

# Report to Scrutiny Commission

Adult Social Care

Date of Commission meeting: 8<sup>th</sup> January 2015

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## **General Fund Budget 2015/16 to 2016/17**

Report of the Director of Adult Social Care

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**Useful Information:**

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**1. Introduction**

The Adult Social Care Scrutiny Commission is asked to consider the 2015/16 – 2016/17 draft budget proposals for the Adult Social Care portfolio.

**2. Recommendation(s) to scrutiny**

The Commission is asked to make any comments to the Overview Scrutiny Committee (OSC) for its meeting on 15<sup>th</sup> February. The OSC will consider the 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 25<sup>th</sup> February, 2015.

**3. Supporting Information**

See attached draft report

**4. Financial and legal implications**

**4.1 Financial implications**

The attached draft report is exclusively concerned with financial issues

**4.2 Legal and other implications**

These are included in the draft report to Council.

**5. Background information and other papers:**

**6. Summary of appendices:** See above

**7. Is this a private report ?** No

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**General Fund Revenue Budget 2015/16 to 2016/17**

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**Report of the Director of Finance****1. Purpose**

- 1.1 The purpose of this report is to request the Council to consider the City Mayor's proposed budget for 2015/16 to 2016/17. 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 City Mayor may wish to recommend when he makes a firm proposal to the Council.
- 1.3 This is a draft of the report which will be presented to Council. The figures shown are provisional, and will be revised for the final report. In particular, they may need updating for Government announcements in December, 2014.

**2. Summary**

- 2.1 Members will not need reminding of the severity of the Council's medium term financial position.
- 2.2 In the budgets approved since 2011, £85m per annum of savings have been approved. Based on the public spending cuts implied by the Chancellor's March 2014 budget, further substantial savings are expected between now and 2018/19.
- 2.3 The Council changed its approach to budgeting with effect from 2014/15. The current approach can be summarised as follows:-

- (a) Budgets for 2013/14 and 2014/15 provided for significant sums to be added to reserves. As at 31<sup>st</sup> March 2015, it is estimated that general reserves will stand at £48m;
  - (b) Apart from a minimum working balance, these reserves will be used in future years' budgets to reduce the scale of savings required. This buys time to properly review services and make savings in a managed way. We have termed this approach the "managed reserves strategy";
  - (c) The current plan to achieve savings is the "spending review programme" – a programme of 18 service reviews designed to save up to £35m per annum;
  - (d) The outcome of individual service reviews will be given effect by changing the budget at the time review conclusions are approved – we will not wait until February when the next budget is set. This enables savings to be achieved as early as possible;
  - (e) Any savings from the spending review programme achieved before they are needed will enable the managed reserves strategy to be extended (i.e. the savings can be used to buy more time);
  - (f) The approved budget each year will consequently reflect spending review decisions already taken. No savings expectations have been placed on departments beyond this, except that they manage within their existing bottom line budgets.
- 2.4 The budget is, therefore, best perceived as a snapshot of decisions taken by a point in time. It does not of itself introduce new policy decisions affecting service levels.
- 2.5 In practice, the 2015/16 budget is broadly balanced: a small amount can nonetheless be added to reserves. It is planned to use the reserves we do have to reduce the burden of cuts required in both 2016/17 and 2017/18 in a way which avoids a "cliff edge" situation in 2017/18.
- 2.6 Some spending review decisions are now reflected in this budget. Further savings will be incorporated into the budget in due course.
- 2.7 Even if the spending review achieves the full £35m of savings, it is anticipated that £25m of additional savings will be required by 2018/19. Plans to achieve

these will be developed after the next Government has published its detailed plans for public spending.

- 2.8 Whilst departments have been asked to plan to a balanced bottom line, this has proved a challenge for the Adult and Social Care Department. This is largely due to the Government underfunding the costs of new Care Act responsibilities, and due to the pressures of increasing need which are only partly being met with monies from the Better Care Fund.
- 2.9 The budget proposes a tax rise of 1.99%, and assumes a further increase of 2% in 2016/17. At the time of writing, details of the requirement to hold referenda in 2015/16 are awaited.
- 2.10 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. As stated above, 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 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 and the legal implications at paragraph 20). Where necessary, the City Mayor has considered equality impact assessments for decisions already taken which affect service quality, and will do so for future spending review decisions. However, 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.
- 2.11 Government funding announced for 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 Subject to any amendments recommended by the Mayor, the Council is asked to:-

- (a) approve the budget strategy described in this report, and the formal budget resolution for 2015/16 which will be circulated separately;
- (b) note the outcome of the local government finance settlement for 2015/16 [when we have this];
- (c) note the comments received on the draft budget from scrutiny committees, trade unions and other partners [when we have them];
- (d) approve the budget ceilings for each service, as shown at Appendix One to this report;
- (e) approve the scheme of virement described in Appendix Two to this report;
- (f) note my view that reserves are adequate and estimates used to prepare the budget are robust;
- (g) note the equality implications arising from the cumulative impact of service cuts in recent years, as described in paragraph 10;
- (h) approve the prudential indicators described in paragraph 17 of this report and Appendix Three;
- (i) approve the proposed policy on minimum revenue provision described in paragraph 18 of this report;
- (j) agree that finance procedure rules applicable to trading organisations (4.9 to 4.14) shall be applicable only to City Catering, operational transport, highway maintenance and fleet management functions;

#### 4. **Budget Overview**

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

	<b>2015/16</b> £m	<b>2016/17</b> £m	<b>2017/18</b> £m	<b>2018/19</b> £m
<b><u>Service budget ceilings</u></b>	242.7	242.7	242.7	242.7
<b><u>Corporate Budgets</u></b>				
Capital Financing	14.1	14.4	14.2	13.6
Building Schools for the Future	1.0	1.0	1.0	1.0
Hardship awards (council tax)	0.5	0.5	0.5	0.5
Miscellaneous	1.3	1.0	1.4	1.4
Contribution to Capital	6.0			
Contingency	3.0			
<b><u>Future Provisions</u></b>				
Inflation		3.0	6.0	9.0
National Insurance increase		3.0	3.0	3.0
Planning provision		3.0	6.0	9.0
Severance		8.0		
<b><u>Managed reserves policy</u></b>	4.1	(20.0)	(16.9)	
<b>TOTAL SPENDING</b>	<b>272.6</b>	<b>256.7</b>	<b>257.8</b>	<b>280.2</b>
<b><u>Resources – Grant</u></b>				
Revenue Support Grant	76.9	52.7	29.1	15.8
Business rates top-up grant	44.5	45.9	47.5	49.3
New Homes Bonus	7.3	8.5	8.2	7.8
New Homes Bonus Adjustment Grant	0.8			
<b><u>Resources – Local Taxation</u></b>				
Council Tax	85.8	88.2	90.6	93.1
Business Rates	54.2	55.5	56.8	58.2
Collection Fund Surplus	3.1			
<b>TOTAL RESOURCES</b>	<b>272.6</b>	<b>250.7</b>	<b>232.2</b>	<b>224.1</b>
Projected tax increase	1.99%	2.0%	2.0%	2.0%
Gap in resources		5.9	25.6	56.1
Underlying gap in resources		25.9	42.5	56.1

4.2 Future forecasts are volatile and will change. At present, the Council only has certainty over its grant position for 2015/16 (although this may change in the 2015/16 settlement).



