
Revenue Budget 2024/25

Decision to be taken by: Council

Date of meeting: 21 February 2024

Lead director: Amy Oliver, Director of Finance



Useful information

- Ward(s) affected:
- Report author: Catherine Taylor/Kirsty Cowell
- Author contact details: catherine.taylor@leicester.gov.uk
kirsty.cowell@leicester.gov.uk
- Report version number: 1

1. **Purpose**

- 1.1 The purpose of this report is to present the City Mayor's proposed budget for 2024/25 and to describe the future financial outlook.
- 1.2 The proposed budget is described in this report, subject to any amendments the City Mayor may wish to recommend when he makes a firm proposal to the Council.

2. **Summary**

- 2.1 The medium-term financial outlook is the most severe we have ever known. Like many authorities, we face the real probability of not being able to balance our budget in 2025/26, necessitating a formal report under section 114 of the Local Government Finance Act 1988 (indeed, some authorities appear to be in that position already). In previous years, we have used a "managed reserves policy", by which specific reserves have been set aside to support budgets and buy us time to make cuts. Without new money from the Government, the proposed budget will exhaust these reserves. The Council also holds a £15m emergency reserves balance, some of which will need to be spent in 2024/25.
- 2.2 The background to this severe outlook is:
 - (a) a "decade of austerity" between 2010 and 2020 in which services other than social care had to be reduced by 50% in real terms. This has substantially reduced the scope to make further cuts;
 - (b) the covid-19 pandemic where we set "stop gap" budgets whilst we dealt with the immediate emergency. Budgets in 2021/22 to 2022/23 were supported by managed reserves;
 - (c) recent cost pressures, shared by authorities across the country. These include pressures on the costs of children looked after and support for homeless households, as well as the long-standing pressures in adult social care and the hike in inflation. The budget for 2023/24 was supported by a further £34m of managed reserves;
 - (d) a new round of austerity is expected, which will lead to further cuts to local authority funding from 2025/26. Meanwhile cost pressures have continued to mount since we set the 2023/24 budget, most notably in children's services and support for the homeless.

- 2.3 This budget is based on the final local government settlement released on 5th February, and including additional social care funding. At the time of writing, this had not been formally approved by Parliament but is unlikely to change.
- 2.4 The “fair funding” review of local government finance has been continuously delayed, meaning that most of the data on which our funding is based is now at least 10 years old (and disregards, for instance, increases in the city’s population).
- 2.5 The Government’s chosen measure of a council’s ability to spend is “core spending power”. This core spending power consists of a number of funding sources with only a small element being provided by Government Grant. This budget implies a core spending power increase of £29m being around 8%. The Government may point to this as a reason why local authorities have received an above inflation increase, but as this report indicates it does not come close to funding our forecast pressures.
- 2.6 Additionally, core spending power is predominantly raised locally and not provided by central government. In 2023/24 only 25% of core spending power came from government grant
- 2.7 The budget reflects savings of £10m which have been achieved during 2023/24 and approved separately. This, however, is dwarfed by the £48m of unavoidable service growth we have had to build in, and which is further explained in section 6 below. The City Mayor has made national representations about the extremely serious effect current government funding policy will have on the entire sector, but so far there has been no indication that this will be addressed.
- 2.8 We will continue to make further savings. However, it is clear that the budget needs a root and branch review if we are to have any hope of balancing the budget for 2025/26. Work on a sustainable plan has commenced. We have also commissioned a peer review which will be carried out early in 2024 by the Local Government Association. This will either help us identify additional savings or provide evidence of the impossibility of the challenge.
- 2.9 The budget proposes a tax increase of just under 5%, which is the maximum we are allowed to set without a referendum.
- 2.10 The medium-term outlook is attached as Appendix 4 and shows the escalating scale of the financial pressures facing the council.

3. **Recommendations**

3.1 Council is recommended to:

- (a) approve the budget strategy described in this report, subject to any changes proposed by the City Mayor when he makes his final proposal to the Council;
- (b) approve a formal budget resolution (to be included with the Council script), which sets the council tax level for 2024/25;

- (c) approve the budget ceilings for each service, which are shown at Appendix 1 to this report;
- (d) approve the scheme of virement described in Appendix 2 to this report;
- (e) approve the transfer of £10.3m as outlined in Appendix 5 paragraphs 2 and 3, to managed reserves;
- (f) note my view on the adequacy of reserves and the estimates used in preparing the budget;
- (g) note the equality implications arising from the proposed tax increase, as described in paragraph 11 and Appendix 3;
- (h) note the medium-term financial strategy and forecasts presented at Appendix 4, and the significant financial challenges ahead;
- (i) note that the Executive is not recommending any changes to the Council Tax Support Scheme in 2024/25 but intends to consult on a new “banded scheme” in time for the 2025/26 budget (section 8). The making of savings in the cost of the scheme will be explored at the same time.

In relation to Council Tax on empty properties, Council is recommended to:

- (j) thank those who responded to our consultation on council tax premiums, the results of which are described at Appendix 6;
- (k) note the equality implications arising from a decision to increase council tax payable in respect of empty properties, as described at Appendix 7;
- (l) For periods starting on or after 1st April 2024, apply a council tax premium of 100% to properties that have been unoccupied and substantially unfurnished for one year (down from the current two years). Other aspects of the scheme for applying premiums to unoccupied and substantially unfurnished properties will remain unchanged, resulting in a revised scheme of charges as described at Appendix Six;
- (m) For periods starting on or after 1st April 2025, apply a council tax premium of 100% to properties that have no resident and are substantially furnished;
- (n) Note that exemptions to the premium for furnished properties will be determined before April 2025, in the light of comments made by respondents to the consultation and any guidance issued by the Secretary of State (which is still awaited).

4. **Budget Overview**

- 4.1 The table below summarises the proposed budget for 2024/25 (summary projections for a three-year period are included in the medium-term strategy at Appendix 4):

	2024/25 £m
Service budget ceilings	402.8
Corporate Budgets	
Provision for pay awards	9.0
Capital Financing	2.1
Miscellaneous Corporate Budgets	1.1
Demographic pressures provision	8.0
Homelessness provision	6.0
Total forecast spending	429.0
Rates retention scheme:	
Business rates income	75.9
Top-up payment	63.0
Revenue Support Grant	35.6
Other resources:	
Council Tax	153.6
Collection Fund surplus	1.0
Social Care grants	36.7
Other grants	2.2
Total forecast resources	368.0

Underlying gap in resources	61.0
Use of Managed Reserves	46.9
Release from capital fund	7.0
Use of General Fund Emergency Balance	7.1
Gap in resources	NIL

5. **Construction of the Budget and Council Tax**

- 5.1 By law, the Council's role in budget setting is to determine:
- (a) The level of council tax;
 - (b) The limits on the amount the City Mayor is entitled to spend on any service ("budget ceilings") - proposed budget ceilings are shown at Appendix 1;
- 5.2 In line with Finance Procedure Rules, Council must also approve the scheme of virement that controls subsequent changes to these ceilings. The proposed scheme is shown at Appendix 2.
- 5.3 The budget is based on a proposed Band D tax for 2024/25 of £1,924.63, an increase of just under 5% compared to 2023/24. This is believed to be the maximum which will be permitted without a referendum.
- 5.4 The tax levied by the City Council constitutes only part of the tax Leicester citizens have to pay (albeit the major part – 84% in 2023/24). Separate taxes are raised by the Police and Crime Commissioner and the Combined Fire Authority. These are added to the Council's tax, to constitute the total tax charged.
- 5.5 The actual amounts people will be paying, however, depend upon the valuation band their property is in and their entitlement to any discounts, exemptions or benefit. Almost 80% of properties in the city are in band A or band B, so the tax will be lower than the Band D figure quoted above. The Council also has schemes for mitigating hardship.
- 5.6 The Police and Crime Commissioner and Combined Fire Authority will set their precepts in February 2024. The formal resolution will set out the precepts issued for 2024/25, together with the total tax payable in the city.

6. **Departmental Budget Ceilings**

- 6.1 Budget ceilings have been prepared for each service, calculated as follows:
- (a) The starting point is last year's budget, subject to any changes made since then which are permitted by the constitution (e.g. virement);
 - (b) An allowance is made for non-pay inflation on a restricted number of budgets. Our general rule is that no allowance is made, and departments are expected to manage with the same cash sum that they had in the previous year. Exceptions are made for the budgets for independent sector adult social care (2%) and foster care (2%) but as these areas of service are receiving growth funding, an inflation allowance is merely academic (we pay from one pot rather than another). Budgets for the waste PFI contract have been increased by RPI, in line with contract terms.
 - (c) An allowance for the 2023/24 pay award, which was agreed in November 2023.

