

---

**General Fund Revenue Budget 2020/21**

---

**Report of the Director of Finance**

1. **Purpose**

- 1.1 The purpose of this report is to ask the Council to consider the City Mayor's proposed budget for 2020/21 and to present projections for 2021/22.
- 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 Since 2010, the Council has faced the most severe period of spending cuts we have ever experienced. We know from reports of the Institute of Fiscal Studies and our own analysis that government cuts have disproportionately hit the most deprived authorities (such as Leicester).
- 2.2 The budget for this year is made more difficult because we do not know the level of funding available beyond 2020/21.
- 2.3 Since last year, the Government has made announcements about the "end of austerity" in the public finances. While there has been some additional spending announced for next year, it should be noted that this does not reverse the significant cuts since 2010, and that pressures continue in demand-led services in Children's and Adults' social care.
- 2.4 Since 2014/15, the Council's approach to achieving these substantial budget reductions has been based on the following approach:-
- (a) An in-depth review of discrete service areas (the "Spending Review Programme");
  - (b) Building up reserves, in order to "buy time" to avoid crisis cuts and to manage the Spending Review Programme effectively. We have termed this the "managed reserves strategy".
- 2.5 The Spending Review Programme is a continuous process. When individual reviews conclude, an Executive decision is taken and the budget is reduced in-year, without waiting for the next

annual budget report. Executive decisions are informed by consultation with the public (where appropriate) and the scrutiny function.

- 2.6 This approach has served us well. Budgets for the period 2013/14 to 2015/16 contributed over £40m to reserves, which have been used to support budgets since 2016/17 and postpone the maximum impact of government cuts. This has been extended by regular reviews of reserves and other one-off monies available. Because of this approach, the Council has sufficient reserves available to balance the budget in 2020/21, and will have some remaining for subsequent years.
- 2.7 Funding levels beyond 2020/21 are particularly uncertain, with the planned move to 75% rates retention, the Government's planned funding review, and the risk of a return to centrally-imposed cuts to funding overall (see paragraphs 8.5 - 8.8). There are also significant unknowns around future funding for social care services.
- 2.8 To mitigate these risks, further savings from the spending review process are being used to extend the managed reserves strategy as far as possible. However, it seems inevitable that medium term budgets cannot be balanced without additional significant cuts.
- 2.9 As a consequence, the following approach has been adopted:-
- (a) The budget for 2020/21 has been balanced using reserves, and can be adopted as the Council's budget for that year;
  - (b) Savings from the previous rounds of spending reviews are still being sought. These will seek to minimise the call on reserves in the remainder of 2019/20 and in 2020/21, and therefore to make additional amounts available to mitigate cuts in future years. Since February 2019, savings totalling £3.3m per year have been achieved and built into budget forecasts.
- 2.10 **What this means is that, in substance, the budget proposed is a one year budget. Projections of spending and income have been made beyond 2020/21, but they are uncertain and volatile.**
- 2.11 In common with other authorities nationally, we continue to face growth in social care costs, and it is not impossible that these services will consume an ever greater proportion of the budget (squeezing out the traditional services provided to the whole community). Government intentions for social care funding beyond 2020/21 are not clear; a reform strategy is planned for later in 2020, but it may be some years before it is fully implemented. It is also not clear whether this will be limited to older people, or will also cover younger adults requiring care (where the cost pressures are also substantial).
- 2.12 It should also be noted that there are some significant risks in the budget. These are described in paragraph 12, and to help mitigate these, a contingency of £2m has been included in the 2020/21 budget.

- 2.13 The budget provides for a council tax increase of 4% in 2020/21, which is the maximum available to us without a referendum. 2% of this 4% is for the “social care precept” – the Government has permitted social care authorities to increase tax by more than the 2% available to other authorities, in order to help meet social care pressures. In practice, increasing our tax by an additional 2% will only meet a small proportion of the extra costs we are incurring.
- 2.14 In the exercise of its functions, the City Council (or City Mayor) must have due regard to the Council’s duty to eliminate discrimination, to advance equality of opportunity for protected groups and to foster good relations between protected groups and others. The budget is, in effect, a snap-shot of the Council’s current commitments and decisions taken during the course of 2019/20. There are no proposals for decisions on specific courses of action that could have an impact on different groups of people. Therefore, there are no proposals to carry out an equality impact assessment on the budget itself, apart from the proposed council tax increase (this is further explained in paragraph 11 and the legal implications at paragraph 15). Where required, the City Mayor has considered the equalities implications of decisions when they have been taken and will continue to do so for future spending review decisions.

### 3. **Recommendations**

- 3.1 Subject to any amendments recommended by the City Mayor, the Council will be asked to:-
- (a) approve the budget strategy described in this report, and the formal budget resolution for 2020/21 which will be circulated separately;
  - (b) note comments received on the draft budget from scrutiny committees and trade unions, and that no comments have been received from other partners;
  - (c) approve the budget ceilings for each service, as shown at Appendix One to this report;
  - (d) approve the scheme of virement described in Appendix Two to this report;
  - (e) note my view that reserves will be adequate during 2020/21, and that estimates used to prepare the budget are robust;
  - (f) note the equality implications arising from the proposed tax increase, as described in paragraph 11 and Appendix Three;
  - (h) emphasise the need for outstanding spending reviews to be delivered on time, after appropriate scrutiny.

