88	15.88
DSG - Early Years Block	60.95	59.61	-1.34
ESFA Post 16 Funding	22.85	23.96	1.11
Pupil Premium Grant	43.99	45.27	1.28
PE & Sports Grant	4.32	4.33	0.01
Universal Infant Free School Meals Grant	9.11	9.01	-0.10
Teachers Pay Grant	1.96	0.74	-1.22
Teachers Pension Grant	5.56	2.09	-3.47
Coronavirus Catch Up Grant	4.03	0.00	-4.03
School Led Tutoring	2.50	1.79	-0.71
Covid Summer School	2.27	0.00	-2.27
Covid Recovery Premium	3.11	2.22	-0.89
	<u>865.71</u>	<u>911.54</u>	<u>45.83</u>

## 4 School Reserves

4.1 The School Reserves Statement reflects the anticipated movement in reserves between April 2022 and March 2023.

Projected Financial Position on Reserves	Projected Reserves b/f Apr-22	Projected Use of Reserves	Projected Contribution to Reserves	Closing Reserves Mar-23
	£000s	£000s	£000s	£000s
School Led Extended Schools	-2,279			-2,279
School Balances	-29,470	0	0	-29,470
PFI Surplus / Deficit	-2,800	1,348	0	-1,452
Dedicated Schools Grant	4,835	229		5,064
<b>Total</b>	<b>-29,714</b>	<b>1,577</b>	<b>0</b>	<b>-28,137</b>

Briefing note prepared by: Lucie McAulay  
Telephone: 0113 3788766

# LEEDS CITY COUNCIL 2022/23 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 2022/23 financial year.
- 1.2 The 2022/23 Revenue Budget provides £2,570k within the Council's Strategic Budget for the ongoing impact of COVID-19 pandemic. As such and with the exception of specific provision within Planning and Sustainable Development and City Centre Management, no directorate COVID impacts are detailed below.

### 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:
- 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.
  - Culture and Economy - programmes and supports arts, cultural activity and events across the city and manages all our museums and venues. Leads the work to grow the Leeds economy – including coordinating 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 prestige 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.
  - Operations and Active Leeds – Manages and oversees retail markets and street trading, manages Leeds city centre including co-ordination with Leeds BiD. Supports City Development's change activity, working with colleagues in Resources to ensure effective support to the Directorate. Active Leeds provides opportunities for people living in Leeds to enjoy the benefits of an active lifestyle.

### 3 **Budget Proposals**

3.1 This 2022/23 budget has been set at £33,367k representing a net increase of £2,201k (7.1%) when compared to the adjusted budget for 2021/22. This net increase comprises a number of changes in resources totalling (£888k) and pressures totalling £6,264k offset by savings of £3,175k 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 2022/23 budget. These include:

- The transfer of Business Administrative staffing from the Resources Directorate to Highways and Transportation (+£371k) and Employment and Skills (+£128k).
- The net impact of the Council wide review of property management functions including savings identified centrally as part of the 2021/22 budget but not allocated to directorates (£254k).
- The transfer of £252k running cost budgets from the Resources Directorate to City Development as a result of the sub-letting of the St George House building, which will contribute to the existing Estate Rationalisation savings target.
- Other budget adjustments totalling £21k mainly reflecting adjustments to budgets to remove the need for recharges between directorates.

3.2.2 The overall net impact of these adjustments is to increase the Directorate's restated 2021/22 budget by £518k, giving an adjusted 2021/22 budget of £31,166k.

#### 3.3 **Changes in Use of Reserves and Balances – increase of £1,955k**

3.3.1 Additional short-term funding from the Council's COVID reserve has been secured during 2021/22 to address backlogs within the Planning service and the full year effect of this usage (£375k) has been provided for in the 2022/23 budget.

3.3.2 The 2022/23 budget includes the one-off utilisation of £2m of commuted sum balances which are received from developers to meet the future maintenance cost of adopted Highways. An annual budget of £250k has been provided for to meet the estimated cost of these ongoing maintenance requirements.

3.3.3 The 2022/23 budget reflects the reversal of the one-off use of £520k balances in the 2021/22 budget within Highways & Transportation, partially offset by the utilisation of a further one-off £100k balance identified for 2022/23.

#### 3.4 **Changes in Other Resources – reduction of £1,067k**

3.4.1 The 2021/22 budget included the receipt of £1,700k of Gain Share funding from WYCA in respect of the West Yorkshire Devolution Deal. As this funding was for one year only, the 2022/23 budget reflects the fallout of this funding.

3.4.2 However, based on initial discussions with WYCA, an assumption has been made that funding of £633k will be received over the next three years in supporting the delivery of

outcomes aligned to the West Yorkshire Mayor's priorities (see 3.9.1 below), although this is still subject to agreement from WYCA at this stage.

### **3.5 Changes in prices – pressure of £4,184k**

- 3.5.1 Spending Review 2020 indicated a public sector pay freeze in 2021/22. However, it is now assumed a pay award will be required and negotiations are ongoing. As such the budget provides £2,676k for two elements of pay: the Employers final offer for 2021/22 not provided for in the 2021/22 base budget and an assumed 2022/23 pay award incorporating the recently announced Real Living Wage of £9.90 (as scale points 1 and 2) and a 2% pay award for all other staff. The provision reflects the Council's continuing commitment to be a Real Living Wage employer. Consequently, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.90 per hour which is 40 pence above the National Living Wage rate. Apprentices and new starters on the A1 spinal point will be also be paid £9.90 per hour.
- 3.5.2 This increase will be partially mitigated by reflecting the cost of the additional pay award in charge out rates, mainly to capital schemes within Highways and Transportation, reducing the impact on revenue by £640k.
- 3.5.3 No provision has been made for inflation on running cost budgets other than demand based budgets and where there are specific contractual commitments. £1,596k has been provided for such contractual commitments including the PFI contracts for Street Lighting and three Leisure Centres and essential supplies & services across all services. A 5% increase for 2022/23 has been provided for inflation on utilities budgets, totalling £681k. The current assessment of projected energy prices indicates there may be an additional pressure in 2022/23, in response to which a reserve has been created within the Council's Strategic Budget and will be applied as required.
- 3.5.4 Other net variations (-£129k) include a reduction in insurance costs which reflects changes in the number and value of insurance claims.

### **3.6 Actuarial Review**

- 3.6.1 The 2022/23 budget does not provide for an increased contribution to the West Yorkshire Pension fund. Whilst this reflects the most recent Actuarial Review, which showed the West Yorkshire Pension Fund to be in a surplus position, the Council will continue to monitor this position.

### **3.7 Capitalised Pension Costs – saving of £61k**

- 3.7.1 The Council continues to provide an Early Leavers Initiative (ELI) to reduce the wage bill as a mechanism to contribute towards the budget gap. The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £61k.

### **3.8 COVID Pressures - £475k**

- 3.8.1 Within the Planning and Sustainable Development service, the COVID pandemic has had a significant impact on the service in terms of increased volumes of applications and enforcement work, outstripping the capacity of existing resources. Additional short-term resources have been implemented during 2021/22 to address the backlogs and to facilitate

the timely delivery of planning outcomes, and the full year effect of this (£375k) has been provided for in the 2022/23 budget to be funded from the COVID reserve.

3.8.2 The 2022/23 budget also makes provision for £100k loss of income within City Centre Management due to the extension of temporary pavement licence legislation to September 2022 which places a cap on the level of fees chargeable for the licences.

### 3.9 **Other budget pressures – £1,666k**

3.9.1 A number of other pressures have been recognised in the 2022/23 budget. A further £901k has been provided to increase the council's contribution to the Leeds 2023 Trust, reflecting the agreed payment schedule. However, this will be partially offset by assumed funding from WYCA as described in paragraph 3.4.2, although this is still subject to agreement.

3.9.2 An adjustment of £320k has been made to the capital receipt fee income budget to reflect the estimated capital receipts schedule and £250k has been included to provide for the ongoing maintenance requirements associated with adopted highways

3.9.3 Provision of £195k has been made within Resources & Strategy, primarily to provide additional capacity to support the Directorate with key national, regional and local policy areas and to contribute to the successful delivery of major transformational projects and programmes.

### 3.10 **Savings**

#### 3.11 **Business As Usual – £3,015k**

3.11.1 The Arts, Events and Venues team has identified net savings of £80k through investment in a new ticketing system solution called Tessitura. The system presents an opportunity to generate savings and increase income across the council.

3.11.2 It is proposed to utilise redistributed balances of £678k from the 2018/19 Business Rates Pool, subject to agreement by the other Local Authorities, to substitute for the Council's core budget contribution to Leeds 2023 in 2022/23. It is proposed to increase this by a further £189k by utilising uncommitted balances from the 2020/21 Business Rates Pool, giving a total substitution of £867k in 2022/23.

3.11.3 Within Active Leeds, net savings of £50k have been included for a Health and Well Being offer to businesses based within or nearby to Leeds. In addition, a further £150k is anticipated through increased swimming tuition income based upon a remodelling of existing activities.

3.11.4 Within Highways & Transportation, a major schemes procurement framework is being established for the delivery of the ongoing programme of infrastructure work. This will give Leeds direct access to the contracting market, providing savings to Leeds and also the potential to generate income by making it available and charging fees to other Local Authorities. A saving of £200k is anticipated.

3.11.5 The service has also identified the potential to deliver the Section 38 Agreement process on behalf of other Highway Authorities in West Yorkshire which could generate annual income. At this stage, income of £40k has been included in the budget proposals which assumes one Local Authority will take up this service.

- 3.11.6 An additional £50k has been included which reflects the establishment of a project team to improve efficiency and capacity of the three Highways & Transportation Depots.
- 3.11.7 Further net savings of £233k have been estimated in respect of the continuing rollout of the Street Lighting LED conversion scheme which continues to deliver significant energy consumption savings.
- 3.11.8 An additional £299k saving has been identified by reviewing fees in respect of Highway maintenance schemes to more accurately reflect the requirements of design and co-ordination and the increasingly complex nature of these types of schemes.
- 3.11.9 Within Asset Management & Regeneration, the management of cost reduction aligning to Future Ways of Working and Service Delivery is continuing and estimated savings of £275k have been identified regarding an opportunity to sub-let surplus space and manage as an additional investment property.
- 3.11.10 An additional £50k has been identified relating to the charging of professional property and delivery expertise on externally funded capital schemes, reflecting a modest increase on current fee charges and a review of costs.
- 3.11.11 A review of Elland Road Car Park cash collection to include consideration of automated payment methods, introduction of cashless payments and increased flexibility in the charging regime is anticipated to generate an additional £20k in 2022/23.
- 3.11.12 Implementation of tighter vacancy management controls across the directorate and a review of current levels of vacancy factor are anticipated to save an additional £476k in 2022/23.
- 3.11.13 Public Health funding of £100k will be received in 2022/23 in support of existing physical activity programmes within Active Leeds.
- 3.11.14 A corporate review of the PFI schemes has identified insurance savings of £125k for 2022/23 in respect of the Active Leeds PFI contracts which will have a nil impact upon the service's budget.

