

Report to Scrutiny Commission

Adult Social Care

Date of Commission meeting: 12th February 2014

General Fund Budget 2014/15 to 2015/16

Report of the Director of Adult Social Care



Useful Information:.

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1. Introduction

At its meeting on 16th January, the Overview Select Committee requested scrutiny commissions to consider the draft budget proposals for 2014/15 to 2015/16. Your commission is asked to consider the budget of the Adult Social Care portfolio.

2. Recommendation(s) to scrutiny

The Commission is asked to make any comments to the OSC, for subsequent consideration by that committee at its meeting on 13th February. The OSC will consider all commissions' comments before reporting its views to the City Mayor, prior to the City Mayor making his final proposals to the Council. The Council will set the final budget on 26th February, 2014.

3. Supporting Information

The draft budget has been prepared against a background of the most severe Government funding cuts the Council has ever faced.

The Council has sought to address budget reductions strategically, and to avoid having to make crisis cuts in services. Consequently, the budget approved in February, 2013, included a "managed reserves strategy" under which monies are contributed to reserves in 2013/14 and 2014/15; then drawn down in 2015/16 and 2016/17. This enabled the budget to be balanced until 2015/16, always providing agreed reductions are implemented, and gives time to consider the longer term savings needed more thoroughly. It is estimated that additional

savings of £60m per year will be needed by 2017/18.

The extent of cuts required means that the budget is no longer a “once a year” activity. The Executive has launched a spending review programme, which will scrutinise a range of service areas over an extended period to the end of 2014. Budget reductions can be made at the same time as reviews are concluded and the findings approved. The findings of these reviews will be subject to scrutiny as and when they are prepared.

Consequently, no new spending reductions have been asked of departments as part of the preparation of this budget, which essentially rolls forward the strategy approved in February, 2013. The commission will wish to scrutinise the extent to which the agreed budget strategy has been delivered, and report this to the OSC.

Attached to this report are:

- (a) The draft budget report to the Council. This is attached as Appendix A. Members are asked to note that this report covers the whole of the budget, and questions about corporate aspects of budget setting are best raised at the full OSC meeting;
- (b) Extracts from the budget monitoring report for period 6. This is attached as Appendix B and was considered by OSC in December. These extracts include the budgets for services overseen by your commission;
- (c) A schedule showing the budget ceilings for services overseen by your commission. This is attached at Appendix C.

4. Financial and legal implications

4.1 Financial implications

This report is exclusively concerned with financial issues

4.2 Legal and other implications

These are included in the draft report to Council.

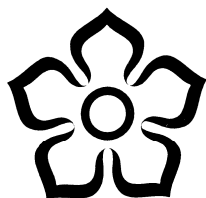
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5. Background information and other papers:

6. Summary of appendices: See above

7. Is this a private report ? No

DRAFT dated 11th December 2013



Leicester
City Council

Overview Select Committee
Council

16th January 2014
26th February 2014

General Fund Revenue Budget 2014/15 to 2015/16

Report of the Director of Finance

1. Purpose

- 1.1 The purpose of this report is to request the Council to consider the Mayor's proposed budget for 2014/15 to 2015/16. The budget plan covers the same period as the Government's national spending plans but this report also identifies the subsequent impact.
- 1.2 The proposed budget is described in this report, subject to any amendments the Mayor may wish to recommend in February.
- 1.3 The draft of this report has been written in advance of the local government finance settlement (which is late) in order to ensure publication in December. To the extent that the settlement changes estimates made, it is proposed that this will either extend or shorten the duration of the managed reserves strategy described in this report.
- 1.4 The Select Committee is asked to consider this report and make any comments it sees fit to the City Mayor.

2. **Summary**

- 2.1 The budget for 2014/15 to 2015/16 is set in a context of the most severe Government funding cuts the Council has ever experienced.
- 2.2 Since the onset of funding cuts in 2011/12, the Council has approved plans to reduce its expenditure by £85m per year. Whilst there is no certainty beyond 2015/16, if the current trajectory of funding cuts continues, the Council will need to make reductions amounting to a further £60m per year by 2017/18. Indications from the Chancellor of the Exchequer are that the squeeze on public spending will in fact last until at least 2020.
- 2.3 It is difficult to calculate the total amount by which the Council's grant has been cut since 2010/11, due to changes both in local authorities' responsibilities and in the way funding is provided. However, on a like for like basis, cuts in the five years to 2015/16 amount to £100m, or some 38% of the grant received in 2010/11.
- 2.4 Budget planning in recent years has not been helped by the fact that the Government has increased the level of cuts previously announced, and extended the period over which cuts will be made. These decisions have been taken and announced incrementally.
- 2.5 Despite these challenges, the Council has sought to address budget reductions strategically, and to avoid having to make crisis cuts in services. This approach has a number of aspects:
- (a) the budget approved in February 2013 included a "managed reserves strategy" under which monies will be contributed to reserves in 2013/14 and 2014/15; then drawn down in 2015/16 and 2016/17. This was designed to balance the budget in the years to 2015/16, and provide time to consider future cuts in a managed way;
 - (b) it is no longer sensible to see the budget as a "once a year" activity – spending needs to be managed continuously during the course of the year, and the City Mayor is taking decisions under delegated authority (where appropriate) which reduce recurrent spending and thus the future cuts required;
 - (c) the Executive has launched a Spending Review Programme, which will scrutinise a range of service areas over an extended period from autumn 2013 to the end of 2014. This makes use of the time bought by the managed reserves strategy to properly plan future savings. Once reviews have reported, spending reductions can be approved simultaneously, and the effect included in subsequent budgets.

- 2.6 Whilst the “goal posts” have moved since February 2013 due to subsequent Government announcements, particularly in relation to the very severe cuts proposed for 2015/16, the basic strategy has remained intact. This has meant that [apart from decisions arising from the Spending Review Programme, which will be reflected in the final version of this report to the extent that they have been made by the end of January] services have not been asked to find further savings in this budget round.
- 2.7 Consequently, the budget the Council is being asked to approve primarily reflects decisions which have already been taken.
- 2.8 The budget proposes a tax rise of 1.99% in 2014/15, and assumes a rise of 2% in 2015/16. The Government has offered money to freeze the tax in 2014/15, which would continue to be paid in 2015/16. However, the amount received would be less than the amount raised by a tax rise; more pertinently, there is no certainty that the money would continue to be received from 2016/17.
- 2.9 Given the fact that the budget reflects decisions already taken, consultation has been tailored to reflect the scope of this year’s exercise. The underlying strategy agreed in 2012/13 and 2013/14 was, however, the subject of considerable public consultation. It is also noted that:
- (a) where Executive decisions are still required to enable any service to live within its budget, formal consultation will be carried out where appropriate (as is usual);
 - (b) formal consultation will be carried out on any proposals resulting from the Spending Review Programme, again where appropriate.
- 2.10 The Spending Review is likely to generate significant savings as reviews are concluded. However, it is estimated that the programme will not save more than £35m, and it is clear that further cuts will be required once the next Government determines its spending plans from 2016/17 onwards. It is intended to carry out a substantial public engagement exercise during 2014, to determine public priorities – this will be carried out before budget proposals are developed.
- 2.11 In the exercise of its functions, the City Council (or City Mayor) must have due regard to the Council’s duty to eliminate discrimination, and advance equality of opportunity for protected groups and foster good relations between protected groups and others. The budget under consideration is a continuation of the status quo in terms of main policy commitments, and instead of policy changes, identifies financial pressures on existing plans and policies. There are no proposals for decision on specific courses of action

that could result in changes of provision 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 per se (this is further explained in paragraph 10). Where necessary, the City Mayor has considered equality impact assessments for decisions affecting service quality. The Council is committed to promoting equality of opportunity for its residents; and regardless of where the legal duty 'bites', it is unarguable that huge cuts have had an impact, particularly on vulnerable residents. Consequently, at paragraph 10 below, an overview of the cumulative impacts is provided; together with some mitigating actions. These include setting aside £0.2m per annum in the budget to carry out further actions where necessary.

- 2.12 Government funding announced for 2014/15 and 2015/16 is a matter of particular concern, not solely because of the level of cuts, but also because of the disproportionate impact of the cuts on deprived authorities. This is further discussed in paragraph 11 below.

3. **Recommendations**

- 3.1 The Council will be asked to approve the budget strategy described in this report, the budget ceilings, and the council tax. Such approval will be subject to any changes proposed by the Mayor in February, and the final Council report will also be accompanied by a formal resolution containing the necessary statutory calculations.

4. **Budget Overview**

4.1 The table below summarises the proposed budget, and shows the forecast position for the following two years:

	<u>2014/15</u> £m	<u>2015/16</u> £m	<u>2016/17</u> £m	<u>2017/18</u> £m
<u>Service budget ceilings</u>	242.2	239.6	239.7	239.7
<u>Provisions to be allocated to services</u>	2.6	2.6	2.6	2.6
<u>Corporate Budgets</u>				
Capital Financing	13.4	13.9	14.1	14.1
Building Schools for the Future	1.0	1.0	1.0	1.0
Hardship awards	0.5	0.5	0.5	0.5
Miscellaneous	2.4	1.0	1.4	1.8
Contingency	3.0	3.0		
Energy cost reduction schemes	1.5			
Service transformation provisions	5.0			
<u>Future Provisions</u>				
Inflation		2.9	5.8	8.7
National Insurance increase			3.3	3.3
Severance			8.0	
Planning provision		3.0	6.0	9.0
<u>Managed reserves policy</u>	19.6	(3.8)	(25.3)	
TOTAL SPENDING	291.3	263.8	257.0	280.6
<u>Resources – Local Taxation</u>				
Council Tax	82.2	84.1	87.0	89.9
Business Rates	49.8	51.9	53.1	54.5
Collection Fund Surplus	2.4			
<u>Resources – Grant</u>				
Business rates top-up grant	43.6	44.8	46.2	47.9
Revenue Support Grant	107.4	76.0	50.0	26.4
New Homes Bonus	5.9	7.1	8.2	8.0
TOTAL RESOURCES	291.3	263.8	244.5	226.6
Projected tax increase		2.0%	3.0%	3.0%
Gap in Resources			12.5	54.0

- 4.2 Future forecasts, particularly beyond 2015/16, are volatile and will change.
- 4.3 The forecast gap in 2017/18 makes no allowance for inflation beyond 14/15 (see later) which would add a further £6m (making a funding gap of £60m in that year). Nor is allowance made for increasing demand on services.