- (d) Unavoidable growth has been built into the budget, as described in the sections below;
 - (e) As discussed in the summary, action is being taken to reduce budgeted spend, and where decisions have already been taken budget ceilings have been reduced.
- 6.2 The proposed budget ceilings are set out in Appendix 1.
- 6.3 Energy prices have been volatile in recent years and are difficult to predict at the service level. A £5m provision is held corporately and will be transferred to support services as required. A further central provision is held to fund the 2024/25 pay award, forecast at 5%. Additionally, reflecting the extreme volatility of some budgets, a further £8m has been set aside in a central provision for demographic changes alongside a £6m provision around the level of homelessness provision, these will only be released if needed.
- 6.4 The role of the Council is to determine the financial envelopes within which the City Mayor has authority to act. Notwithstanding the way the budget has been constructed, the law does not enable the Council to determine how the City Mayor provides services within these envelopes: this is within his discretion.

Adult Social Care

- 6.5 Adult social care services nationally have been facing severe cost pressures for some years, and these are expected to continue.
- 6.6 The demand for service looks to continue accelerating in future years, as a consequence of increases in the level of need of the average care recipient and pressure on providers due to National Living Wage increases, as well as ongoing rising numbers of adults requiring care. For 2024/25 the budget has been increased by £17.5m as a result of these impacts.
- 6.7 The government has generally responded to growth pressures on an ad-hoc basis, making one-off resources available year by year. Funding allocations for 2023/24 and 2024/25 were announced in autumn 2022, with allocations for 2024/25 confirmed in December 2023. A further £500m (nationally) was announced in late January, and our share is included in the budget. However, this is still considerably less than the pressures faced.
- 6.8 The proposed budget includes growth of £17.5m in 2024/25 (net of standard inflation of 2%) for the increased costs of packages of support, estimated to rise to £39m by 2025/26. The 2024/25 growth takes account of the continuation of the government's discharge and workforce improvement grants totalling £4.6m. However, it is not expected that these grants will increase in 2025/26 hence the larger cost increase in 2025/26.
- 6.9 In year increases in package costs for people with existing packages of care has been a substantial ongoing budget pressure. Significant work is now being undertaken to reduce future pressures in this area. This work includes reviewing existing working practices, identifying best practice and embedding that across all social work teams together with increasing alternative non-adult social care

provision to support increased needs. This includes change and improvement to support designed to reduce people's need for formal care, social work assessment, and commissioning practice. The budget assumes that this work will have a positive impact, but this will be challenging and clearly there remains a risk of exceeding the budget.

Education and Children's Services

- 6.10 In common with authorities across the country, increased demand for children's social care services has created substantial budget pressure for many years.
- 6.11 A forecast of placement costs in 2024/25 and 2025/26 has been made, and £17.5m added to the budget for 2024/25. The forecast builds on a budget that is already under pressure (it is expected to overspend in 2023/24). It assumes that non-UASC (unaccompanied asylum seeking children) entrants into the care system continue at the same level as in 2023/24. 2023/24 has been notable for the unusually high average placement costs of new entrants. This is as a result of some particular placements requiring high levels of support, together with price pressure from providers. The forecast also assumes that there is further growth in UASC children becoming looked after until the government target of 0.1% of the city 0-17 population is reached.
- 6.12 Work is continuing to take place to reduce placement costs:
- (a) Regular review of long-term, emergency and high cost placements;
 - (b) Substantial work began in August 2023 with the consultancy firm Impower who were commissioned to undertake an analysis of placements and the match between costs and assessed needs. This helpful analysis of a large cohort of children in higher cost placements (182, 20% of the overall population), has already identified several cohorts of placements that will be the subject of targeted activity to address mismatches in cost versus level of need to generate significant savings. This work will take place in 2023/24 and 2024/25.
 - (c) An extensive review of our internal resources (fostering and children's homes) to ensure that the capacity and resilience of these are maximised.
 - (d) Business cases will be put forward for capital investment to expand our internal children's home resources over the next 5 years.
 - (e) The need to increase the number of foster carers is clear and work is ongoing to make the council website more accessible to attract more enquiries. The training and support levels will also be reviewed to avoid placement breakdown.
 - (f) A review of council resources deployed to prevent entry into care will also be completed with a view to refocusing/retargeting resources to

have greater impact for those children and young people at greater risk of becoming looked after.

- (g) A strengthening of the role of commissioning in sourcing placements will also take place and a tighter focus on contract management and capping cost inflation will be deployed to limit the impact of demands by providers for uplifts.
- (h) Work with the ICB to agree joint funding solutions for complex, high need children;

- 6.13 The budget assumes a lower average placement cost for new entrants in 2024/25. In part this is because of the work outlined above; in addition there is a variation in the percentages of different placement types (and therefore average cost) from year to year and therefore it is more appropriate to look at average placement percentages over a longer period to determine future entrance costs to smooth out this variation. There is of course a risk with this approach if a particular variation is a new ongoing trend, but placement cost will continue to be monitored through routine budgetary control reports.
- 6.14 A further £2.5m has been added to the department's budget. £0.5m of this relates to increasing pressure on legal and translation budgets for children's social care. Legal has had significant difficulties in recruiting permanent staff and has had to rely on locums to meet demand which is more costly.
- 6.15 £1.4m of the £2.5m is to address the continued pressure on home to school transport budgets mainly for SEND children but also for children looked after. These pressures have been highlighted in the 2023/24 revenue monitoring report which are a result of increasing numbers of pupils with education, health and care plans (EHCPs) requiring transport support and continued price pressure from taxi firms.
- 6.16 The remaining £0.6m of the £2.5m addresses equally a rising demand for respite payments for disabled children together with a substantial loss of previously traded casework with schools by the Education Welfare service. The DfE have made this work a statutory duty for local authorities and have decided, inexplicably, that the change does not meet the threshold for new burdens funding.
- 6.17 In addition to the General Fund budget, Dedicated Schools Grant (High Needs Block, HNB) budgets for children and young people with special educational needs and disabilities continue to be under severe pressure. In common with most authorities, the Council has a deficit on its DSG reserve estimated to stand at £11.7m by the end of 23/24 resulting from unavoidable overspends. This is a national issue and in fact, most authorities are in a significantly worse position than Leicester.
- 6.18 In 2020, the government introduced a statutory override for a period of 3 years to the end of March 2023 which meant that local authorities' DSG deficits could

not be funded from their general reserves. The intention was to prevent council tax services being cut to fund these DSG deficits. Of course, whilst this means that the LA does not have to 'fund' these deficits on a permanent basis currently, it does have to find the cash to pay for the deficits, meaning the LA's cash position is lower than it would otherwise be. Following a 'gathering of evidence' from LAs in the summer of 2022, government confirmed in the local government finance policy statement published in December 2022, that the statutory override would be extended for a further 3 years to end in March 2026. This budget has been prepared on the basis of that extension.

- 6.19 In keeping with other local authorities we have prepared a draft deficit recovery plan, which all authorities with deficits are required to do. We are currently still in discussion with the DfE regarding the details of the plan, however the DfE have confirmed that it is not currently their intention to put Leicester into one of their two intervention programmes – the 'delivering better value' programme or the 'safety valve' programme. Leicester is however part of the 'SEND and alternative provision change programme partnership' with LLR and the DfE which begins late 2023. This DfE funded programme is intended to allow local authorities to 'road test' the ideas and approaches outlined in the DfE's SEND improvement plan to bring high needs costs under control alongside wider SEND system reform.
- 6.20 The main issue for Leicester is the step change in demand for EHCPs post pandemic. Numbers of plans agreed have doubled since the years immediately prior to the pandemic. We need a system wide change to address this which, whilst still recognising the child's needs, means that those needs can be addressed to a much greater extent within existing resources within mainstream settings. This will require a culture change and the adoption of the best practice for inclusivity across all schools.

City Development and Neighbourhoods

- 6.21 Homelessness is currently a significant pressure in 2023/24, as a consequence of insufficient homes being available for rent at or below the level of the local housing allowance, meaning more families cannot afford a roof over their heads. This is compounded by the Government fast-tracking cases of asylum seekers currently being housed in hotels in the city.
- 6.22 Growth of £10.6m has been added to the budget to meet costs of accommodation for increasing numbers of families presenting as homeless, but this remains a high-risk area. The budget growth is reflective of a plan to address the needs of homeless families which is being separately presented to Council; without this, the pressures would be even more stark. A corporate contingency has been included in the budget due to the risk in this area.
- 6.23 Other areas of the department's budget are relatively predictable (compared with social care and homelessness services), and the department is expected to be able to live within its resources.

Health and Wellbeing

- 6.24 The division, together with a number of services provided by other departments, is paid for from the public health grant. This grant is ring-fenced for defined public health purposes wherever they are provided in the Council. General Fund monies have also been spent on public health services, both before and after 2013/14 when the function transferred from the NHS.
- 6.25 The future of public health grant is unclear. It is not known whether it will remain as a separate grant when local government funding reforms are eventually introduced: previous proposals have suggested it will be included in general funding arrangements.
- 6.26 Costs of external contracts have increased as a result of the NHS pay award, funded from an increase in the public health grant. Otherwise, the department is able to live within its resources in 2024/25, and no budget growth is proposed.