### 3.12 **Service Review £160k**

- 3.12.1 The Leeds Museum and Galleries service proposes changes to Kirkstall Abbey admissions for non-Leeds residents which is anticipated to generate additional income of £160k in 2022/23. An invest to save business case will also be developed around the relocation of the café at Abbey House Museum to the visitor centre at Kirkstall Abbey, to deliver further net savings, although these are not anticipated until 2023/24.

## 4 **Risk Assessment**

- 4.1 In determining the 2022/23 budget, consideration has been given to all the risks which are managed within the Directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared.

- 4.2 The key risks in the 2022/23 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 Arts and Heritage 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 COVID Pandemic continues. The potential financial impact of reduced income resulting from a sustained period of COVID in 2022/23 has not been factored into the Directorate's budget.

- In addition, a number of the 2022/23 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.
- There is a risk that the existing savings targets around Strategic Investments are not achieved which reflects the Council's intention to not simply chase financial returns but to only invest in suitable and sustainable investments that support the overarching ambitions of the Council.
- Given the increase in vacancy factor in the 2022/23 budget, 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.

Briefing note prepared by: Michael Everitt (Head of Finance)  
Telephone: 0113 378 7817

## Directorate - City Development

	2022/23 £m	FTEs
<b>Net managed budget 2021/22</b>	30.65	
<b>Adjustments</b>		
Transfers of function/other adjustments	0.52	
<b>Adjusted net managed budget</b>	<b>31.17</b>	
<b>Changes in the use of Reserves &amp; Balances</b>		
Use of Covid reserve - Planning backlogs	(0.38)	
Highways Commuted Sums	(2.00)	
Reversal of use of Highways balances in 21/22	0.52	
Use of Highways balances 22/23	(0.10)	
<b>Changes in Other Resources</b>		
Fallout of WYCA Gain Share 21/22	1.70	
WYCA Mayoral Priorities	(0.63)	
<b>Total Change in Resources</b>	<b>(0.89)</b>	
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	2.68	
Price	2.15	
Income	(0.64)	
<b>Employers Pension</b>	0.00	
<b>Capitalised Pensions</b>	(0.06)	
<b>Other</b>		
Planning staffing to address backlogs	0.38	9.38
Street Licence income	0.10	
Leeds 2023 payment schedule	0.90	
Capital receipt fee income	0.32	
Highway maintenance - adopted highways	0.25	
Service Improvement Team	0.20	5.00
<b>Total Pressures</b>	<b>6.26</b>	<b>14.38</b>
<b>Savings Proposals:</b>		
<b>Business As Usual</b>		
Arts, Events, & Venues - Ticketing solution	(0.08)	2.23
Utilisation of Business Rates Pool balances to substitute for Leeds 2023 spend	(0.87)	
Active Leeds Health & Wellbeing offer	(0.05)	
Active Leeds - increase swimming tuition income	(0.15)	
Highways & Transportation - establishment of procurement framework	(0.20)	
Highways & Transportation - manage s38 process on behalf of other LAs	(0.04)	
Highways & Transportation - efficiency savings across 3 depots	(0.05)	
Highways & Transportation - street lighting LED conversion energy consumption	(0.23)	
Highways & Transportation - review of fees re Highway maintenance schemes	(0.30)	
Asset Management & Regeneration - sub-let surplus office space	(0.28)	
Asset Management & Regeneration - review of professional property and delivery fees	(0.05)	
Asset Management & Regeneration - review of Elland Road cash collection arrangements	(0.02)	
Implementation of tighter vacancy control and vacancy factors across the directorate	(0.48)	
Public Health funding - Active Leeds	(0.10)	
Procurement savings	(0.13)	
<b>Service Review</b>		
Leeds Museums and Galleries - charges to non-Leeds residents at Kirkstall Abbey	(0.16)	
<b>Total Savings</b>	<b>(3.18)</b>	<b>2.23</b>
<b>Net Managed Budget 2022/23</b>	<b>33.37</b>	<b>16.61</b>

# LEEDS CITY COUNCIL 2022/23 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 2022/23 financial year.
- 1.2 The 2022/23 Revenue Budget provides £2,570k within the Council's Strategic Budget for the ongoing impact of COVID-19 pandemic. As such and with the exception of Waste Management services no directorate COVID impacts are detailed below.

### 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 face to face customer contact and library service; 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 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 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

2.5 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 2022/23, the Directorate's 2022/23 budget submission will nevertheless seek to protect services which support these priorities as far as possible.

### 3 **Budget Proposals**

3.1 This 2022/23 budget has been set at £85,050k representing a net increase of £10,014k (13.3%) when compared to the adjusted budget for 2021/22. This net increase comprises a number of changes in resources totalling £3,243k and pressures totalling £14,536k offset by savings of £1,281k 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 2022/23 budget. These include:

- Council wide review of the property function which will in the main centralise property budgets in Resources and City Development. The main impact in this Directorate is that the budgets relating to the Community Centres will become part of the Council's Facilities Management service in Resources (£523k).
- Transfer of £94k to the Directorate to correctly reflect the budget transfers in 2021/22 relating to the transfer of the Council tax and Contact Centre functions to Resources.
- Other budget adjustments total £41k and mainly reflect small adjustments to budgets to remove the need to recharge.

3.2.2 The overall net impact of these adjustments is to reduce the Directorate's restated 2021/22 budget by £388k, giving an adjusted 2021/22 budget of £75,559k.

#### 3.3 **Changes in Specific Grant Funding – increase of £3,595k**

3.3.1 The Housing Benefit Administration Subsidy grant and other related grants are expected to reduce by £200k. The Localised Council Tax Support Administration Subsidy grant allocation is still awaited but it has been assumed that there will be no reduction for 2022/23.

3.3.2 The allocation in respect of the Discretionary Housing Payments grant is still awaited but as expenditure incurred under the scheme is adjusted to match the grant, there will be no impact on the bottom-line budget. The budget assumes a continuation of the contribution from Housing Leeds of £500k in addition to the Government grant award.

3.3.3 The Homelessness Prevention Fund has been announced and the core element of the grant remains fixed at £2,344k. However, an additional sum of £84k has been provided as New Burdens responsibilities specifically relating to Domestic Violence.

3.3.4 There has been no announcement as yet to the level of the Rough Sleepers Initiative grant. The base budget is £732k, however in 2021/22 a sum of £1,500k, was awarded. This budget assumes £1,109k will be received, an increase of £377k on the base, but a reduction in cash terms of £391k compared to 2021/22 actuals. As expenditure is adjusted to match the grant award, there is no overall impact on the Council's budget. The budget will be amended in year to reflect the actual award.

3.3.5 The Healthy Holidays grant has been announced at £3,491k but as expenditure incurred under the scheme is matched to the grant, there will be no impact on the net budget. Although this is not new funding, the timing of the announcement, earlier than usual, allows for this grant and spend to be specifically included in the 2022/23 budget.

3.3.6 The 2021/22 base budget is supported by £157k of Community Led Local Development Grant (CLLD). This grant will fall out in 2022/23.

#### 3.4 **Changes in Use of Reserves, Balances and Other Resources – Reduction of £237k**

3.4.1 The Directorate's 2021/22 budget is supported the balance of the Individual Electoral Reform Grant. This will not be available in 2022/23 creating a pressure of £330k.

3.4.2 During 2020/21, a bid of £200k from the then MHCLG's Asylum Migration Integration Fund was successful. This was a two-calendar year programme and £90k of the grant funding supports the current budget. The 2022/23 budget assumes the use of the remaining balance of £68k, which creates a £22k pressure budget to budget.

3.4.3 In accordance with the Government's guidance on the flexible use of capital receipts which allows for expenditure on projects designed to generate ongoing revenue savings or expenditure associated with transforming service delivery to be funded from capital receipts, the budget provides for £115k of funding relating to the Chief Officer Transformation post. Full details of all transformational spend is shown in Appendix 9.

#### 3.5 **Changes in prices – Pressure of £4,606k**

3.5.1 Spending Review 2020 indicated a public sector pay freeze in 2021/22. However, it is now assumed a pay award will be required and negotiations are ongoing. As such the budget provides £3,615k for two elements of pay: the Employers final offer for 2021/22 not provided for in the 2021/22 base budget and an assumed 2022/23 pay award incorporating the recently announced Real Living Wage of £9.90 as scale points 1 and 2 and a 2% pay award for all other staff. The provision reflects the Council's continuing commitment to be a Real Living Wage employer. Consequently, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.90 per hour which is 40 pence above the National Living Wage rate. Apprentices and new starters on the A1 spinal point will be also be paid £9.90 per hour.

3.5.2 No provision has been made for inflation on running cost budgets other than demand-based budgets and where there are specific contractual commitments. A 5% increase has also been provided for inflation on utilities budgets, providing £89k. The current assessment of projected energy prices indicates there may be an additional pressure in 2022/23, in response to which a reserve has been created within the Council's Strategic Budget and will be applied as required. The overall provision for price inflation within the Directorate is £1,414k which includes £858k in respect of waste disposal contracts, £49k for business rates charges, £118k for transport costs including fuel, £228k for parks materials, resaleables and grounds maintenance costs. Other inflation totals £41k

3.5.3 Inflationary increases in the level of fees and charges and income are estimated to generate additional income of £423k. Of this, £198k relates to sales within Parks and Countryside including food/drink at cafes and retail sales and £225k in respect of charges to the HRA, mainly in environmental services and grounds maintenance.

### 3.6 **Actuarial Review**

3.6.1 The 2022/23 budget does not provide for an increased contribution to the West Yorkshire Pension fund. Whilst this reflects the most recent Actuarial Review, which showed the West Yorkshire Pension Fund to be in a surplus position, the Council will continue to monitor this position.

### 3.7 **Capitalised Pension Costs – saving of £131k**

3.7.1 The Council continues to provide an Early Leavers Initiative (ELI) to reduce the wage bill as a mechanism to contribute towards the budget gap. The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £131k.

### 3.8 **Demand and Demography – pressure of £202k**

3.8.1 Anticipated household growth in the city will impact on the volume of waste generated. Additional budget provision of £202k has been made for the increased disposal costs of this waste at the Recycling and Energy Recovery Facility.

### 3.9 **COVID Pressures - £2,912k**

3.9.1 Within Waste Management the ongoing impacts of COVID are reflected in the increased volume of residual waste being collected from residents across the City. The budget provides a forecast additional 10% of black bin waste being collected when compared to the 21/22 budgeted volumes. The cost of collecting this waste and then disposing of this waste at the RERF is estimated at £2,912k.