4. **Budget Overview**

4.1 The table below summarises the proposed budget for 2020/21, and the forecast position for 2021/22:

	<b>2020/21 £m</b>	<b>2021/22 £m</b>
<b>Service budget ceilings</b>	274.7	270.4
<b>Corporate Budgets</b>		
Capital Financing	6.3	6.5
Miscellaneous Corporate Budgets	0.8	1.0
Corporate Contingency	2.0	
Education Funding Reform	1.0	1.0
<b>Future Provisions</b>		
Inflation		6.3
Planning Provision		3.0
<b>Total forecast spending</b>	<b>284.8</b>	<b>288.2</b>

<b>Rates Retention</b>		
Business rates income	65.2	
Top-up payment	47.8	
Revenue Support Grant	28.9	
<b>Subtotal: rates retention</b>	141.9	144.1
<i>Less assumed future cuts</i>		(3.0)
Council Tax	122.8	126.1
Collection Fund surplus	1.8	
Social Care grants	10.0	10.0
New Homes Bonus	5.9	5.0
<b>Total forecast resources</b>	<b>282.4</b>	<b>282.2</b>

<b>Underlying gap in resources</b>	<b>2.4</b>	<b>6.0</b>
Proposed funding from reserves	(2.4)	
<b>Gap in resources</b>	<b>NIL</b>	

- 4.2 The proposed budget for 2020/21 has an underlying budget gap of £2.4m, which represents a £6.5m decrease from the forecast in February 2019. The main changes to the budget position are summarised in the table below:

	<b>2020/21 changes £m</b>
Spending Reviews and other savings	3.1
Growth in local tax base (council tax & business rates)	4.3
Social care pressures (in excess of additional government resources)	(4.8)
Pay inflation	(2.7)
Reduced level of cuts to general funding	4.2
Collection fund surplus (one-off)	1.8
Other changes	0.6
<b>Net decrease in budget gap since February 2019</b>	<b>6.5</b>

- 4.3 The net decrease in the table above conceals significant additional pressures in social care services and pay costs. For 2020/21, the pressure on the budget is mitigated by cuts in government grant being slightly less than expected and a one-off surplus on rates and Council Tax income in the Collection Fund; but cost pressures are expected to continue to grow in future years.
- 4.4 The budget for 2021/22 is presented in broad terms only, and is particularly volatile. The current business rates retention scheme is due to be replaced from April 2021; we do not yet know the format of the new scheme, and the table above assumes that these changes are broadly neutral for the Council’s finances. The position could be significantly worse than this: there are particular risks around social care cost pressures, the Government’s review of local government funding formula, and/or a return to overall funding cuts for the sector. Under this scenario, the gap for 2021/22 could be as much as £36m.

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

- 5.1 By law, the role of budget setting is for the Council 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”; the proposed budget ceilings are shown at Appendix One)
- 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 Two.
- 5.3 The City Council’s proposed Band D tax for 2020/21 is £1,614.23, an increase of just under 4% compared to 2019/20.
- 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 2019/20). 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 in 2020/21, 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.
- 5.6 The Police and Crime Commissioner and Combined Fire Authority will set their precepts in February 2020. The formal resolution will set out the precepts issued for 2020/21, together with the total tax payable in the city.

## 6. **Departmental Budget Ceilings**

- 6.1 Budget ceilings for each service have been 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), and excluding one-off additions identified in the 2019/20 budget. Budgets have also been adjusted for changes to the accounting treatment of insurance-related costs, and (for Health & Wellbeing and Education & Children's Services), to reflect a revised cost of providing accommodation for the Public Health function;
  - (b) Decisions taken by the Executive in respect of spending reviews, where the savings take effect in 2020/21, have been deducted from the ceilings;
  - (c) An allowance for non-pay inflation has been added to the budgets for independent sector adult care (2%), foster care (2%) and the waste PFI contract (RPI, in line with contract terms). Apart from these areas, no allowance has been made for non-pay inflation.
- 6.2 In contrast to previous years, the budget ceilings shown at Appendix One do *not* include any allowance for pay inflation. At the time of writing, the local government pay scales for 2020/21 had not been determined, and therefore a provision (equivalent to a pay award averaging around 2.5% across all pay grades) is being held centrally to meet the cost. This will be distributed to departmental budget ceilings when the details of the pay award are known.
- 6.3 The role of the Council is to determine the financial envelopes within which the City Mayor has authority to act. In some cases, changes to past spending patterns are required to enable departments to live within their budgets. Actions taken, or proposed by the City Mayor, to live within these budgets are described below.

### City Development & Neighbourhoods

- 6.4 The department provides a wide range of statutory and non-statutory services which contribute to the wellbeing and civic life of the city.
- 6.5 The department's costs are not subject to the same levels of volatility as social care services, and pressures tend to be more easy to predict in advance. Nonetheless, the impact of

austerity means the department (whilst expecting to live within its resources in 2019/20) may struggle to do so in 2020/21. Key pressures are:-

- (a) Reduction in capital project work undertaken by the Estates and Building Services (EBS) division, and consequent loss of fee income. This pressure amounts to some £1m per annum;
- (b) Pressures on budgets for property maintenance, which have recently been centralised as part of an earlier spending review (the Technical Services Review). The department is struggling to provide an appropriate level of service to meet assessed needs and a shortfall of some £0.6m has been identified;
- (c) Lower income from Neighbourhood Services.

6.6 In total, budget pressures of up to £2m per year are anticipated.

6.7 The department continues to contribute to the spending review programme, and has achieved £2.5m as part of the new Spending Review 4 Programme, with work ongoing to deliver further savings.

#### Adult Social Care

6.9 Adult Social Care services nationally are facing severe cost pressures. This is now recognised by the Government, although long-term solutions have been continually deferred (we still await proposals in the form of a green paper).

6.10 Consequently, the Government has been providing additional resources on a year by year basis, at inadequate levels, with no guarantee that these will be increased (or indeed maintained) in future years. Total social care grant (to deal with pressures in both adults' and children's social care) now stands at £10m. For practical purposes, the budget assumes that this level of funding forms a base from which future Government decisions on funding will be made (i.e. it is unrealistic to assume that it will not continue in some form although there are no guarantees). Additionally, Better Care Fund monies paid directly to the department now amount to some £28.5m per year.