5. **Council Tax**

- 5.1 The City Council’s proposed tax for 2014/15 is £1276.55, an increase of 1.99% on 2013/14.
- 5.2 The tax levied by the City Council constitutes only part of the tax Leicester citizens have to pay (albeit the major part). Separate taxes are raised by the police authority and the fire authority. These are added to the Council’s tax, to constitute the total tax charged.
- 5.3 The total tax bill in 2013/14 for a Band D property was as follows:

	£
City Council	1251.65
Police	173.87
Fire	58.38
Total tax	1483.90

- 5.4 The actual amounts people are paying in 2013/14, however, depends upon the valuation band their property is in and their entitlement to any discounts, exemptions or benefit. 80% of properties in the city are in band A or band B.
- 5.5 The formal resolution sets out the precepts issued for 2014/15 by the police and fire authorities together with the total tax payable in the city. [This will be prepared on budget setting day].

6. **Construction of the Budget**

- 6.1 In addition to council tax, the Council is being asked to approve the budget ceilings for each service, which are shown at Appendix One to this report. The budget ceilings act as maximum amounts the City Mayor can spend on each service, subject to his power of virement.
- 6.2 It has been the Council’s past practice when preparing the budget to consult upon lists of specific growth and reduction proposals, which are subsequently

approved at the annual budget meeting. This approach is no longer appropriate for the following reasons:

- (a) continuous changes to our funding, and increasing grant cuts imposed by central government, mean it is not sensible to wait until February each year to agree a plan of spending reductions. The Spending Review Programme is a natural outworking of this principle;
- (b) the approach adopted in the 2013/14 budget has given departments a degree of budget certainty within which to manage – this approach has proved successful, and departments have dealt with many emerging budget pressures through management action during 2013/14;
- (c) as reported in the 2013/14 budget report, case law confirms that the role of Council is to approve the overall budget level and council tax; the City Mayor is responsible for determining actions to enable each service to live within its budget.

6.3 In essence, therefore, the budget is the means by which the Council sets a financial framework within which the City Mayor has authority to act; and sets limits on the amount he is entitled to spend on any given service. The actions which have been taken, or will be taken, to enable the Mayor to live within the budget ceilings (should the Council approve the ceilings) are described at paragraph 7 below.

6.4 The way the budget has been constructed also has implications for consultation with the public and partners. In practice, most of the service decisions that will enable the Council to spend within its means have already been taken, either as part of the budget for 2012/13 and 2013/14, or separately by means of Executive decision and management action. The 2012/13 budget saw substantial savings made; this budget was preceded by the most substantial budget consultation the authority has ever carried out with the public. Changes to service policy which have reduced spending have also been the subject of consultation in their own right, and Executive decisions published.

6.5 The ceilings for each service have been calculated as follows:

- (a) the starting point is last year's budget, subject to any transfers of function between services within the Council;
- (b) to these, an allowance for inflation has been added amounting to 1.75% of spending on supplies and services, and a deduction made amounting to 1.75% of income;
- (c) the effect of any growth and reductions from previous years' budgets is taken into account;

- (d) [the ceilings will be adjusted to reflect the impact of decisions arising from the Spending Review Programme, if these have been taken by the end of January].

6.6 After the start of the year, budget ceilings will be further adjusted:

- (a) to reflect the eventual pay award for employees. An estimate of 1% has been included in the budget;
- (b) to allocate additional costs payable as a consequence of increases in employers' pension contributions following the 2013 actuarial revaluation;
- (c) to reflect decisions taken under the Spending Review Programme.

6.7 Whilst the above exercise is essentially a mechanistic one, members are reminded that the 2013/14 budget for Education and Children's Services included one-off support of £4m to provide time to manage cuts in Early Intervention Grant. Thus, this department has been required to make additional savings in order to deal with the fallout of Government money – this is described further in paragraph 7 of this report.

6.8 Budget ceilings have also been created for the first time in respect of public health functions, which transferred to the Council in 2013/14 (due to the timing of the announcements, these services were included in the 2013/14 budget at net nil cost).

7. **Spending Reductions**

7.1 The purpose of this section of the report is to explain action which has been, or is being taken, to enable departments to manage within the proposed budget ceilings for 2014/15.

Adult Social Care

7.2 The key issues facing the service are as follows:

- (a) the Government's proposals for care reform, much of which is medium term, but for which preparations are taking place now. The proposals will result in new duties, to be met from new grant sources – the details of the new grant income remain largely uncertain;
- (b) the continuing pressure of increased need, particularly arising from demographic growth;
- (c) financial pressure on service providers, who are essential for service continuity.

7.3 The care reform agenda has a number of aspects:

- (a) from 2016/17, there will be a cap on the amount individuals are required to contribute to their own care amounting to £72,000 per lifetime for most people. This will require the Council to keep records for adults who currently fund their own social care and do not receive any publicly funded support. Government funding to support this will be received in 2015/16;
- (b) new duties to support carers will give rise to additional costs, estimated at £0.5m in 2015/16 rising to £1.3m by 2018/19. Funding to support this is being received via the NHS, and is already budgeted (but will be transferred into the new Better Care Fund from 2015/16 – see below);
- (c) new rights to defer payment of fees until the death of a service user, and extended means test support;
- (d) potential national changes in eligibility for social care. At present, each local authority sets its own threshold for eligibility. The Department of Health is currently consulting on the establishment of national criteria: whilst it is the Department's intention that this will entitle people with 'critical' or 'substantial' need to a service (as now in Leicester), the draft criteria do not deliver this.

7.4 The Independent Living Fund is expected to close in April 2015 (although the Government's plans have run into legal difficulties), and local authorities will be required to take on responsibility for people previously supported by the fund. It is expected that additional grant will be received from 2015/16 to meet this responsibility.

7.5 The forecast costs of these new responsibilities, and the anticipated new grant streams, are shown below:

	15/16	16/17
	£000	£000
<u>New costs</u>		
Social Care Funding Reform	1,127	2,586
Independent Living Fund	1,233	1,233
Carers' Support	527	914
Total new costs	2,887	4,733
New Grant Streams	(3,102)	(3,819)
Net addition to budget	(215)	914

7.6 The table below shows the new spending pressures being faced by Adult Social Care Services in addition to the new responsibilities described above:

	14/15 (£000)	15/16 (£000)
Demographic Growth	545	1,324
Other pressures	5,060	3,355
Residential Care Fees, which are likely to need to increase by an amount in excess of inflation	560	960
Domiciliary Care Fees, which are likely to need to increase by an amount in excess of inflation		150
Deprivation of Liberty Safeguarding – demand for increased assessments	50	50
Additional support to direct payments users	200	300
Total	6,415	6,139

7.7 Of the items in the above table:-

- (a) Demographic growth pressures arise from a growing and aging population which brings increased need and demand;
- (b) Other pressures include the temporary impact of slippage in the delivery of previous budget savings, additional growth in the cost of care packages, and some earlier years' planned savings which cannot now be achieved;
- (c) Above inflation increases in residential care fees will be needed, to reflect increases in the cost of care and the need to maintain a stable market. Likewise, domiciliary care costs will increase due to increases in the minimum wage and increasing overheads for providers;
- (d) Deprivation of Liberty Safeguarding is a statutory service with increasing levels of demand;
- (e) There are increasing numbers of people who are choosing to receive their personal budget for social care in the form of a direct payment in cash. This is a positive step because it enables people to have a greater choice in the support they receive as well as having direct control over their care arrangements. However these people frequently need help and guidance on how their needs can be met, and also help in directly employing personal assistants.

- 7.8 The Government has recognised the pressures on the adult social care system for some time, and additional support has been provided from within NHS budgets for a number of years. Implicitly, the Government is acknowledging that continuing cuts to local government are placing the sector under huge strain. It is worth noting (and the Government recognises this) that if statutory services are protected at local level, a time will come when these services could consume the entire authority budget if cuts continue at the current trajectory.
- 7.9 Actions have already been taken and continue to be taken to improve the efficiency of adult social care services and to reduce costs, including:
- (a) Re-assessment and review of packages of care, including reductions to personal budgets where this is appropriate;
 - (b) Transferring people's care from high cost settings/services to more cost effective alternatives while continuing to meet the eligible needs;
 - (c) Re-procurement of services using the competitive process to drive up quantity and quality of provision and/or to drive down costs (e.g. domiciliary care);
 - (d) Review of relatively expensive in-house provision of services where more cost effective equivalent services are available to meet people's assessed needs (e.g. elderly persons' homes and older persons' mental health day care);
 - (e) Reshaping remaining in-house services (such as reablement) to improve efficiency;
 - (f) Review of the "resource allocation system", which allocates funding for personal budgets;
 - (g) Strengthening of checks and balances; with a quality assurance panel independently reviewing all high cost care packages, and all cases where a proposed care package is 10% above the indicative personal budget suggested by the resource allocation system; and
 - (h) Additional support to informal family carers to improve resilience, including the provision of short breaks to enable carers to provide care.
- 7.10 Implementation of the above actions is subject to full due process as appropriate in terms of consultation, assessment of impacts and decision making.
- 7.11 In its June 2013 Spending Review, the Government announced the creation of a £3.8bn per annum Better Care Fund. This will be a pooled budget; to be created in 2015/16 from a number of existing funding streams, together with a further £1.9bn from the overall NHS budget. The money is intended to provide better integration between health and adult social care, but also to provide protection for adult social care services. Explicitly, the Government

has recognised the need to use some of this money to help deal with demographic pressures in adult care. Our best estimate is that the pool will receive £12m per year from 2015/16, over and above monies already set aside for adult social care. Discussions on the use of this fund are continuing with NHS colleagues locally, and we are required to submit a joint plan for Department of Health approval in April 2014. Appropriate planning for the future, including transformation supported by Better Care Fund monies, is clearly going to be key to delivering a sustainable financial future, and the Council's Spending Review Programme recognises this (the review of adult care is not being started until April 2014).