3.9.2 The Strategic budget provides for a further £2,570k of pressures relating to the ongoing impact of the COVID-19 pandemic. Whilst Government provided additional funding to meet COVID pressures in 2021/22 further funding has not been made available for 2022/23. Resources have instead been identified by the Council, as referenced in paragraph 1.2 and will be applied to these estimated pressures as they arise, with any balance of funding retained in reserve.

### 3.10 **Other budget pressures – £6,947k**

3.10.1 The Waste Management budget will be increased by £425k. £213k is being used to create a project team to support work on the development of the Waste Strategy following the Government's National Waste Strategy and the announcement that funding for Food Waste collections in every Authority will be made available by 2025. The balance of £212k is set aside for pilot recycling schemes to inform the future strategy.

3.10.2 The budget reflects the proposal that the Council removes the current charges for collections of bulky waste from residents. In anticipation of additional demand, an additional crew will also be added to the Cleaner Neighbourhoods Team. The total cost, including the

loss of budgeted income, is £308k.

- 3.10.3 The Council has responsibility to maintain horticultural features across the city including within the highway network and a number of transport infrastructure improvements, including road corridors, park and ride schemes and City Park; collectively an additional £247k of revenue funding is provided for in 2022/23.
- 3.10.4 A further £30k is provided for maintenance of the COVID19 memorial woodland.
- 3.10.5 The continuing migration to Universal Credit has meant that there has been an overall reduction in Housing Benefit (HB) expenditure and subsidy in recent years as well as a decline in the amount of HB overpayment income which the Council can recover. The net impact on the budget of these reductions is estimated to be a further £1,600k in 2022/23. This includes £1m income reduction relating to benefit receivable for supported accommodation which does not attract 100% benefit subsidy and becomes a cost to the Council.
- 3.10.6 Net Income receivable from the Combined Authority in relation to the WY Mayoral election in 2021/22 of £500k was one off and therefore the 2022/23 budget reflects this loss in income.
- 3.10.7 As referenced in paragraphs 3.3.3 to 3.3.6, there will be additional funded spend on the following: Health Holidays £3,491k; New Burdens Domestic Violence responsibilities £84k; Rough Sleepers spending £377k, with reduction in spend on Community Led Local Development of £157k.
- 3.10.8 There are additional insurance costs of £140k which reflects changes in the number and value of insurance claims.
- 3.10.9 There are other minor reduction across the Directorate totalling a net reduction of £96k across the Directorate.

### 3.11 **Savings**

#### 3.12 **Business As Usual – £1,166k**

- 3.12.1 The full year effect of savings agreed in the 2021/22 Parks and Countryside budget relating to intruder monitoring and the Temple Newsam cycle way is £69k
- 3.12.2 Staffing savings of £81k are included in the budget from the following:
- £50k is the additional saving (above the 21/22 savings assumption) from the Benefits restructure
  - £31k from changes to the way the Parks service will support In Bloom activities going forward.
- 3.12.3 Within the Parks and Countryside service,
- Bereavement fees will be increased by 3% which is estimated to increase income by £210k in 2022/23

- Additional income of £78k from the Arium and Temple Newsam attractions is forecast.

3.12.4 An estimated additional £200k of income is assumed from the new Bus Lane Enforcement cameras in the City Centre.

3.12.5 Line by line savings in Electoral, Licensing and Registrars services of £128k and Leeds Benefits Service will deliver more work in house and reduce off site processing costs to save £100k.

3.12.6 A short term saving of £300k relates to a switch in funding of the Local Welfare Support Scheme (LWSS) from an earmarked reserve instead of the base budget. This will be reversed in 2024/25 to reinstate the base budget. There is no reduction in the spend on Local Welfare Support.

## 4 Migration Yorkshire Grants

4.1 Migration Yorkshire manages and administers a significant number of grants on behalf of the wider Yorkshire and Humber region. Total grant income in 2022/23 is budgeted at £17.9m, an increase of £8.4m from the 2021/22 base budget and approximately £2.7m higher than the latest budget estimate for 2021/22. The main reason for the increase relates to the funding of the Afghan Resettlement Scheme at £6.6m for the Yorkshire and Humber region in 2022/23. As spend on all Migration Yorkshire grants is matched to the grant income, there are no bottom line effects on the Directorate budget.

## 5 Risk Assessment

5.1 In determining the 2022/23 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared.

5.2 The key risks in the 2022/23 budget for the Directorate are:

- The level of budgeted car parking income receivable from on-street and off-street parking is not realised.
- 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.
- The level of demand is less than anticipated for income generating activities within Parks and Countryside.
- The level of assumed specific grant funding within the Welfare and Benefits service is still subject to confirmation of the final allocations by the Government.
- The budgeted level of income in respect of the recovery of Housing Benefit overpayments and subsidy income is not achieved and the continuing roll out of Universal Credit has a greater impact than anticipated.

- The levels of those seeking homelessness support are beyond the numbers assumed to be funded by the Homelessness Prevention grant.
- 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.

Briefing note prepared by: Kevin Mulvaney (Head of Finance)  
Telephone: x3789390

## Directorate - Communities, Housing and Environment

	2022/23 £m	FTEs
<b>Net managed budget 2021/22</b>	75.42	
<b>Adjustments</b>		
Transfers of function	(0.43)	
Other adjustments	0.04	
<b>Adjusted net managed budget</b>	75.04	
<b>Grant Fallout</b>		
Housing Benefit Admin grants	0.20	
Community Led Local Devt Grant	0.16	
<b>Grant Increases</b>		
Healthy Holidays Grant	(3.49)	
Rough Sleepers Grant	(0.38)	
Homelessness Prevention Grant - New Burdens Domestic Violence	(0.08)	
<b>Changes in the use of Reserves &amp; Balances</b>		
Asylum, Migration & Integration Fund Grant Reserve	0.02	
Individual Electoral Reform Grant Reserve	0.33	
Use of Flexible Capital receipts to fund CO Transformation post	(0.12)	
<b>Total Change in Resources</b>	<b>(3.36)</b>	<b>0.00</b>
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	3.62	
Price	1.41	
Income	(0.42)	
<b>Capitalised Pensions</b>	(0.13)	
<b>Demographic and demand pressures</b>		
Impact of household growth on Residual Waste	0.20	
Impact of COVID on Residual Waste volume & number of collection crews	2.91	27.00
<b>Other</b>		
Healthy Holidays Grant Spend	3.49	
Rough Sleepers Grant Spend	0.38	
Homelessness Prevention Grant - New Burdens Domestic Violence Spend	0.08	
Community Led Local Devt Grant - staff savings	(0.16)	
Bulky Waste - removal of charges and additional crew	0.31	2.00
Waste Strategy Development, Route Review and Pilot projects	0.43	4.00
Additional Parks maintenance costs from Infrastructure developments	0.28	4.00
Insurance costs	0.14	
Elections - Fall Out of One off income from Mayoral Election in 2021	0.50	
Housing Benefits Overpayment Income / Net Subsidy	1.60	
Other Minor adjustments	(0.10)	(0.56)
<b>Total Pressures</b>	<b>14.54</b>	<b>36.44</b>
<b>Savings Proposals:</b>		
<b>Business As Usual</b>		
Directorate Wide Staffing savings	(0.08)	(1.00)
Directorate wide line by line review of budgets	(0.13)	
Benefits - LWSS - Use of c/f reserve from 2021/22	(0.30)	
Benefits - Reductions in external spend on off site processing	(0.10)	
Parks - Increase bereavement charges by 3%	(0.21)	
Parks - Additional attractions income	(0.08)	5.00
Parks - FYE of 2021/22 savings ; Temple Newsam cycleway & intruder monitoring	(0.07)	3.00
Car Parking - estimated impact of new BLE cameras	(0.20)	
<b>Total Savings</b>	<b>(1.17)</b>	<b>7.00</b>
<b>Net Managed Budget 2022/23</b>	<b>85.05</b>	<b>43.44</b>

# LEEDS CITY COUNCIL 2022/23 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 2022/23 Housing Revenue Account (HRA) budget.
- 1.2 The 2022/23 budget has been prepared at outturn prices. This means that allowances for inflation have been included in the budget submission.
- 1.3 The appendix below sets out a summary of the HRA budget for 2022/23.

#### 2. HRA Budget Strategy

- 2.1 An increase in accordance with the Government's rent formula of CPI (3.1% as at September 2021) +1% is proposed. This overall 4.1% rise equates to approximately £6.6m in additional rental income, when taking into account stock reductions for Right to Buy sales (RTB).
- 2.2 The Council remains committed to sustaining the amount provided to maintain homes and to replacing homes lost through RTB by the planned investment in new homes, buying of empty homes and exercising the Right of First Refusal which the Council has to buy back former local authority homes sold under RtB legislation.
- 2.3 Although income is forecast to increase with rent increases in line with the formula, there are inflationary pressures and significant variations as outlined in the key movement areas outlined below. Legislation requires that the HRA balances. In order to do this all budget headings have been examined to achieve efficiencies and improved targeting of resources together with the use of reserves, RTB receipts and borrowing to fund the HRA capital programme.
- 2.4 The strategy also assumes a continued commitment to maintaining investment in the housing stock through a capital programme primarily funded from tenants rent.

#### 3. Key Issues - 2022/23

##### 3.1 Rent Policy

In October 2017 the government announced a return to allowing a rent rise of up to the Consumer Price Index (CPI) plus 1% for five years from April 2020. It is therefore proposed that rents are increased by 4.1% (CPI of 3.1% as of September 2021 +1%) in 2022/23 for the majority of dwellings. Further details are provided in Section 4.1.

### **3.2. Service Charges**

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 that an increase of RPI of 4.9% (September 2021 rate) on both MSF and low/medium rise flats is implemented in 2022/23. Further details are set out in 4.3.

### **3.3 Charges for Sheltered Support**

Currently tenants in sheltered accommodation receiving a support service are charged £15.14 per week for this service. This charge is eligible for Housing Benefit. In 2016/17 a nominal charge of £2 per week was introduced for those tenants who benefited from the service but did not pay. This was increased to £4 a week in 2017/18, £6 in 2018/19, £8 in 2019/20, £10 in 2020/21, £12 in 2021/22 and it is proposed to continue to increase this charge by a further £2 per week in 2022/23 to £14 per week. A review of the Sheltered Charge has been undertaken for 2022/23 to take into account pay award and other cost changes. The sheltered charge full cost is £15.62 per week and is eligible for Housing Benefit. At £14/week, for self-payers, the service is subsidised by £1.62/wk.

See 4.3.2.for further details.

### **3.4 Capital investment and Council House Growth Programme**

The Council remains committed to prioritising resources to meet the capital investment strategy and to replace homes lost through RTB by the planned investment in new homes. The Council aims to maintain a consistent level of capital expenditure with a view to improving the condition of the housing stock. The total draft capital programme for the HRA has increased to around £91m in 2022/23 with planned 2023/24 funding brought forward to accelerate a priority scheme and look to attract additional funding. The 2022/23 programme includes around £8m grants for a scheme to fund energy efficiency and heat decarbonisation measures and a scheme to insulate back-to-back housing stock. In addition, the Council House Growth Programme provides funding of over £278m to 2025/26.