4.3 The forecast gap in 2018/19 makes no allowance for inflation other than for pay awards. In real terms, the gap for that year is £7m higher. Even this figure does not make allowance for increasing demand on services.

## 5. Council Tax

5.1 The City Council's proposed tax for 2015/16 is £1,301.95, an increase of 1.99% on 2014/15.

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 2014/15 for a Band D property was as follows:-

	£
City Council	1276.55
Police	176.48
Fire	59.25
<b>Total tax</b>	<b>1512.28</b>

5.4 The actual amounts people are paying in 2014/15, however, depend 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 2015/16 by the Police and Crime Commissioner and the fire authority, together with the total tax payable in the city.

## 6. Construction of the Budget

6.1 By law, the role of budget setting is for the Council to determine:-

- (a) The level of council tax;
- (b) The limits on the amount the City Mayor is entitled to spend on any service ("budget ceilings").

6.2 The proposed budget ceilings are shown at Appendix One to this report.

- 6.3 The ceilings for each service have been calculated as follows:-
- (a) The starting point is last year's budget, subject to any changes made since then which are permitted by the constitution (e.g. virement);
  - (b) Decisions taken by the Executive in respect of spending reviews which are now being implemented have been deducted from the ceilings.
- 6.4 Ceilings have been increased for the costs of the recently announced pay award, and reflect the current level of the living wage commitment.
- 6.5 Following a decision of the Council when approving the 2013/14 budget, no inflation has been added to budgets for either running costs or income, except for:-
- (a) Payments to independent sector providers of adult social care;
  - (b) Payments to BIFFA under the waste disposal PFI contract.
- 6.6 In practice this means that, apart from the above exceptions, departments are seeing cash freezes in their non-pay budgets.
- 6.7 The following spending review decisions have been formally taken by the Executive, and budgets reduced accordingly:-

	<u>2014/15</u> £000	<u>2015/16</u> £000	<u>Full Year</u> £000
Neighbourhood Services (South)	0	80	106
Neighbourhood Services (West)	32	66	132
Voluntary and Community Sector	66	132	132
<b>Total</b>	<b>98</b>	<b>278</b>	<b>370</b>

- 6.8 It is planned to consult further on the VCS review in the new year, and the original proposals may be redeveloped.
- 6.9 The following spending review conclusions have not been subject to a formal executive decision, but have been actioned under management authority:-

	<u>2014/15</u> £000	<u>2015/16</u> £000	<u>2016/17</u> £000
Highways efficiency savings	0	309	309

External communications	85	105	105
<b>Total</b>	<b>85</b>	<b>414</b>	<b>414</b>

6.10 As can be seen, some reviews also include adjustments to the 2014/15 budget, which will be reflected in that year's outturn.

6.11 The two reviews which have not been formally reported reflect the following:-

- (a) Highways efficiency savings arise from offsetting management costs with off-street parking income, reduction in the costs of service level agreements with the County Council, implementation of fixed penalty notices, and the use of parking income to pay for travel concessions;
- (b) The review of external communications resulted in the reduction of Leicester Link to three issues per year supported by other communication channels, and the generation of extra income from the CCG (for dedicated space) and the HRA (for incorporating the former "Housing News").

6.12 When the budget is formally proposed to the Council in March, the figures will be adjusted to reflect any further decisions. In particular, members are asked to note:-

- (a) Engagement with the trade unions is taking place, regarding proposals to reduce budgets for corporate support services by £4m per annum in a full year;
- (b) At the time of writing, an intention notice is being prepared to reduce the budgets of the Housing Department by £0.7m in a full year.

## **7. How Departments will live within their Budgets**

7.1 As stated above, the role of the Council is to determine the financial envelopes within which the City Mayor has authority to act. In some cases, changes to past spending patterns are required to enable departments to live within their budgets. Action taken, or proposed by the City Mayor, to live within these budgets is described below. As stated above, these budgets have already been reduced to reflect the effect of spending review decisions.  
Adult Social Care

7.2 The position of the Adult Social Care Department is strongly influenced by:-

- (a) The pressures of continuing to provide services, and to contain the cost. In practice, this has proved difficult to achieve as explained below;
  - (b) The creation of new statutory duties, funding for which will be made available by the Government but which is expected to be substantially short of the amount required.
- 7.3 In 2015/16, the Better Care Fund will come into existence. The BCF amounts to £3.8bn nationally (although none of it is new public spending). The fund is controlled by the Health and Wellbeing Board; and is intended to help integrate health and social care services, reduce hospital stays and protect social care. In creating the BCF, the Government has explicitly recognised the pressures on social care services arising from increased demand, and stated that the fund can be used to support them.
- 7.4 The Health and Wellbeing Board has agreed that £5.65m of additional monies will be provided for social care services in 2015/16, rising to £6m in 2016/17.
- 7.5 In part, the BCF will address the budget pressures faced by the department, including the impact of growing numbers of people requiring services. Nonetheless, the department has experienced severe budget difficulties in 2014/15 (amounting to £3.7m at period 6); some of these pressures will continue into 2015/16 and beyond.
- 7.6 The more significant pressures which will continue into 2015/16 include the impact of growth in the cost of care (over and above the forecast costs arising from demographic growth). In 2015/16, these pressures will be compounded by the effect of delay in achieving previously agreed savings (particularly in relation to in-house elderly persons' homes) but offset by the fact that previous years' budget savings will achieve greater reductions in 2016/17 than were built into previous budgets. The pressures are being, or will be, contained by:-
- (a) Promoting the independence of customers, so they will be less reliant on statutory social care;
  - (b) Ensuring that eligibility criteria are strictly applied, which will reduce the numbers of new customers receiving support and contain the level of support offered to individuals in line with eligible needs;

- (c) Reviewing the entitlement of customers to ongoing care, including free care under the Mental Health Act;
- (d) Additional funding from the CCG.

7.7 Apart from the specific growth pressures identified below, it is forecast that the budget will be balanced in 2016/17 although the underlying position is volatile. In 2015/16, it is proposed to seek a further £1m from the Better Care Fund to manage the pressures described above. If this is not forthcoming, the cost will be met from a reserve for adult social care budget pressures. The balance on this reserve currently stands at £3.2m.

7.8 In addition to the general pressures facing the service, the following growth pressures remain:-

	<u>2015/16</u> £000	<u>2016/17</u> £000
Better Care Fund – Shortfall	274	654
Care Act – expected funding shortfall	798	1,498
Independent Sector Inflation	292	584
Project Team to deliver Spending Review	332	332
	1,696	3,068

7.9 The items in the above table are:-

- (a) The amount the Better Care Fund could afford falls short of the amount which was requested earlier in the year;
- (b) The Care Act creates new rights for service users and carers. The most significant financial impact arises from the “lifetime cap”. At present, customers with savings or higher levels of income must fund their own care. From 2016/17, once care costs have exceeded £72,000 in an individual’s lifetime, the Council must fund any further costs. Records will need to be created well in advance of 2016/17. Funding arrangements for the new responsibilities have not been finalised, but under all models proposed by the Government a substantial shortfall is envisaged (a common position across the country);

- (c) As stated in paragraph 6 of this report, when calculating budget ceilings, fees to independent sector care providers are excluded from the general rule that running cost budgets are not inflated. Despite this, it is envisaged that independent sector fees will increase by more than inflation, and the estimated costs of this are reflected in the above table. This arises in large part because the minimum wage is expected to continue increasing in real terms;
- (d) A project team is being created, to help generate savings expected from the spending review programme and to deliver this budget.