6.11 The Adult Social Care Department has managed its budget well in recent years. This is a consequence of additional funding which has been provided in council budgets, and measures to contain costs (including staffing reductions of 20% and tight controls ensuring the service can only be accessed by people who are statutorily entitled). It is expected that the department will live within its resources in 2019/20.

6.12 In 2020/21 and beyond, the department continues to face significant demand led pressures:-

- (a) The growth in need of our existing service users resulting in additional support being added to their existing package of care. This is expected to increase at 5.5% per annum.
- (b) Growth in service user numbers is expected to grow overall at 0.5% per annum. Growth in older service user numbers has been contained recently, but we are seeing

more significant growth in working age adults with mental health conditions and learning disabilities.

- (c) The cost of meeting need is rising by more than inflation, due to the impact of continuing increases in the National Living Wage (NLW) which drives care costs. The Government's intention is that the NLW will rise to £10.50 by 2025 (or two thirds of median wages at that time): this implies an increase of some 5% per annum during the intervening period.

- 6.13 The proposed budget provides an additional £3.1m per year to the departmental budget, in addition to support from the Better Care Fund.
- 6.14 It is expected that the cost of providing statutory packages of support will increase by around £15m per year, each year, beyond 2020/21, of which two thirds is due to need and one third to wage pressures. At present we have no indication of what funding might be made available by the Government (nor indeed whether social care will continue to be paid for in the same way as currently). The corporate budget strategy is predicated on two options, one being that the Government will provide sufficient funding to meet increased need in 2021/22, and one that they will provide less than the full cost.
- 6.15 The department continues to provide support to the Spending Review 4 Programme, which is meeting the Council's overall budget savings targets. To date, £2.6m has been achieved as part of this programme and proposals are being developed to achieve a further £0.8m.

#### Education & Children's Services

- 6.16 In common with authorities across the country, increasing demand for social care services is putting considerable pressure on the budget of the department (and of the Council). Anecdotally, more authorities seem to be reporting children's social care as the major source of their budget pressure than adult care. Blackpool council has reported that it will be cutting up to 75 jobs in order to increase budgets by £14m, and Liverpool has projected a £33m increase in its 20/21 budget gap arising from children's social care.
- 6.17 Whilst the department expects to live within its resources in 2019/20 (having received an injection of £11m in the 2019 budget on a one-off basis) it is now clear that the pressures on the system will persist. These include:-
  - (a) Social care placement costs. Pressures reported last year continue, and whilst placement numbers seem to have stabilised (but not reduced) we are seeing more teenagers with severe behavioural issues entering the system requiring high level support. This is despite the interventions of the new multisystemic therapy and functional family therapy teams, who have between them diverted 95 children from care in the first half of 2019/20;
  - (b) Pressures in respect of transport costs for looked after children and SEN pupils. These pressures may be reduced following a review and consultation on the local transport offer.

- 6.18 Whilst the director is achieving savings to reduce the overall burden on the general fund, the budget provides a further £11m on an on-going basis from 2020/21 (and an additional £3m on a one-off basis in 2020/21 to buy time for more fundamental review).
- 6.19 Measures taken, or expected to be taken, to control costs include:-
- (a) Continued operation of the therapeutic intervention teams (which were partially funded by one-off business rates pilot income in 2019/20). These teams are now working with over 200 children per year;
  - (b) Seeking to increase the number of internal foster carers and reduce the use of external agencies;
  - (c) Careful review of all external residential and semi-independent placements;
  - (d) Savings from internal administration budgets;
  - (e) Reductions in the cost of the Connexions and Education Welfare Services.

#### Health & Wellbeing

- 6.20 The Health and Wellbeing Division consists of core public health services, together with sports and leisure provision. It is partly funded from Public Health Grant and partly from the general fund. Public Health Grant has been falling in recent years, but will be maintained at current levels in 2020/21 (after inflation). The department expects to manage within its budget.
- 6.21 The future of Public Health Grant beyond 2020/21 is unclear – it is anticipated that it will be consolidated into the new 75% business rates retention scheme (assuming this is implemented). This, however, remains uncertain as it is subject to agreement between the Ministry of Housing, Communities and Local Government; and the Department of Health – the latter may wish to impose requirements on how former Public Health Grant is spent in the future. We have no indication of the equivalent amount of grant we will receive in 2021/22.
- 6.22 The department continues to contribute to the spending review programme, and has plans in place to achieve the remaining Spending Review 4 target for the department.

#### Corporate Resources & Support

- 6.23 The department primarily provides back office support services, but also some public facing services such as benefits and collection of council tax. It has made considerable savings in recent years in order to contribute to the Council's savings targets. It has nonetheless achieved a balanced budget each year.
- 6.24 The department is absorbing pressures within its overall budget envelope (including additional legal work associated with growing childcare caseloads, falling housing benefit administration grant and managing the change to Universal Credit). The department expects to live within budget in 2019/20 and 2020/21.
- 6.25 The department has achieved £2.4m towards the Council's Spending Review 4 Programme, and anticipates saving a further £0.9m principally through staffing reviews.