## **4. Key movements 2021/22 to 2022/23 - Income**

### **4.1 Dwelling Rents**

As detailed in 3.1, it is proposed to increase rents to all properties, in accordance with the government formula for rent increases, by 4.1% to generate around £6.6m in additional rental income.

Increasing average rents by 4.1% equates to an increase of £3.13 per week /£163 per year as shown in the table below, however, the impact of this on individual tenants will vary.

<b>Average rent</b>	<b>2021/22</b>	<b>2022/23</b>	<b>Increase</b>
<b>£ per week</b>	75.12	78.25	3.13
<b>£ per year</b>	3,906	4,069	163

The budget for 2022/23 assumes that 610 properties will be sold under RTB which is based upon the continuation of normal activity levels. The impact of this is a forecast reduction in rental income of around £2.5m in a full year.

A void level of 1% has been assumed which is an increase of 0.2% compared with 2021/22 due to the ongoing impact of COVID-19. 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.

The budget also factors in additional income from new homes built or acquired during the year. The budget assumes 168 new homes through the Housing Growth programme, 44 brought back into the HRA from the Right of First Refusal policy and the purchase of a 11 new 'off the shelf' homes.

#### **4.2 Other rents**

It is proposed to apply a 4.9% rental income increase for garages in line with RPI. Any other increases will be in accordance with individual lease agreements.

#### **4.3 Service Charges**

Net income from service charges is budgeted to increase by £315k in 2022/23. The main movements are detailed below.

##### **4.3.1 Service charges for MSFs, medium and low rise properties**

As stated in 3.2, 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 that an increase of RPI of 4.9% on both MSF and Low/medium rise flats is implemented in 2022/23. This will generate an additional £139k compared to 2021/22.

##### **4.3.2 Charges for Sheltered Support**

Tenants living in sheltered housing schemes across Leeds are supported by Sheltered Support Officers who provide housing related support. This support includes; completing needs and risk assessments, developing and reviewing

support plans, making referrals to other agencies and carrying out regular visits to enable tenants to live independently in a safe environment.

The proposed charge for 2022/23 is £15.62 per week. This charge fully recovers the costs of the service and is eligible for Housing Benefit.

The proposed increase in charge for those covered by Housing Benefit, along with the decrease in the subsidy for self-payers, will generate an additional £160k compared to 2021/22.

#### **4.3.4 Retirement Life**

In 2021/22 a retirement life charge was introduced for the provision of additional services linked to communal areas e.g. heating, laundry facilities, furniture and carpets and for communal facilities where they are within a standalone community centre. Whilst a full charge covering communal areas equates to £8.26 and for standalone Community Centres is £3.50, for self-payers this charge has initially been subsidised and introduced over 3 years. In 2022/23 for self-payers this charge will be subsidised for the second year of three (£1.72 subsidy for communal areas and £1 subsidy for standalone community centres).

#### **4.3.5 District Heating charges**

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 and Lincoln Green areas. In 2022/23 a 35p/wk increase in the standing charge is proposed for tenants who have transferred from other district heating schemes to Leeds PIPES as a final annual increase towards full cost recovery. An RPI increase of 4.9% is proposed for all other District Heating Schemes.

The total income expected from all district heating charges in 2022/23 is £580k of which £297k income is from the Leeds PIPES scheme.

#### **4.3.6 Leaseholders Charges**

The 2022/23 budget reflects contributions from leaseholders for service charges, leaseholder management fees and where their properties have benefited from capital investment. The 2022/23 budget assumes an income budget of £1,178k, although this will vary dependent upon the capital works undertaken.

#### **4.3.7 Extra Care**

The income from service charges for the authority's Wharfedale View facility in 2022/23 is budgeted at £133k to reflect RPI increases.

#### 4.4 Impact on tenants of increased rents and charges

An analysis of the impact on tenants of the above charging proposals together with the increase in rents (see 4.1) has been undertaken. With a rental increase of CPI+1%, all tenants will pay more in 2022/23 than in 2021/22 as outlined in the table below.

% of Tenants	Numbers of Tenants	Average Increase £/per week
94.4	51,145	2.81-3.49
3.3	1,791	3.50-3.75
2.3	1,252	4.97-6.71

To limit the impact of multiple increases, it is proposed to cap the increase any individual tenant will be charged at £5/week for those not in receipt of benefits.

Where applicable these increases will be funded through Housing Benefit or tenants eligible for Universal Credit (UC) will receive payments for this increase. Approximately 38% of tenants are in receipt of Housing Benefit with a further 26% in receipt of UC, a total of 64%. For those in Sheltered Accommodation, this figure rises to 71%.

#### 4.5 PFI Grant

The 2022/23 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 2021/22 and will remain fixed for the life of the PFI scheme.

#### 4.6 Internal Income

The 2022/23 budget for internal income is £708k higher than in 2021/22. As part of the Council wide property review, fire safety function teams have been transferred to the service to support fire safety in schools, as well as other Council properties. However, as these costs are not all eligible HRA expenditure, they will be charged back to the General Fund at £157k. The budget for capitalised salaries has been inflated in line with the proposed pay award. In addition, funding for a new team to address the grant funded decarbonisation work stream has been added.

#### 4.7 External Income

The decrease of £176k from 2021/22 to 2022/23 reflects the removal of the tenant insurance income budget of £311k which is offset with equivalent savings in insurance costs within the supplies and services budget. Additional government grant for the Renewable Heat Incentive and ERDF (European Regional Development Fund) funding have contributed an additional £259k income in 2022/23.

## **5. Key movements 2021/22 to 2022/23 - Expenditure**

### **5.1 Employees**

The 2022/23 budget for employees has increased by £1.3m when compared to the base budget 2021/22, with the most significant elements shown below:

- The budget assumes a pay award of 2% for 2022/23 plus the 1.25% NI levy. The impact of the current pay award offer of 1.75% for 2021-22 has also been budgeted for.
- The Property Management Review within LCC has resulted in the transfer of 2 posts from HRA to Leeds Building Service and 6 posts from HRA to City Development. The costs for these posts will still be funded by HRA and will form part of the recharges for 2022/23.
- A post has been transferred from Children's services and 3 new posts added to the structure to complete school fire safety work on behalf of Children's services, this will be funded by Children's services with income budgeted for as described in 4.6.
- The Investment and Strategy team has added 10 temporary posts to the structure to deliver the decarbonisation agenda, these posts will be partly funded by ERDF funding.

### **5.2 Repairs to dwellings**

Repairs to dwelling remains a priority budget which has initially been increased in line with inflation but adjusted to reflect an anticipated reduction of 1% in housing stock as a result of Right to Buy. The proposed budget for 22/23 is £46.8m, an increase of £1,942k from 2021/22.

### **5.3 Premises**

The premises budget reflects a net increase of £690k. Projected increases in the price of energy have been reflected, with an additional £400k in the budget for gas and electricity costs in 2022/23. An extra £100k has been included for the rental costs.

### **5.4 Supplies & Services - Payments to PFI contractor**

The increase in payments to the PFI contractors of £425k between 2021/22 and 2022/23 is consistent with the final model for the PFI programme that was agreed and received at Executive Board.

### **5.5 Supplies & Services - Other**

The budget reflects a net decrease of £442k. This includes a £550k reduction in insurance costs. An additional £100k has been provided for a potential increase in the housing ombudsman fees in 2022/23.

### **5.6 Charges for internal services**

Internal charges cover the internal service provision charge to the HRA in the following areas:

Horticultural Maintenance, Environmental services, Community Safety, Housing Services, Customer Access and Support Services and Corporate Governance services.

These charges are budgeted to increase by £477k in 2022/23. Most charges have been held at 21/22 levels. The increase year on year primarily relates to switching costs from salaries to recharges as part of the organisational review of Property functions. An additional £244k has been included in the budget for CCTV for 2022/23 to increase the anti-social behaviour measures which have been identified as a priority service for tenants.

#### **5.7 Payments to Belle Isle Tenant Management Organisation (BITMO), Housing Area Panels (HAPs) and other Organisations**

The proposed management fee payable to Belle Isle Tenant Management Organisation (BITMO) is an increase of £87k to £3.235m to reflect the approach to changes within the staffing and repairs budgets within Housing Leeds as outlined above. The BITMO management fee is adjusted each year by an agreed formula.

The budget continues to include £405k for Housing Advisory Panels (HAPs) to enable the continuation of funding of projects which benefit tenants and residents in the community they represent.

Payments to Leeds Credit Union and the Leeds Tenants Federation have remained in line with 2021/22.

#### **5.8 Contribution to Provisions**

##### **(a) Disrepair**

Work has been on-going to rationalise the workflow processes and provide legal challenge to disrepair cases where appropriate. As this budget has continued to see considerable pressure with increases in case numbers and average case costs it proposed to increase the contribution to the disrepair provision by £1m to £2.4m in 2022/23.

##### **(b) Bad debts**

The budgeted contribution to the bad debt provision has been kept at 2021/22 levels for 2022/23.

#### **5.9 Discretionary Housing Payments**

The Department for Levelling Up, Housing and Communities (DLUHC) has issued a direction allowing the Council to fund payments to its own tenants under the Discretionary Housing Payments (DHP) scheme. A DHP may be awarded when the authority considers that a claimant requires further financial assistance towards housing costs and is entitled to either Housing Benefit or Universal Credit (for the housing cost element towards a rental liability). The proposed HRA budget for this in 2022/23 is £500k and remains consistent with the amount provided in 2021/22.

### 5.10 **Capital (Financing) charges**

The Council remains committed to prioritising resources to meet the capital investment strategy and to replace homes lost through RTB 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 Council's Housing Growth programme which will see 168 new build, 11 off-the-shelf and 44 homes through the Right of First refusal process delivered in 2022/23. The overall cost of borrowing is anticipated to increase by £1,354k including £600k for repayment of debt specifically relating to new builds, in line with the agreed viability assessments. This is to ensure that in the event of future sales of these new properties that the HRA is not left with significant outstanding debt on an asset it no longer holds and enables the maximum allowable RtB receipts to be reinvested back into future programmes.

Capital charges for PFI are expected to increase by £78k to £16,528k.

### 5.11 **Revenue Contribution to Capital**

The 2022/23 budget includes £62.5m to fund the housing capital programme/investment plan, an increase of £1.57m from 2021/22.

It is proposed that the existing £2.3m Sheltered Housing Reserve be transferred into the Major Repairs Reserve in 2021/22 to support the funding of the capital programme, as the Major Repairs Reserve which had been used as a source of funding for many years is forecast to be fully utilised in the short term.

Future Sheltered Housing works will still take place as planned but will now be funded in the main Housing Leeds investment programme. To this extent an increased annual revenue contribution to capital of £0.3m has been provided for.