- 7.12 An addition of £2.2m has been made to the departmental budget for one year only in 2014/15. The balance of the pressures will be met by departmental reserves in that year. The position for 2015/16 needs to be resolved as part of Better Care Fund discussions.

Children's Services

- 7.13 The Education and Children's Services portfolio has faced substantial spending reductions since 2010/11, largely as a consequence of specific grant streams ceasing or being cut back rapidly. Unlike other departments, the department has needed to make savings in the 2014/15 budget as a consequence of continuing grant cuts.
- 7.14 The key issues faced by the service in planning for 2014/15 and beyond are as follows:
- (a) to meet the continuing impact of Government grant cuts, as stated. Total pressures amount to £5.1m in 2014/15, of which £4.38m arises from cuts in Early Intervention Grant made in 2013/14 (the Council's budget for that year provided temporary finance to the department, to enable the impact to be managed); £0.35m in Education Services Grant; and £0.4m in youth offending grants. Further cuts in Education Services Grant, in excess of £1m, are likely in 2015/16;
 - (b) to cope with the rise in numbers of looked after children (for which budgetary provision has been provided in previous years), and increased responsibilities arising from young offenders now being classed as looked after children. These issues have placed social care budgets under pressures of £1.7m per annum;
 - (c) delivery of some major budget challenges approved in previous budgets. These include reorganisation of children's centres, the review of service interventions for the 0-19 age group, and a review of management across various divisions (requiring savings of £3.6m to be achieved in total);

7.15 Actions are already in progress to tackle these issues, which include:

- (a) a review of interventions across the 0-19 age range has been completed, reducing non-priority work and delivering savings;
- (b) specialist services at children's centres have already been reduced as a consequence of previous budget decisions. A public consultation was completed in November on proposals to reorganise and further reduce the level of services provided from children's centres whilst maintaining the full estate. This would save £3.3m, £1.7m more than the amount required in the 2013/14 budget, with the balance required to meet Early Intervention Grant cuts;
- (c) organisational reviews will shortly take place to combine teams providing similar services; and to rationalise the working hours of part time youth workers;
- (d) redesign of statutory social services based on the child's journey through the system, whilst securing better integration with locality based early help services. An organisational review is now in progress; and follows on from detailed work on referral taking, assessment practices and quality assurance activity undertaken by senior managers;
- (e) an organisational review of the Youth Offending Service will take place shortly so that it can live within its reduced grant. It is anticipated that the savings required will be achieved almost entirely from vacant posts.

7.16 Further action will be taken:

- (a) to agree with the Schools' Forum to use Dedicated Schools' Grant to fund early years teachers;
- (b) to review support to adventure playgrounds, to provide wider access at reduced costs;
- (c) to make savings in the special educational needs service;
- (d) to review the school improvement service, reducing the core service whilst strengthening formal partnership structures;
- (e) to cease certain miscellaneous budgets (sports development and key stage 4 foundation learning, and discretionary budget for one-off initiatives);
- (f) combining teams where practical in localities, and utilising buildings more effectively.

7.17 Actions taken, or to be taken, are subject to full due process as appropriate including consultation as necessary, assessment of impacts and decision making.

- 7.18 To the extent that a full year saving cannot be achieved in 2014/15, the budget will be balanced using departmental reserves: it is anticipated that £1.8m will be required.
- 7.19 Further work will need to take place during 2014/15 to identify additional savings, if further cuts are made in Education Services Grant.
- 7.20 Children's services will be further reviewed as part of the Spending Review Programme, and a report will be prepared for the Executive.

City Development and Neighbourhoods

- 7.21 The department is delivering a major programme of strategic initiatives, including the market redevelopment, Connecting Leicester, and the Richard III Programme. It is able to manage within its overall budget for 2014/15 to 2015/16, and any new pressures arising are being (or will be) dealt with by management action. This is enabling the department (as the 2013/14 budget strategy intended) to focus its efforts on the Spending Review Programme. The main pressures arising in 2014/15 are as follows:
- (a) real terms reduction in sports income of £400,000 per annum, as income has not kept pace with inflation. Compensating reductions in expenditure budgets of the service have been made;
 - (b) loss of £80,000 income to Community Services, due to falling usage by other City Council services – the service is making savings in its running costs, reflecting this reduced usage.
- 7.22 All management actions have been (or will be) assessed for equalities implications, and are not considered to present any at this stage.
- 7.23 After many years of growth in demand, it is pleasing to report that the cost of concessionary fares has now stabilised.
- 7.24 The department's services feature heavily in the Spending Review Programme. Key ones are:
- (a) a review of neighbourhood services, seeking to co-locate and integrate services (area by area) against a background of needing to deliver cost reductions;
 - (b) review of sports and leisure provision;
 - (c) review of parks and open spaces, with particular reference to the sums spent on grounds maintenance;
 - (d) review of the Council's investment property portfolio, with a view to increasing net returns;

- (e) review of technical services (encompassing highways maintenance, facilities management, property management and fleet management amongst the department's services).

7.25 It is anticipated that substantial savings will accrue from the above.

Housing Portfolio

7.26 This is a small portfolio with a net spend of £5m.

7.27 The key service, from a financial perspective, is prevention of homelessness, which has been subject to review as a consequence of 2012/13 budget decisions. The review is currently being implemented, and is expected to save £2m per annum from 2014/15 (there will remain a small shortfall against the original budget, as shown below).

7.28 The portfolio has expenditure pressures which need to be managed if it is to live within its budget ceilings in 2014/15. These are shown below:

	<u>2014/15</u> <u>£000</u>	<u>2015/16</u> <u>£000</u>	<u>2016/17</u> <u>£000</u>
Homelessness strategy	215	215	215
Hostel rents		165	165
	<hr/> 215	<hr/> 380	<hr/> 380

7.29 Council hostel dwellers are not currently exempt from the benefit cap, something which ministers did not intend, but are unlikely to rectify in the near future. In 2014/15, this can be managed with support from discretionary housing payments. However, it is also anticipated that (regardless of who the landlord is) there will be a cap on the amount of hostel rent which can be taken into account for universal credit purposes. It is expected, therefore, that hostel rents will not be fully reimbursed at current levels, which creates a budget pressure for the Housing portfolio.

7.30 One off departmental monies will be used to balance the budget in 2014/15. A full review of services will take place during 2014/15 to find the balance on a recurrent basis.

7.31 A follow-up to the homelessness review will report in September 2014 (part of the Council's Spending Review Programme).

Public Health

- 7.32 In 2013/14, the Council became responsible for the delivery of public health services, the purpose of which is:
- (a) to improve the health of the population;
 - (b) to ensure the health of the population is protected;
 - (c) to support improvements in health and care services.
- 7.33 Some new responsibilities are mandatory, whilst others are to be applied in response to local need. In practice, the Council has wide discretion to discharge its duties as it sees fit.
- 7.34 To enable the Council to deliver its responsibilities, a ringfenced grant of £22m will be received in 2014/15.
- 7.35 The budget contains provision for the delivery of a number of new services which were the responsibility of the NHS prior to 2013/14. However, transfer of responsibilities to the Council has provided the opportunity to look more holistically at what the Council does to promote health, and this work will continue. Spending of this grant will not follow the same configuration as for inherited services, recognising it would be sensible to invest in or protect some existing services which demonstrably have a beneficial impact on public health. This underlines the Council's commitment to public health in its broadest sense, and determination to improve health outcomes. In future, the whole of the Drugs and Alcohol Team budget (which currently receives a £0.6m general fund subsidy) will be met from public health grant.
- 7.36 The public health services inherited from the NHS are gradually being re-commissioned, as contracts come up for renewal, and savings made.

Corporate Support and Resources

- 7.37 The key challenge facing the Corporate Resources and Support Department is to be as cost effective as possible, in order to maximise the amount of money available to run public facing services. In this context, the department has reduced staffing by around 200 in recent years, and made savings of some £12m per annum.
- 7.38 The department will continue to face significant challenge to be cost effective, and features strongly in the Spending Review Programme. In particular, services are gearing up to be more streamlined to match anticipated reduced activity elsewhere.

7.39 The department is able to manage within its budget ceilings for 2014/15, having absorbed new spending pressures (thus freeing up time to pursue the Spending Review activity). Cost pressures absorbed include:

- (a) a small shortfall of £48,000 per annum in telephone savings anticipated from the Lync project, which is being met by efficiencies elsewhere in IT Services;
- (b) an additional £80,000 expected cost from job evaluation appeals in the Delivery, Communications and Political Governance Division, which has been met by securing additional savings in a review of corporate administration.

7.40 Additionally, there is risk to the budget in 2014/15 and 2015/16:

- (a) continued reductions in the £4m grant received for benefit administration are envisaged, particularly as responsibility for universal credit transfers to DWP;
- (b) the introduction of a medical examiner service from 2015 will change the way in which all deaths are certified. This scheme is expected to be funded out of new fees levied on the next of kin. However, fee levels will be set by central government with the consequent risk of a shortfall (currently projected at up to £0.4m per annum);
- (c) the move out of New Walk Centre and the relocation of the data centre will put new pressures on IT support, particularly increases in mobile working.

7.41 Most of the department's services will be subject to periodic review during the period of the Spending Review Programme, with savings anticipated from continuing transformation as well as savings consequent to reductions elsewhere. The exception to this is IT Services, which will be subject to separate review and challenge from the perspective of what is currently available from modern IT offerings.

8. **Corporately Held Budgets**

8.1 In addition to the service budget ceilings, a number of budgets are held corporately. The key ones are described below (and shown in the table at paragraph 4).

8.2 The budget for **capital financing** represents interest and debt repayment costs on past years' capital spending and planned capital spending (mostly the former). This budget is not managed to a cash ceiling, and is effectively controlled by the Director of Finance. Costs which fall to be met by this budget are driven by the Council's approved treasury management strategy.