## 7. **Corporately Held Budgets and Provisions**

- 7.1 In addition to the service budget ceilings, some budgets are held corporately. These are described below.
- 7.2 The budget for **capital financing** represents the cost of interest and debt repayment on past years' capital spending. This budget is not controlled to a cash ceiling, and is managed by the Director of Finance. Costs which fall to be met by this budget are driven by the Council's treasury management strategy, which will also be approved by Council in February, and are affected by decisions made by the Director of Finance in implementation of this policy.
- 7.3 A one-off **corporate contingency** of £2m has been created in 2020/21 to manage significant pressures that arise during the year. This is particularly appropriate given the scale of reductions departments are having to make.
- 7.4 As set out in previous reports, **education funding reforms** have reduced the amount available to support centrally-managed services for schools and pupils, and for higher-needs pupils. These changes have a knock-on impact to general fund budgets. A provision has been made accordingly. (As well as the corporately held budget, some funding is now included in the departmental budget).
- 7.5 **Miscellaneous central budgets** include external audit fees, pensions costs of some former staff, levy payments to the Environment Agency, bank charges, general insurance costs, monies set aside to assist council taxpayers suffering hardship and other sums it is not appropriate to include in service budgets. These budgets are offset by the effect of charges from the general fund to other statutory accounts of the Council (which are reducing over time).
- 7.6 For 2021/22, amounts have also been included for future cost increases. These are indicative amounts – the budget for this year will be set in February 2021. A planning provision of £3m has also been included, to meet any future unavoidable cost pressures.

## 8. **Resources**

### **Business Rates Retention Scheme**

- 8.1 Since 2013, local government has retained 50% of the business rates collected locally, with the other 50% being paid to central government. In Leicester, 1% is paid to the fire authority, and 49% has been retained by the Council. This is known as the "Business Rate Retention Scheme".
- 8.2 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) a **top-up to local business rates**, paid to authorities with lower taxbases relative to needs (such as Leicester) and funded by authorities with greater numbers of higher-rated businesses.

(b) **Revenue Support Grant (RSG)**, which has declined sharply in recent years as it is the main route for the government to deliver cuts in local government funding (and the methodology for doing this has disproportionately disadvantaged deprived authorities).

- 8.3 At the time of writing, allocations of the top up and RSG have not been finalised. This budget is based on the provisional settlement published in December 2019; no material changes are expected to these figures.
- 8.4 Our estimates of rates income take into account the amount of income we believe we will lose as a consequence of successful appeals. A significant number of appeals against the 2017 revaluation have not yet been decided, and appeals have been a source of volatility since business rates retention was introduced. Despite Government attempts to reduce this volatility, this is likely to continue as there are still a large number of outstanding appeals from earlier years (and any successful appeals will be backdated, potentially for several years). Valuations and appeals are not within the Council's control.
- 8.5 No figures have been made available for local government funding beyond 2020/21, either nationally or locally. While there have been moves in recent months to relax austerity in public spending, there are also significant pressures on the public finances and spending commitments (including schools, the NHS and police) which will need to be funded. It should not be assumed that there will be no further cuts to funding for "unprotected" departments, including local government.
- 8.6 Significant reforms to the funding system are planned from April 2021 (delayed from 2020), including increasing the proportion of rates retained locally to 75%. In itself, the change should be financially neutral, as other funding elements will be reduced to offset the additional retained rates. There may also be reforms to the system to cushion the impact of appeals.
- 8.7 There is likely to be a more substantial effect on the Council's finances from the "fair funding review" planned for the same date, which will redistribute resources between councils. At the time of writing, it is unclear what the impact will be on individual authorities. We should benefit from the new formula fully reflecting the differences in council taxbase between different areas of the country; however, there are other pressures on the funding available, including intensive lobbying from some authorities over perceived extra costs in rural areas.
- 8.8 For planning purposes, the budget figures for 2021/22 assume additional real-terms cuts of £3 million per year. This represents a significantly slower rate of cuts than we have seen in the period from 2013 to 2020. If the fair funding review and overall funding position are less favourable, these cuts could be significantly higher.

### Council Tax

- 8.9 Council tax income is estimated at £122.8m in 2020/21, based on a tax increase of just below 4% (the maximum allowed without a referendum). For planning purposes, a tax increase of 2% has been assumed in 2021/22.
- 8.10 The proposed tax increase in 2020/21 includes the additional “social care levy” allowed since 2016/17, and designed to help social care authorities mitigate the growing costs of social care; the Government will expect us to demonstrate that the money is being used for this purpose (which it is).
- 8.11 The taxbase for 2020/21 has grown by 3% year-on-year, and is higher than estimated when the draft budget was prepared. This is the result of increased property numbers, declining costs of the Council Tax Support Scheme, and additional income from the higher rate of the Empty Homes Premium (following the Council decision in November 2018).

### Other grants

- 8.12 The Government also controls a range of other grants. The majority of these are not shown in the table at paragraph 4.1, as they are treated as income to departments (departmental budgets are consequently lower than they would have been). Those held corporately are described below:
- a) **New Homes Bonus (NHB)**. This is a grant which roughly matches the council tax payable on new homes, and homes which have ceased to be empty on a long term basis. The future of NHB is in doubt, and it may be rolled into the new business rates retention scheme from 2021/22.
  - b) Additional funding to support **Social Care** has been made available each year since 2017/18, although this has been as a series of one-off allocations rather than a stable funding stream. For 2020/21, the total funding nationally will be £1.65 billion (a £1 billion increase from 2019/20). Our share of this is £10 million; for comparison, this budget proposes increases to Adults’ and Children’s budgets totalling over £17 million in 2020/21.

### Collection Fund surplus / deficit

- 8.13 Collection fund surpluses arise when more tax is collected than assumed in previous budgets. Deficits arise when the converse is true.
- 8.14 The Council has an estimated **council tax collection fund surplus** of £0.8m, after allowing for shares paid to the police and fire authorities. This has arisen because of growth in the number of homes liable to pay tax (which has been greater than was assumed when the budget was set) and a reduction in the costs of the council tax support scheme, linked to improvements in the local economy.

8.15 The Council has an estimated **business rates collection fund surplus** of £1.0m. This is largely due to a reduction in the forecast cost of appeals, following updated information from external advisers.

## 9. **Managed Reserves Strategy**

9.1 In the current climate, it is essential that the Council maintains reserves to deal with the unexpected. This might include continued spending pressures in demand led services, or further unexpected Government grant cuts.