The overall capital programme, excluding the Housing Growth Programme, is £91m including the decarbonisation programme and back-to-back housing scheme funding of £8m, leaves the HRA funding an estimated £83m of schemes in 2022/23.

### 5.12 **Appropriation to / from PFI Reserves**

The appropriation account reflects the budgeted contributions to/from the Swarcliffe & LLBH&H PFI sinking funds.

The sinking fund smooths out the effect of the incidence of the payments to the PFI contractor. In 2022/23 the change in the contribution to the Sinking Fund is a reduction of £600k

## 6. HRA Reserves

- 6.1 The HRA Reserves Statement reflects the anticipated movement in reserves between April 2022 and March 2023. The Capital Reserve is used to resource the HRA Capital programme which is subject to a separate report on this agenda.
- 6.2 The HRA General Reserve current balance is £7.375m and represents 2.8% of the annual budget. It is proposed, over the next 10 years to increase his percentage to provide increased financial sustainability.
- 6.3 Any balance at the end of 2021/22 on the Housing Advisory Panels earmarked reserve will be carried forward to 2022/23 to be used for the funding of projects which benefit tenants and residents in the community they represent.
- 6.4 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 2022/23 it is budgeted to use £29k of reserves for the Little London scheme and £383k of the Swarcliffe PFI reserves in line with the approved PFI model. The value of both reserves is expected to be £7.2m by March 2023.
- 6.5 The use of the ERDMS (Electronic Records and Document Management System) reserve will contribute £257k additional funds in 2022/23.
- 6.6 A contribution to the Major Repairs Reserve is proposed at £62.5m.

### 6.7 Forecast Level of HRA Reserves

Projected Financial Position on Reserves	Projected Reserves b/f Apr 2022	Projected Use of Reserves	Projected Contribution to Reserves	Closing reserves March 2023
	£000	£000	£000	£000
HRA General Reserve	(7,375)	0	0	(7,375)
<b>Earmarked Reserves</b>				
Housing Advisory Panels	(100)	0	0	(100)
Wharefedale View	(34)	0	0	(34)
Changing the Workplace	(151)	0	0	(151)
ERDMS	(257)	257	0	0
Repair / Disrepair Reserve	(289)	0	0	(289)
	<b>(831)</b>	<b>257</b>	<b>0</b>	<b>(574)</b>
<b>PFI Reserves</b>				
Swarcliffe PFI Sinking Fund	(4,394)	383	0	(4,011)
LLBH&H PFI Sinking Fund	(3,240)	29	0	(3,211)
	<b>(7,634)</b>	<b>412</b>	<b>0</b>	<b>(7,222)</b>
<b>Capital Reserve</b>				
MRR	(15,990)	72,539	(62,543)	(5,994)
	<b>(15,990)</b>	<b>72,539</b>	<b>(62,543)</b>	<b>(5,994)</b>
<b>Total</b>	<b>(31,830)</b>	<b>73,208</b>	<b>(62,543)</b>	<b>(21,165)</b>

## 7. Risks

There are a number of risks which, should they materialise would have a significant impact upon the 2022/23 HRA budget. These risks are reviewed throughout the year and action taken to mitigate any impact wherever possible. 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 Covid pandemic 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 and the delivery of new homes which could affect rent income levels.
- 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 may affect the ability to deliver the annual investment programme and repairs service.

Should these risks arise, the service will respond flexibly by implementing cost control measures such as vacancy management. Use would be made of the reserves on the HRA balance sheet identified at 6.7, along with specific provisions for doubtful debt and disrepair.

## 8. Medium Term – High Level Projections

Whilst the setting of the HRA budget for future years will be reviewed regularly, there is currently a cumulative £14.9m pressure to be addressed over the next five years. This cumulative gap assumes that the current government rent formula of CPI plus 1% rent increases will apply for the next 5 years plus an assumption to inflate the capital programme at CPI adjusted for a reduction in stock due to RtB sales from 2023/24. This is summarised in the table below.

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Income	(262.78)	(269.12)	(275.39)	(282.32)	(289.64)
Expenditure	263.45	271.13	282.98	285.42	289.55
Appropriations	(0.67)	0.05	0.90	0.75	0.59
In Year Pressure (Saving)	(0.00)	2.05	8.50	3.86	0.50
Cumulative Balance	(0.00)	2.05	10.55	14.41	14.91

Report prepared by: Kevin Mulvaney (Head of Finance) 0113 378 9390

<b>HRA 2022/23 Budget</b>			
<b>Budget Heads</b>	<b>Original Estimate 2021/22</b>	<b>Original Estimate 2022/23</b>	<b>Variance</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Income</b>			
Dwelling Rents Income	(209,900)	(216,541)	(6,641)
Other Rents (Shops & Garages)	(3,258)	(3,306)	(48)
Service Charges	(9,021)	(9,335)	(315)
PFI grant	(21,385)	(21,385)	0
Internal Income	(9,651)	(10,359)	(708)
External Income	(2,033)	(1,857)	176
<b>Total Income</b>	<b>(255,248)</b>	<b>(262,784)</b>	<b>(7,536)</b>
<b>Expenditure</b>			
Employees	30,222	31,525	1,303
Repairs to dwellings	44,853	46,795	1,942
Premises	9,049	9,739	690
Supplies & Services - Payments to PFI contractor	10,449	10,875	425
Supplies & Services - Other	3,802	3,359	(442)
Transport	298	305	6
Horticultural Maintenance	4,545	4,410	(135)
Environmental Services	4,607	4,709	102
Community Safety	4,009	4,123	114
Supporting People in their own homes	3,663	3,556	(107)
Services to families with Council tenancies	1,283	1,352	68
Housing Services	4,934	5,172	238
Customer Access	6,435	6,397	(38)
Support Services	8,637	8,933	297
Welfare Advice & Support	500	500	0
Discretionary Housing Payments	500	500	0
Corporate Governance & Other Services	3,160	3,172	12
Leeds Pipes - Recharge	903	828	(75)
Legal Services	1,317	1,359	42
Payments to BITMO, Area Panels & Credit Union	3,658	3,745	87
<b>Provisions</b>			
- <i>Disrepair</i>	1,400	2,400	1,000
- <i>Bad debts</i>	1,136	1,136	0
Capital charges	44,588	46,021	1,432
Revenue Contribution to Capital (Investment)	60,971	62,543	1,572
<b>Total Expenditure</b>	<b>254,918</b>	<b>263,453</b>	<b>8,535</b>
<b>Appropriations</b>			
<b>General Reserve</b>	141	0	(141)
<b>Sinking Funds</b>			
LLBH&H PFI	(1,539)	(29)	1,510
Swarcliffe PFI	1,727	(383)	(2,110)
<b>Earmarked Reserves</b>			
ERDMS	0	(257)	(257)
<b>Net (surplus)/deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

# LEEDS CITY COUNCIL 2022/23 BUDGET REPORT

## Directorate: 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 2022/23 financial year.
- 1.2 The 2022/23 Revenue Budget provides £2,570k within the Council's Strategic Budget for the ongoing impact of COVID-19 pandemic. As such, no directorate COVID impacts are detailed below

### 2 Service Context

- 2.1 The Directorate contains the Council's key professional support services; Finance, Procurement, HR, Integrated Digital Services, Legal, and Democratic Services, Shared Services, and Strategy and Improvement and Intelligence. These services support the strategic direction of the Council and provide essential support to Members and managers to improve outcomes and deliver change. The Directorate also has responsibility for the Contact Centre, Digital Access and Customer Relations Teams
- 2.2 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 are working 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, the Woodland strategy, improving insulation in social housing, vehicle replacement programmes and many energy saving initiatives including the replacement of LED street lighting.
- 2.3 The Directorate is also responsible for delivering Catering and Cleaning, Corporate Property Management and Leeds Building Services, Fleet Services, Facilities Management and Passenger Transport. Some of these services are provided on a trading basis to Council Directorates and schools as well as external customers and suppliers.

### 3 Budget Proposals

- 3.1 This 2022/23 budget has been set at £78,350k representing a net increase of £1,721k (2.25%) when compared to the adjusted budget for 2021/22. This net increase/decrease comprises a number of changes in the use of reserves and balances totalling £4,280k and pressures totalling £11,164k offset by savings of £5,163k 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 2022/23 budget. These total £1.24m and are detailed below:

- The £300k transfer of Organisational Change savings targets agreed in 21/22 from Strategic Budgets to the Resources Directorate in relation to the Revenues Service.
- The £500k transfer of Organisation Change savings targets agreed in 21/22 from Strategic Budgets to the Resources Directorate in relation to Property Services.
- The £480k transfer of Council Tax Administration and the Contact Centre to the Resources Directorate.
- The £504k transfer of Community Centre budgets from the Communities, Housing and Environment Directorate to the Corporate Property Management function.
- The £252k transfer to the City Development Directorate as a result of the disposal of the St George House building.
- The £128k transfer of Business Administration staff to the City Development Directorate.
- The £58k transfer of Business Administration staff to the Children's and Families Directorate.
- The £24k net transfer into Resources as the result of the sum of other minor variations.

### **3.3 Changes in Use of Reserves, Balances and Other Resources – Increase of £4,280k**

- 3.3.1 The Resources Directorate will repay £200k to the Invest to Save reserve as part of the business case in prior years for the Contact Centre in relation to reducing contact.
- 3.3.2 In accordance with the Government's guidance on the flexible use of capital receipts which allows for expenditure on projects designed to generate ongoing revenue savings or expenditure associated with transforming service delivery to be funded with capital receipts, the Resources budget provides for £4,480k to be funded in this way. Details of the identified expenditure is contained in Appendix 9.

### **3.4 Changes in prices – pressure of £6,040k**

- 3.4.1 The 2020 Spending Review indicated a public sector pay freeze in 2021/22 which was reflected in the Council's budget. However, it is now assumed a pay award will be required and negotiations are ongoing. As such the budget provides £5,645k for two elements of pay: the Employers final offer for 2021/22, not provided for in the 2021/22 base budget, and an assumed 2022/23 pay award incorporating the recently announced Real Living Wage of £9.90 as scale points 1 and 2 and a 2% pay award for all other staff. The provision reflects the Council's continuing commitment to be a Real Living Wage employer. Consequently, the minimum hourly rate paid to current Leeds City Council employees will rise to £9.90 per hour which is 40 pence above the National Living Wage rate. Apprentices and new starters on the A1 spinal point will be also be paid £9.90 per hour.
- 3.4.2 No provision has been made for inflation on running cost budgets other than demand based budgets and where there are specific contractual commitments. A 5% increase has also been provided for inflation on utilities budgets, providing £105k. The current assessment of projected energy prices indicates there may be an additional pressure in 2022/23, in response to which a reserve has been created within the Council's Strategic Budget and will be applied as required.
- 3.4.3 An inflationary uplift of £200k has been made for demand based budgets, £83k of which has been provided for the cost of food within the Catering service.