7.10 The following actions are planned to meet the above pressures:-

	<u>2015/16</u> £000	<u>2016/17</u> £000
Social Care Team redirected to Care Act duties	556	556
Efficiency savings	271	710
Promoting Independence Reviews	950	950
	<hr/> 1,777	<hr/> 2,216

7.11 The items in the above table are explained below:-

- (a) In previous budgets, a saving of £556,000 was planned from deletion of a social care team. This was not actioned, as the new duties of the Care Act became apparent before the proposal could be implemented. The team has been retained, and will be redirected to carry out these new duties (thus avoiding additional recruitment);
- (b) A number of efficiency measures are proposed. These include a reduction in use of in-house transport by maximising independent travel, a reduction in the safeguarding and commissioning teams, and introduction of a £5 per week charge for managing an individual's finances (which other authorities also charge);
- (c) "Promoting Independence Reviews" are detailed reviews of packages of care costing between £100 and £500 per week with a view to reducing reliance on statutory services. Work on a sample of such cases suggests that 30% of reviews would result in reductions to packages of £50 per person per week on average. The newly created

project team will work on these reviews. Members will recall that a review of high cost packages has taken place over the last two years.

- 7.12 Additionally, the department faces the pressure of increasing numbers of “deprivation of liberty” applications following Supreme Court rulings. These are estimated to cost £0.2m per annum. It is believed, although currently unconfirmed, that new funding will be made available for these costs.
- 7.13 The above measures will leave a shortfall of £0.9m in 2016/17. Additional BCF monies may be made available in that year (firm figures for the BCF nationally only exist for 2015/16) and the department will continue to seek further savings. The department’s services are also being reviewed as part of the spending review programme.

#### Public Health

- 7.14 In 2013/14, public health responsibilities transferred from the NHS to the Council. A new grant was paid for these services. This grant will increase from £22.0m in 2014/15 to an estimated £26.0m in 2015/16; the increase covers the costs of new responsibilities for the Healthy Child Programme from October 2015. In a full year, the estimated extra funding will rise from £4.1m to £8.3m.
- 7.15 The Council is taking the opportunity provided by the transfer of functions to consider its public health duties holistically, and to consider which services (pre-existing or inherited) best promote public health. The amount we spend on public health exceeds the grant available, and the Council has the opportunity to reshape services (whether funded by the grant or the General Fund) to improve outcomes. Thus, for instance, in 2014/15 some grant monies were used to create outdoor gyms in parks.
- 7.16 The function is directed by the Public Health Division of the Adult Social Care Department, which also commissions the majority of services funded by grant.
- 7.17 Substance misuse services are commissioned from the Public Health Division, and provided (in the main) by Leicestershire Partnership Trust. These services are within the scope of the spending review programme, and efficiency savings are being sought.
- 7.18 The new services transferring in October include health visiting services for children aged 5 and under, and family nurse partnership services (a targeted service for teenage mothers).

## Education and Children's Services

7.19 The Education and Children's Services portfolio has faced substantial spending reductions since 2010/11, largely as a result of specific grant streams ceasing or being cut back rapidly.

7.20 Pressures facing the service include:-

- (a) Cuts of £1.5m in Education Services Grant (ESG). ESG is a grant paid to local authorities and academies to cover the cost of services which are not reflected in individual schools' budgets. These include school improvement, education and welfare services, and some regulatory functions. It is paid per pupil, and the Government is reducing the rate from £115 to £87 per pupil in 2015/16. This will create a budget pressure of £1.35m. This pressure is exacerbated by the expected loss of Education Services Grant arising from conversions of Rushey Mead and Northfields schools to academies. It is offset slightly due to the effect of increasing pupil numbers.
- (b) Costs of home to school transport have continued to exceed the available budget in recent years – in 2014/15 an over-spend of £0.5m is estimated. Approximately 1100 SEN pupils receive transport from our in-house service or from taxis. The Government has legislated to put in place Education Health and Care Plans (EHCPs), which replace statements of educational need. As part of the process of implementing EHCPs, travel requirements will be discussed face to face with parents to ensure that the best arrangements are in place. Where appropriate, independent travel training will be arranged which is in the best interest of the young person. It will take 3 years to convert all SEN pupils to EHCPs, but it is envisaged that this work will reduce the current budget pressure by around £0.1m in 2016/17;
- (c) The budget for 2014/15 assumed savings from a review of adventure playgrounds: the existing budget has subsequently been maintained.

7.21 The paragraphs below describe actions taken to address these budget pressures.

7.22 Non-statutory work in PRUs, special schools and in children's centres by the educational psychology service will now be commissioned by the Council from the high needs block of Dedicated Schools' Grant rather than be paid for by



the General Fund. Other services provided for the youth offending service and social care will be paid for by these areas, rather than by the educational psychology service. This will result in savings to the General Fund of £0.5m.

- 7.23 The Council currently spends £0.1m to support quality improvements across the childcare sector in Leicester from the General Fund. A substantial amount of funding was transferred from local authorities to the early years block of DSG, to support early years' education following the demise of the Early Intervention Grant. Given the substantial funds in this block, it is far more appropriate that this is used to fund the quality improvement programme. This will require approval by Schools' Forum.
- 7.24 An intention to carry out a review of the school improvement service was included in the previous year's budget. The DfE carried out a consultation on reductions to the Education Services Grant earlier this year. As part of this, they clarified their expectation that local authorities should only fund a statutory school improvement service with any additional school improvement work paid for by schools. As a result of this and the reduction in the grant, it has been necessary to reduce the size of the service further saving a further £0.3m.
- 7.25 There are a number of other areas where savings will be made totalling £0.4m. These include efficiencies from children's social care running costs following a recent reorganisation and integration of teams, IT related savings in Early Help and additional non-budgeted income from fines for non-school attendance.
- 7.26 If the Council approves the budget, there will be ongoing pressures of £0.8m in 2015/16 falling to £0.65m in 2016/17. Work is taking place to identify additional savings, but the shortfall could be financed from departmental reserves if necessary.

#### City Development and Neighbourhoods

- 7.27 The department provides a wide range of statutory and non-statutory services which contribute to the well-being and civic life of the city. It aims to make Leicester a great city for living, working, visiting and staying. The department brings together divisions responsible for local services in neighbourhoods and communities, economic strategy, regeneration, the environment, culture, heritage, sport, libraries, tourism and property management. The department's budget in 2014/15 is £70m.

7.28 The department is able to live within its budget for 2015/16 to 2016/17. It is also contributing to the savings required by the Council from the spending review programme. Projects include:-

- (a) Transforming Neighbourhood Services, which is reviewing the local services in the city area by area. The review covers library services, community services, adult skills and neighbourhood based customer services; and is considering how local services can be reconfigured to protect provision whilst saving costs. In the areas which have been reviewed to date, this has resulted in the relocation of services into a reduced number of buildings, thus saving money on maintaining facilities. Community engagement has been paramount throughout;
- (b) Sports and Leisure, which is examining how these services can best be run in future; a consultation on the future of golf has just concluded;
- (c) A review of parks and open spaces, covering the cost of the activity and a review of the land being maintained. A database of assets has been prepared, and cost attributable to the maintenance of each can be calculated as an aid to decision making;
- (d) A review of technical services (property, highways design and maintenance, facilities management, fleet management and housing maintenance).