Corporate Resources Department

- 6.27 The department primarily provides internal support services together with leading on good corporate governance, but also some public facing services such as benefits, collection of council tax, customer contact and sports services. The department has made considerable savings in recent years in order to contribute to the Council's overall savings targets. It has nonetheless achieved a balanced budget each year.
- 6.28 Whilst the budget is broadly balanced, a number of factors may lead to budget pressures in the department, most notably in respect of the cost-of-living crisis affecting demand for Revenues & Benefits and Customer Services; and pressures in Legal Services.

7. Corporately held Budgets and Provisions

- 7.1 In addition to the services' budget ceilings, some budgets are held corporately. These are described below.
- 7.2 A provision has been set aside for the 2024/25 **pay award**.
- 7.3 The budget for **capital financing** represents the cost of interest and debt repayment on past years' capital spending, less interest received on balances held by the council. The net budget has improved recently due to increasing interest rates leading to better returns on balances (while the majority of our borrowing is on fixed rates and is not affected by interest rate variations in the short term). As we spend our reserves, however, interest on balances will fall. As shown in the Treasury Management Strategy (elsewhere on your agenda) it is likely we will need to borrow in the medium term and possibly even in the short-term, and these costs are reflected in the budget.
- 7.4 **Miscellaneous central budgets** include external audit fees, pension costs of some former staff, levy payments to the Environment Agency, bank charges, general insurance costs, money set aside to assist council taxpayers suffering hardship and other sums it is not appropriate to include in service budgets.

These budgets are partially offset by the effect of recharges from the general fund into other statutory accounts of the Council.

- 7.5 Two contingencies have been set aside for **demographic pressures** and **homelessness**, which will be allocated only if necessary.

8. Resources

- 8.1 The majority of the council's core funding comes from business rates; government grant funding; and council tax. Service-specific sources of funding, such as fees & charges and specific grants, are credited to the relevant budget ceilings, and are part of departmental budgets.

Business rates and core grant funding

- 8.2 Local government retains 50% of business rates collected locally, with the balance being paid to central government. In recognition of the fact that different authorities' ability to raise rates do not correspond to needs, there are additional elements of the business rates retention scheme: a top-up to local business rates, paid to authorities with lower taxbases, and Revenue Support Grant (RSG).

- 8.3 Government decisions in recent years have reduced the amount of rates collected from businesses, by limiting annual increases in the multiplier used to calculate rates and by introducing reliefs for various classes of business. The government's practice is to compensate authorities for lost income due to changes to the scheme. So many changes have been made in recent years that by 2023/24 compensation made up around a third of the "rates" income received by the Council. The complexity of these changes, and the fact that a single ratepayer may be affected by several overlapping changes, makes it difficult to accurately estimate rates income; the estimates in this report are the best we can make at present. In practice, we believe that the system of business rates is becoming unsustainable in its current form.

- 8.4 The figures in the budget assume no significant growth or decline in "rates" from the current position, apart from inflationary increases. The largest element of uncertainty in the forecasts relates to the impact of appeals by businesses against the ratable values determined by the Valuation Office.

- 8.5 The majority of other funding streams in previous budgets, including the New Homes Bonus and Services Grant, have been sharply cut in recent years. New Homes Bonus can vary greatly year-on-year; our allocation is £1.5m in 2024/25 but was just £0.1m the previous year and cannot be relied on as a consistent funding stream.

Council tax

- 8.6 Council tax income is estimated at £153.6m in 2024/25, based on an assumed tax increase of just below 5% (the maximum allowed without a referendum). The proposed tax increase includes an additional "social care levy" of 2%, designed to help social care authorities mitigate the growing costs of social care. Since

our tax base is relatively low for the size of population, the levy raises just £2.9m per year.

- 8.7 The estimated council tax base has remained largely flat since last year's budget; this appears to be the result of slower housebuilding numbers, and a growing number of exempt properties (mostly student accommodation).
- 8.8 The budget includes the impact of extended council tax premiums on long-term empty and second homes, as set out in Appendix 6.
- 8.9 It is proposed that no changes to the council tax support scheme are made in 2024/25, but we intend to consult on a "banded scheme" to be introduced in 2025/26. Such a scheme works by placing claimants' weekly income into a band. Council tax support is awarded by reference to the band, without differentiation. If a claimant's income changes, no recalculation of support is required unless the change is significant enough to place them in a different band. Claimants benefit from such a scheme as they know in advance what support they will get from month to month, and our own administration process would be simpler. The scheme can be devised so that certain types of income are disregarded to protect the most vulnerable customers (e.g. disability living allowance or personal independence payments). Significantly, the approach provides more flexibility when seeking to achieve savings. It allows for local priorities to be considered, and the effects forecast: following analysis an informed decision can be reached. The current model does not facilitate this.

Other grants

- 8.10 The majority of grant funding is treated as income to the relevant service departments and is not shown separately in the table at paragraph 4.1. The most substantial grant held corporately is the **Social Care Grant**, which has been provided each year since 2016/17 to reflect national cost and demographic pressures. It has been increased several times since 2016 and is now a significant amount. In the provisional 2024/25 settlement, our share of this funding was £33.4m. A further increase of £500m nationally was announced in late January, of which our share is £3.3m.

Collection Fund surplus / deficit

- 8.11 Collection fund surpluses arise when more tax is collected than assumed in previous budgets. Deficits arise when the converse is true.
- 8.12 The Council has an estimated **council tax collection fund deficit** of £1.0m, after allowing for shares to be paid by the police and fire authorities. This largely relates to numbers of exempt properties being higher than expected when the budget was set.
- 8.13 The Council has an estimated **business rates collection fund surplus** of £2.0m. Because of changes to reliefs in recent years that were funded by government grants, the actual collection fund position is distorted and various technical accounting adjustments (that will balance out over the years) are required.

9. **Managed Reserves Strategy**

- 9.1 Since 2013, the Council has employed a managed reserves strategy, contributing money to reserves when savings are realised and drawing down reserves when needed. This policy has bought time to more fully consider how to make the recurrent cuts which have been necessary in nearly every budget year.
- 9.2 As at April 2023, resources available for the strategy totalled £65.8m. A significant proportion of this will be required to balance the budget in the current financial year. A review of one-off resources available has identified £8.5m that can be released from the capital reserve to support the revenue budget, and a further £3.3m from earmarked reserves and other provisions. Another £7.0m is to be proposed to be released from the capital reserve to support the revenue position.
- 9.3 Unless further savings are found, or the Government provides more money, the budget will require £61.0m of support from reserves in 2024/25, which exceeds the amount available, and will require the use of a substantial part of the General Fund emergency balance. This also leaves no resources to offset pressures in 2025/26, and indicates that a section 114 report will become a probability:

	£m
Available to support budget as at 1/4/2023	65.8
Additional funding identified	11.8
Further funding from capital reserve	7.0
Estimated amount Required in 2023/24	(30.7)
Estimated amount required for 2024/25 budget	(61.0)
Shortfall for 2024/25 to be funded from Emergency Balance	<u>(7.1)</u>

- 9.4 The Council has long held a £15m minimum working balance of reserves (the emergency pot). As can be seen, we look set to draw from this reserve in 2024/25.

10. **Earmarked Reserves**

- 10.1 In addition to our general reserves, the Council also holds earmarked reserves which are set aside for specific purposes. These include ringfenced funds which are held by the Council but for which we have obligations to other partners or organisations; departmental reserves, which are held for specific services; and corporate reserves, which are held for purposes applicable to the organisation as a whole.
- 10.2 A review of earmarked reserves has identified £2.7m that can be released to minimise the call on the General Fund Emergency Balance for 2024/25; as well as £0.6m currently held in a provision which will not be required in future. Appendix 5 gives a summary of earmarked reserves as at 31st March 2023.

10.3 The planned use of earmarked reserves will be monitored through the regular revenue budget monitoring process and reported to members throughout each financial year.

11. **Budget and Equalities**

11.1 The Council is committed to promoting equality of opportunity for its residents; both through its policies aimed at reducing inequality of outcomes, and through its practices aimed at ensuring fair treatment for all and the provision of appropriate and culturally sensitive services that meet local people's needs.

11.2 In accordance with section 149 of the Equality Act 2010, the Council must "have due regard", when making decisions, to the need to meet the following aims of our Public Sector Equality Duty :-

- (a) eliminate unlawful discrimination;
- (b) advance equality of opportunity between those who share a protected characteristic and those who do not;
- (c) foster good relations between those who share a protected characteristic and those who do not.