### 3.5 **Actuarial Review**

3.5.1 The 2022/23 budget does not provide for an increased contribution to the West Yorkshire Pension fund. Whilst this reflects the most recent Actuarial Review, which showed the West Yorkshire Pension Fund to be in a surplus position, the Council will continue to monitor this position.

### 3.6 **Capitalised Pension Costs – saving of 307k**

3.6.1 The Council continues to provide an Early Leavers Initiative (ELI) to reduce the wage bill as a mechanism to contribute towards the budget gap. The fall out of capitalised pension costs associated with staff who have left the Council under ELI to date will save an estimated £307k.

### 3.7 **Other budget pressures – £5,430k**

3.7.1 An additional £3.14m will be invested in Integrated Digital Services (IDS) for 2022/23 to allow for the creation of and recruitment to new posts which will be used to support delivery of key Council priority 1 projects (£1.14m) and a programme of work to rationalise software applications (£2m). The new 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 and have a deadline that must be delivered in the next 6-9 months. The application rationalisation programme will reduce the number of applications supported thereby reducing the support and maintenance costs and simplifying business processes. This will be funded by the flexible use of Capital Receipts.

3.7.2 £1m has been provided for the additional cost of the Microsoft Enterprise Licencing agreement.

3.7.3 £280k has been provided for the IDS Senior Management Restructure. This will be funded by additional income from the Health service.

3.7.4 £100k has been provided for Schools Catering Income as there is an additional bank holiday in 22/23 which will result in reduced income.

3.7.5 £172k has been provided for the loss of income in the Leeds Building Services as a result of the additional Bank Holiday in 22/23.

3.7.6 £233k has been included to provide front of house at seven key buildings, these are the large multi occupancy sites where there are a multitude of departments using the building. This service enables safe and secure access to staff and visitors as they will operate a reception system and also helps discharge statutory responsibilities with regards to Health and Safety providing services such as First Aider, Fire Warden and Emergency Incident Officer.

3.7.7 £380k has been included for digitising transactional activity in the Revenues service to enable the reduction in manual processes within the Council Tax and Business Rates functions.

3.7.8 £94k for increased insurance costs which reflects changes in the number and value of insurance claims.

3.7.9 £31k has been included for the sum of minor variations across a range of services.

### 3.8 Savings

### 3.9 Business as Usual – £5,163k

3.9.1 It is proposed to save £5,163k within the Resources group of services, of which £510k relates to staffing and £4,653k of running costs. These are identified below by service.

3.9.2 Within CEL, there are planned savings of £1.66m to help deliver this Directorate's budget; in addition, Passengers services are supporting Children and Families in delivering total budgeted savings in 2022/23 of £0.2m for the cost of home to school transport by offering a flexible choice to parents and carers.

- Corporate Property Management. £348k. Initiatives in this area include; capitalising asbestos removal, investing in drainage systems to avoid monthly costs of draining, maximising external funding, and reviewing and reducing non-essential building maintenance expenditure.
- Cleaning/ Facilities Management/Security. £440k as the result of a review of cleaning materials procurement and pricing, expanding the Presto service offer and fleet efficiencies.
- Catering. £273k through the provision of Before and After School Clubs, the merger of back-office functions, targeting increased take up, reviewing the high school offer to include cross border training, procurement. There is an additional £120k reduction in costs as the result of the full year impact of two Adult Social Care Homes.
- LBS £100k through fleet efficiencies.
- Transport £270k through the review of fleet sub-contract expenditure and seeking to amalgamate contracts where possible to achieve savings through economies of scale. Savings are also planned from reducing long term hire, reduced costs of labour and parts on Electric Vehicles, insourcing of training and further fleet efficiencies.
- Targeted HR support in Civic Enterprise Leeds is budgeted to achieve £104k savings.

3.9.3 There are a number of savings within the Business Support Centre as a result of salary sacrifice initiatives which result in Employer National Insurance savings (Individual employees will save income tax and national insurance.)

- Shared Cost Additional Voluntary Contributions to pensions. £185k
- Electric Goods Salary Sacrifice. £100k
- Lease Car Salary Sacrifice for Ultra Low Emission Vehicles. £100k.

3.9.4 Leeds Building Services (LBS) will continue to budget for a surplus of around £10m, based on a forecast turnover of £70m.

3.9.5 A reduction in Business Rates will lead to £182k of savings.

3.9.6 'Channel Shift' within Shared Services will lead to £200k in savings.

3.9.7 As outlined in the 'pressures' section above, £280k of health income will fund part of the IDS Senior Management Team.

3.9.8 Procurement savings will contribute £4m across the authority as a result of both the review of specifications during the contract award process and active contract management once the contract is awarded. A number of these savings have been identified. A balance of

£2.18m savings target is within the Procurement and Contract Service whilst work continues in this area. Once confirmed, this savings target will be transferred to the appropriate area.

### 3.10 **Service Review**

3.10.1 There are no service review proposals within the Resources Directorate, all savings proposals are Business as Usual.

## 4 **Risk Assessment**

4.1 In determining the 2022/23 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2022/23 budget for the Resources Directorate are:

- A pay award is agreed beyond the budgeted level
- There is a reduction in the turnover of posts resulting in lower service vacancy factors than budgeted resulting in pressures on pay budgets.
- Inflationary pressures result in an increased expenditure.

There are still significant uncertainties around the impact of the continuing Covid-19 pandemic and the subsequent impact on the Directorate's income and expenditure budgets. There could still be a significant impact on the Directorate's budget in 2022/23 in the following areas.

- School meal numbers may be lower than the level budgeted.
- Commercial catering outlets may be unable to open as planned.
- Turnover within LBS may be reduced if; the service is unable to access properties to conduct repairs, major programmes of activity are unable to be undertaken or operatives are required to isolate leading to non-productive chargeable time.

Briefing note prepared by: Patrick McGuckin (Head of Finance)  
Telephone: 0113 3787830

## Directorate - Resources

	2022/23 £m	FTEs
<b>Net managed budget 2021/22</b>	77.87	
<b>Adjustments</b>		
<b>Transfers of function</b>		
Contact Centre/Council Tax	(0.48)	
Disposal of St George House	(0.25)	
Property Review Resource Allocation	0.50	
Organisational Change Saving	(0.50)	
Revenues Organisational Change	(0.30)	
Transfer of Shared Services Staff	(0.06)	
Transfer of Business Admin staff	(0.13)	
Other adjustments	(0.03)	
<b>Adjusted net managed budget</b>	76.63	
<b>Changes in the use of Reserves &amp; Balances</b>		
Payback of Invest to Save Reserve - Contact Centre	0.20	
Capital Receipt Flexibilites	(4.48)	
<b>Total Change in Resources</b>	<b>(4.28)</b>	<b>0.00</b>
<b>Budget Pressures:</b>		
<b>Inflation</b>		
Pay	5.65	
Price	0.20	
Gas and Electric	0.11	
Insurance	0.09	
<b>Capitalised Pensions</b>	(0.31)	
<b>Other</b>		
Apprenticeship Levy	0.04	
Catering - Income	0.10	
IDS - Microsoft Licenses	1.00	
IDS - Investment in Priority Projects	3.46	42.00
LBS - Additional Bank Holiday	0.17	
FM - Front of house staff	0.23	9.00
SEAQ - Decarbonisation	0.05	
Finance - Council Tax Automation	0.38	
<b>Total Pressures</b>	<b>11.16</b>	<b>51.00</b>
<b>Savings Proposals:</b>		
<b>Business As Usual</b>		
Shared Services - Channel Shift	(0.20)	(8.00)
Shared Services -Salary Sacrifice	(0.39)	
LBS - Efficiencies	(0.10)	
IDS - Health funding	(0.28)	
Cleaning - Efficiencies	(0.32)	
Cleaning - Procurement savings	(0.12)	
Catering - Efficiencies	(0.39)	(3.00)
CPM - Efficiencies	(0.35)	(2.00)
Passengers transfer to CF and ASC (pay award)	(0.26)	
CEL - Targeted HR Support	(0.10)	(4.00)
Fleet - Efficiencies	(0.27)	
PACs - Procurement savings	(2.18)	
Other	(0.02)	
Business Rates	(0.18)	
<b>Total Savings</b>	<b>(5.16)</b>	<b>(17.00)</b>
<b>Net Managed Budget 2022/23</b>	<b>78.35</b>	<b>34.00</b>

# LEEDS CITY COUNCIL

## 2022/23 BUDGET REPORT

### Directorate: Strategic 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 Central Accounts budget for the 2022/23 financial year.

#### 2 Service Context

- 2.1 The 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 in 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 Central accounts include contributions to joint committees and levies.

#### 3 Budget Proposals

- 3.1 This 2022/23 budget has been set at £5,494k Cr representing a net increase of £55,428k (91%) when compared to the adjusted budget for 2021/22. This net increase comprises a number of changes in resources totalling £16,259k and pressures totalling £38,163k offset by minor savings of £43k. Each of these changes are explained below.

##### 3.2 Budget Adjustments and Transfers

- 3.2.1 There has been one item falling within the category of service transfers and other budget adjustment which is reflected in the 2022/23 budget.
- 3.2.2 Savings targets of £1.05m for organisational change which were included in the 2021/22 Strategic budget have been allocated to the appropriate directorates.

##### 3.3 Changes in Specific Grant Funding –reduction of £21,367k

- 3.3.1 The Central Accounts budget for 2022/23 includes budgets of £12,142k for the new Services grants, and of £8,870k for the new social care grant.
- 3.3.2 The 2021/22 budget included budgets for £42,379k of one-off covid related grant funding, which have been removed for 2022/23.

##### 3.4 Changes in Use of Reserves and Balances – reduction of £8,361k

- 3.4.1 For 2022/23, the budgeted contribution to the General Fund Reserve of £3,961k has been removed.
- 3.4.2 This is offset by a net reduction of £12,322k in the use of earmarked reserves.

- 3.4.3 This net figure includes a £43,120k reduction in the use of S31 grants relating to Covid business rates reliefs which are carried forward in reserves to align with the impact on the business a rates precept of those reliefs. There is a further £3,000k reduction in the use of reserves reflecting the removal of a one-off 2021/22 budget to use Covid-related grant funding carried forward from 2020/21.
- 3.4.4 The 2022/23 budget also reflects the removal of £25,893k of 2021/22 budgets for the contribution of Covid-related grant income to reserves.
- 3.4.5 For 2022/23 the Central Accounts includes budgets of £5,084k for the use of the Strategic Contingency Reserve and £3,116k for the use of the Covid Reserve.
- 3.4.6 Other changes include an increase of £1,795k in the contribution to the Energy Reserve, a reduction of £1,00k in the contribution to the Investment Reserve and a contribution of £500k to a new Performance Reserve.

### 3.5 **Business rates income - increase of £13,469k**

- 3.5.1 The budget for 2022/23 includes projected increases of £13,851k in S31 grants relating to business rates relief.
- 3.5.2 This is partially offset by a projected increase of £382k in the levy payable to the regional business rates pool.