9.2 The Council has agreed to maintain a minimum balance of £15m of reserves. The Council also has a number of earmarked reserves, which are further discussed in section 10 below.

9.3 In 2013, the Council approved the adoption of a managed reserves strategy. This involved contributing money to reserves in the early years of the strategy, and drawing down reserves in later years. This policy has bought time to more fully consider how to make the substantial cuts which have been necessary.

9.4 The managed reserves strategy is being extended by using in-year savings arising from spending reviews, and future reviews should enable a further extension of the strategy. Given the potential funding gaps from 2021/22 onwards, and the level of uncertainty around future funding, it is essential that these reviews are implemented promptly to ensure that managed reserves are available to mitigate the medium-term funding risks.

9.5 As at the end of the 2018/19 financial year, some £34m was available to support future budgets, a significant increase on the forecast when the 2019/20 budget was set. This increase is the result of savings in corporate budgets (as reported in the 2018/19 outturn) and a review of the accounting treatment of grant funding from previous years. Sums were also available to support demographic growth in social care.

9.6 The table below shows the forecast reserves available to support the managed reserves strategy:-

	<b>£m</b>
Brought forward 1 <sup>st</sup> April 2019	33.6
Use planned in budget	(1.9)
Additional savings in-year	1.7
<b>Forecast carry forward 1<sup>st</sup> April 2020</b>	<b>33.4</b>
Required in 2020/21	(2.4)
<b>Uncommitted balance</b>	<b>31.0</b>

## 10. **Earmarked Reserves**

10.1 In addition to the general reserves, the Council also holds earmarked reserves which are set aside for specific purposes. These include ring-fenced 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 Earmarked reserves are kept under review, and amounts which are no longer needed for their original purpose can be released for other uses, including the managed reserves strategy. At the time of preparing the budget report, this review process is ongoing.

## 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, in this case 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 This report seeks approval to the proposed budget strategy. The report sets out financial ceilings for each service which act as maxima above which the City Mayor cannot spend (subject to his power of virement). However, decisions on services to be provided within the budget ceilings are taken by managers or the City Mayor separately from the decision regarding the budget strategy. Where appropriate, an individual Equalities Impact Assessment for these changes will be undertaken when these decisions are developed.

11.6 While this report does not contain details of specific service proposals, it does recommend a proposed council tax increase for the city's residents. The City Council's proposed tax for 2020/21 is £1,614.23, an increase of just below 4% compared to 2019/20. 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 analysis is provided at Appendix Three.

## 12. **Risk Assessment and Adequacy of 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 In the current climate, it is inevitable that the budget carries significant risk. In my view, although very difficult, the budget for 2020/21 is achievable subject to the risks and issues described below.
- 12.3 The most significant risks in the 2020/21 budget arise from:
- (a) Social care spending pressures, specifically the risks of further growth in the cost of care packages and inability to contain the costs of looked after children;
  - (b) Ensuring spending reviews which have already been approved, but not yet implemented, deliver the required savings;
  - (c) Achievability of estimated rates income (although technically any shortfall will appear as a collection fund deficit in the 2020/21 budget), and particularly the extent of successful appeals against the 2017 revaluations. There is a further risk relating to a national legal challenge on NHS properties claiming charitable relief, where an appeal is likely. If successful, this would result in a major transfer of resources away from local authorities across the country;
  - (d) Increases in pay costs, over and above the 2.5% average pay award included in the proposed budget.
- 12.4 For 2021/22 and beyond, the budget projections are particularly uncertain. Risks to a balanced budget in these years include:-
- (a) Non-achievement, or delayed achievement, of the remaining spending review savings; and/or further budget pressures within service departments meaning that any savings achieved cannot be used to reduce the overall budget gap;
  - (b) Loss of future resources. The funding landscape after 2020/21 is largely unknown, with the move to 75% business rates retention and the planned needs review (which could result in a gain or loss to the Council). Despite the Government's announcements of "the end of austerity", the risk of further cuts to funding from 2021/22 remains significant;
  - (c) Longer-term reforms to social care funding and expectations on local authorities, and the need to manage ongoing demographic pressures;
  - (d) Government policy includes above-inflation increases to the National Living Wage. This will put additional pressure on contract costs (particularly for independent sector care packages in Adults' Social Care).
- 12.5 A further risk is economic downturn, nationally or locally. This could result in new cuts to grant; falling business rate income; and increased cost of council tax reductions for taxpayers

on low incomes. It could also lead to a growing need for council services and an increase in bad debts. The effect of Brexit remains to be seen.

12.6 The budget seeks to manage these risks as follows:-

- (a) A minimum balance of £15m reserves will be maintained;
- (b) A one-off corporate contingency of £2m is included in the budget for 2020/21;
- (c) A planning contingency is included in the budget from 2021/22 onwards (£3m per annum);
- (d) Spending Review savings are being implemented as soon as possible, and the resulting savings “banked” to support future budgets.

12.7 Subject to the above comments, I believe the Council’s general and earmarked reserves to be adequate. I also believe estimates made in preparing the budget are robust. (Whilst no inflation is provided for the generality of running costs in 2020/21, some exceptions are made, and it is believed that services will be able to manage without an allocation).

### 13. **Consultation on the Draft Budget**

13.1 Comments on the draft budget have been sought from:-

- (a) The Council’s scrutiny function;
- (b) Key partners and other representatives of communities of interest;
- (c) Business community representatives (a statutory consultee);
- (d) The Council’s trade unions.

13.2 No comments have been received from partners. Scrutiny minutes will be circulated with your agenda, as will any response from trade unions.

### 14. **Financial Implications**

14.1 This report is exclusively concerned with financial issues.

14.2 Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any member with arrears of council tax which have been outstanding for two months or more to attend any meeting at which a decision affecting the budget is to be made unless the member concerned declares the arrears at the outset of the meeting and that as a result s/he will not be voting. The member can, however, still speak. The rules are more circumscribed for the City Mayor and Executive. Any executive member who has arrears outstanding for 2 months or more cannot take part at all.

