
General Fund Revenue Budget 2016/17

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 2016/17. The report also identifies the impact of the budget on 2017/18 and subsequent years.
- 1.2 The proposed budget is described in this report, subject to any amendments the City Mayor may wish to recommend when he makes a firm proposal to the Council.

2. **Summary**

- 2.1 The Council's financial position is exceptionally severe. Five years of budget reductions have seen the Council's grant from central government fall by £86m per year (37% in real terms). This had led to cuts of £100m per year being made to the Council's services.
- 2.2 The Government published its Comprehensive Spending Review (CSR) on 25th November, and the finance settlement for local government on 8th February. These confirmed that substantial cuts will continue, at least until 2020.
- 2.3 The Council's approach to achieving budget reductions in the last 2 years has been based on the following approach:-
- (a) An in-depth review of discrete service areas, in order to save £35m per year (the "Spending Review Programme");
 - (b) The building of reserves, in order to "buy time" to avoid crisis cuts and to manage the spending review programme effectively. This is termed the "Managed Reserves Strategy".

- 2.4 During the course of 2015/16, additional reviews were added to the Spending Review Programme, with a consequent increase in the amount sought to £45m per year. Savings of £15m per year have been approved to date, and these are included in the budget you are asked to approve. Decisions will be taken on the remaining savings over the next 2 years, with the majority expected to be taken in 2016/17. A full schedule of the spending review programme has been provided at Appendix Eight.
- 2.5 The Council will have an estimated £54m in reserves at the end of March. After allowing £15m for a minimum prudent balance, £39m is available to support future budgets.
- 2.6 The position we face is considerably more serious than it was 12 months ago. This is due to the following:-
- (a) The scale of grant reductions in the next 4 years – by 2019/20, total cuts will rise to £123m per year since 2010/11 (53% in real terms);
 - (b) The substantial pressures faced by local authorities nationally in the field of social care – both the costs of providing for the growing population of vulnerable adults and the growth in numbers of looked after children (the latter compounded by a social care recruitment crisis);
 - (c) New Government initiatives which have not been fully funded. In particular, the national living wage is expected to cost our care providers £21m per annum by 2020/21, costs which the fragile care market will be unable to bear without increasing charges to the Council.
- 2.7 The combination of these pressures means the Council's budget for 2019/20 is forecast to be £55m in excess of available income. This is £25m more than would be available, even if the Spending Review Programme delivers everything expected of it, and the ability of social care services to make a contribution is now increasingly unrealistic.
- 2.8 The Managed Reserves Strategy has served us well, and reserves are sufficient to bridge the funding gap in 2016/17. However, 2016/17 is the last year in which this will be possible and a major funding gap needs to be addressed before 2017/18. Without the managed reserves strategy, we would be facing crisis cuts now.
- 2.9 The approach put forward is as follows:-
- (a) To set a one year budget for 2016/17, which recognises the additional social care pressures;
 - (b) To pursue the remaining spending reviews vigorously, with a view to banking savings as early as possible. As these are not anticipated in the budget projections, savings achieved in 2016/17 will reduce the reserves required in that year, and enable more to be carried forward

to 2017/18. Such savings will also reduce the Council's annual spending, and erode the forecast gap of £55m in 2019/20.

- 2.10 The Spending Review Programme alone, however, will not be enough. During the course of 2016/17, the Executive will seek to review the entirety of the Council's budget. Where money can be saved, proposals will be developed in accordance with normal processes.
- 2.11 Given the scale of the challenge faced, it is inevitable that some extremely difficult decisions are going to be required.
- 2.12 In the CSR, the Government stated that social care authorities would be able to increase tax by an additional 2% over and above the usual referendum limits. Consequently, the budget proposes a tax rise of just below 4%. It is noted that the extra 2%, which will be permitted for 4 years, will raise around £8m in additional revenue by 2019/20. This amounts to just one quarter of the total spending pressures in adult care.
- 2.13 In the exercise of its functions, the City Council (or City Mayor) must have due regard to the Council's duty to eliminate discrimination, to advance equality of opportunity for protected groups and to foster good relations between protected groups and others. The budget is, in effect, a snapshot of the Council's current commitments and decisions taken during the course of 2015/16. 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 apart from the proposed council tax increase (this is further explained in paragraph 11 and the legal implications at paragraph 21). Where required, the City Mayor has considered the equalities implications of decisions when they have been taken and will continue to do so for future spending review decisions.

3. **Recommendations**

- 3.1 Subject to any amendments recommended by the Mayor, the Council is asked to:-
 - (a) approve the budget strategy described in this report, and the formal budget resolution for 2016/17 which will be circulated separately;
 - (b) note the outcome of the local government finance settlement for 2016/17;
 - (c) note the comments received on the draft budget from scrutiny committees, trade unions and other partners;
 - (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 during 2016/17, and that estimates used to prepare the budget are robust;
- (g) note the equality implications arising from the proposed tax increase, as described in paragraph 11;
- (h) approve the prudential indicators described in paragraph 18 of this report and Appendix Three;
- (i) approve the proposed policy on minimum revenue provision described in paragraph 19 of this report and Appendix Four;
- (j) agree that finance procedure rules applicable to trading organisations (4.9 to 4.14) shall be applicable only to City Catering, operational transport and highway maintenance.

4. Budget Overview

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

	<u>2016/17</u> £m	<u>2017/18</u> £m	<u>2018/19</u> £m	<u>2019/20</u> £m
<u>Service budget ceilings</u>	259.3	265.5	264.6	267.0
<u>Sums to be Allocated to Services</u>				
Pay inflation 2016/17	1.8	1.8	1.8	1.8
<u>Corporate Budgets</u>				
Capital Financing	13.3	13.3	13.4	13.6
Miscellaneous Central Budgets	(1.3)	(1.4)	(0.7)	(0.2)
Contribution to Severance Costs	5.0			
Service Transformation Fund	3.0			
Contingency	3.0			
Contribution to Capital	1.0			
<u>Future Provisions</u>				
Inflation		3.4	6.8	10.2
Apprentices levy		1.0	1.0	1.0
Planning provision		3.0	6.0	9.0
<u>Managed reserves Strategy</u>	(21.9)	(17.0)		
TOTAL SPENDING	263.2	269.6	292.8	302.3
<u>Resources – Grant</u>				
Revenue Support Grant	62.4	48.1	38.4	28.4
Business rates top-up grant	44.9	45.9	47.2	48.7
New Homes Bonus	9.4	9.2	5.8	5.5
<u>Resources – Local Taxation</u>				
Council Tax	93.7	98.1	102.8	107.6
Business Rates	54.0	54.6	56.0	57.3
Collection Fund Surplus – Council Tax	4.1			
Collection Fund Deficit – Rates	(5.2)			
TOTAL RESOURCES	263.2	255.9	250.1	247.6
Projected tax increase		4.0%	4.0%	4.0%
Gap in resources		13.6	42.6	54.8
Underlying gap in resources		30.6	42.6	54.8

4.2 Future forecasts are volatile and will change. Resources forecasts are subject to the risks and caveats described at sections 12 and 13 below.

4.3 The forecast gap in 2019/20 makes no allowance for inflation other than for pay awards. In real terms, the gap for that year is some £7m higher.

5. **Council Tax**

5.1 The City Council's proposed tax for 2016/17 is £1,354.01 an increase of just below 4% compared to 2015/16.

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 2015/16 for a Band D property was as follows:-

	£
City Council	1,301.95
Police	180.00
Fire	60.43
Total tax	1,542.38

5.4 The actual amounts people are paying in 2015/16, 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 2016/17 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 No provision has been made for the cost of the 2016/17 pay award, as this has not yet been settled. The amount required will be allocated during the year. An amount has, however, been added to budget ceilings (£2.5m per year) to meet the cost of national insurance increases arising from the Government's decision to abolish "contracted out" rates. No allowance was made for this in the Government's finance settlement.
- 6.5 Additional funding has been built into the budgets of the Adult Social Care and Children's Services Departments to meet the cost pressures each faces. This is not our normal practice – apart from an allowance for demographic growth in adult care, and a standard rate of inflation on payments to independent sector care providers, our approach has been to require all departments to live within their existing budget ceilings. This approach would not have been sustainable in 2016/17.
- 6.6 Apart from the above, no inflation has been added to departments' budgets for running costs or income, except for costs arising from the waste disposal PFI contract. In practice, this means the City Development and Neighbourhoods Department and the Resources Department are seeing real-terms cuts in their non-pay budgets.
- 6.7 The following spending review decisions have been formally taken since February 2015, and budgets reduced accordingly.