### 3.6 **Increase in Debt costs - £32,755k**

- 3.6.1 The budget for debt costs includes an increase in the Minimum Revenue Provision (MRP) budget of £36,116k. This incorporates an increase of £6,665k reflecting the MRP due on new borrowing to fund capital expenditure. There is a further MRP pressure of £29,545k reflecting the fact that the council no longer intends to reduce its MRP requirement by the use of capital receipts to redeem debt.
- 3.6.2 The budget for external debt costs net of investment income has increased by £1,050k, reflecting the ongoing need to borrow for the capital programme. This is offset by an increase of £1,558k in budgeted prudential borrowing charges to directorates.
- 3.6.3 Budgeted savings arising from the use of capital receipts to fund PFI costs have increased by £2,947k, due to annual fluctuations in PFI accounting models.

### 3.7 **Changes to levies and other contributions – increase of £1,327k**

- 3.7.1 From the information available to date, contributions to joint committees and other bodies will increase by a net £1,327k. The most significant change is an increase of £1,007k in the levy payable to the West Yorkshire Combined Authority. Also within this figure, the contribution to the West Yorkshire Joint Services Committee has increased by £40k, and there is an increase in the contribution to the West Yorkshire Coroners Service of £240k. Information on the proposed budget for the regional flood defence levy has not yet been received, but an allowance of £40k has 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			
	2021/22 £m	2021/22 £m	Variation £m %	
<b>Joint Committees</b>				
Joint Services	1.51	1.55	0.04	3%
<b>Other Bodies</b>				
Flood Defence Levy	0.38	0.42	0.04	11%
Combined Authority and Transport Fund	32.08	33.08	1.00	3%
Coroners	1.45	1.69	0.24	17%

### 3.8 COVID Pressures - £5,519k Cr

3.8.1 The Strategic budget provides an unallocated contingency budget of £2,187k for pressures relating to the ongoing impact of the COVID-19 pandemic, a reduction of £5,519k in comparison to the 2021/22 budget. Whilst Government provided additional funding to meet COVID pressures in 2021/22 further funding has not been made available for 2022/23. Resources have instead been identified by the Council, as detailed in individual directorate budget reports, and will be applied to these estimated pressures as they arise with any balance of funding retained in reserve.

### 3.9 Other budget pressures – £9,600k

3.9.1 The Central accounts budget includes pressures of £5,000k to reduce the budgeted targets for capitalisation of spend on eligible assets and the removal of a £1,050k target for cross-council savings arising from the re-organisation of the corporate contact centre. A contingency budget of £3,550k has been included for the costs of enabling organisational change.

### 3.10 Savings

### 3.11 Business As Usual – £43k

3.11.1 Minor reductions in costs within the Strategic budgets of £43k have been reflected.

## 4 Risk Assessment

4.1 In determining the 2022/23 budget, consideration has been given to all the risks which are managed within the directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2022/23 budget for the Strategic Central accounts are:

4.2 The budgeted external debt costs are based on assumptions about market interest rates during 2022/23. If rates are greater than forecast then the actual borrowing costs incurred could be greater.

- 4.3 There is a budget of £3.5m for the use of section 278 contributions. This budget remains a risk, as it is dependent on the authority receiving these contributions from developers, and the related capital works being progressed on schedule.

Briefing note prepared by: Mary Hasnip (Head of Finance)  
Telephone: 0113 3789384

## Directorate - Strategic Central Accounts

	2022/23 £m	FTEs
<b>Net managed budget 2021/22</b>	(60.92)	
<b>Adjustments</b>		
Transfers of function		
Other adjustments	1.05	
<b>Adjusted net managed budget</b>	<b>(59.87)</b>	
<b>Grant Fallout</b>		
Covid Support Grant	24.60	
Local Council Tax Support grant	9.17	
Council Tax Income Shortfall grant	6.67	
Business Rates Local Income Guarantee	1.94	
<b>Grant Increases</b>		
Local Services grant	(12.14)	
Social care grant	(8.87)	
<b>Changes in the use of Reserves &amp; Balances</b>		
General Fund reserve	(3.96)	
S31 business rates reliefs grant reserve	43.12	
Local tax income support grants reserves	(22.89)	
Strategic contingency reserve	(5.08)	
Covid reserve	(3.12)	
Other earmarked reserves	0.29	
<b>Business Rates Income</b>		
Increase in Business Rates levy	0.38	
Increase in S31 grants for business rates	(13.85)	
<b>Total Change in Resources</b>	<b>16.26</b>	<b>0.00</b>
<b>Budget Pressures:</b>		
<b>Inflation</b>		
<b>Debt costs</b>		
Increases in external Debt costs	1.05	
Increase in MRP contribution from revenue	6.67	
Reduction in use of capital receipts to reduce revenue MRP	29.54	
Increases in prudential borrowing recharges to directorates	(1.56)	
Use of capital receipts to fund PFI costs	(2.94)	
<b>Other</b>		
Reduction in capitalisation target	5.00	
Contingency for organisational change	3.55	
Removal of organisational change savings target	1.05	
Reduction in covid pressures contingency	(5.52)	
<b>Levies and other contributions</b>	1.32	
<b>Total Pressures</b>	<b>38.16</b>	<b>0.00</b>
<b>Savings Proposals:</b>		
Minor cost reductions	(0.04)	
<b>Total Savings</b>	<b>(0.04)</b>	<b>0.00</b>
<b>Net Managed Budget 2022/23</b>	<b>(5.49)</b>	<b>0.00</b>

### Strategy for the flexible use of capital receipts

#### 1. Background

- 1.1 Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not permitted by the regulations.
- 1.2 The Secretary of State is empowered to issue directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.
- 1.3 The Secretary of State for Communities and Local Government issued guidance in March 2016, giving local authorities greater freedoms with how capital receipts could be utilised. This Direction allows for the following expenditure to be treated as capital;  
  
*“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.”*
- 1.4 In order to take advantage of this freedom, the Council must act in accordance with the Statutory Guidance issued by the Secretary of State. This Guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy, with the initial strategy being effective from 1st April 2016 with future Strategies included within future Annual Budget documents. The Local Government Finance Settlement for 2021/22 extended these capital receipts flexibilities for a further three year years which will cover the period up to and including 2024/25.
- 1.5 There is no prescribed format for the Strategy, but the underlying principle is to support the delivery of more efficient and sustainable services by extending the use of capital receipts to finance costs of efficiency initiatives that deliver significant savings. A list of each project should be incorporated in the strategy along with the expected savings each project is expected to realise.
- 1.6 The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators. Since the Council’s current capital programme does not assume the use of capital receipts as a source of funding for schemes there will be no change to the

council's Prudential Indicators as a result of using capital receipts in this flexible way.

## 2. Flexible Use of Capital Receipts Strategy

2.1 Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

*“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.”*

2.2 In total £14.43m of expenditure will be funded through capital receipt flexibilities in 2022/23 and this will contribute towards the delivery of £10.51m in savings next year. The schedule below in Table 1 presents the projects to transform services that will be funded through flexible use of capital receipts, and 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 provide a wider benefit, which would not otherwise be realised. Some of the expenditure incurred in 2022/23 will significantly contribute towards the realisation of savings in future years through the transforming the way that the Council delivers some of its services.

**Table 1 - Expenditure funded through Capital Receipts**

Project Description	2021/22 £m	Savings 2021/22 £m	2022/23 £m	Savings 2022/23 £m
Restructure costs associated with staff leaving through ELI	1.00	(0.75)	1.00	(1.00)
IDS - Driving a digital approach across the Council	0.50	(0.50)	0.50	
IDS - Staff supporting the delivery of key projects across the Authority	1.40		3.14	
Staff supporting the delivery of the key Core Business Transformation Programme	1.07		5.83	
Directorate staff working on Transformational work	0.40			
Council Tax Automization			0.38	
PACS staff delivering innovative solutions to realise Procurement savings			0.78	(4.00)

Adults and Health Service Transformation team (including management) supporting the delivery of key projects			1.94	(4.00)
Adults and Health - specific IDS staff supporting transformation.			0.10	
CEL staff time spent on Transformational projects			0.12	(1.52)
Legal - Staff supporting the Delivery of DAT (Documents and Time recording system)			0.06	
BSC - Staff who supporting the delivery of system changes within the Shared Services.			0.47	
Providing resources to deliver transformation activity within the Communities Directorate			0.12	
<b>Total</b>			<b>4.37</b>	<b>(1.25)</b>
			<b>14.43</b>	<b>(10.51)</b>

- 2.3 Capital receipt flexibilities (£1m) will be used to contribute towards the severance/redundancy costs associated with the transformation of the Council. Staff exiting the Authority through the Council's Early Leavers Initiative scheme (ELI) will be subject to the production of business cases which demonstrates that savings can be realised through releasing staff.
- 2.4 As in previous years £0.5m will be used to fund expenditure within IDS (Integrated Digital Services) which is associated with the digitalisation of services in the Council. Specific work around digitalising processes to realise cashable efficiencies is planned within Property Assets and Facilities, Highways, Waste Management and Licencing.
- 2.5 An additional £3.14m, funded through capital receipt flexibilities will be invested in Integrated Digital Services (IDS) for 2022/23 to allow for the creation of and recruitment to new posts which will be used to support delivery of key Council priority 1 projects (£1.14m) and a programme of work to rationalise software applications (£2m). The new 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 and have a deadline that must be delivered in the next 6-9 months. 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 feature in the update of the Medium-Term Financial Strategy and in future years Annual Budget reports.

- 2.6 As detailed in the report to Executive Board in September 2020, capital receipts will be 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. In 2022/23 £5.83m of capital receipts is required to fund this expenditure. As detailed in the September 2020 report the successful implementation of this programme will generate annual savings of £4m. The transformation will be aligned to existing improvement programmes and the outcome of service reviews, allowing those reviews to maximise their service delivery improvements and financial savings.
- 2.7 Within Finance Services specific provision of £0.38m, funded through capital receipts, will fund transformational activity relating to digitising transactional activity in the service to enable the reduction in manual processes within the Council Tax and Business Rates functions. This in turn will realise cashable savings which will contribute towards the Council being able to present a balanced budget position in future financial years.
- 2.8 Within Procurement and Commercial Services £0.78m will be utilised to support the delivery of procurement savings that have been built into the 2022/23 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;
  - Developing new e-tendering system and contract management system and 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) and;
  - 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).
- 2.9 Within the Adults and Health Directorate £2.04m of capital receipts is required to the staff who are responsible for the delivery of the transformation programme from which savings of £4m have been incorporated into the 2022/23 budget. Specifically the transformation programme covers:
- Delivery of the 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. Delivering on the Independent Living project, supporting people to live independent lives for longer.
  - Working with NHS to ensure pathways for transfer are right first time.
  - Develop invest to save business case for increasing capacity in the care market, e.g. new homes for dementia and autistic, refurbishment

programmes. Designed in conjunction with external partners and Cross-Council.