11.3 Protected groups under the public sector equality duty are characterised by age, disability, gender reassignment, pregnancy/maternity, race, religion or belief, sex and sexual orientation.

11.4 When making decisions, the Council (or decision maker, such as the City Mayor) must be clear about any equalities implications of the course of action proposed. In doing so, it must consider the likely impact on those likely to be affected by the recommendation; their protected characteristics; and (where negative impacts are anticipated) mitigating actions that can be taken to reduce or remove that negative impact.

11.5 The budget does not propose any service changes which will have an impact on residents. Where appropriate, an individual Equalities Impact Assessment for any service changes will be undertaken when these decisions are developed.

11.6 The budget does recommend a proposed council tax increase for the city's residents. The City Council's proposed tax for 2024/25 is £1,924.63, an increase of just below 5% compared to 2023/24. As the recommended increase could have an impact on those required to pay it, an assessment has been carried out to inform decision makers of the potential equalities implications. This includes the potential impacts of alternative options.

11.7 A separate equality assessment has been carried out with regard to proposed changes to council tax on empty properties (see Appendix 7).

11.8 A number of risks to the budget are addressed within this report (section 12 below). If these risks are not mitigated effectively, there could be a disproportionate impact on people with particular protected characteristics and therefore ongoing consideration of the risks and any potential disproportionate

equalities impacts, as well as mitigations to address disproportionate impacts for those with particular protected characteristics, is required.

Provided by: Kalvaran Sandhu, Equalities Manager

12. **Risk Assessment and Estimates**

- 12.1 Best practice requires me to identify any risks associated with the budget, and Section 25 of the Local Government Act 2003 requires me to report on the adequacy of reserves and the robustness of estimates.
- 12.2 This requires a judgement to be made, which is now hard given the volatility of some elements of the budget and the depletion of our reserves. In practice, there are significant risks in the budget.
- 12.3 The most significant issue in developing the 2024/25 budget has been ongoing cost pressures in demand-led service areas, particularly social care and support for homeless households. These have risen very steeply during 2023/24 and there is no guarantee this will not happen again.
- 12.4 Additional social care grant funding was announced in January 2024, but only goes a small way towards meeting these pressures. Given the overall position of public finances, we are not expecting any further government support towards the costs.
- 12.5 The budget seeks to manage these risks as follows:
- (a) £7.9m of emergency balances remain;
 - (b) A provision for demographic pressures of £8m per year has been included in the budget;
 - (c) A further provision of £6m is included to manage the risks around homelessness services (see 6.23 above);
 - (d) In theory, the Council can also draw on the capital finance reserve. This is essentially a capital resource that has been “switched” with revenue (behind the scenes) over many years, in part to provide flexibility for times such as these. Using it would, however, force us to cut the approved capital programme or borrow, leading to future revenue cost, so it must be seen very much as a last resort.
- 12.6 Subject to the above comments, I believe our reserves can just about be considered adequate and that the estimates made in preparing the budget are sufficiently robust to allow the budget to be approved. If demand pressures again rise in the way that they have in 2023/24, I will need to consider whether section 114 of the Local Government Finance Act, 1988, requires me to write a formal report on the basis that our spending is likely to exceed our resources. In practice, this is more likely to be a consideration in respect of the 2025/26 budget.

12.7 Looking further ahead, we need to identify and approve options for further savings (and to reduce growth) so that we can ensure we are financially sustainable beyond 2024/25. Work to identify options is taking place, but we will need to delve more deeply than we have ever had to before.

13. **Financial, Legal and Other Implications**

13.1 **Financial Implications**

This report is exclusively concerned with financial issues.

13.2 **Legal Implications**

13.2.1 The budget preparations have been in accordance with the Council's Budget and Policy Framework Procedure Rules – Council's Constitution – Part 4C. The decision with regard to the setting of the Council's budget is a function under the constitution which is the responsibility of the full Council.

13.2.2 At the budget-setting stage, Council is estimating, not determining, what will happen as a means to the end of setting the budget and therefore the council tax. Setting a budget is not the same as deciding what expenditure will be incurred. The Local Government Finance Act, 1992, requires an authority, through the full Council, to calculate the aggregate of various estimated amounts, in order to find the shortfall to which its council tax base has to be applied. The Council can allocate greater or fewer funds than are requested by the Mayor in his proposed budget.

13.2.3 As well as detailing the recommended council tax increase for 2024/25, the report also complies with the following statutory requirements:-

- (a) Robustness of the estimates made for the purposes of the calculations;
- (b) Adequacy of reserves;
- (c) The requirement to set a balanced budget.

13.2.4 Section 65 of the Local Government Finance Act, 1992, places upon local authorities a duty to consult representatives of non-domestic ratepayers before setting a budget. There are no specific statutory requirements to consult residents.

13.2.5 The discharge of the 'function' of setting a budget triggers the duty in s.149 of the Equality Act, 2010, for the Council to have "due regard" to its public sector equality duties. These are set out in paragraph 11. There are considered to be no specific proposals within this year's budget that could result in new changes of provision that could affect different groups of people sharing protected characteristics. Where savings are anticipated, equality assessments will be prepared as necessary. Directors and the City Mayor have freedom to vary or abort proposals under the scheme of virement where there are unacceptable equality consequences. As a consequence, there are no service-specific 'impact assessments' that accompany the budget. There is no requirement in law to

undertake equality impact assessments as the only means to discharge the s.149 duty to have “due regard”. The discharge of the duty is not achieved by pointing to one document looking at a snapshot in time, and the report evidences that the Council treats the duty as a live and enduring one. Indeed, case law is clear that undertaking an EIA on an ‘envelope-setting’ budget is of limited value, and that it is at the point in time when policies are developed which reconfigure services to live within the budgetary constraint when impact is best assessed. However, an analysis of equality impacts has been prepared in respect of the proposed increase in council tax, and this is set out in Appendix 3.

13.2.6 The proposals comprised in sections 3.1 (j) to (n) derive from powers introduced under The Levelling Up and Regeneration Act 2023. These were consulted upon by the Council. The proposed scheme is set out in Appendix 6 and the Equality Assessment at Appendix 7

13.2.7 Judicial review is the mechanism by which the lawfulness of Council budget-setting exercises are most likely to be challenged. There is no sensible way to provide an assurance that a process of budget setting has been undertaken in a manner which is immune from challenge. Nevertheless the approach taken with regard to due process and equality impacts is regarded by the City Barrister to be robust in law.

Provided by: Kamal Adatia, City Barrister

13.3 **Climate Change Implications**

13.3.1 The city council declared a climate emergency in February 2019 and is delivering its Climate Emergency Strategy & Action Plan, which sets out an ambition for the council and city to achieve net zero carbon emissions. The council therefore has a vital role to play in reducing emissions from the delivery of its services, working with its partners and leading by example on tackling the climate emergency in Leicester.

13.3.2 There is not sufficient information within this report to provide specific details of climate change implications for individual budgetary decisions, and detailed implications should therefore be continue to be assessed for individual projects and services. However, more generally, opportunities to reduce carbon emissions should be considered for all areas of service delivery, including where this can provide co-benefits such as reducing energy and fuel cost pressures and increasing efficiency.

Provided by: Aidan Davis, Sustainability Officer, Ext 37 2284

Budget Ceilings

	2023/24 latest budget £000's	Savings £000's	Growth Planned in Budgets £000's	Non-Pay Inflation £000's	24/25 budget ceiling £000's
<u>1. City Development & Neighbourhoods</u>					
<u>1.1 Neighbourhood & Environmental Services</u>					
Divisional Management	250.2				250.2
Regulatory Services	2,208.8	(318.0)			1,890.8
Waste Management	22,942.9	(135.0)		843.0	23,650.9
Parks & Open Spaces	5,636.5	(640.4)			4,996.1
Neighbourhood Services	6,193.8	(153.0)			6,040.8
Standards & Development	1,860.4	(232.8)			1,627.6
<i>Divisional sub-total</i>	39,092.6	(1,479.2)	0.0	843.0	38,456.4
<u>1.2 Tourism, Culture & Inward Investment</u>					
Arts & Museums	3,926.0	(71.0)			3,855.0
De Montfort Hall	743.7	(25.0)			718.7
City Centre	26.7				26.7
Place Marketing Organisation	46.2				46.2
Economic Development	146.5				146.5
Markets	(260.7)	(30.0)			(290.7)
Adult Skills	(861.2)				(861.2)
Divisional Management	191.9	(32.0)			159.9
<i>Divisional sub-total</i>	3,959.1	(158.0)	0.0	0.0	3,801.1
<u>1.3 Planning, Transportation & Economic Development</u>					
Transport Strategy	10,045.5	(305.0)			9,740.5
Highways	3,502.3	(383.0)			3,119.3
Planning	1,283.4	(40.0)			1,243.4
Divisional Management - PDT	148.1				148.1
<i>Divisional sub-total</i>	14,979.3	(728.0)	0.0	0.0	14,251.3
<u>1.4 Estates & Building Services</u>					
	5,335.4	(937.7)	0.0	0.0	4,397.7
<u>1.5 Housing Services</u>					
	4,993.8	(495.2)	10,600.0	0.0	15,098.6
<u>1.6 Departmental Overheads</u>					
	582.4	0.0	0.0	0.0	582.4
DEPARTMENTAL TOTAL	68,942.6	(3,798.1)	10,600.0	843.0	76,587.5