	<u>16/17</u> <u>(£000)</u>	<u>17/18</u> <u>(£000)</u>	<u>Full Year</u> <u>(£000)</u>	<u>Decision</u> <u>Date</u>
Corporate Resources	3,875	3,875	3,875	23.02.15
Welfare Advice	200	200	200	06.03.15
Technical Services	1,703	2,578	2,821	25.05.15
IT	1,200	2,400	2,400	03.08.15
Total	6,978	9,053	9,296	

- 6.8 Additionally, management savings of £64,000 per year have arisen from the Homelessness Review, and have been built into the budget.
- 6.9 A full schedule of reviews included in the programme is provided at Appendix Eight.
- 6.10 The budget ceiling of the Health and Wellbeing Division has been reduced to reflect Government cuts to the public health grant, amounting to £2.2m in

2016/17. This consists of £1.6m in-year cuts announced in 2015/16, and a further £0.6m announced for 2016/17 (on 11th February).

7. How Departments will live within their Budgets

- 7.1 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, budgets have already been increased to reflect spending pressures in two departments and reduced to reflect the effect of spending review decisions and cuts in public health grant. The departmental commentary below also explains in more depth the pressures facing social care, and the budget increases the Council is asked to approve.

Adult Social Care

- 7.2 As stated above, the budget for the department has been increased in 2016/17 to reflect the pressures upon it. These are as follows:-

	<u>£000</u>
National living wage	4,935
Increase in number and cost of care packages	9,484
Care Act related	694
Deprivation of Liberty costs	360
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	15,473
Less:-	
Additional savings from previous years' decisions (EPHs and organisational reviews)	(1,471)
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Total budget increase	<u>14,002</u>

- 7.3 The **national living wage** is due to increase to £7.20 per hour from 1st April 2016, which will lead to a significant cost for independent sector care providers. Given the fragility of the care market, providers will inevitably seek additional funding from the City Council. The Government has partially recognised this issue, and has permitted social care authorities to increase council tax by 2% for each of the next 4 years, over and above the referendum limit. However, this increase will only generate a further £1.8m in 2016/17, around a third of what is required.
- 7.4 The increase in the cost of **care packages** arises from a growing population of older people, and other vulnerable adults requiring care; together with growing numbers with complex care needs. This is a national issue, which is being experienced across the country. In past years, the Council has received additional funding through formula grant to reflect the increase in population; this ceased in 2013/14. Subsequently, additional funding has

been made available via the Better Care Fund (BCF). The Government has committed to increase the BCF by a further £1.5bn per year by 2019/20, but nothing will be received in 2016/17.

- 7.5 Government funding was provided in 2015/16 to part fund the additional costs of supporting carers, and to support schemes to allow service users to defer residential care charges following implementation of the **Care Act**. This funding is reducing in 2016/17.
- 7.6 **Deprivation of Liberty Safeguards** (DoLs) continue to place a significant cost and administrative burden on local authorities. In March 2014, a Supreme Court judgement (known as the Cheshire West ruling) resulted in many more people who should be made subject to DoLs. We have seen a 400% increase in the number of applications since 2013/14, and this has been reflected in the budget for 2016/17. The government did provide some additional one off funding in 2015/16, although insufficient to address the issue.
- 7.7 Additional savings will offset the above costs – these arise principally from the review of elderly persons' homes in earlier years, which will save more in 2016/17 than it did in 2015/16.
- 7.8 The director is working on a number of measures to contain costs. These include:-
- (a) A reduction of “inflow” at the front door of the service by providing community based alternatives;
 - (b) Reducing and controlling the increasing costs of existing service users;
 - (c) Identifying opportunities to reduce the number of residential placements for clients with learning disabilities and mental health conditions by transferring such residents to supported living settings;
 - (d) A review of the commissioning of intermediate care and reablement jointly with the CCG;
 - (e) A review of administration and other support resource;
 - (f) A further review of non-statutory services.
- 7.9 It is expected that these measures will enable the department to live within its budget in 2016/17, and will make more significant contributions to managing cost from 2017/18.

- 7.10 The following assumed pressures have been reflected in the forecasts at paragraph 4.1. These are currently broad estimates, which will be reviewed during 2016/17 with a view to containing the costs as far as possible:-

	<u>2017/18</u> <u>£000</u>	<u>2018/19</u> <u>£000</u>	<u>2019/20</u> <u>£000</u>
National living wage	8,600	12,300	16,400
Other pressures	8,900	6,200	4,500
Total assumed budget increase	17,500	18,500	20,900

- 7.11 The “other pressures” in the above table are net of assumed savings which will be realised from the measures described above, and from assumed BCF contributions. No significant contribution is expected from the Better Care Fund until 2018/19 (see paragraph 12 below).

Health and Wellbeing Division

- 7.12 The budget ceiling of the Health and Wellbeing Division has been reduced to reflect Government cuts to specific grant (the public health grant), as described at paragraph 6 above. Spending reductions will be necessary for the division to live within its budget ceiling.

- 7.13 Spending reductions of £1m per year have already been achieved during 2015/16, leaving a further £1.2m to achieve. Significant amounts of spending are locked up in longer term contracts, reducing the scope for immediate compensatory action. Decisions will be taken after following normal processes, including the consideration of equality impact assessments, but options will inevitably include:-

- (a) A reduction in the Evaluation and Intelligence function. The impact of this will be a reduction in capacity to assess and understand local health issues, and to use this intelligence to inform services;
- (b) Staffing reductions in the central public health team, which will be achieved by more efficient ways of working, and will not affect front-line services;
- (c) Negotiated savings in existing contracts, which will have some impact on activity we can commission. Savings will be focussed on the areas which have the least impact on front line services;
- (d) Non-implementation of additional planned spending on lifestyle services, which promote physical activity. The Council’s approach to these activities will need to be reviewed during 2016 in light of the longer term pressures facing the service, at which time the whole financial envelope can be re-assessed. Increasing spending in advance of the review is not feasible in the current climate;

- (e) Reductions to domestic violence and alcohol liaison nursing services, with these responsibilities mainstreamed into other core services.

7.14 Further reductions of £0.6m to £0.7m per year are expected in each of 2017/18 to 2019/20, which will necessitate a thorough review of the future shape of the service during 2016.

Education and Children's Services

7.15 Like adult care, the budget for Education and Children's Services has been increased for 2016/17. This is explained in the following table:-

	<u>£000</u>
Looked after children costs	7,100
Social worker recruitment	2,100
Other pressures	970
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	10,170
<u>Less</u> use of departmental reserves	(6,962)
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Total budget increase	<u>3,208</u>

7.16 The increase in costs of **looked after children** is a national concern. At the date of writing this report, there are 629 looked after children compared with 545 at the beginning of 2015/16. A significant number of the children requiring placements are very vulnerable, and some have complex behaviours including self-harm. As a result, there has continued to be an increase in the number of very expensive external residential placements and it is assumed that this trend will continue to move upwards, and peak in 2016/17.

7.17 Extra costs of **social worker recruitment** arise from a national shortage of qualified social workers. This has resulted in continued reliance on more expensive agency staff. Due to the shortage in the market, the service has recruited newly qualified social workers, using our existing "assessed and supported year in employment" framework. Whilst this approach will reduce costs in the medium term, newly qualified social workers have restricted caseloads and can only deal with children in need cases. The cost of additional social workers is expected to peak in 2016/17, when compared with the current budget.