7.29 The department is also delivering a major programme of strategic initiatives, including the market redevelopment, and the "Connecting Leicester" programme.

7.30 The main budget pressures facing the department are:-

- (a) The challenge of maintaining sports income in a competitive environment. Initiatives have been put in place and are planned to increase usage, and a business manager has been recruited. Non-essential expenditure has been curtailed. This service is also subject to a spending review;
- (b) A pressure of £250,000 due to a shortfall in landscaping work.

7.31 These pressures are being addressed by management action, supported by the street lighting project delivering savings ahead of schedule.

## Housing Portfolio

- 7.32 The costs of providing rented housing to tenants are not part of the general fund, and are reported as part of the Housing Revenue Account which is approved separately. In 2014/15, the Council plans to spend £85m on this function.
- 7.33 The general fund includes £6m for other housing services, the majority of which is spent on housing advice; and services which prevent and respond to homelessness. Sums are also spent on renewal and development.
- 7.34 There are no significant pressures to be addressed, and savings of £0.3m in 2014/15 rising to £0.7m in 2016/17 have been identified as part of spending review work. These savings arise from internal efficiencies and will not require changes to the current homelessness strategy.

## Corporate Support and Resources

- 7.35 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.
- 7.36 The department will continue to face significant challenge to be cost effective, and expects to save £4m per annum as a consequence of spending review proposals.
- 7.37 The department is able to manage within its budget ceilings for 2015/16, having absorbed new spending pressures. These pressures include:-
- (a) Pressures on the Legal Services budget, due to reduced funding as work on BSF and equal pay claims approaches its end;
  - (b) The loss of a net £75,000 income in a full year arising from the transfer of land charges work to the Land Registry (dependent upon the passage of legislation);
  - (c) Pressures on IT Services amounting to some £0.4m per annum, arising from the need to retain key staff in a competitive market and to support increased demand (e.g. for network connectivity, devices for remote working and systems development to support service transformation);

- (d) A cut of £0.2m in the housing benefit and council tax support administration grant;
- (e) Loss of £0.1m income as a consequence of withdrawal from ESPO (although in reality this was simply re-cycled money from within the ESPO membership);
- (f) Pressures on the coroner's service.

7.38 These pressures are being addressed by adjusting staffing levels to reflect reduced workload, where applicable; careful budget management and the holding of vacancies in advance of the spending review; and the creation of a provision to manage external pressures on the coroner's budget.

7.39 Additionally there is risk to the budget in 2015/16 and 2016/17 arising from:-

- (a) The ongoing cost of individual electoral registration. £200,000 per annum has been added to the budget in previous years, and transitional grant was received from the Government in 2014/15. It is currently unknown if the Government will provide any further funding from 2015/16 onwards;
- (b) The impact of the introduction of Universal Credit, which will see a reduction in housing benefit workload as it transfers to the DWP. Further cuts in housing benefit administration grant are anticipated as a consequence.

7.40 Contracts for the Council's main finance and HR systems are due to end in 2017. Projects to re-tender these are being funded from departmental reserves, and the outcome of re-tendering may be further revenue savings. Potentially, however, there will be a requirement for future capital investment in order to achieve these savings.

7.41 In 2013/14, the DWP ceased to provide crisis grants to vulnerable people. The function transferred to local authorities, and £1.9m was made available in each of 2013/14 and 2014/15. The Government has announced that this funding will cease – section 10 of this report explains how it is proposed to mitigate the effect of this on vulnerable residents.

## 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. This budget is not managed to a cash ceiling, and is 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. 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, and will be added to the budget of the Education and Children's Services Department on completion.
- 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 resulted in low income taxpayers being required to contribute to their council tax for the first time.
- 8.5 **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, monies approved for the accommodation review, the effect of pension increases, and other sums it is not appropriate to include in service budgets. These budgets are offset by the effect of charges from the general fund to other statutory accounts of the Council. Charges to other statutory accounts will increase as a consequence of additional charges proposed to the HRA following review. These increases are further described in the report to Council on the HRA budget.
- 8.6 The budget includes a proposed contribution of £6.0m to the **capital programme**. This is further explained in the report seeking approval to the capital programme, but in essence enables us to plan capital spending on the basis of capital receipts received rather than receipts forecast to be received. The £6m provides money to plug a one-off gap caused by this policy change.

The policy change itself is designed to make the capital programme “crisis proof” if there is a mid-year market downturn, given that compensatory revenue monies are unlikely to be available.

- 8.7 A **contingency** of £3m has been included in the budget for 2015/16. This reflects the risks identified in section 15 of this report. 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 from 2016/17;
- (b) A contingency for inflation on running costs for services unable to bear the costs themselves. These are: waste disposal, and independent sector residential and domiciliary care.

- 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 £3m per annum.

- 9.4 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.

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

## 10. **Budget and Equalities (Irene Kszyk, Head of 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 public sector equality duty 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 Consideration of equality implications is a continuing requirement under the duty, and this is reflected in the way that we approach equality impact assessments for service changes. The starting point for any equality assessment is to understand who may be affected by a course of action under consideration, and how people with a protected characteristic(s) could be affected. The effect could be positive (where a person achieves improved outcomes) or negative (where a person is disadvantaged by a proposed course of action). Where people/service users are likely to be disadvantaged, consideration is given to how that disadvantage can be reduced or removed. The duty does not require us to avoid any such disadvantage, but to be aware that it could take place. It is the responsibility of the decision maker to balance the need for change which may disadvantage people on the basis of their protected characteristic(s) against public benefits that would arise from the decision being made. Consequently, it is a requirement of our public sector equality duty that decision makers give due regard to anticipated equalities implications arising from a proposal, whether they are positive or negative. The process for developing proposals can include consultation with the public in general and service users specifically, in order to better understand potential impacts and mitigating actions that would reduce disadvantage. The main equality implications are summarised in reports to decision makers as a record of what has been considered. We also seek to understand the wider implications of decisions being taken, and periodically aggregate the equality impacts of individual decisions to ensure (as far as possible) that no one

protected characteristic is being disproportionately disadvantaged by our decisions.

- 10.6 The budget sets 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 2014 (and, indeed, February 2013) – no additional savings targets have been allocated to services other than those implied by spending review decisions. 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). When spending review decisions are taken, these are also subject to their own impact assessments.
- 10.7 The period of national spending restraint (and local spending cuts) that we are living through has undoubtedly, however, 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.
- 10.8 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 2014, there were 6,810 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 25<sup>th</sup> most deprived in the country (IOD 2010). 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 43,000 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.