Budget Ceilings

	2023/24 latest budget £000's	Savings £000's	Growth Planned in Budgets £000's	Non- Pay Inflation £000's	24/25 budget ceiling £000's
<u>2.Adults</u>					
<u>2.1 Adult Social Care & Safeguarding</u>					
Other Management & support	790.2				790.2
Safeguarding	257.0				257.0
Preventative Services	5,505.0				5,505.0
Independent Sector Care Package Costs	157,952.5		17,489.0	3,305.0	178,746.5
Care Management (Localities)	11,103.4				11,103.4
Divisional sub-total	175,608.1	0.0	17,489.0	3,305.0	196,402.1
<u>2.2 Adult Social Care & Commissioning</u>					
Enablement & Day Care	3,303.8	(813.0)			2,490.8
Care Management (LD & AMH)	5,590.6				5,590.6
Preventative Services	725.7				725.7
Contracts, Commissioning & Other Support	3,290.3				3,290.3
Departmental	(35,086.9)				(35,086.9)
Divisional sub-total	(22,176.5)	(813.0)	0.0	0.0	(22,989.5)
DEPARTMENT TOTAL	153,431.6	(813.0)	17,489.0	3,305.0	173,412.6
<u>3. Education & Children's Services</u>					
<u>3.1 Strategic Commissioning & Business Development</u>					
	2,428.7	0.0	0.0	0.0	2,428.7
<u>3.2 Learning Quality & Performance</u>					
Raising Achievement	421.0				421.0
Learning & Inclusion	1,483.6		400.0		1,883.6
Special Education Needs and Disabilities	18,063.1		1,600.0		19,663.1
Divisional sub-total	19,967.7	0.0	2,000.0	0.0	21,967.7
<u>3.3 Children, Young People and Families</u>					
Children In Need	15,978.7	(500.0)	500.0		15,978.7
Looked After Children	44,901.2	(155.0)	17,465.0	214.1	62,425.3
Safeguarding & QA	2,735.4	(18.0)			2,717.4
Community Safety	839.3	(160.0)			679.3
Early Help Targeted Services	5,212.2	(1,500.0)			3,712.2
Early Help & Prevention Services	3,900.3				3,900.3
Divisional sub-total	73,567.1	(2,333.0)	17,965.0	214.1	89,413.2
3.4 Departmental Resources	1,794.1	0.0	0.0	0.0	1,794.1
DEPARTMENTAL TOTAL	97,757.6	(2,333.0)	19,965.0	214.1	115,603.7

Budget Ceilings

	2023/24 latest budget £000's	Savings £000's	Growth Planned in Budgets £000's	Non-Pay Inflation £000's	24/25 budget ceiling £000's
<u>4. Health and Wellbeing</u>					
Adults' Services	9,001.6		68.7		9,070.3
Children's 0-19 Services	9,289.5		378.0		9,667.5
Lifestyle Services	1,340.2		6.4		1,346.6
Staffing & Infrastructure& Other	2,698.5				2,698.5
Sports Services	3,072.7	(890.0)			2,182.7
DEPARTMENT TOTAL	25,402.5	(890.0)	453.1	0.0	24,965.6
<u>5. Corporate Resources Department</u>					
<u>5.1 Delivery, Communications & Political Governance</u>					
	3,550.3	(51.0)	0.0	0.0	3,499.3
<u>5.2 Financial Services</u>					
Financial Support	5,242.7	(20.0)			5,222.7
Revenues & Benefits	8,229.6	(1,285.0)			6,944.6
Divisional sub-total	13,472.3	(1,305.0)	0.0	0.0	12,167.3
<u>5.3 Human Resources</u>					
	4,089.7	(55.0)	0.0	0.0	4,034.7
<u>5.4 Information Services</u>					
	11,072.7	(10.0)	0.0	0.0	11,062.7
<u>5.5 Legal Services</u>					
	6,109.6	(200.0)	400.0	0.0	6,309.6
DEPARTMENTAL TOTAL	38,294.6	(1,621.0)	400.0	0.0	37,073.6
TOTAL -Service Budget Ceilings	383,828.9	(9,455.1)	48,907.1	4,362.1	427,643.0
Note					
less Public Health grant					(29,832.1)
add energy costs provision					5,000.0
Service expenditure as at para. 4.1					402,810.9

Scheme of Virement

1. This appendix explains the scheme of virement which will apply to the budget, if it is approved by the Council.

Budget Ceilings

2. Directors are authorised to vire sums within budget ceilings without limit, providing such virement does not give rise to a change of Council policy.
3. Directors are authorised to vire money between any two budget ceilings within their departmental budgets, provided such virement does not give rise to a change of Council policy. The maximum amount by which any budget ceiling can be increased or reduced during the course of a year is £500,000. This money can be vired on a one-off or permanent basis.
4. Directors are responsible, in consultation with the appropriate Assistant Mayor if necessary, for determining whether a proposed virement would give rise to a change of Council policy.
5. Movement of money between budget ceilings is not virement to the extent that it reflects changes in management responsibility for the delivery of services.
6. The City Mayor is authorised to increase or reduce any budget ceiling. The maximum amount by which any budget ceiling can be increased during the course of a year is £5m. Increases or reductions can be carried out on a one-off or permanent basis.
7. The Director of Finance may vire money between budget ceilings where such movements represent changes in accounting policy, or other changes which do not affect the amounts available for service provision.
8. Nothing above requires the City Mayor or any director to spend up to the budget ceiling for any service.

Corporate Budgets

9. The following authorities are granted in respect of corporate budgets:
 - (a) the Director of Finance may incur costs for which there is provision in miscellaneous corporate budgets, except that any policy decision requires the approval of the City Mayor;
 - (b) the Director of Finance may allocate the provision for pay awards and the provision for energy costs;
 - (c) The City Mayor may determine how the demographic pressures contingency and the homelessness contingency can be applied.

Earmarked Reserves

10. Earmarked reserves may be created or dissolved by the City Mayor. In creating a reserve, the purpose of the reserve must be clear.
11. Directors may add sums to an earmarked reserve, from:
 - (a) a budget ceiling, if the purposes of the reserve are within the scope of the service budget;
 - (b) year-end budget underspends, subject to the approval of the City Mayor.
12. Directors may spend earmarked reserves on the purpose for which they have been created, but must obtain the agreement of the Director of Finance before the spend is committed.
13. When an earmarked reserve is dissolved, the City Mayor shall determine the use of any remaining balance.

Equality Impact Assessment

1. Purpose

- 1.1 This appendix presents the equalities impact of a proposed 4.99% council tax increase. This includes a precept of 2% for Adult Social Care, as permitted by the Government without requiring a referendum.
- 1.2 The alternative option for comparison is a freeze on council tax at 2023/24 levels. It would of course be possible to set a council tax increase between these two levels, or indeed to *reduce* the Band D tax.

2. Who is affected by the proposal?

- 2.1 As at 30 November 2023, there were 132,098 properties liable for Council Tax in the city (excluding those registered as exempt, such as student households).
- 2.2 All non-exempt working age households in Leicester are required to contribute towards their council tax bill. Our current council tax support scheme (CTSS) requires working age households to pay at least 20% of their council tax bill and sets out to ensure that the most vulnerable householders are given some relief in response to financial hardship they may experience.
- 2.3 Council tax support for pensioner households follows different rules. Low-income pensioners are eligible for up to 100% relief through the CTSS scheme.

3. How are they affected?

- 3.1 The table below sets out the financial impact of the proposed council tax increase on different properties, before any discounts or reliefs are applied. It shows the weekly increase in each band, and the minimum weekly increase for those in receipt of a reduction under the CTSS for working-age households.