7.18 **Other pressures** arise because one-off funding of £0.8m was provided in the 2015/16 budget, to meet the funding gap in that year. In practice, considerably more will be needed, as members will be aware from budget monitoring reports during the course of the year. It was originally envisaged that recurrent savings would be found in 2016/17 to bridge the gap: in the

current circumstances, there is no chance of this being achieved. A further £0.2m has been invested in tackling child sexual exploitation. In the last two years there has been significant media attention on this issue; a growing understanding by the police, social care and other partners about the incidence and the impact on children and young people; and the link between missing children and sexual exploitation. Growing public awareness has led to a national increase in referrals of vulnerable children and young people who are at risk of, or have been involved in, CSE. In Leicester, there has been a similar rise and the £0.2m will be invested in resources to tackle this issue further.

- 7.19 The department will use £7.0m from its own **reserves** to minimise the amount of additional funding required. To facilitate this, the Executive will grant approval to transfer £5m of unspent education capital monies in 2015/16 to the revenue budget. This will reduce the amount of departmental reserves required to balance the budget pressures the department is experiencing in 2015/16, thus enabling these reserves to support the budget more effectively across both years.
- 7.20 The director is working on measures to reduce the number of children coming into care. These include an expansion of our existing multi-systemic therapy (MST) team which provides an intensive family intervention for young people aged 11-17 years with seriously problematic behaviours. We are also setting up a new MST team for children aged 6-17 years who are the subject of abuse and neglect. We are working closely with the DfE's MST sector advisor and have received some set up funding for the abuse and neglect team. In addition to the MST provision, we are also increasing the level of intensive short term support for those children who are on the edge of coming into care (using resources from the Youth Service, Youth Offending Service and Family Support Service).
- 7.21 Savings from these initiatives should give rise to reductions in the cost of the looked after children's service from 2017 onwards. The following assumed pressures have been reflected in the forecast at paragraph 4.1, taking into account this mitigating action:-

	<u>£000</u>
2017/18	7,900
2018/19	6,300
2019/20	6,300

- 7.22 As part of the CSR and the settlement, the Government announced cuts in Education Services Grant (ESG). Education Services Grant is provided to authorities for services to schools. In 2016/17, the funding rate will fall from £87 to £77 per pupil. This will cost the Council around £0.4m and will be absorbed within the departmental budget.

- 7.23 Over the next four years, ESG will be cut by a total of £600m nationally, which is equal to 75% of the available sum. If replicated locally, this would give rise to a £3.5m per year grant loss to the department. The Government has promised to consult during 2016 on proposals to “reduce the local authority role in running schools and remove a number of statutory duties.” The forward estimates at paragraph 4.1 do not allow for this loss of grant, and we await further information on what duties would be taken from us.
- 7.24 Regardless of any Government funding cut, the process of conversion to academies gives rise to loss of Education Services Grant, at an amount (now) equal to £77 per pupil.

City Development and Neighbourhoods

- 7.25 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, transport, regeneration, the environment, culture, heritage, sport, libraries, tourism, housing and property management. The department’s budget in 2015/16 is £72m.
- 7.26 The department is able to live within its budget for 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) Using Buildings Better, which is an extension of Transforming Neighbourhood Services and is reviewing building use throughout the city;
 - (c) Sports and Leisure, which is examining how these services can best be run in future;
 - (d) A review of homeless services, which has achieved £0.8m p.a. to date. These savings are reflected in the budget;
 - (e) A review of technical services (property, highways design and maintenance, facilities management, fleet management and housing maintenance). Savings of £3m have been approved to date, and reflected in the budget. The scope of this review has recently been

extended to include transportation, highways, energy and environment teams.

7.27 The main budget pressures facing the department are:-

- (a) Sports income, as our sports facilities are facing competition from new private sector 'budget' gyms. This is being addressed through income generation initiatives and the spending review of sports provision;
- (b) Pressures on bereavement services income of around £0.2m, due to new crematoria opening in the county;
- (c) Income pressures at the newly opened household waste recycling centre at Gypsum Close. The facility is currently new, and it is expected that patronage will increase.

7.28 These pressures are being addressed through management action.

Corporate Services and Support

7.29 The key challenge facing the department is to be as cost effective as possible, in order to maximise the amount of money available to run public facing services.

7.30 Two substantial spending reviews have been completed since February 2015, and are now in implementation. These are:-

- (a) A review of support services, which will save £3.9m in a full year. Savings principally come from the Finance Division; and the Delivery, Communications and Political Governance Division;
- (b) A review of IT, which will save £2.4m per year when it is fully implemented.

7.31 The department is able to manage within its budget ceilings for 2016/17, having absorbed new spending pressures. These pressures include:-

- (a) Reductions in the housing benefit administration grant: this has fallen by £2.1m per year since 2011/12, despite a largely static caseload;
- (b) The pressures associated with transferring the Revenues and Benefits Service to Universal Credit. Universal Credit will replace a number of current benefits with a single monthly payment. The new payment will be administered by the DWP, who have different systems to us, and transitional problems (and workload) are envisaged;
- (c) An increasing volume of child protection legal case work (activity has increased by over 100% in the last two years);
- (d) An increase in the coroner's workload;

(e) An increase in the cost of elections.

8. **Sums to be Allocated to Services**

8.1 £1.8m has been set aside for the cost of the **2016/17 pay award**. This has not yet been settled, and it is assumed that an award of 1% will eventually be made (in line with Government guidelines for the public sector).

9. **Corporately held Budgets**

9.1 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).

9.2 The budget for **capital financing** represents the cost of interest and debt repayment 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, which was approved by the Council in January. Following a review of the way debt is allocated between the General Fund and the Housing Revenue Account (as described in the separate report to the Council on the HRA budget), savings of £0.7m p.a. have been made in this budget.

9.3 **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 set aside to assist council taxpayers suffering hardship and other sums it is not appropriate to include in service budgets. These budgets are offset by the effect of charges from the general fund to other statutory accounts of the Council. In 2016/17 only, £1m is included in these budgets to meet the Council's contribution to additional costs arising from the Building Schools for the Future programme, which is almost complete. It is anticipated that a review of the schools' funding formula will result in these costs being met from the Dedicated Schools' Grant in future years.

9.4 Provision has been made for additional **severance costs**. The need for severance provision is discussed further in paragraph 15 below.

9.5 Provision has been made to increase sums set aside for **service transformation**. Previous budgets have made £8m available for monies which have been set aside to help deliver the spending review programme, and to invest in infrastructure to manage change. Of sums committed, £2.5m has been set aside for building and other works to ensure the successful implementation of the Transforming Neighbourhood Services programme; £1m has been set aside to modernise the Council's finance and HR systems, which will enable these services to manage with fewer staff; and sums have been made available to provide expert input and project management support

for reviews. £1.5m remains uncommitted, and it is appropriate to increase this sum given the scale of challenges faced.

9.6 A **contingency** of £3.0m has been included in the budget for 2016/17. This reflects the risks identified in section 16 of this report. The contingency will only be used as a very last resort.

9.7 A £1m contribution to the **capital programme** is proposed. This is described in the separate report on your agenda.

10. **Future Provisions**

10.1 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.

10.2 The provision for **inflation** includes money for:-

(a) An assumed 1% pay award each year from 2017/18;

(b) A contingency for inflation on running costs for services unable to bear the costs themselves. These are: waste disposal, independent sector residential and domiciliary care, and foster payments.

10.3 £1m per annum has been set aside for the new **apprentice levy** announced by the Government in the CSR. This will amount to 0.5% of payroll, but at present there is insufficient clarity about how the new levy will work. It is not known what (if any) training costs incurred by the Council will be met by the new levy: in the event that we can use the levy to meet current costs, the amount required will be less than £1m. This will depend on how the Government defines an apprentice.

10.4 A **planning provision** has been provided in future years to reflect the severe difficulties in making accurate forecasts and to manage uncertainty. The amount of this provision is reviewed on an annual basis. The provision currently made is a cumulative £3m per year, each year to 2019/20.

11. **Budget and Equalities (Irene Kszyk, Head of Equalities)**

11.1 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.