- 8.3 **Building Schools for the Future (BSF)** is a substantial programme of investment in secondary schools, partly funded by conventional finance and partly through the Private Finance Initiative (PFI). At the inception of the programme, the Council agreed to share the additional costs arising from this scheme with schools. All contracts for BSF have now been signed, and the programme will be substantially complete by 2015/16. The sum remaining in corporate budgets represents the Council's contribution to costs for schools in the later phases of the programme. Over time, this money will be added to the budget of the Education and Children's Services Department.
- 8.4 £0.5m per annum has been set aside for the costs of **hardship awards** to council tax payers who find it difficult to pay. In 2013/14, Government welfare reforms required the Council to introduce a council tax reduction scheme; this has resulted in low income taxpayers being required to contribute to their council tax for the first time.
- 8.5 The 2013/14 budget also provided for two one-off provisions to be made in 2014/15:-
- (a) £5m for **service transformation**, making £6m in total between 2013 and 2015. This is intended to facilitate more radical options for service design which will enable us to reduce cost in later years, and is being used in conjunction with the Spending Review Programme;
 - (b) £1.5m (making £3m in total) to enable departments to invest in **energy reduction schemes**.
- 8.6 **Miscellaneous corporate budgets** include external audit fees, pensions costs of some former staff, levy payments to the Environment Agency, monies to mitigate the impact of budget reductions on protected groups under the Equality Act, bank charges, the carbon reduction levy and monies approved for the accommodation review. These budgets are offset by the effect of charges from the general fund to other statutory accounts of the Council, and remaining savings to be achieved through a review of employee terms and conditions (approved in earlier budgets). Charges to other statutory accounts have increased as a consequence of additional charges proposed to the HRA, as described in the report to Council on the HRA budget: this will help tenants to safeguard community services which the General Fund can no longer afford.
- 8.7 A **contingency** of £3m has been included in the budget for each of 2014/15 and 2015/16. This reflects the risk associated with the very substantial cost reduction programmes approved in earlier years' budgets which are still being implemented. Whilst this risk should largely crystallise in 2014/15, there

remain substantial risks in 2015/16, particularly in respect of adult care funding, and departments' ability to fund problems from within their own resources is reducing. Nonetheless, the contingency will only be used as a very last resort.

9. **Future Provisions**

9.1 This section of the report describes the future provisions shown in the table at paragraph 4 above. These are all indicative figures – budgets for these years will be set in February prior to the year in question.

9.2 The provision for **inflation** includes money for:

- (a) an assumed 1% pay award each year, in line with current Government guidelines;
- (b) a contingency for inflation on running costs. Following approval of the Council's budget in February 2013, inflation provision will no longer be made on the generality of goods and services, with departments left to absorb this themselves. Exceptions have been made for the few services where this is not feasible: waste disposal, and independent sector residential and domiciliary care. Additionally, a small contingency of £250,000 per annum will be kept for individual departments to bid for in exceptional circumstances.

9.3 Provision has also been made for an increase in the costs of **national insurance** in 2016/17. This arises from the Government's decision to replace the state second pension with a single flat rate scheme. Organisations which have previously "opted out" of the state second pension have received a rebate in their national insurance contributions; this includes local authorities, who have their own occupational pension scheme. This rebate will cease in 2016/17, at an estimated cost of over £3m per annum.

9.4 Provision has been made for further **severance** costs (see paragraph 14 below).

9.5 No provision has been made for any increase in the cost of employers' pension contributions beyond 2014/15. It was agreed as part of the 2013/14 budget that these would cease to be funded with effect from 2015/16, with departments left to meet the cost themselves.

9.6 A **planning provision** has been provided in future years to reflect the severe difficulties in making accurate forecasts and to manage uncertainty. This is reviewed on an annual basis.

10. **Budget and Equalities**

- 10.1 The Council is committed to promoting equality of opportunity for its local residents; both through its policies aimed at reducing inequality of outcomes experienced by local residents, 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.
- 10.2 Since April 2011, in accordance with section 149 of the Equality Act, the Council has been required by law to "have due regard" to the need to:
- (a) eliminate discrimination;
 - (b) advance equality of opportunity between protected groups and others;
 - (c) foster good relations between protected groups and others.
- 10.3 Protected groups under the Equality Act 2010 are characterised by age, disability, gender re-assignment, pregnancy/maternity, race, religion or belief, sex and sexual orientation.
- 10.4 Advancing equality of opportunity under our public sector equality duty includes removing and minimising disadvantage, meeting the needs of protected groups which are different to others (particularly the disabled), and encouragement to participate in public life.
- 10.5 The approach in this budget is to set financial ceilings for each service which act as maxima above which the City Mayor cannot spend (subject to his power of virement). The ceilings set reflect the budget strategy approved by the Council in February 2013 – no additional savings targets have been allocated to services. Decisions to live within the ceilings have been, or are being, taken by managers or the City Mayor; and where necessary these decisions are subject to a full equality assessment. Hence, a specific impact assessment has not been done for the budget as a whole (because there are no specifically identifiable impacts).
- 10.6 However, the period of national spending restraint (and local spending cuts) that we are living through have, undoubtedly, had an impact on service users and city residents. Consequently, it is felt important that the cumulative impact of changes in recent years is summarised for members, and that mitigating measures for anticipated negative impacts are identified.
- 10.7 The impact of service changes over the last three years should be considered against the background of the socio-economic profile of the city's residents:

- (a) the city's population is young compared to the rest of the country, and is increasing. 55% of the city's population is under the age of 34; the number of senior citizen households has declined from 23,000 in 2001 to 18,000 in 2011;
- (b) the city has relatively low educational attainment and skills levels, particularly for disadvantaged children (notwithstanding improvements between 2001 and 2011). There remain 29% of adults in the city with no qualifications; and as of October 2013, there were 10,600 job seekers' allowance claimants;
- (c) there is high and increasing ethnic diversity – 51% of residents classified themselves as white in the 2011 census, compared to 64% in the 2001 census;
- (d) Leicester is a deprived city, ranking as the 25th most deprived in the country. However, unlike other cities in the country, there is no strong link between ethnicity and poverty. There are currently 34,000 people claiming housing benefit in the city, and 40,000 claiming council tax support. Whilst 44,000 people receive universal child benefit, 33,000 also receive income support in the form of child tax credit.

10.8 The effect of budget proposals on different groups of residents has been considered in each of the last three years. Since 2012/13, consideration has been informed by the public sector equality duty, which expanded the groups for which potential impacts had to be identified and assessed. In 2011/12, the only protected characteristics under the then current legislation were race, disability and gender.

10.9 Taking together all our budgets since 2011/12, there is a pattern in respect of how and which groups are affected. The focus of budget proposals has been to minimise frontline service impacts in general, and impacts on the most disadvantaged/deprived residents in particular. This includes:

- (a) substantial reductions being made in management, administration and back office services;
- (b) the generation of efficiency savings wherever possible;
- (c) in many cases, targeting of services where reductions have been made, moving away from universal models of provision;
- (d) service re-design.

10.10 Notwithstanding this, particular impacts have been seen in respect of **age (older people)** and **disability**. In part, these are transition issues arising from the programme of transforming adult social care, and reflect the fact that change is challenging for many service users. For instance, a move from direct, buildings based, service provision to personalised budgets (whilst a positive development) needs to be managed to minimise disruption to service

users. Transition issues also include re-focusing of voluntary sector provision; and integration of community services. However, service users have also been affected by reviews of service charges, and by restricting service eligibility to a more strict assessment of statutory entitlement. Reductions are also being made in (non-statutory) housing related support services. Additionally, relocation of universal services to new premises, and reduced subsidies for some bus routes inevitably have the most significant negative impact on the least mobile.

- 10.11 Particular impacts have also been seen in respect of **age (children)**. This has been an impact of substantial reductions in Government specific grants which existed prior to 2011/12 and can be seen, for instance, in targeting of services at children's centres, changes to travel support, and reshaping of services commissioned for the 0-19 age group.
- 10.12 Part of the Council's approach to its equality duty is to consider mitigating actions where negative impacts have been identified. A recent review of these actions shows that many of the anticipated negative impacts have in fact been reduced, or even removed, as a consequence of mitigating actions suggested at the time the budget proposals were made. This includes, for instance, amending proposals to change library services following user consultation, which has resulted in successful implementation with satisfied users; the provision of targeted information and individual support to adult social care users; achievement of efficiency savings as an alternative to closing bowling greens; and the continued promotion of the Duke of Edinburgh Award (for which Council funding ceased) by a regional body.
- 10.13 In addition to the above protected groups, it is believed that reductions have disproportionately affected those who most rely on public services due to low levels of income, despite the increased targeting of services towards those who need them. Thus, proposals to charge (or increase charges) for leisure provision, reduction in some play activity, and reduction in activity at children's centres will have an impact on those who use them most. However, changes affecting people on lower income need to be seen in the context of the wider impact of the economic downturn and the Government's welfare reforms; the latter has generally excluded older people from its remit, and had the most significant impact on the incomes of larger households in receipt of benefits. In Leicester:
- (a) 13,000 council tax reduction scheme households have dependent children;
 - (b) 15,300 housing benefit households have dependent children;
 - (c) 1,300 households with children are subject to the 'bedroom tax';

- (d) 200 households with dependent children are subject to benefit income capping.

10.14 It is believed that the impact of these measures will be felt more keenly than the impact of Council budget reductions, and are of course beyond the Council's control. Nonetheless, it is important to understand the range and impacts of financial constraints currently being placed on our residents.

10.15 The Council is taking a number of steps to help mitigate the impact of its budgets, and wider changes, on its citizens. Given the likelihood of considerably more cuts in our funding, these will become all the more vital in the coming years. These include:

- (a) the setting aside of a provision of £0.2m per year for the Executive to spend on measures to mitigate the most significant impacts, particularly where these are cumulative on any given group (whether protected or not);
- (b) a review of advice provision, as part of the Council's Spending Review Programme. It is recognised from the outset that there is not the same expectation of savings from this review as there is from the others, and one of its objectives is to develop (with partners) a 'core city advice framework';
- (c) the setting aside of £0.5m per annum in the budget to support people unable to pay increased council tax charges due to hardship;
- (d) a continued emphasis on supporting businesses who recruit apprentices to help promote employment and address skills levels. A key aim of the Economic Action Plan more generally is to improve employment opportunities and skills;
- (e) administration of a number of programmes of discretionary relief, including discretionary housing payments;
- (f) a rigorous approach to carrying out equality impact assessments for individual proposals affecting service provision (and the setting aside of a contingency in the budget to enable proposals to be modified if the impact on a protected group is too severe).