Band	No. of Properties	Weekly increase (£)	Minimum Weekly Increase under CTSS (£)
A-	345	0.98	0.20
A	77,943	1.17	0.23
B	26,472	1.37	0.27
C	15,238	1.56	0.47
D	6,534	1.76	0.66
E	3,388	2.15	1.05
F	1,530	2.54	1.44
G	610	2.93	1.84
H	38	3.51	2.42
Total	132,098		

- 3.2 In most cases, the change in council tax (around £1.37 per week for a band B property with no discounts; and just 27p per week if eligible for the full 80% reduction under the CTSS) is a small proportion of disposable income, and a small contributor to any squeeze on household budgets. A council tax increase would be applicable to all properties - the increase would not target any one protected group, rather it would be an increase that is applied across the board. However, it is recognised that this may have a more significant impact among households with a low disposable income.
- 3.3 Households at all levels of income have seen their real-terms income decline due to cost-of-living increases, and wages that have failed to keep up with inflation. These pressures are not limited to any protected group; however, there is evidence that low-income families spend a greater proportion of their income on food and fuel (where price rises have been highest), and are therefore more affected by current price increases.
- 3.4 In November's Autumn Statement, a 6.7% uplift to most benefits was announced, in line with inflation. Local Housing Allowance (LHA) rates will be increased to the 30th percentile of local market rents, partially reversing previous real-terms cuts. [NB council and housing association tenants are not affected by this as their rent support is calculated differently and their full rent can be compensated from benefits].

4. **Alternative options**

- 4.1 The realistic alternative to a 5% council tax increase would be a lower (or no) increase. A reduced tax increase would represent a permanent diminution of our income unless we hold a council tax referendum in a future year. In my view, such a referendum is unlikely to support a higher tax rise. It would also require a greater use of reserves and/or more cuts to services in 2024/25.
- 4.2 The budget situation is already extremely difficult, and it seems inevitable that further cuts will have severe effects on front-line services. It is not possible to say precisely where these future cuts would fall; however, certain protected groups (e.g. older people; families with children; and people with disabilities) could face disproportionate impacts from reductions to services.

5. **Mitigating actions**

- 5.1 The Council has a range of mitigating actions for residents. These include: funding through Discretionary Housing Payments, Council Tax Discretionary Relief and Community Support Grant awards; the council's work with voluntary and community sector organisations to provide food to local people where it is required – through the network of food banks in the city; through schemes which support people getting into work (and include cost reducing initiatives that address high transport costs such as providing recycled bicycles); and through support to social welfare advice services. The "BetterOff Leicester" online tool includes a calculator to help residents to ensure they are receiving all relevant benefits.

6. **What protected characteristics are affected?**

- 6.1 The table below describes how each protected characteristic is likely to be affected by the proposed council tax increase. The table sets out anticipated impacts, along with mitigating actions available to reduce negative impacts.
- 6.2 Some protected characteristics are not, as far as we can tell, disproportionately affected (as will be seen from the table) because there is no evidence to suggest they are affected differently from the population at large. They may, of course, be disadvantaged if they also have other protected characteristics that are likely to be affected, as indicated in the following analysis of impact based on protected characteristic.

7. **Armed Forces Covenant Duty**

- 7.1 The Covenant Duty is a legal obligation on certain public bodies to 'have due regard' to the principles of the Covenant and requires decisions about the development and delivery of certain services to be made with conscious consideration of the needs of the Armed Forces community.
- 7.2 We have considered the duty and have not identified any direct impacts on armed forces or their families; but will continue to monitor for specific proposals.

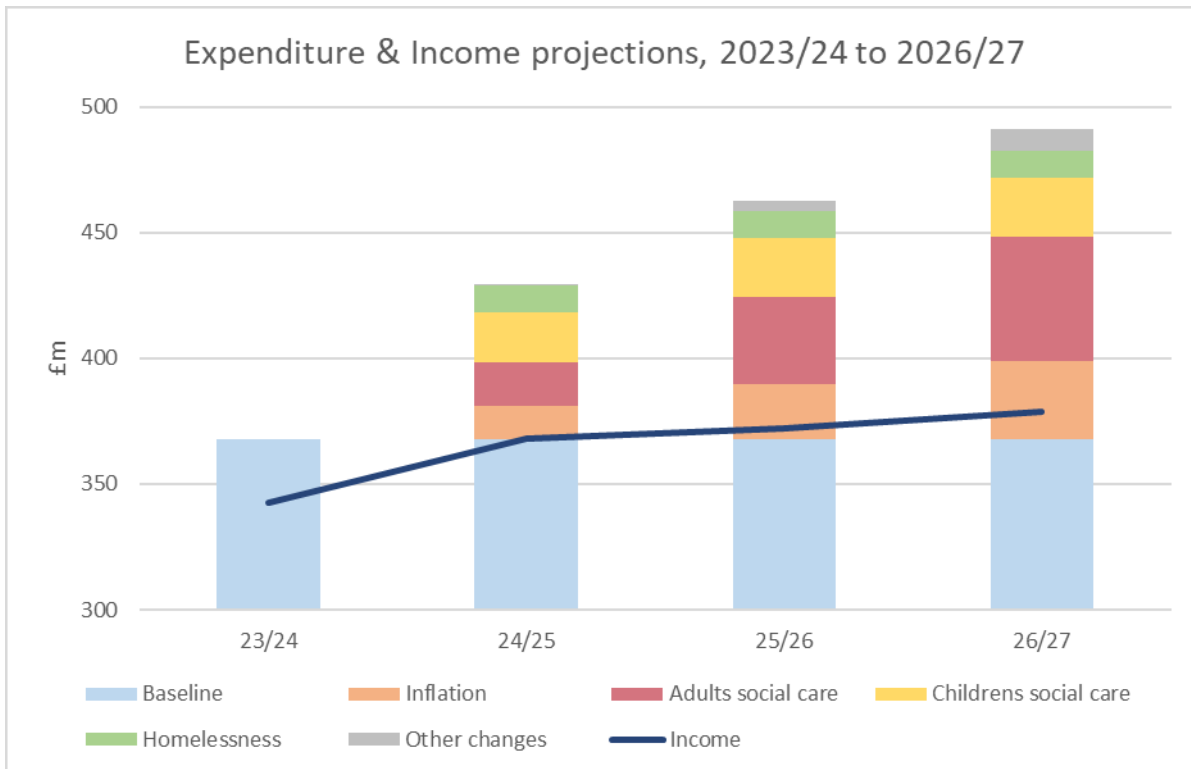
Analysis of impact based on protected characteristic

Protected characteristic	Impact of proposal:	Risk of negative impact:	Mitigating actions:
Age	<p>Older people (pension age and older) are least affected by a potential increase in council tax and can access more generous (up to 100%) council tax relief. However, in the current financial climate, a lower council tax increase would require even greater cuts to services in due course. While it is not possible to say where these cuts would fall exactly, there are potential negative impacts for this group as older people are the primary service users of Adult Social Care.</p> <p>While employment rates remain high, earnings have not kept up with inflation in recent months so working families are likely to already be facing pressures on households' budgets. Younger people, and particularly children, were more likely to be in poverty before the current cost-of-living crisis and this is likely to have continued.</p>	Working age households and families with children – incomes squeezed through reducing real-terms wages.	Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets.
Disability	<p>Disabled people are more likely to be in poverty. In addition, many disabled people are disproportionately affected by household fuel costs and may have limited opportunities to reduce usage.</p> <p>The tax increase could have an impact on such household incomes.</p> <p>However, in the current financial climate, a lower council tax increase would require even greater cuts to services in due course. While it is not possible to say where these cuts would fall exactly, there are potential negative impacts for this group as disabled people are more likely to be service users of Adult Social Care.</p>	Further erode quality of life being experienced by disabled people.	Disability benefits are disregarded in the assessment of need for CTSS purposes. Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing budgets.
Gender Reassignment	No disproportionate impact is attributable specifically to this characteristic.		

Protected characteristic	Impact of proposal:	Risk of negative impact:	Mitigating actions:
Pregnancy & Maternity	No disproportionate impact is attributable specifically to this characteristic (although see below for childcare costs; and the impacts on lone parents).		
Race	Those with white backgrounds are disproportionately on low incomes (indices of multiple deprivation) and in receipt of social security benefits. Some ethnic minority people are also low income and on benefits.	Household income being further squeezed through low wages and reducing levels of benefit income.	Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets. Where required, interpretation and translation will be provided to remove barriers in accessing support.
Religion or Belief	No disproportionate impact is attributable specifically to this characteristic.		
Sex	Disproportionate impact on women who tend to manage household budgets and are responsible for childcare costs. Women are disproportionately lone parents, who are more likely to experience poverty.	Incomes squeezed through low wages and reducing levels of benefit income. Increased risk for women as they are more likely to be lone parents.	If in receipt of Universal Credit or tax credits, a significant proportion of childcare costs are met by these sources. Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets.
Sexual Orientation	Gay men and Lesbian women are disproportionately more likely to be in poverty than heterosexual people and trans people even more likely to be in poverty and unemployed. This would mean they are more likely to be on benefits.	Household income being further squeezed through low wages and reducing levels of benefit income.	Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets.