11.2 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.
- 11.3 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.
- 11.4 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.
- 11.5 Consideration of equality implications is a continuing requirement under the duty, and this is reflected in the way that we approach our assessment of equality impacts 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 review the equality impacts of individual decisions to ensure (as far as possible) that no one protected characteristic is being disproportionately disadvantaged overall.
- 11.6 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). Decisions on services to be provided within the service envelopes and ceilings cited are taken by managers or the City Mayor; and equalities implications are continually considered. 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 specific service considerations with potential equality impacts). When decisions are taken on spending review recommendations, these are subject to their own impact assessments. However, because the proposed tax increase being recommended in this report could have an impact on those required to pay it, an assessment has been carried out to inform decision makers. This is provided at Appendix Five.

- 11.7 The assessment suggests that the impact of the increase on household finances will be limited because it is mitigated by price reductions in other areas of household expenditure.
- 11.8 However, the assessment raises the potential impact of future Government welfare reforms, particularly the anticipated adverse impact of reduced Universal Credit benefits on households with children. Although the Council is not responsible for addressing equality implications arising from the continued welfare reforms, some of our services do mitigate the impacts of these reforms on individual households.
- 11.9 Therefore, the key equality implication for the budget is the value of the proposed tax increase in enabling the Council to maintain its range of services to local residents and in so doing continue to mitigate adverse impacts facing individual households. The equality impact assessment in Appendix Five details the protected characteristics of the households affected. Being able to continue mitigating adverse impacts for local people is evidence that the council is meeting its public sector equality duty aim of continuing to promote equality of opportunity. In essence, the tax rise helps to maintain a higher level of public service which in turn helps reduce disadvantage.
- 11.10 The issue of structural inequality within the UK compared to other countries is subject to constant debate. Atkinson's recent publication on this subject links inequality to inequality of opportunity and suggests that it is hard to reduce inequality of opportunity without doing something about inequality of outcomes. The range of Council services on offer to local residents does seek to improve inequality of outcomes (a fundamental role of the local state).
- 11.11 Our public sector equality duty is a continuing duty, even after decisions have been made and proposals have been implemented. Periodically, earlier decisions are reviewed to establish whether proposed mitigating actions were carried out, and their impact. The spending review programme provides the necessary data to enable this review to take place.
- 11.12 Within the budget is a provision of £0.2m to help mitigate equalities impacts of any future service decision which would otherwise have a disproportionate effect. Similarly, there is a contingency of £3m in the budget to provide flexibility when future decisions are made.

12. **Government Grant**

- 12.1 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.

12.2 Government grant support now principally consists of:-

- (a) **Revenue Support Grant (RSG)**, which is distributed on the basis of needs formulae that existed prior to 2013/14. Cuts in grant since 2013/14, however, have been made without reassessing needs. In 2014/15 and 2015/16, reductions were made simply by cutting each authority's RSG allocation proportionally. This had a disproportionate impact on those authorities most dependent on Government grant (i.e. deprived authorities such as Leicester). A fairer approach has been adopted in the 2016/17 settlement, which is expected to apply for the next four years. This approach will cut grant with reference to total budget rather than just grant. However, there has been no re-assessment of need (for instance recognition of increased population); and the cuts made in the last two years have not been recalibrated and remain in our baseline. Thus, it remains very much the case that cuts since 2013/14 have disadvantaged deprived authorities;
- (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 numbers of highly rated businesses pay a tariff into the system, which funds the top-ups to less affluent authorities);
- (c) **New Homes Bonus (NHB)**. 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. Members are asked to note that New Homes Bonus is not additional money; the money to fund it has been "topliced" from the national provision for Revenue Support Grant. The system of New Homes Bonus is expected to change, and the Government wishes to reduce the amount it pays by £800m. Until now, the grant has been paid for six years, and the Government is proposing to reduce this to four. The Government is also considering reduced allocations for authorities with no (or out of date) local plans; and for homes built only after a successful planning appeal. They are also considering rewarding councils only for homes built over and above a specified expected level of growth. None of these measures will affect 2016/17. The figure shown at paragraph 4.1 also includes an estimated £0.2m of "New Homes Bonus Adjustment Grant" in 2016/17.

12.3 The Government also controls **specific grants** which are given for specific rather than general purposes. These grants are not shown in the table at paragraph 4.1, as they are treated as income to departments (departmental budgets are consequently lower than they would have been).

12.4 The CSR and settlement include changes to some specific grants:-

- (a) The **Education Services Grant** is being cut, as described at paragraph 7 above;

- (b) The **Better Care Fund** is being increased by £1.5bn per year. This increase is not new money: around half the cost is being met from proposed cuts to New Homes Bonus (described above); and the remainder is reflected in the amount available for Revenue Support Grant. No money will be available in 2016/17, and only £100m in 2017/18, perhaps reflecting the slow pace at which the Government proposes to reform NHB. Details of how much Leicester will receive are not yet known, although the Government intends to skew distribution towards deprived authorities (recognising that the extra 2% tax rise skews resources towards affluent authorities). Notwithstanding this, the total BCF on offer is insufficient to fully redress the imbalance of additional social care support in favour of more affluent authorities.

12.5 In addition to grant figures for 2016/17, the Government has provided indicative figures for the subsequent three years. The Government has offered authorities a formal four year settlement, if we want one. It is unclear yet what additional certainty this would bring, or the conditions expected. We would, however, be required to produce an “efficiency plan”: it is assumed that this plan will need to demonstrate use of our reserve balances. We will have until October to make a decision.

12.6 The final local government finance settlement provided some extra, transitional money to those authorities who unexpectedly lost out from the change to the way RSG cuts are calculated. These are generally more affluent authorities.

13. Local Taxation Income

13.1 Local tax income consists of three elements:-

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

Business Rates

13.2 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”.

13.3 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 reliefs;

- (d) provision for successful appeals; and
 - (e) an assumption that underlying rates (excluding the effect of appeals) are broadly stable based on most recent experience.
- 13.4 The most difficult element in estimating rates income is the effect of appeals by rate payers. 49% of resulting refunds fall to be paid by the Council, and significant delays in resolving appeals by the Valuation Office Agency creates considerable uncertainty. As appeals can no longer be backdated to periods before 2015/16, this has removed an element of volatility, but the introduction of this change has had a major impact on the collection fund (see below). Further uncertainty will be caused by national revaluation in 2017.
- 13.5 The Council is 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 is currently forecast to benefit Leicester and Leicestershire by £3m in 2015/16, but this figure is extremely difficult to forecast. The final figure will be confirmed in September.
- 13.6 Since localising business rates, the Government has made incremental changes to the way business rates operate. This includes limiting inflationary increases to 2%, and extending the “temporary” doubling of relief to small businesses from year to year. The Government compensates lost income to local authorities by means of a separate grant, which has been included in the rates income figures. (The 2% cap also affects top-up grant, which is similarly compensated).
- 13.7 The Comprehensive Spending Review includes a statement that local authorities will retain 100% of business rates income “by 2020”. By 2019/20, an extra 50% of retained rates would exceed the nationally forecast RSG. This does not, however, mean that authorities will be better off. The Government will ensure that the changes are “fiscally neutral” at national level by adding to the responsibilities which authorities must pay for (and, seemingly, by ceasing certain specific grants – public health grant has been suggested). Passing the responsibility for attendance allowance to local authorities has also been suggested. How the change will affect us locally is not known – the Government plans to carry out a reassessment of need which may be to our benefit (depending how it is done). The table at paragraph 4.1 shows forecast RSG in years when 100% retention might have been implemented, disregarding any such change.

Council Tax

- 13.8 Council tax income is estimated at £93.7m in 2016/17, based on a tax increase of just below 4%. For planning purposes, a tax increase of just below 4% has been assumed in all years from 2017/18 to 2019/20.