11. **Government Grant**

[Note: this section of the report is based on consultation information released by the Government and will be updated for settlement data]

11.1 As can be seen from the table at paragraph 4, government grant is a major component of the Council's budget. Figures for 2014/15 and 2015/16 have been announced and will fall substantially (figures beyond 2015/16 have been

estimated). Cuts the Government has already announced are illustrated below:-

	2013/14 £m	2014/15 £m	2015/16 £m	Cuts 13/14 to 15/16	Cuts 14/15 to 15/16
Revenue Support Grant	133.0	107.4	76.0	42.9%	29.2%
Top-Up Grant	42.2	43.6	44.8		
New Homes Bonus	3.9	5.9	7.1		
Grant Total	179.1	156.9	127.9	28.6%	18.5%

11.2 The system of local government finance changed substantially in 2013/14. In place of formula grant, which was allocated by need, the Government introduced the business rates retention system. This meant that money previously allocated by formula grant was split two ways:

- (a) an amount retained by local authorities from business rates collected locally;
- (b) an amount distributed by the Government as Revenue Support Grant (RSG).

11.3 Under business rates retention, 50% of rates income is retained by local government and 50% paid over to central government. However, the Government has recognised that some authorities receive much more in rates income than others. Consequently:-

- (a) deprived authorities (including us) receive a “top-up” grant;
- (b) affluent authorities make a “tariff” payment.

11.4 Nationally, top-up payments equal tariff payments – at aggregate level, therefore, 50% of business rates income remains with local authorities.

11.5 The amount which would otherwise have been distributed as formula grant, minus the Government’s estimate of locally retained rates, is now distributed to local authorities as RSG.

11.6 In determining cuts, the Government curiously still sees retained business rates as central government funding. Thus, when it announces that local authority funding will be cut by a certain percentage, the Government is applying this to the sum of RSG and locally retained rates (now known as the “settlement funding assessment”). Because business rate poundages increase each year (as do top-up and tariff payments) this means that RSG

bears the full brunt of the funding cuts calculated with reference to a much bigger figure. Hence the substantial percentage reductions seen above.

- 11.7 Overall income reductions in 2015/16 will considerably exceed those announced in the Government's spending plans announced in June 2013. There are 2 reasons for this:
- (a) because some of the money set aside for local government is being held back for other purposes (including purposes for which the Government ought to be providing additional funding under the New Burdens Doctrine, such as social care reform), local authorities as a group are seeing much bigger reductions in their core funding;
 - (b) RSG is simply being scaled back from its 2013/14 levels. This, of course (and unlike the old formula grant) pays no regard to authorities' different abilities to raise council tax. Hence, the most deprived authorities are facing much greater reductions in their overall spending power than more affluent authorities. Reductions range from 2.7% (Wokingham) to 12.2% (Hackney) in 2015/16 alone. Leicester's comparable figure is 10.5%.
- 11.8 New Homes Bonus is a grant paid to authorities which roughly matches the council tax payable on new homes, and homes which have ceased to be empty on a long term basis. The grant is calculated with reference to a 2010/11 baseline, and will therefore grow each year until 2016/17; in 2017/18, 2011/12 will be used as the baseline, and the baseline will roll forward in the following years.
- 11.9 In June 2013, the Government proposed that (nationally) £400m of New Homes Bonus would be paid to local enterprise partnerships instead of councils, with effect from 2015/16. However, the Autumn Statement announced that this proposal would not be taken forward.
- 11.10 In addition to the grants shown above, there are two other grant streams. To the extent that these grants are received, they will contribute to the managed reserves strategy:-
- (a) a "New Homes Bonus Adjustment" grant. New Homes Bonus is funded by "topslicing" money which would otherwise have been payable as RSG. The Government errs on the side of caution (from its perspective) and ensures enough has been deducted to cover the maximum expected cost. To the extent this is not required, it is refunded to local government. By its very nature, this grant is nigh on impossible to forecast. In 2013/14, £0.75m was received;

- (b) a “Small Business Rate Relief Extension” grant. Small businesses pay less rates than large businesses; and this relief is more generous than it used to be under a temporary scheme to provide additional support for small businesses. This temporary scheme was due to end in 2012/13, and the business rate retention scheme was calibrated accordingly. It was, however, subsequently extended; and the Government has promised additional grant to compensate local authorities for loss of their 50% share of rates foregone. Details of how grant will be provided are extremely late – whilst a sum in excess of £1m is expected in 2013/14, with a 60% advance payment, nothing has been received at the time of writing. At present, the scheme is due to end in March 2015. Nothing has been budgeted for this grant.

11.11 We have no grant figures for years beyond 2015/16, and 2016/17 spending plans will be set after the general election. However, the current Government does anticipate national spending reductions to 2017/18 and beyond, and these are reflected in national spending plans (at aggregate level). The table at paragraph 4 assumes the national “settlement funding assessment” will fall by 12% in each of 2016/17 and 2017/18 (compared with 13% in 2015/16). Reality could be better or worse than this.

12. **Local Taxation Income**

12.1 Local tax income consists of three elements:

- (a) the retained proportion of business rates;
- (b) council tax;
- (c) surpluses arising from previous collection of council tax and business rates.

12.2 Local government now retains 50% of the rates collected, as discussed above. In Leicester, 1% is paid to the Fire Authority, and 49% is retained by the Council.

12.3 Rates estimates have been made in advance of the Autumn Statement announcements. The Autumn Statement included the following:-

- (a) a cap on the index linking of rates to 2% (which is less than inflation);
- (b) new discounts for some small businesses with a rateable value of less than £50,000;
- (c) discounts for businesses which occupy premises that have been empty for a long period of time.

- 12.4 Details of these new discounts have not been received at the time of writing, and the effect cannot therefore be quantified. The Government has committed to reimburse authorities for the additional costs, but we do not know how this will be done or whether grant will match loss on a pound for pound basis.
- 12.5 Revised rates estimates will be included when this report is considered by the Council, together with details of compensating grant.
- 12.6 Rates estimates have been based upon:
- (a) the existing rateable value;
 - (b) changes in rateable value for known developments;
 - (c) provision for successful appeals; and
 - (d) an assumed real terms decline in our rates base after 2014/15, of 0.7% per annum (consistent with recent years).
- 12.7 The most difficult element in estimating rates income is the effect of appeals by rate payers, which can result in refunds going back a number of years. 49% of any such refunds fall to be paid by the Council, even where they relate to periods prior to introduction of the Business Rate Retention Scheme.
- 12.8 Any future academy conversions will have an impact on rates income, as academies are entitled to mandatory rate relief. Conversions to date have not had a significant impact (because voluntary aided schools were receiving relief prior to conversion). However, loss of any large schools in the future would cost the authority around £50,000 per school in lost rates.
- 12.9 The Council is part of a “pool” with the other authorities in Leicestershire. Pools are beneficial in cases where shire district councils’ rates are expected to grow, as pooling increases the amount of rates which can be retained locally in these areas. Any additional retained rates will be available to spend on regional economic regeneration activities. 2013/14 was the first year of the pool, and it is not yet known whether or not a surplus has been created (this will depend to a large extent on outstanding appeals in the county area). The amount of rates collected by the City Council does not affect the economics of the pool.
- 12.10 The new discounts announced in the Autumn Statement may affect the pool surplus achievable in 2014/15.
- 12.11 Council tax income is estimated at £82.2m in 2014/15, based on a tax increase of 1.99%. This is higher than was envisaged when last year’s budget was set, and reflects an increase in the taxbase. For planning

purposes, a tax increase of 2% has been assumed in 2015/16, and 3% thereafter.

12.12 For the fourth year running, the Government has offered the Council money to freeze its council tax:

- (a) in 2011/12, the Government offered an annual grant, equivalent to a 2.5% increase, to freeze our tax. This was accepted, and the grant of £2.3m has been received ever since (although it has now been absorbed into the Business Rates Retention Scheme/Revenue Support Grant);
- (b) in 2012/13, the Government again offered a grant equivalent to a 2.5% increase, but payable in 2012/13 only. This was not accepted, as it would have resulted in a loss of income from 2013/14 onwards;
- (c) in 2013/14, the Government offered a more complicated deal, which would have resulted in money being received for a limited period (2013/14 and 2014/15). The period over which the money will be received has now been extended to 2015/16, but no guarantees of continuation have been provided beyond then;
- (d) in 2014/15, the Government is making another complicated offer. In effect, if we froze grant, we would receive £1.1m in each of 2014/15 and 2015/16, with no guarantee beyond this. A 1.99% tax rise provides £1.6m per annum on a permanent basis.

12.13 The Government requires local authorities to hold a referendum if tax rises which exceed 2% are proposed. They have also indicated that the same limit will apply in 2015/16.

12.14 The table below compares the estimated income which would be received by the Council through implementing a tax increase of 1.99% in 2014/15, and compares this with the grant income receivable from a tax increase of 0%. Future tax rises remain as assumed above:

	<u>Tax increase in</u> <u>2014/15</u>	<u>Tax freeze in</u> <u>2014/15</u>
	<u>£000</u>	<u>£000</u>
2014/15	1,603	1,055
2015/16	1,641	1,055
2016/17	1,697	?
2017/18	1,754	?

12.15 The budget for 2014/15 includes a collection fund surplus arising from previous years' collection of council tax (£2.3m) and business rates (£0.1m). In previous years, surpluses in respect of business rates have not featured in the budget: as a consequence of the business rates retention scheme, they will now be routine feature of budget setting.

13. General Reserves and the Managed Reserves Strategy

13.1 It is essential that the Council has a minimum working balance of reserves in order to be able to deal with the unexpected. This might include:

- (a) an unforeseen overspend;
- (b) a contractual claim;
- (c) an uninsured loss.

13.2 In the current climate, the Council also needs to guard against slippage in the achievement of budget savings.

13.3 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 described in section 14 below.

13.4 In the 2013/14 budget strategy, the Council approved the adoption of a managed reserves strategy. This involved contributing monies to reserves in 2013/14 and 2014/15, and drawing down reserves in 2015/16 and 2016/17. In practice, this policy has "bought time" to more fully consider how we address the substantial cuts we are still facing.