### 15. **Legal Implications (Kamal Adatia, City Barrister)**

15.1 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.

- 15.2 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.
- 15.3 As well as detailing the recommended council tax increase for 2020/21, 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.
- 15.4 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, although in the preparation of this budget the Council has undertaken tailored consultation exercises with wider stakeholders.
- 15.5 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. 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 Three.
- 15.6 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.

16. **Report Authors**

Catherine Taylor  
Principal Accountant  
catherine.taylor@leicester.gov.uk

Mark Noble  
Head of Financial Strategy  
mark.noble@leicester.gov.uk

## Appendix One

## Budget ceilings

	Revised 19/20 budget £000s	Remove one-off funding in 19/20 £000s	Spending Reviews approved £000s	Non-pay inflation £000s	Insurance costs & other changes £000s	Social care funding package £000s	2020/21 budget ceiling £000s
<b><u>1. City Development &amp; Neighbourhoods</u></b>							
<b><u>1.1 Neighbourhood &amp; Environmental Services</u></b>							
Divisional Management	358.8				(1.9)		356.9
Regulatory Services	3,025.0		(55.0)		(71.3)		2,898.7
Waste Management	17,323.9			458.0	(7.3)		17,774.6
Parks & Open Spaces	3,727.0				(155.9)		3,571.1
Neighbourhood Services	5,390.2				(68.3)		5,321.9
Standards & Development	1,611.6				(43.0)		1,568.6
<b>Divisional sub-total</b>	<b>31,436.5</b>	<b>0.0</b>	<b>(55.0)</b>	<b>458.0</b>	<b>(347.7)</b>	<b>0.0</b>	<b>31,491.8</b>
<b><u>1.2 Tourism, Culture &amp; Inward Investment</u></b>							
Arts & Museums	4,168.1		(78.0)		(86.1)		4,004.0
De Montfort Hall	515.4				(33.1)		482.3
City Centre	175.9				(1.5)		174.4
Place Marketing Organisation	375.3				(3.0)		372.3
Economic Development	2.6				(19.4)		(16.8)
Markets	(314.5)		(80.0)		(8.3)		(402.8)
Adult Skills	(870.4)						(870.4)
Divisional Management	208.5				(2.7)		205.8
<b>Divisional sub-total</b>	<b>4,260.9</b>	<b>0.0</b>	<b>(158.0)</b>	<b>0.0</b>	<b>(154.1)</b>	<b>0.0</b>	<b>3,948.8</b>
<b><u>1.3 Planning, Development &amp; Transportation</u></b>							
Transport Strategy	10,012.6		(150.0)		(56.3)		9,806.3
Highways	4,027.5		(100.0)		(678.1)		3,249.4
Planning	974.4				(41.7)		932.7
Divisional Management	207.9				(3.9)		204.0
<b>Divisional sub-total</b>	<b>15,222.4</b>	<b>0.0</b>	<b>(250.0)</b>	<b>0.0</b>	<b>(780.0)</b>	<b>0.0</b>	<b>14,192.4</b>
<b><u>1.4 Estates &amp; Building Services</u></b>	<b>4,841.4</b>	<b>(100.0)</b>	<b>(150.0)</b>		<b>(122.9)</b>		<b>4,468.5</b>
<b><u>1.5 Housing Services</u></b>	<b>2,822.8</b>				<b>(479.4)</b>		<b>2,343.4</b>
<b><u>1.6 Departmental Overheads</u></b>							
School Organisation & Admissions	454.3				(12.0)		442.3
Overheads	566.6		50.0		(3.1)		613.5
<b>Divisional sub-total</b>	<b>1,020.9</b>	<b>0.0</b>	<b>50.0</b>	<b>0.0</b>	<b>(15.1)</b>	<b>0.0</b>	<b>1,055.8</b>
<b>DEPARTMENTAL TOTAL</b>	<b>59,604.9</b>	<b>(100.0)</b>	<b>(563.0)</b>	<b>458.0</b>	<b>(1,899.2)</b>	<b>0.0</b>	<b>57,500.7</b>



## Appendix One

	Budget ceilings						
	Revised 19/20 budget £000s	Remove one-off funding in 19/20 £000s	Spending Reviews approved £000s	Non-pay inflation £000s	Insurance costs & other changes £000s	Social care funding package £000s	2020/21 budget ceiling £000s
<b>2.1 Adult Social Care &amp; Safeguarding</b>							
Other Management & support	656.9				(7.8)		649.1
Safeguarding	172.4				(3.5)		168.9
Preventative Services	6,415.3				(79.7)		6,335.6
Independent Sector Care Packages	95,843.0		(70.0)	2,035.7	(1,030.7)	12,393.0	109,171.0
Care Management (Localities)	6,677.8				(94.5)		6,583.3
<b>Divisional sub-total</b>	<b>109,765.4</b>	<b>0.0</b>	<b>(70.0)</b>	<b>2,035.7</b>	<b>(1,216.2)</b>	<b>12,393.0</b>	<b>122,907.9</b>
<b>2.2 Adult Social Care &amp; Commissioning</b>							
Enablement & Day Care	2,968.3				(52.5)		2,915.8
Care Management (LD & AMH)	4,945.1				(67.9)		4,877.2
Preventative Services	1,380.1				(0.8)		1,379.3
Contracts, Commissioning & Other Support	5,462.5				(72.6)		5,389.9
Substance Misuse	5,559.7						5,559.7
Departmental	(20,939.8)	(570.0)			(8.4)	(9,308.0)	(30,826.2)
<b>Divisional sub-total</b>	<b>(624.1)</b>	<b>(570.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>(202.2)</b>	<b>(9,308.0)</b>	<b>(10,704.3)</b>
<b>DEPARTMENTAL TOTAL</b>	<b>109,141.3</b>	<b>(570.0)</b>	<b>(70.0)</b>	<b>2,035.7</b>	<b>(1,418.4)</b>	<b>3,085.0</b>	<b>112,203.6</b>
<b>3. Education &amp; Children's Services</b>							
<b>3.1 Strategic Commissioning &amp; Business Support</b>							
	1,039.4				(13.6)	210.5	1,236.3
<b>3.2 Learning Quality &amp; Performance</b>							
Raising Achievement	331.2				(18.7)	6.2	318.7
Learning & Inclusion	1,903.4				(35.0)	(914.3)	954.1
Special Education Needs and Disabilities	8,316.2				989.1	(299.7)	9,005.6
<b>Divisional sub-total</b>	<b>10,550.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>935.4</b>	<b>(1,207.8)</b>	<b>10,278.4</b>
<b>3.3 Children, Young People and Families</b>							
Children In Need	11,183.4				(102.4)	(444.0)	10,637.0
Looked After Children	38,716.5			188.3	(165.3)	4,229.8	42,969.3
Safeguarding & QA	2,620.2				(37.8)	(316.4)	2,266.0
Early Help Targeted Services	5,214.8				218.6	(123.1)	5,310.3
Early Help Specialist Services	2,320.6				(50.4)	798.8	3,069.0
<b>Divisional sub-total</b>	<b>60,055.5</b>	<b>0.0</b>	<b>0.0</b>	<b>188.3</b>	<b>(137.3)</b>	<b>4,145.1</b>	<b>64,251.6</b>