- 10.9 Taking together all our budgets since 2011/12, the focus of service change proposals has been to minimise frontline service impacts in general, and the 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 During this continuing process of change, our public sector equality duty requires us to continually assess whether we are continuing to meet the needs of our service users, and that our actions do not unintentionally disadvantage anyone on the basis of their protected characteristic(s). Service changes have been made in consultation with our service users to ensure that we reflect their concerns and priorities.
- 10.11 An example of this is the work being undertaken within the Transforming Neighbourhood Services programme. The city has been divided into six areas, and officers meet with local residents in each to determine what local infrastructure or services are important to them. In the two areas that have been completed, local residents have prioritised retention of local service provision (as distinct from the facility which provides it). This has had the result that some community facilities have been 'decommissioned' for alternative use. Remaining facilities are redeveloped where necessary, and services relocated within retained premises to continue serving the local community. The result has been expanded local library service provision and co-location of local services for easier access. It has also enabled us to transfer assets to local community groups so that community resources continue to be maintained. This methodical, planned, approach will in turn take place in other areas of the city.
- 10.12 These service changes are continually being assessed from an equalities perspective, to ensure that potential negative impacts on people are identified early on in the process. In this way, action can be planned to reduce those impacts where possible. Impacts are assessed against other broader changes as well, such as the Government's welfare reforms, to ensure (as far as possible) that no one group of protected characteristics is disproportionately

disadvantaged. Currently those most at risk of finding it hard to make ends meet are households with children (where women are often lone parents); and households without work, including those who cannot work because of a sickness or disability. Prospects remain challenging, as a higher than average proportion of Leicester's full time paid employees are in low paid/low skill jobs.

- 10.13 During the past four years the council has prioritised keeping frontline services in place. But our approach to providing them has changed, requiring us to focus on a stricter assessment of statutory entitlement and encouraging self-service where possible to reduce delivery costs. The council has provided support to service users to become more independent where possible, while ensuring that their needs continue to be met. For services such as homelessness, this has become a strategic approach to delivery, providing support as and when required to prevent people from becoming homeless instead of dealing with the problem after it has arisen. The council actively monitors the implementation of these actions to ensure service users' needs continue to be met appropriately. The main protected characteristics affected by service changes so far have tended to be age (both elderly in regard to adult social care provision, and children through early years, school and play provision); and disability (through children's and adult social care right to control initiatives). Other protected groups have tended to be affected in proportion to the overall population.
- 10.14 The city's diverse population requires the council to manage diversity effectively, and ensure that the needs of specific protected characteristics are met appropriately within the relevant service context. The protected characteristic of race (and the need to be mindful of resulting cultural and language differences across different racial groups) must be considered to ensure user access and take up. Religion and belief can shape service provision as well (e.g. for burial services and school catering). Patterns of service use and take up can also be shaped by gender preferences; differing needs (for pregnant women or women with babies); or social practices (for example, single sex leisure provision). Gender can influence personal outcomes, and the council monitors provision and take up to ensure that there is no indirect discrimination in the way that it delivers its services. The council works with the local LGBT community to remove barriers that prevent this specific area of need being met within its service provision. The nature of the equality impacts by protected characteristic vary as illustrated above, reflecting the wide range of services provided by the council.
- 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 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 common service standards for all funded advice services;
- (c) The setting aside of £0.5m per annum in the budget to support people unable to pay 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. Underspendings on such funds in 2013/14 have been consciously set aside to provide continued support in future years, and to compensate for the cessation of the Government's welfare support grants. This policy will continue with any underspends in 2014/15;
- (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**

11.1 As can be seen from the table at paragraph 4, Government grant is a major component of the Council's budget. The system of providing grant support changed in 2013/14, when local government started to keep 50% of business

rates; prior to 2013/14, business rates were collected locally but handed over to central Government to redistribute on the basis on need.

11.2 Government grant support now principally consists of:-

- (a) Revenue Support Grant, which is distributed on the basis of needs formulae that existed prior to 2013/14. Cuts in Government funding, however, have been applied simply by cutting each authority’s RSG allocation proportionately. This has had a disproportionate impact on those authorities who are most dependent on Government grant (i.e. deprived authorities such as Leicester);
- (b) A top-up to local business rates. The sums payable were calculated in 2013/14, and now simply increase by inflation each year. Business rates top-up grant is designed to reflect authorities’ differing abilities to raise business rates (authorities with substantial amounts of highly rated businesses pay a tariff into the system, which funds the top-ups to less affluent authorities);
- (c) New Homes Bonus. This 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 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. Members are asked to note that New Homes Bonus is not additional money; the money to fund it has been “topslliced” from the national provision for Revenue Support Grant.

11.3 The impact of these policies, and Government cuts, can be seen from the table below. At the time of writing, we do not have the final settlement for 2015/16. The grant for 2015/16 was announced last year; it is possible that this may change:

2013/14	2014/15	2015/16	Cuts
£m	£m	£m	13/14 to 15/16

Revenue Support Grant	133.0	108.7	76.9	42.2%
Top-Up Grant	42.2	43.5	44.5	
New Homes Bonus	3.9	5.9	7.3	
New Homes Bonus Adjustment	0.8	0.3	0.8	
<b>Grant Total</b>	<b>179.9</b>	<b>158.4</b>	<b>129.5</b>	28.0%

- 11.4 The Government uses a concept called “spending power” to measure the impact of cuts on the totality of an authority’s ability to spend. This includes all grants (including specific grants), council tax and business rates. The grants included in the definition are arguable. However, adopting the Government’s own definition, outcomes over the 2 years from 2013/14 to 2015/16 range from growth of 3.25% (Wokingham) and 3.0% (Surrey) to cuts of 11.3% (Knowsley) and 11.2% (Newham) amongst single purpose/upper tier authorities. Leicester, on this definition, loses 9.6%. A more appropriate definition produces a figure for Leicester of 15.3%.
- 11.5 The Council is seeing significant increases in its New Homes Bonus entitlement. This is partly because of the effect of using a 2010/11 baseline as described above. However, significant efforts have been made to reduce the stock of empty properties, and to ensure that only properties which are truly empty are recorded as such. In total this has led to an increase of £0.5m in New Homes Bonus when compared to the stock of empty properties in 2013/14.
- 11.6 We have no grant figures for years beyond 2015/16, and 2016/17 spending plans will be set after the general election. However, plans published by the Chancellor of the Exchequer in March indicate substantial further spending reductions in the period to 2018/19. The table at paragraph 4 assumes the national amounts available for local government will fall by:-
- (a) 2016/17 – 10%
  - (b) 2017/18 – 11%
  - (c) 2018/19 – 6%
- 11.7 These figures assume the public spending plans implicit in the March budget will be followed through, and assume continued protection for education and the NHS.
- 11.8 It is not assumed that cuts will cease after 2018/19 – this is simply the last year of the current Treasury forecasts.

## 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.

### 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. This is known as the “business rate retention scheme”.

12.3 Estimates of rates payable by businesses have been based upon:-

- (a) the existing rateable value;
- (b) changes in rateable value for known developments;
- (c) estimates of the cost of new reliefs;
- (d) provision for successful appeals; and
- (e) an assumed real terms decline in our rates base after 2015/16, of 0.7% per annum (consistent with recent years).

12.4 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.

12.5 Any future academy conversions will have an impact on rates income, as academies are entitled to mandatory rate relief. The conversion of Rushey Mead and Northfields schools to academy status will cost £140,000 per annum in lost income.

12.6 During 2013/14, the Council was part of a “business rates 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 in these areas. Conversely, if district councils' rates decline, this transfers risk to the pool authorities. The pool benefitted Leicester and Leicestershire by £0.7m in 2013/14.