- 13.5 As a consequence of the managed reserves strategy, the budget remains balanced until 2015/16. Forecast reserve balances are:-

	2014/15 £m	2015/16 £m	2016/17 £m
Brought forward	24.4	44.0	40.2
Planned increases	19.6		
Planned reductions		(3.8)	(25.3)
Carried forward	44.0	40.2	15.0
Less minimum required balance			(15.0)
Available balance			0.0

- 13.6 Clearly these forecasts are volatile, accumulating as they do the risk inherent in every expenditure and income forecast in this budget report. Any savings made from the Spending Review Programme in advance of 2015/16 can be used to continue this policy, and further mitigate the impact of future cuts.

14. Earmarked Reserves

- 14.1 Appendix Four shows the Council's earmarked revenue reserves as they stood on 31st March 2013, and as projected by March 2014. These have been set aside, sometimes over a number of years, for specific purposes. Of the ringfenced reserves:

- (a) school monies and public health monies are ringfenced by law, and cannot be spent on other purposes;
- (b) NHS monies have been given for specific purposes by the NHS.

- 14.2 The capital reserve is committed to fund the capital programme, and the forecast balance will be used to fund slippage. The actual balance will depend upon year end financing decisions, and whether expenditure is financed by revenue or capital grant.

- 14.3 The balance on the BSF reserve is significant, and has accumulated over many years from Government grant. This is now starting to be spent, will decline substantially in 2014/15, and be almost entirely spent in 2015/16 (a small amount will remain for IT renewals).

- 14.4 In 2011/12, the Council set up an earmarked reserve to meet the costs of severance, which was topped up with further contributions in 2012/13 and 2013/14. The balance on this reserve is projected to be £14m at the end of

2013/14, and it is believed that this will be sufficient to meet costs of severance arising from actions required to deliver this budget, and the Spending Review Programme. There is not sufficient funding to meet any additional severance costs required to achieve savings of £60m per annum by 2017/18 and it is estimated that a further £8m will be required in 2016/17.

- 14.5 The insurance fund exists to meet claims against the Council for which we act as our own insurer (there is a further “provision” for actual known claims which stood at £5.8m in March 2013).

15. **Risk Assessment and Adequacy of Estimates**

- 15.1 Best practice requires me to identify any risks associated with the budget; and the Local Government Act 2003 requires me to report on the adequacy of reserves and the robustness of estimates.

- 15.2 In the current economic climate, it is inevitable that the budget carries significant risk.

- 15.3 In my view, whilst very difficult, the budget for 2014/15 is achievable subject to the risks and issues described below. For budgetary control purposes, the budget of the Council is split into departments, with a strategic director accountable for spending within budget. Inevitably, some individual service reductions will not achieve the full expected savings, and issues will surface during the course of the year which will unexpectedly cost money. The Council has always, however, operated flexible budget management rules which enable pressures to be dealt with as they arise.

- 15.4 The paragraphs below deal with what I believe to be the most significant risks in the budget.

- 15.5 There is a significant risk that budget savings are not delivered, or take longer to deliver than anticipated. The cumulative impact of budget savings agreed since 2011/12 means that some £13m of savings remain to be implemented in 2014/15, plus any slippage in savings expected in earlier years.

- 15.6 Slippage can, to an extent, be managed; but will affect the managed reserves strategy discussed above. Failure to implement the full required savings at all will, however, affect our longer-term position.

- 15.7 The second significant risk is economic downturn, nationally or locally. This could result in:

- (a) further cuts to Revenue Support Grant in 2015/16 (despite the 2 year settlement); or Revenue Support Grant for later years being less than current projections (this may happen even in a period of economic recovery, if the recovery is less strong than current Treasury/OBR forecasts);
- (b) falling business rate income due to business failures;
- (c) increased cost of council tax reductions for low income taxpayers;
- (d) growing need for Council services;
- (e) an increase in bad debts.

15.8 We also continue to be responsible for substantial demand-led services such as adult care and concessionary travel. The former is particularly susceptible to the impact of any new, high cost clients. In the medium term there remains work to do to put the adult social care budget on a sustainable footing, and risk remains until this is resolved.

15.9 The growth of academies will lead to loss of income for the Education and Children's Services Department, which cannot be readily compensated by cost reductions unless a critical mass of schools seek to become academies. Each pupil brings £116 to the Council in Education Services Grant, which would be lost when a school becomes an academy. Academy conversion will also lead to loss of business rates income.

15.10 The budget seeks to manage these risks as follows:

- (a) a £3m contingency has been included in the 2014/15 budget and provisional 2015/16 budget. In addition to managing risk, this provides resource for the City Mayor to revisit any proposed service reductions, particularly if needed to satisfy our equality duties. Should the contingency prove insufficient, the managed reserves strategy will need to be revisited;
- (b) a minimum balance of £15m reserves will be maintained;
- (c) a planning contingency is included in the budget from 2015/16 onwards (£3m per annum accumulating).

15.11 Subject to the above comments, I believe the Council's general and earmarked reserves to be adequate. I also believe estimates made for pay, price, and capital financing are robust. (Whilst no inflation is provided for the generality of running costs in 2015/16, some exceptions are made, and it is believed that services will be able to manage without an allocation).

15.12 Strategic directors, supported by their heads of finance, believe the financial estimates in their budget proposals are robust.

16. **Comments received on the Draft Budget**

16.1 This section of the draft report will be completed once consultation has concluded.

17. **Borrowing**

17.1 Local authority capital expenditure is based on a system of self-regulation, based upon a code of practice (the “prudential code”).

17.2 The Council complies with the code of practice, which requires us to agree a set of indicators to demonstrate that any borrowing is affordable, sustainable and prudent. To comply with the code, the Council must approve the indicators at the same time as it agrees the budget. The substance of the code pre-dates the recent huge cutbacks in public spending.

17.3 Since 2011/12, the Government has been supporting all new general fund capital schemes by grant. Consequently, any new borrowing has to be paid for ourselves.

17.4 Until 2012/13, the Council supplemented the national code with local indicators which measured the impact of unsupported borrowing. Changes to the system of local government finance, and to the way government supports capital schemes, has now rendered these obsolete.

17.5 Attached at Appendix Three are the prudential indicators which would result from the proposed budget. A limit on total borrowing, which the Council is required to set by law, is approved separately as part of the Council’s treasury strategy.

17.6 The Council will continue to use borrowing for “spend to save” investment which generates savings to meet borrowing costs.

18. **Minimum Revenue Provision**

18.1 By law, the Council is required to charge to its budget each year an amount for the repayment of debt. This is known as “minimum revenue provision” (MRP). The purpose of this section of the report is to propose a policy in respect of calculating MRP.

18.2 Historic supported borrowing will be charged to revenue at a rate equal to 4% of outstanding debt.

18.3 For other borrowing, the policy statement members are asked to endorse is as follows:

- (a) **basis of charge** – where borrowing pays for an asset, the debt repayment calculation will be based on the life of the asset; where borrowing funds a grant or investment, the debt repayment will be based upon the length of the Council's interest in the asset financed (which may be the asset life, or may be lower if the grantee's interest is subject to time limited restrictions); where borrowing funds a loan to a third party, the basis of charge will normally be the period of the loan;
- (b) **commencement of charge** – debt repayment will normally commence in the year following the year in which the expenditure was incurred. However, in the case of expenditure incurred relating to the construction of an asset, the charge will commence in the year in which the asset becomes operational. The charge would normally be based on an equal instalment of principal, but could be set on an annuity basis where the Director of Finance deems appropriate;
- (c) **asset lives** – the following maximum asset lives are proposed:
 - Land – 50 years;
 - Buildings – 50 years;
 - Infrastructure – 40 years;
 - Plant and equipment – 20 years;
 - Vehicles – 10 years;
 - Loan premia – the higher of the residual period of loan repaid and the period of the replacement loan;
- (d) **voluntary set-aside** – authority to be given to the Director of Finance to set-aside sums voluntarily for debt repayment, where she believes the standard depreciation charge to be insufficient, subject to such decisions being reported annually as part of the revenue outturn.

19. **Financial Implications**

19.1 This report is exclusively concerned with financial issues.

19.2 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.

20. **Legal Implications (Kamal Adatia, City Barrister)**

- 20.1 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.
- 20.2 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. Council can allocate more or less funds than are requested by the Mayor in his proposed budget.
- 20.3 As well as detailing the recommended council tax increase for 2014/15, 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.
- 20.4 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 also no specific statutory requirements to consult residents, although in the preparation of this budget the Council has undertaken tailored consultation exercises with wider stakeholders.
- 20.5 As set out at paragraph 2.11 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 section 10. 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, and instead the Council has considered the cumulative impact of the budget proposals over time when applying "due regard" to approving this year's budget.