<b>3.4 Departmental Resources</b>	<b>(2,766.8)</b>	(6,000.0)			(58.0)	10,852.2	<b>2,027.4</b>
<b>DEPARTMENTAL TOTAL</b>	<b>68,878.9</b>	<b>(6,000.0)</b>	<b>0.0</b>	<b>188.3</b>	<b>726.5</b>	<b>14,000.0</b>	<b>77,793.7</b>
	<b>Revised 19/20 budget £000s</b>	Remove one-off funding in 19/20 £000s	Spending Reviews approved £000s	Non-pay inflation £000s	Insurance costs & other changes £000s	Social care funding package £000s	<b>2020/21 budget ceiling £000s</b>
<b>4. Health &amp; Wellbeing</b>							
<b>4.1 Health and Wellbeing</b>							
Adults' Services	<b>4,250.6</b>				(77.0)		<b>4,173.6</b>
Children's 0-19 Services	<b>8,967.5</b>		(500.0)		77.0		<b>8,544.5</b>
Lifestyle Services	<b>1,259.2</b>		(45.0)		(12.3)		<b>1,201.9</b>
Staffing, Infrastructure & Other	<b>1,359.0</b>				(22.5)		<b>1,336.5</b>
Sports Services	<b>2,720.7</b>		(300.0)		(69.8)		<b>2,350.9</b>
<b>DEPARTMENTAL TOTAL</b>	<b>18,557.0</b>	<b>0.0</b>	<b>(845.0)</b>	<b>0.0</b>	<b>(104.6)</b>	<b>0.0</b>	<b>17,607.4</b>
<b>5. Corporate Resources Department</b>							
<b>5.1 Delivery, Communications &amp; Political Governance</b>							
	<b>5,659.5</b>				(75.5)		<b>5,584.0</b>
<b>5.2 Financial Services</b>							
Financial Support	<b>4,801.1</b>				(232.6)		<b>4,568.5</b>
Revenues & Benefits	<b>6,414.4</b>	(100.0)			(125.7)		<b>6,188.7</b>
<b>Divisional sub-total</b>	<b>11,215.5</b>	<b>(100.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>(358.3)</b>	<b>0.0</b>	<b>10,757.2</b>
<b>5.3 Human Resources</b>							
	<b>3,899.0</b>				(55.8)		<b>3,843.2</b>
<b>5.4 Information Services</b>							
	<b>9,256.3</b>		(132.0)		(78.0)		<b>9,046.3</b>
<b>5.5 Legal Services</b>							
	<b>2,673.8</b>				(68.0)		<b>2,605.8</b>
<b>DEPARTMENTAL TOTAL</b>	<b>32,704.1</b>	<b>(100.0)</b>	<b>(132.0)</b>	<b>0.0</b>	<b>(635.6)</b>	<b>0.0</b>	<b>31,836.5</b>
<b>TOTAL -Service Budget Ceilings</b>	<b>288,886.2</b>	<b>(6,770.0)</b>	<b>(1,610.0)</b>	<b>2,682.0</b>	<b>(3,331.3)</b>	<b>17,085.0</b>	<b>296,941.9</b>
<i>less public health grant</i>	<b>(26,103.0)</b>				(496.0)		<b>(26,599.0)</b>
<b>NET TOTAL</b>	<b>262,783.2</b>	<b>(6,770.0)</b>	<b>(1,610.0)</b>	<b>2,682.0</b>	<b>(3,827.3)</b>	<b>17,085.0</b>	<b>270,342.9</b>
<i>add provision for pay awards</i>							<b>4,400.0</b>
<b>TOTAL ESTIMATED SERVICE SPENDING</b>							<b>274,742.9</b>



**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 the 2020/21 pay award;
  - (c) the City Mayor may determine the use of the corporate contingency;
  - (d) the City Mayor may determine the use of the provision for Education Funding reform.

### 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) a carry forward reserve, subject to the usual requirement for a business case.
12. Directors may spend earmarked reserves on the purpose for which they have been created.
13. When an earmarked reserve is dissolved, the City Mayor shall determine the use of any remaining balance.

## Appendix Three

### Equality Impact Assessment

#### 1. Purpose

1.1 This appendix presents the equalities impact of the proposed 3.99% council tax increase. This is the maximum increase that the Government will allow us without a referendum.