- 13.9 The Council is unable to increase tax by 4% or more without first seeking endorsement by means of a local referendum. This “referendum limit” is 2% higher than it was in 2015/16: this concession is only available to social care authorities, and is designed to help mitigate the growing costs of social care (including the national living wage). Over 4 years, the extra income amounts to £8.0m, which (as can be seen from paragraph 7 above) falls well short of meeting the estimated additional costs. The policy of allowing increases in council tax, as opposed to providing more central funding, also exacerbates the disproportionate impact Government policy has had on deprived authorities. A tax rise of 2% is worth far more in affluent areas with high property values. Figures produced by the Institute of Fiscal Studies suggest that, over 4 years, the extra tax would provide a 5% increase in Adult Social Care budgets in Manchester but (at the opposite end of the scale) a 17% increase in Wokingham. The Government will partially address this in the way it distributes the proposed additional BCF monies.
- 13.10 Nonetheless, even after allowing for the additional 2%, council tax income is expected to be higher than was forecast when the budget was set for 2015/16. 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, and partly due to reductions in the number of people claiming council tax support.
- 13.11 The additional 2% for adult care comes with strings, which seek to ensure that authorities using the increased flexibility spend the money on adult social care. Given the budget pressures in this area, these conditions will not present a problem.
- 13.12 In previous years, the Government has offered grant to authorities which freeze their council tax. No such offer has been made for 2016/17.

Collection Fund Surpluses/Deficits

- 13.13 Collection fund surpluses arise when more tax is collected than assumed in previous budgets. Deficits arise when the converse is true.
- 13.14 The Council has a **council tax collection fund surplus** of £4.1m, after allowing for shares paid to the police and fire authorities. This is the highest figure in recent years, and arises for two reasons:-
- (a) An increase, by around 2,000, of the number of properties in the city during 2015/16;
 - (b) The impact of the introduction of council tax reduction schemes. These schemes were introduced by the Government in 2013/14, and all tax payers are now required to make a contribution to their tax bills. This has clearly had an impact on the incomes of low paid families. However, the impact on our income has been less than expected, and the amounts set aside for non-payment have proved to be too pessimistic.

13.15 Consequently, the council tax income forecast for 2016/17 reflects a lower provision for non-collection than was used in 2015/16.

13.16 The Council has a **business rates collection fund deficit** of £5.2m, after allowing for shares falling on the Government and fire authority. This is due to the impact of appeals by ratepayers. Until 2015/16, it was possible to appeal against a rating assessment, and (if successful) receive refunds dating back to 2010 (and in some cases, 2005). In November 2014, the Government announced that backdating would cease for appeals submitted after March 2015. Perhaps inevitably, a substantial number of new appeals were received in March 2015, many prompted by rating agents. Many of these appeals remain unresolved by the Valuation Office Agency. The Council is therefore required to make estimates of success based on very limited information: it is hoped that the eventual costs will be less than forecast. The deficit is also affected by some high profile national appeals: Virgin Media is appealing against the rates payable for all its installations, and rates payable by GPs' surgeries have been reduced.

14. **General Reserves and the Managed Reserves Strategy**

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

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

14.3 In the 2013/14 budget strategy, the Council approved the adoption of a managed reserves strategy. This involved contributing money to reserves in 2013/14 and 2014/15, and drawing down reserves in later years. This policy has bought time to more fully consider how we address the substantial cuts we are facing. By achieving spending review savings ahead of time, it was also possible to make a contribution to reserves in 2015/16. In all, £39m is available to support future budgets.

14.4 As a consequence of the managed reserves strategy, the Council is able to balance the budget for 2016/17, and reduce the speed at which cuts are required. Nonetheless, the situation is fast becoming critical. Forecast reserve balances are:-

	2016/17	2017/18
	£m	£m
Brought forward	54.0	32.1
Planned use	(21.9)	(17.0)
Carried forward	32.1	15.0
Less minimum required balance		(15.0)
Available balance		0.0

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

15. Earmarked Reserves

15.1 Appendix Six shows the Council's earmarked revenue reserves as they stood on 31st March 2015, and as projected by March 2016. These figures were included in the revenue monitoring report for period 6. The reserves 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.

15.2 Of the £41m shown for the managed reserves strategy, £39m is used to support the budget as described above. The remaining £2m has been earmarked for improvements required following the recent Ofsted inspection.

15.3 The balance on the BSF reserve has fallen substantially in recent years, as the BSF programme moves to completion. Part of the remaining reserve has now been specifically allocated to contribute to the costs of maintaining the newly improved buildings (as agreed with the Education Funding Agency).

15.4 The capital reserve is committed to fund the capital programme, and the forecast balance will be used to fund slippage. The balance will fall by a further £5m once the action described at paragraph 7.19 is taken.

15.5 In 2011/12, the Council set up an earmarked reserve to meet the costs of severance. Severance costs have now been incurred in respect of 1190 employees (930 FTEs) at a cost of over £18m. The balance on this reserve is projected to be £9m at the end of 2015/16, and it is believed that this will be insufficient to achieve the balance of cuts required by 2019/20. Consequentially, the budget for 2016/17 includes provision for a further £5m.

15.6 The insurance fund exists to meet claims against the Council for which we act as our own insurer.

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

- 16.1 Best practice requires me to identify any risks associated with the budget, and section 25 of the Local Government Act 2003 requires me to report on the adequacy of reserves and the robustness of estimates.
- 16.2 In the current climate, it is inevitable that the budget carries significant risk.
- 16.3 In my view, although very difficult, the budget for 2016/17 is achievable subject to the risks and issues described below.
- 16.4 The most substantial risks are in social care, specifically the risks of further growth in the cost of care packages, and inability to contain the costs of looked after children. These risks are the ones which will require the most focussed management attention in 2016/17.
- 16.5 In the longer term, the risks to the budget strategy arise from:-
- (a) non-achievement, or delayed achievement, of the remaining spending review savings;
 - (b) failure to achieve sufficient savings over and above the spending review programme;
 - (c) loss of future resources, particularly in the transition to 100% business rates retention.
- 16.6 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.
- 16.7 The budget seeks to manage these risks as follows:-
- (a) a £3m contingency has been included in the 2016/17 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 2017/18 onwards (£3m per annum accumulating);
 - (d) savings from the Council's new minimum revenue provision policy are being saved until they are required (see paragraph 19).

16.8 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 2016/17, some exceptions are made, and it is believed that services will be able to manage without an allocation).

17. **Consultation on the draft Budget**

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

17.2 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 have been sought from:-

(a) Business community representatives (a statutory consultee): no comments have been received;

(b) The Council's scrutiny function: the budget was discussed at the Overview Select Committee on 28th January, and a meeting of the Health and Wellbeing and Adult Social Care Commissions on 14th January. Minute extracts have been circulated with this report;

(c) The Council's trade unions: comments have been received from Unison, and have been circulated with this report. The City Mayor will send a response;

(d) Key partners and other representatives of communities of interest.

17.3 Comments from partners and other communities of interest are summarised at Appendix Seven, but the general theme of these representations is concern at the impact of service cuts, particularly in relation to packages of care. Fuller responses are available from the report author.

18. **Borrowing**

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

18.2 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.

- 18.3 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.
- 18.4 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.
- 18.5 The Council will continue to use borrowing for "spend to save" investment which generates savings to meet borrowing costs.

19. **Minimum Revenue Provision**

- 19.1 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 Council approved a new policy in November, 2015. This new policy is proposed unamended for 2016/17 and shown at Appendix Four.
- 19.2 The new MRP policy results in revenue account savings when compared to the old policy, although these are paper rather than real savings – they result from a slower repayment of historic debt.
- 19.3 The proposed budget for 2016/17 would use the savings made in that year to set aside additional monies for debt repayment (voluntarily). This creates a "virtuous circle", i.e. it increases the savings in later years when we will need them more.
- 19.4 The approach to savings in 2017/18 and later years will be considered when the budgets for those years are prepared. At present, the capital financing estimates assume that the previous policy continues to apply.
- 19.5 Members are asked to note that the extent of savings available from the policy change will tail off in the years after they are fully brought into account.

20. **Financial Implications**

- 20.1 This report is exclusively concerned with financial issues.
- 20.2 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.