Medium-Term Financial Outlook 2024/25 – 2026/27

1. The medium-term financial outlook is to provide members with details of the forecast financial position of the Council for the next 3 years, and to set the context within which the budget process will need to work to achieve a balanced position. The figures are indicative and volatile and depend heavily on government decisions about future funding of services.
2. Our central forecasts for the period up to 2026/27 are set out in the table at paragraph 5, and show that:
 - **Expenditure pressures are increasing at a faster rate than income.** Over the period we expect expenditure to increase by over 30% (in cash terms) while income projections rise by only 10% assuming there is no change in Government policy.
 - **In recent years, the biggest factor in these increases has been the rising cost of adult and children’s social care, as illustrated in the chart below.** These increases have been seen nationally for several years, and now present a substantial challenge to the authority’s future sustainability. These pressures arise from factors largely outside the authority’s control (e.g. increases in the minimum wage, demographic pressures and pressures on fee levels). The rate of growth is likely to accelerate.



NB scale does not start at zero

- **We have already invested significant amounts in social care.** Since 2020 we have seen the cost of adults' social care packages increase by over £55m, or 50%, due to a combination of increasing need and higher wage costs. Over the same period we have invested almost £50m in children's social care.
- **Since the 2023/24 budget was set, cost pressures totalling £20m per year have been identified.** The largest of these is in the costs of children looked after, which is an area of pressure nationally. Most of these overspends can be met from earmarked reserves in the current financial year but increase the pressure on future years' budgets.
- **Other budget areas have already seen significant cuts in the last decade.** Expenditure on services other than adults' and children's social care fell from £192m in 2010 to £106m in 2020.

3. The 2023/24 budget was balanced by using £34m of reserves. On current projections, sufficient reserves remain to balance the 2023/24 budget and provide support to the 2024/25 budget. A sustainable plan including ongoing savings will need to be found to ensure the longer-term financial stability of the Council.
4. Departments are working on achieving savings where possible. This is a continuous process and identified savings will be made throughout the course of the year.
5. A summary of the central budget projections for the next three years is set out below:

	2024/25	2025/26	2026/27
	£m	£m	£m
Net service budget (including inflation)	411.8	441.1	465.3
Corporate and other centrally held budgets	3.2	5.2	7.3
Demographic Contingency	8.0	8.0	8.0
Homelessness provision	6.0	6.0	6.0
Planning provision	0.0	2.0	4.0
Expenditure total	429.0	462.3	490.6
Business rates income (including Top-up payment)	138.9	140.9	143.6
Revenue Support Grant	35.6	35.6	35.6
Council Tax	153.6	158.7	162.8
Collection Fund surplus	1.0	0.0	0.0
Social Care grants	36.7	36.7	36.7
Other grants	2.2	0.0	0.0
Income Total	368.0	371.9	378.7
Indicative Budget gap	61.0	90.4	111.9

6. The largest area of uncertainty in the forecasts surrounds the amount of government funding that will be available in 2025/26 and 2026/27 which falls into a new government planning period. An increasing number of local authorities around the country have forecast that they will be unable to balance their budgets without central government support in the next couple of years potentially leading to significant numbers of section 114 notices being issued.
7. The planned review of local government funding allocations (the “Fair Funding Review”) is now likely to be delayed until at least 2025. We do not know what the outcome of any review will be, but the delay means that authorities are still funded on a formula that is at least a decade out of date; and lower income areas (including Leicester) are still disproportionately affected by the way funding cuts were implemented from 2013 to 2016. In particular, no recognition is given to the city’s increase in population and this is to some extent still driven by the **2001** census figures. The independent Institute for Fiscal Studies has commented that “Indeed, the issues with police, local government and public health funding allocations are so significant that the amounts allocated to different places are essentially arbitrary.”
8. Key assumptions and risks in the forecast are set out below:

	Assumptions – central scenario	Risks & alternative options modelled
Expenditure		
Pay costs	We assume a pay award averaging 5% in 2024/25, 2.5% in 2025/26 and 2.5% in 2026/27, as general inflation is expected to reduce.	Inflation has been reducing in recent months to 4.0% in December 2023 after peaking at 11.1% (CPI) in October 2022. Forecasts suggest it is likely to further reduce in 2024, if it remains high, there will be additional pressures on pay awards and non-pay inflation, partially offset by an increase in interest on investments.
Energy costs	A provision of £5m is included in the 2024/25 budget, with no further increases thereafter. This implies that prices will stabilise at broadly double the baseline from the 2022/23 budget.	
Non-pay inflation	In line with the policy in past years, departments are expected to absorb the costs of non-pay inflation in most cases. The exceptions are independent sector care package costs, fostering allowances, energy and the waste management contract; an allowance is built in for these increases. An allowance has also been made from 2024/25 for SEN transport.	
Adult social care costs	Demographic pressures and increasing need lead to cost pressures of 4% of the ASC budget in 2024/25 and 4% in 2025/26. This will require action in the Department to remain within these spending totals Increases in the National Living Wage will also add to costs. Forecasts for 2026/27 are particularly volatile; an indicative £15m additional budget has been included for the year.	

Other service cost pressures	<p>Departments are expected to find savings to manage cost pressures within their own areas.</p> <p>From 2024/25 onwards, an £8m demographic growth contingency has been included to meet unavoidable costs that cannot be managed within departments.</p> <p>From 2024/25, the Housing budget line assumes significant service savings will be made. A £6m budget provision is held centrally against the risk that these cannot be achieved.</p> <p>A planning provision of £2.0m has been included for 2025/26 and £4.0m in 2026/27.</p>	<p>Costs relating to children who are looked after have been increasing nationally, and are a particular risk for future years.</p> <p>Home-to-school transport costs are also an area of significant pressure and will require action to remain within budgets.</p>
Income		
Council Tax	<p>Band D Council Tax will increase by 4.99% per year (3% base increase plus 2% for the Adult Social Care precept), for 2024/25; and then revert to 2.99% for 2025/26.</p> <p>Council tax baseline increases by 500 Band D properties per year after 2024/25</p>	<p>Further economic downturn leading to increased costs of council tax support to residents on a low income.</p>
Business rates	<p>The multiplier freeze for 2024/25 for small businesses, and new reliefs announced in November 2023, are fully funded.</p> <p>No significant movements in the underlying baseline for business rates.</p> <p>Government changes to business rates (e.g. new reliefs) will affect our retained income. To date, these have been met by additional government grant.</p>	<p>Business rates are particularly sensitive to economic conditions.</p> <p>We believe that the national business rates system in its current form is becoming unsustainable. The local government business rates retention system is being “patched up” considerably as a result. Long term stability seems unlikely.</p>
Government grant	<p>Government funding follows the plans set out in the CSR as adjusted by the Autumn Statement in November 2023, with no significant distributional changes.</p> <p>We assume (in line with government statements) that existing RSG and top-up payments continue; but the Services Grant and New Homes Bonus cease in 2025/26. This budget implicitly assumes a broadly neutral effect of any funding changes.</p> <p>We have assumed that new social care grant funding is allocated on the same basis as in Government social care formulae.</p> <p>For 2025/26, we assume a cash flat settlement for centrally funded elements including social care funding and RSG (with no allowance for inflation).</p>	<p>We do not yet have funding indications for any years following 2024/25.</p> <p>Local government may be treated less favourably than other unprotected departments. The 2025/26 settlement may lead to grant cuts in cash terms.</p>

Earmarked Reserves

1. Earmarked reserves held as at 31st March 2023 totalled £302m:

	Balance
	£000s
<u>Ring-fenced Reserves</u>	
School Balances	31,156
School Capital Fund	2,417
Education & Skills Funding Agency Learning Programmes	887
Arts Council National Portfolio Organisation Funding	188
NHS Joint Working Projects	19,039
Schools Buy Back	871
Covid-19 Collection Fund Compensation Grants*	(3,280)
Total Ring-fenced Reserves	51,278
<u>Corporate Reserves</u>	
Capital Programme Reserve	103,043
Managed Reserves Strategy	65,828
BSF Financing	9,160
Insurance Fund	6,159
Severance Fund	4,723
Service Transformation Fund	5,170
Welfare Reserve	2,116
Anti-Poverty Reserve	2,772
Total Corporate Reserves	198,971
<u>Earmarked Reserves Departmental</u>	
Financial Services Reserve	4,432
ICT Development Fund	10,480
Elections Reserve	2,440
Housing	4,605
City Development (Excl Housing)	13,793
Social Care Reserve	10,938
Health & Wellbeing Division	4,945
Other Departmental Reserves	464
Total Other Reserves	52,097
Total Earmarked Reserves	302,346

2. Further details on these reserves were given in the Revenue Budget Monitoring: Outturn report to OSC on 13th July 2023. Since then, as part of the

period 6 capital monitoring process, £8,453k was transferred from the capital programme reserve to the managed reserves strategy (see report to OSC on 14th December 2023). It is recommended that a further £7m is transferred to the Managed Reserves Strategy.

3. A further review of earmarked reserves during the current financial year has identified the following amounts that are not required for their original purpose, and will be available to support the managed budget strategy:
- £1.5m from the insurance fund;
 - £1.0m from anti-poverty reserves;
 - £0.2m from City Development reserves.