- 12.7 The pool was suspended for 2014/15, owing to lack of clarity on the DCLG's financial framework, and the late production of accounting regulations. At the time of suspension, the pool faced an unacceptable level of risk. Regulations are now in place, and discussions are taking place about reforming a pool for 2015/16.

### Council Tax

- 12.8 Council tax income is estimated at £85.8m in 2015/16, based on a tax increase of 1.99%. For planning purposes, a tax increase of 2% has been assumed in 2016/17 and thereafter.
- 12.9 Council tax income is expected to be higher than was forecast when the budget was set for 2014/15. This is because of an increase in our council tax base (the number of properties/people liable to pay tax). The base has been increasing partly due to new properties, partly due to the work which has taken place to reduce the numbers of empty properties, and partly due to reductions in the number of people claiming council tax support.
- 12.10 At the time of writing, the Government has not published details of the council tax freeze grant offered for 2015/16, or the rules requiring referenda to be held where increases are deemed "excessive". This detail will be complete prior to the Council meeting.

### Collection Fund Surplus

- 12.11 Collection fund surpluses arise when more tax is collected than assumed in previous budgets. Deficits arise when the converse is true. Since business rates retention was introduced, collection fund surpluses or deficits can arise in respect of both council tax and business rates.
- 12.12 A surplus of £3.1m has arisen in respect of council tax. This is greater than the usual level of surplus: this has happened because of the introduction of council tax reduction schemes in 2013/14. A number of assumptions had to be made for the first time that year, including the amount required for non-payment in respect of taxpayers with low income. Those assumptions have proved to be too pessimistic.

12.13 At the time of writing, the surplus or deficit in respect of business rates has not been calculated. This will be carried out in January, when the Government issues its annual returns and confirms the methodology for 2014/15.

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 later years. In practice, this policy has “bought time” to more fully consider how we address the substantial cuts we are facing.

13.5 As a consequence of the managed reserves strategy, cuts required in 2016/17 and 2017/18 are less than would otherwise have been the case. Forecast reserve balances are:-

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Brought forward	47.7	51.8	31.8
Planned increases	4.1		
Planned reductions		(20.0)	(16.9)
		<hr/>	<hr/>



<b>Carried forward</b>	<b>51.8</b>	<b>31.8</b>	<b>15.0</b>
Less minimum required balance			<u>(15.0)</u>
<b>Available balance</b>			<u><b>0.0</b></u>

13.6 Clearly these forecasts are volatile, accumulating as they do the risk inherent in every expenditure and income forecast in this budget report.

#### 14. **Earmarked Reserves**

14.1 Appendix Four shows the Council's earmarked revenue reserves as they stood on 31<sup>st</sup> March 2014, and as projected by March 2015. These have been set aside, sometimes over a number of years, for specific purposes. Of the ringfenced reserves:-

- (a) school 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 balance on the BSF reserve is falling substantially, as the BSF programme moves to completion. Part of the reserve has now been specifically allocated to contribute to the costs of maintaining the newly improved buildings (as agreed with the Education Funding Agency).

14.3 The capital reserve is committed to fund the capital programme, and the forecast balance will be used to fund slippage.

14.4 In 2011/12, the Council set up an earmarked reserve to meet the costs of severance. Since then, severance costs have been incurred in respect of 1000 employees (800 FTEs) at a cost of over £15m. The balance on this reserve is projected to be £9m at the end of 2014/15, and it is believed that this will be sufficient to meet costs of severance arising from the Spending Review Programme. There is not sufficient funding to meet any additional severance costs required to achieve the total of £56m per annum by 2018/19 and it is estimated that a further £8m will be required for severance in 2016/17. This will be reviewed when the 2016/17 budget is set.

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 £5.3m in March 2014).

14.6 The welfare reserve is described in paragraph 10, and will be used to support individuals in crisis. Grant for this purpose (formerly received from the DWP) will cease.

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 climate, it is inevitable that the budget carries significant risk.

15.3 In my view, whilst very difficult, the budget for 2015/16 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 The most significant risk in 2015/16 is the pressures on the Adult Social Care budget, and the implications of the Care Act. The ASC budget has been under considerable pressure in 2014/15; these pressures totalled £3.7m at the end of period 6, and essentially arise from the cost of new placements and delays in achieving previously approved savings. The Care Act will impose new duties, as described above in paragraph 7.

15.6 Beyond 2015/16, there is uncertainty about the level of funding available to the Better Care Fund. It is explicitly permitted to use the Better Care Fund to cover the costs of demographic growth in adult care, but we do not know whether the fund will increase in future years to reflect further growth at national level.

15.7 In the longer term, risks to the budget strategy arise from not delivering the Spending Review Programme (or slippage in delivering the programme) and the risk that future grant levels are below current assumptions.

15.8 A further risk is economic downturn, nationally or locally. This could result in further cuts to revenue support grant, falling business rate income, and increased cost of council tax reductions for tax payers on low incomes. It could also lead to a growing need for Council services and an increase in bad debts.

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

- (a) a £3m contingency has been included in the 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 2016/17 onwards (£3m per annum accumulating).

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

## 16. **Consultation on the draft Budget**

16.1 The Council is committed to consulting the public and service users on significant decisions which affect them. Consultation took place on the budget strategies for 2012/13 and 2013/14, and takes place with those affected by proposed changes arising from spending reviews.

16.2 Given the nature of the budget, consultation has been tailored to reflect the scope of the decisions being taken. Thus, a public consultation exercise has not been carried out. Comments will be sought from:-

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

16.3 Comments received will be reported to members when the final version of this report is presented in February.

16.4 It is intended to carry out a substantial public consultation exercise in preparation for the 2016/17 budget, after the new Government has published its spending plans.

## 17. **Borrowing**

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

17.2 The Council complies with the code of practice, which requires us to demonstrate that any borrowing is affordable, sustainable and prudent. To comply with the code, the Council must approve a set of 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 and is therefore minimal.

17.4 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.

17.5 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. 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;
- (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 relating to the construction of an asset, the charge will commence in the year in which the asset becomes operational. Where expenditure will be recouped from future income, and the receipt of that income can be forecast with reasonable certainty, the charge may commence when the income streams arise;
- (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.

18.4 The treasury strategy for 2015/16 (scheduled for Council approval in January) will seek to use investment balances to support some investment projects which achieve a return. Subject to approval of this strategy, approval is also sought to permit the Director of Finance to adopt different approaches to the above policies where appropriate to reflect the financing costs of such schemes.

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 2015/16, 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 no specific statutory requirements to consult residents, although in the preparation of this budget the Council will undertake tailored consultation exercises with wider stakeholders.

- 20.5 As set out at paragraph 2.10 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. There is no requirement in law to undertake equality impact assessments as the only means to discharge the s.149 duty to have “due regard”. The discharge of the duty is not achieved by pointing to one document looking at a snapshot in time, and the report evidences that the Council treats the duty as a live and enduring one. Indeed case law is clear that undertaking an EIA on an ‘envelope-setting’ budget is of limited value, and that it is at the point in time when policies are developed which reconfigure services to live within the budgetary constraint when impact is best assessed.
- 20.6 Judicial review is the mechanism by which the lawfulness of Council budget-setting exercises are most likely challenged. There is no sensible way to provide an assurance that a process of budget setting has been undertaken in a manner which is immune from challenge. Nevertheless the approach taken with regard to due process and equality impacts is regarded by the City Barrister to be robust in law.