21. **Other Implications**

Other Implications	Yes/ No	Paragraph References within the report
Equal Opportunities	Y	Paragraph 10
Policy	Y	The budget sets financial envelopes within which Council policy is delivered
Sustainable and Environmental	N	The budget is a set of financial envelopes within which service policy decisions are taken. The proposed 2014/15 budget reflects existing service policy.
Crime & Disorder	N	
Human Rights Act	N	
Elderly People/People on Low Income	N	

22. **Background Papers**

23. **Report Author**

Mark Noble
 Head of Financial Strategy
 11th December 2013

BUDGET CEILINGS 2014/15

Appendix One

	Budget 2013/14 (as amended) {000}	Full Year Effects {000}	Inflation {000}	Technical & Other Changes {000}	Real budget changes {000}	Budget Ceiling 2014/15 {000}
<u>1. City Development & Neighbourhoods</u>						
<u>1.1 Environmental & Enforcement Services</u>						
Divisional Management	640.4					640.4
Street Scene Enforcement	1,413.1	(90.0)	(6.0)			1,317.1
Business Regulation	1,358.5		(2.0)			1,356.5
Building Control	188.8	(20.0)	(9.0)			159.8
Licensing & Pollution	387.6		(15.0)			372.6
Cleansing & Waste Management	17,864.3	(100.0)	311.0	352.0		18,427.3
Parks & Open Spaces	3,668.6	(40.0)	(45.0)			3,583.6
Community Safety	1,174.4		21.0			1,195.4
Car Parks	(630.6)	(102.0)				(732.6)
<i>Divisional sub-total</i>	26,065.1	(352.0)	255.0	352.0	0.0	26,320.1
<u>1.2 Culture & Neighbourhood Services</u>						
Arts & Museums	5,506.0	(321.0)	45.2			5,230.2
Library Services	3,334.4	(31.0)	18.0			3,321.4
Sports Services	2,860.2		(30.0)			2,830.2
Community Services	2,740.5	(450.0)	15.0			2,305.5
Divisional Management	1,657.9	(94.0)				1,563.9
<i>Divisional sub-total</i>	16,099.0	(896.0)	48.2	0.0	0.0	15,251.2
<u>1.3 Planning, Transportation & Economic Development</u>						
Transport Strategy	9,865.7	20.0	130.0			10,015.7
Traffic Management	2,169.1					2,169.1
Highways Design & Maintenance	6,462.3		110.0			6,572.3
Planning	1,213.3		(18.0)			1,195.3
Economic Regeneration & Enterprise	503.3	(72.0)	23.1			454.4
Divisional Management	309.7	38.0				347.7
<i>Divisional sub-total</i>	20,523.4	(14.0)	245.1	0.0	0.0	20,754.5
<u>1.4 City Centre</u>	479.5		6.2			485.7
<u>1.5 Property Services</u>						
Property Management	7,506.8	(340.0)	109.1			7,275.9
Environment team	294.7		5.1			299.8
Markets	(409.2)					(409.2)
Energy Management	246.6					246.6
Fleet Management (Trading)	(250.0)	(50.0)				(300.0)
<i>Divisional sub-total</i>	7,388.9	(390.0)	114.2	0.0	0.0	7,113.1
<u>1.6 Departmental Overheads</u>	853.0		2.0			855.0
DEPARTMENTAL TOTAL	71,408.9	(1,652.0)	670.7	352.0	0.0	70,779.6

BUDGET CEILINGS 2014/15

Appendix One

	Budget 2013/14 (as amended)	Full Year Effects	Inflation	Technical & Other Changes	Real budget changes	Budget Ceiling 2014/15
	{000}	{000}	{000}	{000}	{000}	{000}
<u>2. Adults & Housing</u>						
<u>2.1 Adult Social Care & Safeguarding</u>						
Management	600.7	(556.0)	0.9			45.6
Safeguarding & Emergency Duty Team	1,191.3		3.4			1,194.7
Independent Living	4,449.2	(450.0)	10.7			4,009.9
Assessments & Commissioning	59,729.4	(2,035.0)	812.8		2,200.0	60,707.2
<i>Divisional sub-total</i>	<u>65,970.6</u>	<u>(3,041.0)</u>	<u>827.8</u>	<u>0.0</u>	<u>2,200.0</u>	<u>65,957.4</u>
<u>2.2 Care Services & Commissioning</u>						
Care Services Management	239.8		3.7			243.5
Residential Care (In-House)	4,842.7	(2,373.0)	(36.6)		(1,072.0)	1,361.1
Day Opportunities (In-House)	4,423.6	(548.0)	(12.9)		37.0	3,899.7
Commissioned Services	11,339.5	(353.0)	156.7		1,035.0	12,178.2
Drugs & Alcohol Action Team	640.1			5,644.0		6,284.1
Directorate	302.3		0.4			302.7
<i>Divisional sub-total</i>	<u>21,788.0</u>	<u>(3,274.0)</u>	<u>111.3</u>	<u>5,644.0</u>	<u>0.0</u>	<u>24,269.3</u>
<u>2.3 City Public Health & Health Improvement (see note)</u>						
Sexual health	4,765.6				(573.0)	4,192.6
NHS Health Checks	981.0				120.0	1,101.0
Children 5-19	1,981.7				(180.0)	1,801.7
Smoking & tobacco	1,227.0					1,227.0
Substance Misuse	6,106.5			(5,644.0)		462.5
Physical Activity	667.5				325.0	992.5
Other public health	4,265.7				(590.0)	3,675.7
Grant income	(19,995.0)			19,995.0		0.0
<i>Divisional sub-total</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>14,351.0</u>	<u>(898.0)</u>	<u>13,453.0</u>
<u>2.4 Housing Services</u>	6,659.4	(1,000.0)	(48.7)			5,610.7
<u>2.5 Public Health grant income</u>	0.0			(19,995.0)	(2,000.0)	(21,995.0)
DEPARTMENT TOTAL	<u>94,418.0</u>	<u>(7,315.0)</u>	<u>890.4</u>	<u>0.0</u>	<u>(698.0)</u>	<u>87,295.4</u>

Note: For the 2013/14 budget process, Public Health funding was shown as a single line with a net nil spend (as all expenditure was covered by specific grant income); a notional split of expenditure was later added and is included above. For this year, the major areas of spend are shown separately. In addition, in-house service spend (of which the largest element is the Drugs & Alcohol Team) is shown under spending departments' budget lines to avoid double-counting of budgets.

BUDGET CEILINGS 2014/15

Appendix One

	Budget 2013/14 (as amended) {000}	Full Year Effects {000}	Inflation {000}	Technical & Other Changes {000}	Real budget changes {000}	Budget Ceiling 2014/15 {000}
3. Education & Children's Services						
3.1 Young People's Support						
Early Prevention	13,791.5	(1,961.0)	72.6		(2,470.0)	9,433.1
Youth Service	3,554.7	(158.0)	29.2		(603.0)	2,822.9
Attendance Service	928.2		(0.3)		0.0	927.9
Youth Offending Service	1,342.1		(16.6)		0.0	1,325.5
Divisional Budgets	(1,464.9)		(20.5)		1,910.0	424.6
Operational Transport	(111.6)				0.0	(111.6)
School Support Services	4,895.5	(96.0)	69.8		(80.0)	4,789.3
<i>Divisional sub-total</i>	22,935.5	(2,215.0)	134.2	0.0	(1,243.0)	19,611.7
3.2 Learning Services						
School Improvement	2,863.2	(10.0)	7.4		(343.0)	2,517.6
Removing Barriers	2,934.5	(27.0)	6.0		(400.0)	2,513.5
<i>Divisional sub-total</i>	5,797.7	(37.0)	13.4	0.0	(743.0)	5,031.1
3.3 Social Care & Safeguarding						
Fieldwork	8,209.7	(63.0)	28.4		(131.0)	8,044.1
Resources	26,899.9		269.2		(426.0)	26,743.1
Safeguarding Unit	1,807.8		1.9		(54.0)	1,755.7
<i>Divisional sub-total</i>	36,917.4	(63.0)	299.5	0.0	(611.0)	36,542.9
3.4 Adult Skills & Learning Service	(890.5)	1.0	0.0			(889.5)
3.5 Departmental Resources						
Departmental Resources	1,582.3		24.0		(1,926.0)	(319.7)
Education Services Grant	(6,624.0)		0.0		350.4	(6,273.6)
Early Intervention Grant	(382.6)	(4,000.0)	0.0		4,382.6	0.0
<i>Divisional sub-total</i>	(5,424.3)	(4,000.0)	24.0	0.0	2,807.0	(6,593.3)
DEPARTMENTAL TOTAL	59,335.8	(6,314.0)	471.1	0.0	210.0	53,702.9

BUDGET CEILINGS 2014/15

Appendix One

	Budget 2013/14 (as amended)	Full Year Effects	Inflation	Technical & Other Changes	Real budget changes	Budget Ceiling 2014/15
	{000}	{000}	{000}	{000}	{000}	{000}
<u>4. Corporate Resources Department</u>						
<u>4.1 Delivery, Communications & Political Governance</u>	8,557.5	(45.0)	53.2			8,565.7
<u>4.2 Financial Services</u>						
Financial Support	5,871.1	(465.0)	(17.2)			5,388.9
Revenues & Benefits	2,980.6	233.0	14.1			3,227.7
<i>Divisional sub-total</i>	<u>8,851.7</u>	<u>(232.0)</u>	<u>(3.1)</u>	<u>0.0</u>	<u>0.0</u>	<u>8,616.6</u>
<u>4.3 Human Resources</u>	3,168.2	(149.0)	(20.1)			2,999.1
<u>4.4 Information Services</u>	9,375.9	(1,115.0)	(23.8)			8,237.1
<u>4.5 Legal Services</u>	2,076.1		(28.0)			2,048.1
DEPARTMENTAL TOTAL	<u>32,029.4</u>	<u>(1,541.0)</u>	<u>(21.8)</u>	<u>0.0</u>	<u>0.0</u>	<u>30,466.6</u>
GRAND TOTAL	<u>257,192.1</u>	<u>(16,822.0)</u>	<u>2,010.4</u>	<u>352.0</u>	<u>(488.0)</u>	<u>242,244.5</u>

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. Strategic 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. Strategic 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. Strategic 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 City Mayor may commit sums set-aside for energy cost reduction schemes;

Appendix Two

- (b) The City Mayor may commit sums set-aside as service transformation provisions;
- (c) the Director of Finance may commit the council tax hardship fund;
- (d) 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;
- (e) the City Mayor may determine the use of the in-year budget contingency, including using it to supplement any budget ceilings (within the limit at paragraph 6 above) or corporate budgets;
- (f) the Director of Finance may allocate the sum held for BSF.

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. Strategic 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. Strategic 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.

Recommended Prudential Indicators

1. Introduction

1.1 This appendix details the recommended prudential indicators for general fund borrowing and HRA borrowing.

2. Proposed Indicators of Affordability

2.1 The ratio of financing costs to net revenue budget:

	2014/15	2015/16
	Estimate	Estimate
	%	%
General Fund	4.6	5.2
HRA	10.5	10.3

2.2 The estimated incremental impact on council tax and average weekly rents of capital investment decisions proposed in the general fund budget and HRA budget reports over and above capital investment decisions that have previously been taken by the Council are:

	2013/14	2014/15
	Estimate	Estimate
	£	£
Band D council tax	0.0	0.0
HRA rent	0.0	0.0

3. Indicators of Prudence

3.1 The forecast level of capital expenditure to be incurred for the years 2013/14 and 2014/15 (based upon the Council capital programme, and the proposed budget and estimates for 2014/15) are:

Area of expenditure	2013/14 Forecast £000s	2014/15 Estimate £000s
Children's services	5,278	28,569
Young People	300	0
Social Care & Safeguarding	77	80
Learning Services	43	0
Early Prevention	150	643
BSF	82,357	54,537
Transport	13,688	10,238
Cultural & Neighbourhood Services	4,444	3,088
Environmental Services	910	3,230
Economic Regeneration	20,563	26,336
Adult Care	1,343	4,281
Property	15,251	7,941
Housing Strategy & Options	3,365	1,867
Total General Fund	147,769	140,810
Housing Revenue Account	26,075	25,513
Total	173,844	166,323

Appendix Three

- 3.2 The capital financing requirement measures the authority's underlying need to borrow for a capital purpose is shown below. This includes PFI recognised on the balance sheet.