- Work on design of the IT systems and workflows to ensure data input right first time, accurate, timely. Also, where income due this is collected in full. Development of the A&H Client recording system, HCAIT and the creating of the new billing system, Billing Engine. (HCAIT – Home Care Analysis & Information Tool system).

- 2.10 Capital Receipt flexibilities will be used to resource Senior Management Team time within CEL which is spent on driving forward the transformational change within Civic Enterprise Leeds to deliver the ongoing efficiency savings of £1.52m which are detailed in the Resources Directorate Appendix 8 pages of this report.
- 2.11 Within regard to BSC £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 complement and help realise the benefits and costs reductions that will be realised through the implementation of the Core Systems Transformation Programme. Savings realised from this work will be incorporated into future Medium Term Financial Strategies
- 2.12 Within Legal Services £0.06m is required to resource set-up and implementation costs of staff time in relation to replacing the DATS system (the key electronic system where all legal casework resides). The objective is to generate revenue savings by adapting and using other IT systems already being used by other Services, or by innovative uses of the new M365 tools which the Council has already invested in. This will reduce the level of on-going resource which the DATS system currently takes up and will streamline processes with the aim of reducing costs.
- 2.13 Within the Communities, Housing and Environment Directorate £0.12m is required to resource the Working Together in Neighbourhoods & Communities - Strategic Transformation Review. This review will look to transform the way in which services are delivered to communities from the Council, Health partners and third sector. It will explore opportunities for closer more integrated collaboration on the efficient and effective use of resources to achieve our Best Council/Best City ambitions, Joint Partnership plans (e.g. Health and Well Being Strategy) partners' plans (e.g. left shift blueprint, integrating care), and our overall ambition to reduce inequalities within the city.
- 2.14 The review will seek to deliver a more integrated approach to delivering services and deliver greater VfM 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. The work will also look at geographical intervention, use of assets, commissioning and budgets, workforce requirements and the role of technology in sharing and using data to inform the approach and deliver outcomes.

General Fund Reserves 2022/23

Description of Reserve	Projected	Budgeted	Budgeted	Projected	Reason for the Reserve
	Balance 1st April 2022	Contributions (To) Reserve	Contributions From Reserve	Balance 31st March 2023	
	£k	£k	£k	£k	
<b>GENERAL FUND</b>	<b>(31,719)</b>	<b>0</b>	<b>0</b>	<b>(31,719)</b>	
<b>EARMARKED RESERVES- GENERAL FUND</b>					
S256 funding for health inequalities	(1,823)			(1,823)	Specific funding from Leeds South and East CCG for tackling health inequalities.
Health and Social Care (CCG)	(3,112)			(3,112)	To fund Health and Social Care priorities
Prisons	(79)			(79)	CCG funding for social work in prisons
Drugs	(133)			(133)	Carry forward of external income for drug and alcohol priorities
Transforming Care	(2,393)		2,035	(358)	Provision to mitigate against costs associated with the NHS England led transfer of care packages to a community setting, in accordance with 2017/18 budget report
Social Care Development	(976)			(976)	Provision to meet costs associated with development of social care models e.g. Recovery Model in accordance with 2017/18 budget report
Resilience	0			0	Provision to mitigate against unforeseen demand pressures e.g. caused by hot summers, cold winters, flu outbreaks etc., in accordance with 2017/18 budget report
Safeguarding (Adults)	(272)			(272)	Independent Safeguarding Board - carry forward of partner contributions.
Spring Budget	(4,328)		3,300	(1,028)	Carry forward of Spring Budget monies from DCLG.
Skills for Care	(193)			(193)	To provide funding for training of Care Workers
Health Innovations	0			0	Monies given by Health Service for a number of joint initiatives around commissioning & children's centres
SENDIASS	0			0	Funding from the CCG to continue the Intensive Positive Behaviour Service in 20/21
Safeguarding (Children's)	(78)			(78)	Independent Safeguarding Board - carry forward of partner contributions to fund serious case reviews
Armed Forces Day	(6)			(6)	Funding for Armed Forces Day.
Casino License	(262)			(262)	Reserve for creation of Social Inclusion Fund as per licence bid
Self-Isolation Payment Reserve	0			0	Self-Isolation Payment funding to carry forward
Economic, Social and Environmental Wellbeing Fund	(391)			(391)	Carry forward balances on the wellbeing budgets of Community Committee.
Communities Innovation Fund	(32)			(32)	To fund work with the 3rd Sector to develop future financial sustainability in the sector.
Waste Management	(697)			(697)	Balance of waste disposal contract savings secured in 19/20 to support the delivery of the Refuse route review and the developing waste strategy.
Homelessness Prevention Fund	(899)			(899)	To fund Homelessness prevention
Lord Mayor	(10)			(10)	Balance of budget carried forward.
Members club	0			0	Surplus on the Members Club.
Low Carbon Programme	(158)			(158)	To support delivery of work on Air Quality
Energy Efficiency Reserve - LCC	(221)			(221)	Energy efficiency reserve to fund invest to save energy efficiency initiatives.
Connect Implementation 2021-22	0			0	To fund the implementation costs of the Connect system in LBS.
Section 256	(292)			(292)	Funding from the CCG to be utilised by DIS to fund development of Digital Solutions for Personalised Care
General Insurance	(6,082)			(6,082)	To help fund cost of future insurance claims
Mutual Municipal Insurance	(11)			(11)	Reserve 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	(2,229)			(2,229)	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. Reserve now exhausted.
Merrion House Reserve	(1)			(1)	In year roundings between budget & actual.
S31 Business Rates reserve	(32,150)			(32,150)	Reserve to carry forward S31 NDR relief grants received in 20/21 and apply in relevant year
Strategic Contingency Reserve	(37,304)	(8,351)	15,000	(30,655)	To fund future unforeseen budget pressures and to ensure the Council becoming more financially resilient; to fund the recovery of affected services following the COVID pandemic
COVID Reserve	(4,210)	(1,422)	5,632	0	To be applied to COVID pressures identified in 2022/23 Budget proposals
Council Tax TIG reserve	(2,234)			(2,234)	Income guarantee funding for COVID Council Tax losses in 20/21, to be spread over next 3 years.
Business rates TIG reserve	(6,499)			(6,499)	Income guarantee funding for COVID Business Rates losses 20/21, to be spread over next 3 years.
Energy contingency reserve	0	(2,866)		(2,866)	To provide contingency funding should energy costs exceed provision in the budget
Investment/Innovation	(1,302)	(1,565)		(2,867)	Fund to get projects off the ground to generate future revenue savings.
Business Rates Distribution	(1,638)			(1,638)	To carry forward 2018/19 Business Rates Pool surplus and funding allocated to projects.
NEW Staffing & Management Support Reserve	0	(500)		(500)	To support HR initiatives.
<b>Sub-total Earmarked Reserves</b>	<b>(110,078)</b>	<b>(14,704)</b>	<b>25,967</b>	<b>(98,815)</b>	
<b>Total non-ring fenced Reserves</b>	<b>(141,797)</b>	<b>(14,704)</b>	<b>25,967</b>	<b>(130,534)</b>	
<b>RING FENCED RESERVES - GENERAL FUND</b>					
Contain Outbreak Management Fund	0			0	Funding from Central Government to contain the spread of Covid-19
Rapid test Fund	(115)			(115)	Funding from Central Government to support testing of individuals
Public Health Grant	(1,191)			(1,191)	Unspent government grant primarily related to non-settlement of 'agenda for change'
Taxi & Private Hire Licensing Surplus	(260)			(260)	Ring fenced reserve for taxi and private hire licensing service.
Energy Efficiency Reserve - Salix	(610)			(610)	Energy efficiency reserve to fund invest to save energy efficiency initiatives.
Revenue Grants	(8,130)			(8,130)	Various
<b>Sub-total GF ring fenced reserves</b>	<b>(10,306)</b>	<b>0</b>	<b>0</b>	<b>(10,306)</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 2022/23 to 2024/25 budget.

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 Finance Services are responsible for:
  - i. Business cases (rationale) need to be developed for growth and invest to save 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 Council Plan.
  - ii. All savings within their Directorate are to be agreed by the Executive Member 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).
  - iii. Identifying potential savings with "No options" for savings being off the table. These savings if previously considered are to be presented to Cabinet at the earliest meeting to obtain the Members views as to whether these are to be progressed.
  - iv. Contingency Action Plans – The value of any risks / pressures in the Directorates managed budgets should be quantified. Savings proposals as a contingency are to be identified which can be implemented quickly. These proposals will be actioned if the service goes into an overspend position during the financial year.

- v. 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 the 2021/22 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 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-ring fenced reserve can only be made if a directorate is forecast to be underspending and contributions needs to be agreed by the Chief Officer Financial Services.

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 detailing proposals as to how this variation will be managed within the Directorate's approved budget.

2.6 When a revenue grants 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 Finance Services will be required to provide an exit strategy or an evidence based business case of why this expenditure should be added to the base budget.

2.7 Budget pressures. 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 with clear business case being developed.

2.8 In year saving proposals which have not been achieved in the current financial year, the Director will need to identify budget savings options to mitigate 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 the years 2022/23 through to 2032/33. The format of the capital schemes submissions, which are to be supported by a business case, will be determined by the Strategic Investment Board. The Capital schemes being considered by Financial Challenge: Strategic Investment Board (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 the projects 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 reduce 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.
- Un-ring fenced and ring fenced externally funded grants are considered on a case by case basis for their utilisation by SIB.
- Any grant funding received after the Capital Programme is set is to be used to reduce any Prudential Borrowing of the scheme in the first instance, where grant conditions allow.
- Approval of any new borrowing is considered with the implications for the revenue budget position.

1.5 Capital projects for approval are:

- Considered by Executive Member for the service who agree to the Directorates putting forward a request for funding the Capital Scheme.
- 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 the Strategic Investment Board and CLT and ultimately approved by the Executive Board in line with the Budget and Policy Framework.
- The Business cases are to be developed by the Directorates with support from Finance Services. The ongoing monitoring of the Capital Schemes is the responsibility of the Director in accordance with the Financial Regulations.
- Inclusive of Multi Year Schemes with spend profiled accurately across the financial years.
- External Funding is maximised before the use of Prudential Borrowing is considered.
- 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 Council Plan. In order to ensure that schemes meet Council priorities and are value for money, the Chief Finance Officer 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 provided to SIB to enable informed decisions to be made, i.e.:
  - Ongoing operating costs and life cycle costs

- Cost of any prudential borrowing including both MRP and Interest

1.6 Capitalisation of expenditure (including staffing costs) is in line with CIPFA Guidance as issued by the Capital Team.

Do we need a section in here about how we deal with capital overspends?

### **C. General Principles**

The budget process shall adhere to the approved timetable.