21. **Other Implications**

<b>Other Implications</b>	<b>Yes/ No</b>	<b>Paragraph References within the report</b>
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 2015/16 budget reflects existing service policy.
Crime & Disorder	N	
Human Rights Act	N	
Elderly People/People on Low Income	N	

22. **Report Author**

Mark Noble  
Head of Financial Strategy  
4<sup>th</sup> December 2014

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**Budget Ceilings 2015/16**

	Budget 2014/15 £k	From previous budgets £k	Spending Reviews £k	Inflation & cost changes £k	Other changes £k	Budget ceilings 15/16 £k
<b>1. City Development &amp; Neighbourhoods</b>						
<b>1.1 Local Services and Enforcement</b>						
Divisional Management	307.7			2.2		309.9
Street Scene Enforcement	2,030.8			42.7		2,073.5
Business Regulation	1,575.5			29.7		1,605.2
Licensing & Pollution	(266.3)			15.3		(251.0)
Cleansing & Waste Management	15,113.6			287.5		15,401.1
Parks & Open Spaces	6,892.2			194.2		7,086.4
Standards & Development	569.1			16.3		585.4
Community Safety	874.1			6.2		880.3
Car Parks	0.0					0.0
<i>Divisional sub-total</i>	<b>27,096.7</b>	0.0	0.0	594.1	0.0	<b>27,690.8</b>
<b>1.2 Culture &amp; Neighbourhood Services</b>						
Arts & Museums	5,560.8			84.5		5,645.3
Library Services	3,439.8			55.5		3,495.3
Sports Services	3,387.3			112.4		3,499.7
Community Services	2,897.1		(113.3)	44.4		2,828.2
Divisional Management	251.3			2.8		254.1
<i>Divisional sub-total</i>	<b>15,536.3</b>	0.0	(113.3)	299.6	0.0	<b>15,722.6</b>
<b>1.3 Planning, Transportation &amp; Economic Development</b>						
Transport Strategy	9,376.5			49.4		9,425.9
Traffic Management	2,085.6			43.0		2,128.6
Highways Design & Maintenance	6,437.4		(309.0)	4.6		6,133.0
Planning	1,153.4			38.3		1,191.7
Economic Regeneration & Enterprise	416.5			23.2		439.7
Divisional Management	62.0			3.3		65.3
<i>Divisional sub-total</i>	<b>19,531.4</b>	0.0	(309.0)	161.8	0.0	<b>19,384.2</b>
<b>1.4 City Centre</b>	<b>518.3</b>			5.1		<b>523.4</b>
<b>1.5 Property Services</b>						
Property Management	7,085.6			139.6		7,225.2
Environment team	311.6			6.6		318.2
Markets	(420.8)			10.9		(409.9)
Energy Management	183.5			10.9		194.4
Fleet Management (Trading)	(247.2)	(400.0)		7.9		(639.3)
<i>Divisional sub-total</i>	<b>6,912.7</b>	(400.0)	0.0	175.9	0.0	<b>6,688.6</b>
<b>1.6 Departmental Overheads</b>	<b>786.0</b>					<b>786.0</b>
<b>DEPARTMENTAL TOTAL</b>	<b>70,381.4</b>	<b>(400.0)</b>	<b>(422.3)</b>	<b>1,236.5</b>	<b>0.0</b>	<b>70,795.6</b>

	<b>Budget 2014/15 £k</b>	<b>From previous budgets £k</b>	<b>Spending Reviews £k</b>	<b>Inflation &amp; cost changes £k</b>	<b>Other changes £k</b>	<b>Budget ceilings 15/16 £k</b>
<b><u>2.Adults &amp; Housing</u></b>						
<b><u>2.1 Adult Social Care &amp; Safeguarding</u></b>						
Management	443.5			8.4		451.9
Safeguarding & Emergency Duty Team	1,232.4			17.0		1,249.4
Independent Living	4,402.6			109.2		4,511.8
Assessments & Commissioning	62,668.8	(2,200.0)		1,117.8		61,586.6
<i>Divisional sub-total</i>	<b>68,747.3</b>	<b>(2,200.0)</b>	<b>0.0</b>	<b>1,252.4</b>	<b>0.0</b>	<b>67,799.7</b>
<b><u>2.2 Care Services &amp; Commissioning</u></b>						
Care Services Management	243.0			2.9		245.9
Residential Care (In-House)	1,398.1			105.0		1,503.1
Day Opportunities (In-House)	4,085.2			83.7		4,168.9
Commissioned Services	7,993.8			70.6		8,064.4
Drugs & Alcohol Action Team	6,282.7			1.0		6,283.7
Directorate	404.3			8.3		412.6
<i>Divisional sub-total</i>	<b>20,407.1</b>	<b>0.0</b>	<b>0.0</b>	<b>271.5</b>	<b>0.0</b>	<b>20,678.6</b>
<b><u>2.3 City Public Health &amp; Health Improvement</u></b>						
Sexual health	4,192.6					4,192.6
NHS Health Checks	1,101.0					1,101.0
Children 5-19	1,801.7					1,801.7
Smoking & tobacco	1,227.0					1,227.0
Substance Misuse	462.5					462.5
Physical Activity	992.5					992.5
Other public health	3,675.7	149.0			(16.0)	3,808.7
<i>Divisional sub-total</i>	<b>13,453.0</b>	<b>149.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(16.0)</b>	<b>13,586.0</b>
<b><u>2.4 Housing Services</u></b>	<b>5,478.4</b>			<b>145.6</b>		<b>5,624.0</b>
<b><u>2.5 Public Health grant income</u></b>	<b>(21,995.0)</b>				<b>16.0</b>	<b>(21,979.0)</b>
<b>DEPARTMENT TOTAL</b>	<b>86,090.8</b>	<b>(2,051.0)</b>	<b>0.0</b>	<b>1,669.5</b>	<b>0.0</b>	<b>85,709.3</b>