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

- 21.1 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.
- 21.2 At the budget-setting stage, Council is estimating, not determining, what will happen as a means to the end of setting the budget and therefore the council tax. Setting a budget is not the same as deciding what expenditure will be incurred. The Local Government Finance Act, 1992, requires an authority, through the full Council, to calculate the aggregate of various estimated amounts, in order to find the shortfall to which its council tax base has to be applied. The Council can allocate more or less funds than are requested by the Mayor in his proposed budget.
- 21.3 As well as detailing the recommended council tax increase for 2016/17, 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.
- 21.4 Section 65 of the Local Government Finance Act, 1992, places upon local authorities a duty to consult representatives of non-domestic ratepayers before setting a budget. There are no specific statutory requirements to consult residents, although in the preparation of this budget the Council has undertaken tailored consultation exercises with wider stakeholders.
- 21.5 As set out at paragraph 2.13 the discharge of the 'function' of setting a budget triggers the duty in s.149 of the Equality Act, 2010, for the Council to have "due regard" to its public sector equality duties. These are set out in paragraph 11. There are considered to be no specific proposals within this year's budget that could result in new changes of provision that could affect different groups of people sharing protected characteristics. As a consequence, there are no service-specific 'impact assessments' that accompany the budget. There is no requirement in law to undertake equality impact assessments as the only means to discharge the s.149 duty to have "due regard". The discharge of the duty is not achieved by pointing to one document looking at a snapshot in time, and the report evidences that the Council treats the duty as a live and enduring one. Indeed case law is clear that undertaking an EIA on an 'envelope-setting' budget is of limited value, and that it is at the point in time when policies are developed which reconfigure services to live within the budgetary constraint when impact is best assessed. However, an analysis of equality impacts has been prepared in respect of the proposed increase in council tax, and this is set out in Appendix Five.

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

22. **Other Implications**

Other Implications	Yes/No	Paragraph References within the report
Equal Opportunities	Y	Paragraph 11
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 2016/17 budget reflects existing service policy.
Crime & Disorder	N	
Human Rights Act	N	
Elderly People/People on Low Income	N	

23. **Report Author**

Mark Noble
Head of Financial Strategy

12th February 2016

Appendix One

	Latest budget 2015/16 £000s	Spending Reviews - FYE £000s	Inflation & technical changes £000s	Other changes £000s	Virements £000s	Budget 2016/17 £000s
1. City Development & Neighbourhoods						
1.1 Local Services and Enforcement						
Divisional Management	236.4		4.1			240.5
Regulatory Services	4,337.4		106.3		(0.9)	4,442.8
Waste Management	14,925.4		178.8		150.0	15,254.2
Parks & Open Spaces	5,566.9	(1,200.0)	183.9		0.1	4,550.9
Standards & Development	793.5		24.4		0.8	818.7
<i>Divisional sub-total</i>	25,859.6	(1,200.0)	497.5	0.0	150.0	25,307.1
1.2 Culture & Neighbourhood Services						
Arts & Museums	5,843.5		85.4		0.4	5,929.3
Neighbourhood Services	6,249.8	(92.5)	82.1		(1.1)	6,238.3
Sports Services	3,688.3		105.4		(250.2)	3,543.5
Divisional Management	220.0		4.1		0.9	225.0
<i>Divisional sub-total</i>	16,001.6	(92.5)	277.0	0.0	(250.0)	15,936.1
1.3 Planning, Transportation & Economic Development						
Transport Strategy	8,338.2		45.5		(120.5)	8,263.2
Traffic Management	2,037.7	(175.0)	45.2		27.3	1,935.2
Highways Design & Maintenance	6,193.9		82.2			6,276.1
Planning	1,213.2		40.3		(0.2)	1,253.3
Economic Regeneration & Enterprise	19.2		30.5		2.5	52.2
Divisional Management	188.5		3.7			192.2
<i>Divisional sub-total</i>	17,990.7	(175.0)	247.4	0.0	(90.9)	17,972.2
1.4 City Centre	318.5		4.2			322.7
1.5 Investment						
Property Management	7,418.6	(346.0)	186.3		90.9	7,349.8
Environment team	317.2		4.5			321.7
Energy Management	184.2		9.9			194.1
<i>Divisional sub-total</i>	7,920.0	(346.0)	200.7	0.0	90.9	7,865.6
1.6 Housing Services	4,865.2	(181.0)	139.6			4,823.8
1.7 Departmental Overheads	789.3		6.8		100.0	896.1
1.8 Fleet Management	1,009.1	(902.0)	2.9			110.0
DEPARTMENTAL TOTAL	74,754.0	(2,896.5)	1,376.1	0.0	0.0	73,233.6

	Latest budget 2015/16 £000s	Spending Reviews - FYE £000s	Inflation & technical changes £000s	Other changes £000s	Virements £000s	Budget 2016/17 £000s
2.Adults						
<u>2.1 Adult Social Care & Safeguarding</u>						
Management	559.1		4.3			563.4
Safeguarding & Emergency Duty Team	1,440.6		4.9	360.0		1,805.5
Independent Living	4,163.9		80.1	674.0		4,918.0
Assessments & Commissioning	63,764.8		1,067.0	12,334.0		77,165.8
<i>Divisional sub-total</i>	69,928.4	0.0	1,156.3	13,368.0	0.0	84,452.7
<u>2.2 Care Services & Commissioning</u>						
Care Services Management	137.6		2.8			140.4
Residential Care (In-House)	2,445.0		36.5	(1,540.0)		941.5
Day Opportunities (In-House)	4,227.4		75.5	(190.0)		4,112.9
Commissioned Services	4,578.0	(100.0)	51.7	2,284.0	(40.0)	6,773.7
Drugs & Alcohol Action Team	6,282.7					6,282.7
Directorate	410.8		8.1	80.0		498.9
<i>Divisional sub-total</i>	18,081.5	(100.0)	174.6	634.0	(40.0)	18,750.1
<u>2.3 City Public Health & Health Improvement</u>						
Sexual Health	4,390.6					4,390.6
NHS Health Checks	891.0					891.0
Children 0-19	6,074.5				4,257.0	10,331.5
Smoking & Tobacco	1,197.0					1,197.0
Substance Misuse	443.0					443.0
Physical Activity	2,048.2					2,048.2
Health Protection	69.0					69.0
Public Mental Health	321.0					321.0
Public Health Advice & Intelligence	350.0					350.0
Staffing & Infrastructure	1,914.4					1,914.4
Other public health	108.3		48.0			156.3
Savings to be allocated	0.0			(2,243.0)		(2,243.0)
<i>Divisional sub-total</i>	17,807.0	0.0	48.0	(2,243.0)	4,257.0	19,869.0
<u>2.4 Public Health grant income</u>	(26,200.0)			2,243.0	(4,257.0)	(28,214.0)
DEPARTMENT TOTAL	79,616.9	(100.0)	1,378.9	14,002.0	(40.0)	94,857.8

	Latest budget 2015/16 £000s	Spending Reviews - FYE £000s	Inflation & technical changes £000s	Other changes £000s	Virements £000s	Budget 2016/17 £000s
3. Education & Children's Services						
3.1 Strategic Commissioning & Business Support						
Divisional Budgets	878.6		3.0	(97.9)	(150.0)	633.7
Operational Transport	(111.6)					(111.6)
School Support Services	0.0					0.0
<i>Divisional sub-total</i>	767.0	0.0	3.0	(97.9)	(150.0)	522.1
3.2 Learning Quality & Performance						
Raising Achievement	1,807.0		47.8			1,854.8
Adult Skills	(870.4)					(870.4)
School Organisation & Admissions	906.2		9.3			915.5
Special Education Needs and Disabilities	6,705.8		50.8			6,756.6
<i>Divisional sub-total</i>	8,548.6	0.0	107.9	0.0	0.0	8,656.5
3.3 Children, Young People and Families						
Children In Need	7,000.5		108.7	2,300.0		9,409.2
Looked After Children	25,947.6		299.1	7,100.0		33,346.7
Safeguarding & QA	2,092.7		37.6			2,130.3
Early Help Targeted Services	8,715.5		153.2			8,868.7
Early Help Specialist Services	5,108.2		102.1			5,210.3
<i>Divisional sub-total</i>	48,864.5	0.0	700.7	9,400.0	0.0	58,965.2
3.4 Departmental Resources						
Departmental Resources	393.9		15.3	(6,369.1)	150.0	(5,809.9)
Education Services Grant	(4,743.1)			275.0		(4,468.1)
<i>Divisional sub-total</i>	(4,349.2)	0.0	15.3	(6,094.1)	150.0	(10,278.0)
DEPARTMENTAL TOTAL	53,830.9	0.0	826.9	3,208.0	0.0	57,865.8
4. Corporate Resources Department						
4.1 Delivery, Communications & Political Govern	6,153.9	(574.2)	72.4			5,652.1
4.2 Financial Services						
Financial Support	6,709.1	(680.0)	132.9		40.0	6,202.0
Revenues & Benefits	5,760.8	(270.0)	128.6			5,619.4
<i>Divisional sub-total</i>	12,469.9	(950.0)	261.5	0.0	40.0	11,821.4
4.3 Human Resources	4,551.4	(700.8)	68.8			3,919.4
4.4 Information Services	10,522.7	(600.0)	124.5		(42.7)	10,004.5
4.5 Legal Services	2,166.6	(300.0)	71.7		42.7	1,981.0
DEPARTMENTAL TOTAL	35,864.5	(3,125.0)	598.9	0.0	40.0	33,378.4
GRAND TOTAL -Service Budget Ceilings	244,066.3	(6,121.5)	4,180.8	17,210.0	0.0	259,335.6