#### 2. Who is affected by the proposal?

2.1 As at 30 November 2019, there are 129,117 properties liable for Council Tax in the city (excluding those registered as exempt, such as student households).

2.2 All 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 relief for pensioner households follows different rules. Low-income pensioners are eligible for up to 100% relief.

#### 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.

3.2 For band B properties (almost 80% of the city's properties are in bands A or B), the proposed annual increase in council tax is £48.27; the minimum annual increase for households eligible under the CTSS would be £9.65 (for a working-age household, and excluding the impact of any other discounts).

Band	No. of Properties	Weekly increase	Minimum Weekly Increase under CTSS
A-	286	£0.66	£0.13
A	76,721	£0.79	£0.16
B	25,717	£0.93	£0.19
C	14,781	£1.06	£0.32
D	6,141	£1.19	£0.45
E	3,339	£1.45	£0.71
F	1,504	£1.72	£0.98
G	592	£1.98	£1.24
H	36	£2.38	£1.64
<b>Total</b>	<b>129,117</b>		

Notes: "A-" properties refer to band A properties receiving an extra reduction for Disabled Relief. Households may be entitled to other discounts on their council tax bill, which are not shown in the table above.

- 3.3 In most cases, the change in council tax (£0.93/week for a band B property with no discounts) 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.
- 3.4 Some households reliant on social security benefits are likely to be adversely affected due to the cumulative impact of further implementation of the Government's welfare reforms, in particular the rollout of Universal Credit full service which was implemented in Leicester in June 2018.
- 3.5 The ASDA income tracker for August 2019<sup>1</sup> shows relatively strong growth in disposable incomes over the past year, reflecting low unemployment, real-terms wage growth, and falling inflation rates. However, this is not evenly spread, with the lowest-income fifth of households seeing a 2.6% *fall* in discretionary spending power over the year.
- 3.6 Research by the Joseph Rowntree Foundation (JRF) has identified certain groups who are particularly likely to be on a low income<sup>2</sup> and may therefore see a disproportionate effect from a small (in absolute terms) increase in council tax. These include lone parents, single-earner couples and larger families (with 3 or more children).
- 3.7 The JRF report also highlights ongoing inflationary pressures on the household budgets of low-income groups. While overall CPI inflation has fallen recently, there have been higher increases in the costs of domestic fuel and public transport, which have a disproportionate effect on many low-income households. Increasing childcare costs, which are not fully met by tax credits or Universal Credit, are also identified as a particular pressure.

#### 4. **Alternative options**

- 4.1 Within the current financial context, the alternative options of a lower (or no) increase would inevitably, over time, require even greater cuts to services. It is not possible to say where these 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.

---

<sup>1</sup> The ASDA income tracker is an indicator of the economic prosperity of 'middle Britain', taking into account income, tax and all basic expenditure. ASDA's customer base matches the UK demographic more closely than that of other supermarkets.

<sup>2</sup> A *Minimum Income Standard for the United Kingdom in 2019*, JRF, July 2019. The JRF report is based around a different measure of "low income" to the ASDA income tracker, based on the ability to afford an assessed minimum living standard.

5. **Mitigating actions**

- 5.1 For residents likely to experience short term financial crises as a result of the cumulative impacts of the above risks, the Council has a range of mitigating actions. These include: funding through Discretionary Housing Payments; the council's work with voluntary and community sector organisations to provide food to local people where it is required – through the council's or partners' food banks; 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 Council is also running a welfare benefits take-up campaign, to raise awareness of entitlements and boost incomes among vulnerable groups.

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.

### Analysis of impact based on protected characteristic

Protected characteristic	Impact of proposal:	Risk of negative impact:	Mitigating actions:
<b>Age</b>	<p>Older people are least affected by a potential increase in council tax. Older people (pension age &amp; older) have been relatively protected from the impacts of the recession &amp; welfare cuts, as they receive protection from inflation in the uprating of state pensions. Low-income pensioners also have 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. 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>Working age people bear the brunt of the impacts of welfare reform reductions – particularly those with children. Whilst an increasing proportion of working age residents are in work, national research indicates that those on low wages are failing to get the anticipated uplift of the National Living Wage.</p>	<p>Working age households and families with children – incomes squeezed through low wages and reducing levels of benefit income.</p>	<p>Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets.</p>
<b>Disability</b>	<p>Disability benefits have been reduced over time as thresholds for support have increased.</p> <p>The tax increase could have an impact on such household incomes. However, in the current financial climate, a lower council tax increase would require even greater cuts to services. 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>	<p>Further erode quality of life being experienced by disabled people as their household incomes are squeezed further as a result of reduced benefits.</p>	<p>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.</p>
<b>Gender Reassignment</b>	<p>No disproportionate impact is attributable specifically to this characteristic.</p>		

<b>Pregnancy and Maternity</b>	Maternity benefits have not been frozen and therefore kept in line with inflation. However, other social security benefits have been frozen, but without disproportionate impact arising for this specific protected characteristic.		
<b>Race</b>	Those with white backgrounds are disproportionately on low incomes (indices of multiple deprivation) and in receipt of social security benefits. Some BME people are also low income and on benefits. Nationally, one-earner couples have seen particular falls in real income and are disproportionately of Asian background – which suggests an increasing impact on this group.	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 in line with the Council's policy to remove barriers to accessing the support identified.
<b>Religion or Belief</b>	No disproportionate impact is attributable specifically to this characteristic.		
<b>Sex</b>	Disproportionate impact on women who tend to manage household budgets and are responsible for childcare costs. Women are disproportionately lone parents. Analysis has identified lone parents as a group particularly likely to lose income from welfare reforms.	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.
<b>Sexual Orientation</b>	No disproportionate impact is attributable specifically to this characteristic.		