In addition, £0.6m has been identified that was previously held in a provision (and is not therefore shown in the table above). It is recommended that the total of £3.3m is transferred to the Managed Reserves Strategy

Council Tax Premiums

Council Tax - Empty and second homes premiums

This appendix sets out our policy on council tax for empty properties (below), should the recommendations to Council be supported. It also provides a summary of the consultation responses.

Substantially Unfurnished Empty Properties

1. Since 2013, councils have had considerable discretion over the levels of tax payable on unfurnished empty properties (Local Government Finance Act, 1992 and associated regulations). Our policy seeks to use this discretion to support our empty homes policy, by charging the maximum permitted premium for such homes once they have been empty for more than a month (subject to exemptions).
2. From 1st April 2024, we will increase the amounts payable on homes which have been empty between one and two years.
3. These homes can be charged more than the standard council tax for occupied properties. The premium applied depends on how long the property has been empty, irrespective of the owner.
4. This will be our policy for charging council tax on substantially unfurnished empty properties. The premiums increase the standard tax payable:

Description	Level of tax charge from 1 April 24 (inclusive of premium)
Empty for up to one calendar month	0%
Empty from one calendar month to one year	100%
Empty for at least one year	200%
Empty for at least five years	300%
Empty for at least ten years	400%

Substantially Furnished Empty Properties

5. The Levelling Up and Regeneration Act 2023 now permits authorities to charge a council tax premium of up to 100% on substantially furnished homes only occupied periodically and no one's main residence, often referred to as second homes. The Council is obliged to give 12 months' notice before starting to charge

this premium and the new charges as highlighted below will apply from 1 April 2025.

6. This will be our policy for charging council tax on substantially furnished empty properties:

Description	Level of charge
Empty (substantially furnished)	100% (current)
Empty (substantially furnished)	200% (from 1 April 2025)

Exemptions

7. Where a property is already exempt from council tax, it will also be exempt from the substantially unfurnished empty property premium. Details of classes of properties that are exempt can be found at [Council tax \(leicester.gov.uk\)](http://leicester.gov.uk/council-tax).

Under the existing legislation, two classes of property are already exceptions to the long-term empty homes premium in respect of substantially unfurnished properties:

- a) homes that are empty where the occupant is living in armed forces accommodation for job-related purposes; or
- b) annexes being used as part of a main property.

If the council taxpayer is eligible for either of the current exemptions, they will not be subject to this premium.

8. We plan to consider any exemptions from the premium affecting substantially empty and furnished properties, that has no main resident once the Government has published its policy guidelines. These will be submitted to the Council for approval before April 2025.

Consultation Outcome

9. The Council consulted on the proposed changes. The consultation was open from 13/12/2023 to 23/01/2024, and in total 59 responses were received. The majority of respondents supported the proposals. Over 71% were in favour of doubling the council tax for properties that have been unoccupied and substantially unfurnished for one year (instead of the current two years) and 66% supported the proposal to double the council tax for properties that have no resident and are substantially furnished. An equality assessment has been completed and is shown at Appendix 7.

10. In practice, firm conclusions from the consultation are difficult to draw because of the response rate. The comments from those who disagreed, as well as suggestions on possible exceptions to the premiums will be considered as soon as the Government has published its policy position.
11. The Council is proposing the changes above to help bring empty properties back into use, as owners take steps to avoid the extra charges. There is a shortage of housing in Leicester. As part of preparing our local plan, a need for 39,000 new homes was identified for the period 2020 to 2036. We have around 5,000 households approaching the council each year because they are at risk of homelessness. 6,000 households have applied to the council for housing. In this context, we want to see as many empty homes as possible made available for occupation. The changes will also raise additional revenue for the Council which is important given the financial outlook described in this report.
12. A full analysis of the consultation responses can be obtained from the report author.

Council Tax Premiums - Equality Assessment

Background

Council Tax legislation currently allows premiums to be charged on properties that have been empty and unfurnished for two years or more. The council does so (unless an exemption applies) and has been charging council tax at a higher rate for several years.

Our current policy is to charge premiums over and above standard council tax as follows:

Premium payable when property has been empty for:		
At least 2 years	At least 5 years	At least 10 years
100%	200%	300%

This is explained on the council's website: [Unoccupied homes \(leicester.gov.uk\)](https://www.leicester.gov.uk/unoccupied-homes)

The Levelling-up and Regeneration Act 2023 amends the definition of long-term empty homes, so that from 2024-25 onwards, unfurnished properties that have been empty for one year or more can be charged a premium of up to 100%.

The Act also includes a provision to charge a 100% premium on furnished properties that are periodically occupied, but only from 2025-26.

As at 15/11/2023, there were 563 empty homes in Leicester that could be subject to the additional premium charge on unfurnished property (this number can fluctuate). There were 2,544 properties classed as furnished properties that are periodically occupied, but this number can also fluctuate. It is difficult to forecast the precise financial impact as some behavioural changes are expected, but the budget estimates additional income of £0.6m for the empty homes from April 2024, and a further £1.1m for unoccupied furnished properties from April 2025.

The Council wants to encourage landlords and property owners to bring their empty properties back into use and, thereby, increase the supply of properties available to occupy in Leicester and help support our housing strategy. Cuts in government funding also mean that the council has to raise additional revenue and make substantial savings. The additional council tax premium charged for both long term empty properties and unoccupied furnished properties could help to increase the quick letting or sale of properties and thereby increase the number of properties available for much needed housing in the city. To the extent that it does not release additional homes for occupation, the Council will receive additional income to support its budget.

Who is affected?

The additional charges will mainly affect owners of properties, but may also affect tenants/leaseholders who have failed to occupy or relet a property.

There are exemptions to the current premiums, and there is scope to add new ones. We expect guidance on exemptions to be published by the Government, but this is now overdue.

Where an exemption cannot be offered and the liable person is struggling to pay their bill, it is standard practice in the service to offer mutually acceptable payment arrangements. We always review all collection processes on a regular basis and try to make improvements where possible, such as the issue of better text reminders. We have council tax discretionary relief for those suffering extreme hardship, and have reviewed the vulnerability policy.

All protected groups could benefit from the protection afforded to Council services through additional income.

Consultation

A consultation was published on 11th December 2023 and ran for six weeks. A summary analysis of the consultation is shown at Appendix 6, and a full analysis can be obtained from the report authors.

Potential Equality Impact

Council tax regulations do not allow a billing authority to request information on whether a resident has protected characteristics. Thus, it is not possible to determine whether those who will be charged premiums disproportionately have any specific protected characteristic.

There is a potential impact on the protected characteristic of **age**. Any adult over the age of 18 who has left a property unoccupied is liable to a charge. Young people looking to start on the property ladder or rent an affordable property may be positively affected as more empty properties are made available for occupation.

In the consultation exercise, 25% of respondents identified as having the protected characteristic of **disability**, including 8% with a chronic health condition. However, the consultation did not prominently suggest that a disability or ill health has prevented a property being renovated for sale or let. During an earlier consultation on council tax premiums (2018), however, a higher proportion of respondents identified as disabled and raised issues where owners are unable to manage their affairs, circumstances where disability prompts a sudden need to change a property, and where worsening health affects ability to relocate. Those respondents suggested that there should be mitigations in place to ensure that those with the protected characteristic of disability are not disproportionately disadvantaged by having to pay premiums.

There are existing exemptions from tax for those who have a disability and have left their property unoccupied, e.g. to live in a care home or receive care elsewhere. Further exemptions will be considered once government guidance has been received.

No impact has been identified on the protected characteristics of race, sex, sexual orientation, gender reassignment, marriage/civil partnership, pregnancy/maternity, or religion/belief. No impact on other vulnerable groups has been identified, nor other impacts which could affect the public sector equality duty.

Armed Forces

There is already an exemption to unoccupied property premiums for members of the armed services, who are absent from the property as a result of their service. This will continue to apply in 2024/25 and will be considered in relation to furnished property once government guidance has been received.

Action Plan

Equality Outcome	Action	Officer Responsible	Completion date
Review guidance when published by DHLUC in 2023 and any suggested exemptions. Expected February 2024.	Determine whether to revise policy in relation to exemptions.	Ashok Thakrar /Gita Mistry	29/2/2024
Monitor any behaviour changes of owners /residents following implementation of premiums	Monitor via complaints, councillor and MP enquiries. Monitor and report any changes to empty property numbers, e.g. a reduction in the number of unoccupied properties and their effect on the council taxbase.	Ashok Thakrar / Gita Mistry	Monthly from 1/5/2024 as part of taxbase movement reports.
Consider mitigating disproportionate impacts as they arise.	Monitor via complaints, councillor and MP enquiries.	Ashok Thakrar /Gita Mistry	Ongoing