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 allocate the 2016/17 pay award;
 - (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 Director of Finance may use monies set aside for severance to meet the costs of terminating employment;
- (d) the City Mayor has determined principles by which the Service Transformation Fund is deployed (a formal decision in July, 2013);
- (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.

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:

	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
General Fund	5.1	5.2	5.4
HRA	11.7	11.9	12.1

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:

	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
Band D council tax	0.0	0.0	0.0
HRA rent	0.0	0.0	0.0

3. Indicators of Prudence

3.1 The forecast level of capital expenditure to be incurred for the years 2015/16 and 2016/17 (based upon the Council capital programme, and the proposed budget and estimates for 2016/17) are:

Area of expenditure	2015/16 Estimate £000s	2016/17 Estimate £000s
Children's services	22,961	30,280
Young People	597	0
Social Care & Safeguarding	185	0
Resources ICT	914	2,535
BSF	7,500	0
Transport	29,546	19,144
Cultural & Neighbourhood Services	730	0
Environmental Services	1,467	2,830
Economic Regeneration	16,037	10,646
Adult Care	2,734	16,453
Property	8,170	4,026
Housing Strategy & Options	2,898	2,850
Total General Fund	93,739	88,764
Housing Revenue Account	23,939	24,000
Total	117,678	112,764

- 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.

	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
General Fund	371	353	336	319
HRA	214	213	212	211

4. Treasury Limits for 2016/2017

- 4.1 The Treasury Strategy which includes a number of prudential indicators required by CIPFA's prudential code for capital finance has already been approved by the Council.

Minimum Revenue Provision Policy

1. Introduction

- 1.1 This policy sets out how the Council will calculate the minimum revenue provision chargeable to the General Fund in respect of previous years' capital expenditure, where such expenditure has been financed by borrowing.

2. Basis of Charge

- 2.1 Where borrowing pays for an asset, the debt repayment calculation will be based on the life of the asset.
- 2.2 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).
- 2.3 Where borrowing funds a loan to a third party, the basis of charge will normally be the period of the loan (and will never exceed this). 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.

3. Commencement of Charge

- 3.1 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.

4. Asset Lives

- 4.1 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;

5. **Voluntary Set Aside**

- 5.1 Authority is given to the Director of Finance to set aside sums voluntarily for debt repayment, where she believes the standard depreciation charge to be insufficient, or in order to reduce the future debt burden to the authority.

6. **Other**

- 6.1 In circumstances where the treasury strategy permits use of investment balances to support investment projects which achieve a return, the Director of Finance may adopt a different approach to reflect the financing costs of such schemes.

Equality Impact Assessment

1. The purpose of this appendix is to present the equalities impact of the proposed 3.99% tax increase.

Purpose of the Increase

2. There are two elements to the proposed tax increase:
 - (a) A 2% increase to address Adult Social Care funding shortfalls outlined in this report (proposed by the Chancellor in his autumn budget statement);
 - (b) A 1.99% increase in council tax to enable the council to maintain its budgeted policy commitments through designated spending envelopes during 2016/17, as set out in the budget report.

Who is affected by this proposal?

3. Since April 2013, as part of the Government's welfare reforms, all working age households in Leicester have been required to contribute towards their council tax bill. Our council tax reduction (CTR) scheme requires working age households to pay at least 20% of their council tax bill and sets out to ensure that the most vulnerable householders are given some relief in response to financial hardship they may experience. In addition, the Council has a hardship fund and individuals may apply to the council for relief in emergency situations.
4. NOMIS figures for the city's working age population from July 2014 – June 2015 indicate that there are 160,000 economically active residents in the city, of whom 8% are unemployed. As of May 2015, there were 33,000 working age benefit claimants (15% of the city's working age population of 226,000), with 26,000 in receipt of out of work benefits. The working age population is inclusive of all protected characteristics.

How are they affected?

5. The chart below sets out the financial impact of the proposed council tax increase on different properties, before any discounts or reliefs are applied. It shows the weekly increase in each band, and the minimum weekly increase for those in receipt of CTR.
6. For band B properties (80% of the city's properties are in bands A or B) the proposed annual increase in council tax is £40.49; the minimum annual increase for households eligible for CTR would be £8.10.

Band	No. of Households	Weekly Increase	Maximum Relief	Minimum Weekly Increase
A-	240	£0.56	£0.44	£0.12
A	79446	£0.67	£0.53	£0.14
B	25996	£0.78	£0.62	£0.16
C	15444	£0.89	£0.62	£0.27
D	6714	£1.00	£0.62	£0.38
E	3215	£1.22	£0.62	£0.60
F	1456	£1.44	£0.62	£0.82
G	597	£1.66	£0.62	£1.04
H	38	£2.00	£0.62	£1.38
Total	133146			

What risk does this proposed increase pose for those who will be required to pay the additional amount of council tax?

7. To meet our Public Sector Equality Duty, a decision maker must assess the risk and extent of any adverse impact, and the ways such risk may be eliminated, prior to the adoption of a decision.
8. The key consideration in respect of the tax increase is the potential impact it will have on a household's income, and therefore their standard of living (the Equality and Human Rights Commission has identified standard of living as an equality outcome within its equality measurement framework).
9. The supermarket ASDA publishes a tracker of UK household expenditure. In the year to December, 2015, this revealed:-
 - (a) The price of vehicle fuel has dropped by 14%;
 - (b) The cost of home electricity and gas fell by 4.1%;
 - (c) Food and drink prices fell by 2.7%.
10. This is in keeping with the July 2015 findings of the Joseph Rowntree Foundation's annual update of their Minimum Income Standard (MIS). The MIS for the UK in 2015 showed that the cost of their 'basket of goods and services' stayed stable in 2015 as a result of no overall inflation.
11. The Bank of England and other financial forecasters predict a slight increase in inflation for the last quarter of 2016 of up to 1%. This may lead to a slight increase in the cost of household goods, but the cost of oil is expected to remain low for another year, and maintain the above "basket" of household expenditure at current levels. Therefore, there is little likely risk of households being significantly economically disadvantaged as a result of the proposed council tax increase. The proposed additional costs will be capable of being offset by other household expenditure trends.

12. However with the introduction of Universal Credit, there is a potential risk in the medium term to households dependent on benefits as their main or necessary supplementary source of household income. Some such households may lose a significant proportion of their income compared to current levels of benefit. The Institute for Fiscal Studies' recent Green Budget explains who the likely losers will be: lone parent families are expected to lose £1,000 a year as a result of reductions in their work allowance; and owner-occupiers and families with significant amounts of unearned income or financial assets will see the biggest reductions in their benefit entitlements. Many non-working families without private income or assets will see no change in the amount they receive, and some low-income working families (particularly those in rented accommodation and single-earner couples with children) will see their entitlements increase.
13. The Council has mitigating actions in place to address specific financial hardship, such as CTR relief and discretionary housing payments that eligible residents can apply for. Some council services target the effects of these externally generated impacts (for example, initiatives that tackle food poverty amongst children), providing opportunities for mitigating the impacts of Government welfare reform policies. Maximising the council's budget also helps ensure these mitigating actions can be maintained and provided as and when required.