	Budget 2014/15 £k	From previous budgets £k	Spending Reviews £k	Inflation & cost changes £k	Other changes £k	Budget ceilings 15/16 £k
<b>3. Education &amp; Children's Services</b>						
<b>3.1 Strategic Commissioning &amp; Business Support</b>						
Divisional Budgets	598.0			8.4		606.4
Operational Transport	(111.6)					(111.6)
School Support Services	4,728.5	(160.0)		10.4		4,578.9
<i>Divisional sub-total</i>	<b>5,214.9</b>	<b>(160.0)</b>	<b>0.0</b>	<b>18.8</b>	<b>0.0</b>	<b>5,073.7</b>
<b>3.2 Learning Quality &amp; Performance</b>						
Raising Achievement	2,484.0			33.7		2,517.7
Adult Skills	(896.9)					(896.9)
Learning Quality & Performance	2,055.4			40.3		2,095.7
Special Education Needs and Disabilities	3,379.1			56.3		3,435.4
<i>Divisional sub-total</i>	<b>7,021.6</b>	<b>0.0</b>	<b>0.0</b>	<b>130.3</b>	<b>0.0</b>	<b>7,151.9</b>
<b>3.3 Children, Young People and Families</b>						
Children In Need	7,155.7			85.0		7,240.7
Looked After Children	25,534.9			202.7		25,737.6
Early Help Targeted Services	9,824.8			170.0		9,994.8
Early Help Specialist Services	5,304.0			104.4		5,408.4
<i>Divisional sub-total</i>	<b>47,819.4</b>	<b>0.0</b>	<b>0.0</b>	<b>562.1</b>	<b>0.0</b>	<b>48,381.5</b>
<b>3.4 Departmental Resources</b>						
Departmental Resources	(488.8)			9.0		(479.8)
Education Services Grant	(6,273.6)					(6,273.6)
<i>Divisional sub-total</i>	<b>(6,762.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>9.0</b>	<b>0.0</b>	<b>(6,753.4)</b>
<b>DEPARTMENTAL TOTAL</b>	<b>53,293.5</b>	<b>(160.0)</b>	<b>0.0</b>	<b>720.2</b>	<b>0.0</b>	<b>53,853.7</b>
<b>4. Corporate Resources Department</b>						
<b>4.1 Delivery, Communications &amp; Political Gov</b>						
	7,014.8		(86.1)	80.9		7,009.6
<b>4.2 Financial Services</b>						
Financial Support	6,217.5			160.5		6,378.0
Revenues & Benefits	4,829.5			179.3		5,008.8
<i>Divisional sub-total</i>	<b>11,047.0</b>	<b>0.0</b>	<b>0.0</b>	<b>339.8</b>	<b>0.0</b>	<b>11,386.8</b>
<b>4.3 Human Resources</b>						
	2,840.9			78.8		2,919.7
<b>4.4 Information Services</b>						
	8,876.6			147.0		9,023.6
<b>4.5 Legal Services</b>						
	1,943.0			70.7		2,013.7
<b>DEPARTMENTAL TOTAL</b>	<b>31,722.3</b>	<b>0.0</b>	<b>(86.1)</b>	<b>717.2</b>	<b>0.0</b>	<b>32,353.4</b>
<b>GRAND TOTAL -Service Budget Ceilings</b>	<b>241,488.0</b>	<b>(2,611.0)</b>	<b>(508.4)</b>	<b>4,343.4</b>	<b>0.0</b>	<b>242,712.0</b>

**Scheme of Virement**

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

**Budget Ceilings**

2. 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 Director of Finance may commit the council tax hardship fund;
- (b) 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;
- (c) 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;
- (d) 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:

	<b>2015/16 Estimate %</b>	<b>2016/17 Estimate %</b>	<b>2017/18 Estimate %</b>
General Fund	5.3	6.0	6.3
HRA	9.9	9.7	9.7

2.2 The estimated incremental impact on council tax and 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) are:

	<b>2015/16 Estimate £</b>	<b>2016/17 Estimate £</b>
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 in the years 2014/15 and 2015/16 (based upon the Council's current and proposed capital programmes) is:

<b>Area of expenditure</b>	<b>2014/15 Estimate £000s</b>	<b>2015/16 Estimate £000s</b>
Children's services	10,768	27,920
Young People	1,003	0
Social Care & Safeguarding	116	0
Resources ICT	0	689
BSF	59,542	5,000
Transport	15,601	16,537
Cultural & Neighbourhood Services	4,657	855
Environmental Services	3,942	3,919
Economic Regeneration	29,422	18,965
Adult Care	1,318	6,455
Property	18,072	3,720
Housing Strategy & Options	5,312	2,809
<b>Total General Fund</b>	<b>149,753</b>	<b>86,869</b>
Housing Revenue Account	28,337	27,567
<b>Total</b>	<b>178,090</b>	<b>114,436</b>

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

	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>
General Fund	388.5	384.9	367.3	350.2
HRA	217.1	215.5	214.1	213.0

### 4. Treasury Limits for 2015/2016

- 4.1 The treasury strategy, which includes a number of prudential indicators required by CIPFA's prudential code for capital finance, is the subject of a separate report to Council.

**Earmarked Reserves**

	<u>Year end balance</u> <u>31st March 2014</u> <u>£'000</u>	<u>Net Change in</u> <u>2014-15</u> <u>£000s</u>	<u>Forecast balance</u> <u>31st March 2015</u> <u>£'000</u>
<u>Ring-fenced Reserves</u>			
Schools' Balances	21,401	-	<b>21,401</b>
NHS Joint Working Projects	16,829	(9,461)	<b>7,368</b>
DSG not delegated to schools	14,586	-	<b>14,586</b>
School Capital Fund	4,545	-	<b>4,545</b>
Schools Buy Back	1,276	604	<b>1,880</b>
On Street Parking	800	(800)	-
<b>Total ring-fenced</b>	<b>59,437</b>	<b>(9,657)</b>	<b>49,780</b>
<u>Corporate reserves</u>			
Building Schools for the Future - Financing	23,566	(14,204)	<b>9,362</b>
Building Schools for the Future - Lifecycle Costs	-	5,000	<b>5,000</b>
Capital Reserve	19,227	(9,727)	<b>9,500</b>
Severance	13,347	(4,347)	<b>9,000</b>
Insurance Fund	7,409	-	<b>7,409</b>
Job Evaluation (inc. Schools Catering)	1,225	-	<b>1,225</b>
<b>Total corporate</b>	<b>64,774</b>	<b>(23,278)</b>	<b>41,496</b>
<u>Other</u>			
Welfare Reform Reserve	2,990	-	<b>2,990</b>
CDN Departmental Reserve	2,988	(1,450)	<b>1,538</b>
Childrens Services Funds	2,463	(1,900)	<b>563</b>
Connexions Closure	2,186	(800)	<b>1,386</b>
Financial Services divisional reserve	1,585	(400)	<b>1,185</b>
Energy Reduction Reserve	1,362	1,500	<b>2,862</b>
Looked After Children Placements Reserve	1,330	-	<b>1,330</b>
Social Care Replacement IT System	1,218	(933)	<b>285</b>
Economic Action Plan	1,169	-	<b>1,169</b>
IT Reserves	1,096	(630)	<b>466</b>
Strategic Initiatives	1,043	(244)	<b>799</b>
Preventing Homelessness	936	(190)	<b>746</b>
Service Transformation Fund	2,747	831	<b>3,578</b>
Adult Social Care budget pressures	-	3,203	<b>3,203</b>
HR divisional reserve	677	(35)	<b>642</b>
Housing divisional reserve	651	(554)	<b>97</b>
Highways Maintenance	418	-	<b>418</b>
Legal Services Divisional Reserve	380	(150)	<b>230</b>
Individual Electoral Registration	380	-	<b>380</b>
Delivery Communications & Political Governance	338	-	<b>338</b>
Independent Living Support Reserve	331	-	<b>331</b>
City Council Elections	300	-	<b>300</b>
Other - Miscellaneous reserves	1,695	(813)	<b>882</b>
<b>Total other</b>	<b>28,283</b>	<b>(2,565)</b>	<b>25,718</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>152,494</b>	<b>(35,500)</b>	<b>116,994</b>



**Comments from Partners**

[To be added after consultation]

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**Forecast Departmental Budgets**

	<b><u>2015/16</u></b> <b>£000s</b>	<b><u>2016/17</u></b> <b>£000s</b>
City Development and Neighbourhoods	70,796	70,730
Adult Care and Housing	85,709	85,757
Education and Children's Services	53,854	53,854
Corporate Resources	32,353	32,327
<b>TOTAL</b>	<b>242,712</b>	<b>242,668</b>

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