	2013/14	2014/15	2015/16
	Estimate	Estimate	Estimate
	£000s	£000s	£000s
General Fund	357,462	373,504	374,459
HRA	218,566	220,626	219,026

4. Treasury Limits for 2013/2014

- 4.1 The Treasury Strategy, which includes a number of prudential indicators required by CIPFA's prudential code for capital finance, has been submitted as a separate report to the Council.

Earmarked Reserves

	Year end balance 31st March 2013 £'000	Year end forecast 31st March 2014 £'000
<u>Ring-fenced Reserves</u>		
Schools Balances	24,651	24,651
DSG not delegated to schools	6,609	6,609
School Capital Fund	5,449	3,000
Schools Buy Back	1,136	900
NHS Joint Working Projects	12,957	7,355
Public Health	3,313	3,313
Total ring-fenced	54,115	45,828
<u>Corporate reserves</u>		
Capital Reserve	25,957	10,000
Building Schools for the Future - Financing	37,027	19,740
Severance	9,271	14,500
Insurance Fund	5,382	5,400
Job Evaluation (inc. Schools Catering)	1,225	1,225
Total corporate	78,862	50,865
<u>Other</u>		
IT Reserves	2,050	1,450
Connexions Closure	1,797	1,200
CDN departmental reserve	2,874	990
Strategic Initiatives	1,043	500
Social Care Replacement IT System	2,099	500
Hamilton Development - Bond	475	475
Housing-related Support reserve	609	348
Economic Action plan	1,129	328
Highways Maintenance	418	238
City Council Elections	100	200
Ward Committee funds	192	160
Corporate Governance divisional reserve	300	150
Childrens Services Funds	1,447	60
Cremator replacement fund	268	-
Preventing Homelessness	936	-
Adult Services departmental reserve	916	-
Community Cohesion Fund	92	-
HR Divisional Reserve	701	-
Other - Miscellaneous reserves	3,838	2,540
Total other	21,284	9,139
Total General Fund Earmarked Reserves	154,261	105,832

Comments from Key Stakeholders

[This section will be completed when the final report is submitted to Council, after partners and trade unions have had a chance to comment].

Forecast Departmental Budgets

	<u>2014/15</u> £000s	<u>2015/16</u> £000s
City Development and Neighbourhoods	70,780	70,380
Adult Social Care	87,295	85,244
Education and Children's Services	53,703	53,543
Corporate Resources	30,467	30,467
TOTAL	242,244	239,634

**GENERAL FUND REVENUE BUDGET
BUDGET MONITORING SUMMARY 2013/14 - PERIOD 6**

Appendix B

	Current Budget for Year	Forecast Outturn to Period 06	Forecast Variance over (under) spend
	£000	£000	£000
Environmental & Enforcement Services	26,065.1	26,064.8	(0.3)
Culture & Neighbourhood Services	16,099.0	16,099.1	0.1
Planning, Transportation & Economic Development	20,411.8	20,411.9	0.1
City Centre	479.5	479.5	0.0
Property Services	8,114.6	8,114.6	0.0
Departmental Overheads	853.0	851.1	(1.9)
City Development and Neighbourhoods	72,023.0	72,021.0	(2.0)
Adult Social Care & Safeguarding	65,748.0	68,648.8	2,900.8
Care Services & Commissioning	21,788.0	23,309.7	1,521.7
Housing Services	6,659.4	6,910.9	251.5
Adult Social Care, Health and Housing	94,195.4	98,869.4	4,674.0
Young People's Support	23,047.1	23,047.3	0.2
Learning Services	5,797.7	5,797.7	0.0
Social Care & Safeguarding	37,140.0	37,140.0	0.0
Adult Skills & Learning Service	(890.5)	(677.4)	213.1
Departmental Resources	(5,424.3)	(5,426.4)	(2.1)
Education & Children's Services	59,670.0	59,881.2	211.2
Delivery Communications & Political Governance	8,557.5	8,177.9	(379.6)
Financial Services	8,878.0	9,178.0	300.0
Human Resources	3,171.2	3,171.0	(0.2)
Information Services	9,341.0	9,341.0	0.0
Legal Services	2,076.1	2,091.7	15.6
Corporate Resources and Support	32,023.8	31,959.6	(64.2)
City Public Health & Health Improvement	0.0	0.0	0.0
Housing Benefits (Client Payments)	527.6	527.6	0.0
Total Operational	258,439.8	263,258.8	4,819.0
Miscellaneous	21,338.3	20,404.7	(933.6)
Capital Financing	14,408.9	13,456.0	(952.9)
Total Corporate Budgets	35,747.2	33,860.7	(1,886.5)
Net Recharges	(2,944.3)	(2,944.3)	0.0
Use of Reserves	12,126.3	12,126.3	0.0
TOTAL GENERAL FUND	303,369.0	306,301.5	2,932.5

Adult Social Care

1. Overall position

- 1.1. The Adult Social Care division has a gross budget of £131.5m and net budget of £87.5m. The department is presently forecasting budget pressures of £4.4m for the year, which is proposed to be met from resources carried forward. The budget pressures have arisen mainly because budget savings are taking longer to achieve than originally planned. The delays will also have some knock-on impact into 2014/15 which will need to be dealt with as part of the 2014/15 budget preparation process. There has also been an increase in demand for statutory services and market forces have driven up the cost of residential care.

2. Adult Social Care & Safeguarding

- 2.1. The forecast for the Adult Social Care & Safeguarding Division is a budget pressure of £2.9m on a net budget of £65.7m. The main reasons for this are detailed below.
- 2.2. The mobile meals service has a budgeted saving of £160k but no savings are expected to be made in the current year. Consultation with service users on changes to the service ended on 7th October and a decision will be taken in the new year. Dependent on the decision taken, a reassessment of existing service users may be necessary followed by implementation from April 2014.
- 2.3. Reablement and enablement. The shortfall against budgeted savings is expected to be £600k and this has resulted from the complexity of the organisational review required in order to implement these savings. The savings are to be made through:
 - 2.3.1. Staff savings, following an organisational review, and the implementation of a scheduling and rostering system. A new care management system has been procured, for which the contract was signed on 1st February 2013, but the contracted provider does not provide a staff scheduling and rostering module and this has had to be procured separately.
 - 2.3.2. The development of an enablement service which will lead to more cost effective options for some service users.
- 2.4. Care Packages - the shortfall against budgeted savings is expected to be £250k. The savings were expected to result from reducing packages of care whilst meeting eligible need. While considerable savings have already been made the original forecast will take longer to achieve than first thought.
- 2.5. Need for services - there has been an increase in demand for statutory services.

3. Care Services & Commissioning

- 3.1. The forecast for the Care Services and Commissioning Division is for a budget pressure of £1.5m on a net budget of £21.8m. The main reasons for this are:
- 3.2. Elderly Persons Homes - There is a shortfall against budgeted savings of £1.2m in 13/14 (including double running costs affecting the Adult Social Care and Safeguarding Division). Costs have risen and extended consultation has changed the time-frame for the review. On 15th October the Executive made the decision to close 3 homes in 2014 and sell 3 others in 2014/15. A further Executive decision will be required in relation to the remaining homes and proposed new Intermediate Care Facility.
- 3.3. Housing Related Support - the budgeted savings are £750k. This requires a move away from block contracts to more flexible framework agreements and the decommissioning of some services. Statutory consultation has begun. Subject to the outcome following consultation there may need to be a re-assessment of current service users with savings ensuing from April 2014. The shortfall will be made up in subsequent years through reduced contract values.
- 3.4. Voluntary Sector Review - there will be a shortfall of £320k against budgeted savings. Day services provided by voluntary and community organisations are being re-tendered, with bids currently being evaluated. New services are expected to be in place for April 2014. Meanwhile the Council will be recovering monies for void placements. The remaining savings relate to early intervention and prevention services which are being reviewed separately with new arrangements expected to be in place in early 2015. The shortfall resulting from the changed timeframe will be made up in subsequent years through reduced contract values.

Adult Social Care Budget Ceiling

	Budget 2013/14 (as amended)	Full Year Effects	Inflation	Technical & Other Changes	Real budget changes	Budget Ceiling 2014/15
	{000}	{000}	{000}	{000}	{000}	{000}
<u>2. Adults & Housing</u>						
<u>2.1 Adult Social Care & Safeguarding</u>						
Management	600.7	(556.0)	0.9			45.6
Safeguarding & Emergency Duty Team	1,191.3		3.4			1,194.7
Independent Living Assessments & Commissioning	4,449.2	(450.0)	10.7			4,009.9
	59,729.4	(2,035.0)	812.8		2,200.0	60,707.2
<i>Divisional sub-total</i>	65,970.6	(3,041.0)	827.8		2,200.0	65,957.4
<u>2.2 Care Services & Commissioning</u>						
Care Services Management	239.8		3.7			243.5
Residential Care (In-House)	4,842.7	(2,373.0)	(36.6)		(1,072.0)	1,361.1
Day Opportunities (In-House)	4,423.6	(548.0)	(12.9)		37.0	3,899.7
Commissioned Services	11,339.5	(353.0)	156.7		1,035.0	12,178.2
Drugs & Alcohol Action Team Directorate	640.1			5,644.0		6,284.1
	302.3		0.4			302.7
<i>Divisional sub-total</i>	21,788.0	(3,274.0)	111.3	5,644.0	0.0	24,269.3
TOTAL Adult Social Care	87,758.6	(6,315.0)	939.1	5,644.0	2,200.0	90,226.7