What protected characteristics are affected?

14. The Revenue and Benefits Service undertook an impact analysis of the Council Tax Reduction Scheme in May 2014, one year into its operation, and produced this chart setting out the equalities considerations and main protected characteristics for different working age claimant households.

Household type	Equality implications	Protected characteristic of those affected*	Actual number of claimants (March 2013)
All working age	<p>The working age population will be responsible for council tax payments. The Government has exempted pensioners from having to contribute to their council tax payments.</p> <p>Some groups with protected characteristics face the greatest barriers to work and as such are disproportionately represented within the claims population. This includes people with disabilities, people with responsibility for young children, and people who may struggle with English.</p>	<p>Age</p> <p>Disability</p> <p>Gender</p> <p>Race</p>	27,776
Single parent, up to 2 children	<p>Single parent families have higher numbers of claimants who are female. Women who are single parents and receiving CTR may be disproportionately affected by the payment of the tax and of enforcement actions taken to recover unpaid tax.</p> <p>Women or men in certain situations are classified as vulnerable by the discretionary relief scheme: those who are parents of dependent children under 5; those who are victims of domestic violence; those who are foster carers; those who are care or hostel leavers; those who are drug/alcohol dependent; war widows/widowers.</p> <p>More men than women take up discretionary relief: 56.7% compared to 43.3%.</p>	Gender	6,280
Single parent, 3 or more children	Evidence that welfare reforms are likely to have greater financial impact on households with higher numbers of children.	<p>Disability</p> <p>Gender</p> <p>Race</p>	2,017
Couple, no children	No equality issues identified other than first above for all working age claimants.		1,898
Couple, up to 2 children	No equality issues identified other than first above for all working age claimants.		2,315

Household type	Equality implications	Protected characteristic of those affected*	Actual number of claimants (March 2013)
Couple, 3 or more children	Evidence that welfare reforms are likely to have greater financial impact on households with higher numbers of children. Some BME households have higher numbers of children and women are more likely to be a primary carer.	Gender Race	1,751
Disabled people	Disabled people often face significant barriers to employment and are proportionately more likely to be workless. Because of this impact on their household income, they would often be eligible to apply for the council tax reduction scheme. Analysis of council tax discretionary relief awards has shown that over 50% of the total number granted is connected to disability (32%) or mental health (23%).	Disability	1,524
New and emergent communities: people who may struggle with English	Unusually in Leicester, there is no strong correlation between race and deprivation. Those unable to speak English experience significant barriers to work and are more likely to be workless. Visible minorities can experience barriers to employment. More white people than BME people take up discretionary relief (62.3% compared to 28.2%).	Race	
Pregnancy and maternity	Once they have a child, they could be considered to be vulnerable under the council tax reduction scheme. Pregnant women or women with babies face greater barriers to accessing work and are more likely to be workless. Their level of need is dependent upon their household circumstances.	Pregnancy and maternity	

Household type	Equality implications	Protected characteristic of those affected*	Actual number of claimants (March 2013)
Households responsible for caring for others, including children	The barriers which may be present to the workplace and with regard to those households with responsibility for caring for others including disabled children.	Age Disability	396

* The protected characteristics of gender reassignment, sexual orientation and religion and belief are less influential on the impact on households of welfare reforms than the above factors which relate more directly to household composition and level of assessed need.

How does the tax increase proposal help us meet our Public Sector Equality Duty?

15. The proposed council tax increase will have the following impact on meeting our PSED.
- (a) **Elimination of discrimination** - The payment of council tax is inclusive in its approach, and the council's CTR scheme enables mitigating action to be taken for those facing immediate financial hardship and pressing need, ensuring that this is a fair process. The main outcome of the proposal is the maintenance of budgeted levels of Adult Social Care service provision, thereby providing a range of equality outcomes related to health, personal safety and personal identity/independence/participation in community life. Maintenance of other budgeted council service levels promotes continued equality outcomes for service users that could otherwise be curtailed by requiring further immediate savings.
 - (b) **Promotion of equality of opportunity** - Many Council services directly address inequality of outcomes that groups with shared protected characteristics may experience, thereby promoting equality of opportunity. This is the case for Adult Social Care, as well as the range of other council services referred to in this report.
 - (c) **Fostering good relations** - Public consultation on the proposed council tax reduction scheme and on previous budget proposals has shown public support for the protection of services which support vulnerable people. This public awareness of the importance of meeting need for particular groups of people promotes inclusion between different groups. Being explicit about need and equality outcomes in decisions being taken by the Council actively promotes the PSED aim of fostering good relations.

Earmarked Reserves

	<u>Year end balance</u> <u>31st March 2015</u> <u>£'000</u>	<u>Net Change in</u> <u>2015-16</u> <u>£000s</u>	<u>Forecast balance</u> <u>31st March 2016</u> <u>£'000</u>
<u>Ring-fenced Reserves</u>			
DSG not delegated to schools	19,803	-	19,803
Schools' Balances	18,518	(3,820)	14,698
NHS Joint Working Projects	5,802	(606)	5,196
School Capital Fund	3,632	(750)	2,882
Schools Buy Back	1,014	379	1,393
Total ring-fenced	48,769	(4,797)	43,972
<u>Corporate reserves</u>			
Budget Strategy - Managed Reserves	34,029	6,907	40,936
Building Schools for the Future	24,316	(5,000)	19,316
Capital Reserve	15,792	(5,792)	10,000
Severance	10,495	(1,000)	9,495
Insurance Fund	8,813	-	8,813
Service Transformation Fund	7,086	(4,314)	2,772
Welfare Reform Reserve	5,027	-	5,027
Energy Reduction Reserve	2,862	(1,200)	1,662
Total corporate	108,420	(10,399)	98,021
<u>Other</u>			
Childrens Services Funds	3,873	(3,424)	449
Financial Services divisional reserve	2,891	(1,120)	1,771
Adult Social Care Budget Pressures	2,000	(2,000)	-
Channel Shift Reserve	2,000	-	2,000
City Development & Neighbourhoods	1,855	(1,455)	400
Looked After Children Placements Reserve	1,525	(1,525)	-
IT Reserves	1,521	288	1,809
Strategic Initiatives	1,043	-	1,043
Surplus Property Disposal Reserve	1,000	-	1,000
Preventing Homelessness	899	(74)	825
Housing divisional reserve	790	-	790
Social Care Replacement IT System	747	(300)	447
Economic Action Plan	736	(19)	717
Outdoor Gyms Reserve	727	(5)	722
HR divisional reserve	689	(65)	624
Individual Electoral Registration	637	(18)	619
Improvements to Health & Wellbeing Reserve	610	(568)	42
Markets Reserve	500	(300)	200
Legal Services Divisional Reserve	480	(134)	346
Highways Maintenance	418	(50)	368
City Council Elections	400	(300)	100
Delivery Communications & Political Governance	338	(234)	104
Housing-related Support Reserve	331	-	331
Other - Miscellaneous reserves	2,872	(1,623)	1,249
Total other	28,882	(12,926)	15,956
TOTAL EARMARKED RESERVES	186,071	(28,122)	157,949

Comments from Partners

1. Discussion took place at a meeting of the **Carers' Reference Group** on 2nd February, although this was not well attended. A series of questions was asked and answered about the cuts.
2. The **Mental Health Partnership Board** advised that people are very anxious about the potential loss of services arising from the cuts, and about potential reduction in packages of care; concerns which are compounded by the Government's welfare changes. They highly value the VCS and are concerned that small local projects will not survive any potential reduction in funding. However, they are sympathetic to the position the Council finds itself in, and are of the opinion that the health sector does not invest enough in mental health, and particularly in community/VCS services. They believe that mental health investment locally is below that of most CCGs.
3. The **Learning Disability Partnership Board** also expressed concerns about changes to benefits, potential reduction in packages of care, and potential loss of services. They felt the Council should look to other authorities to see how they have made efficiencies in other departments, in order to offer greater protection to ASC.
4. The **Autism Partnership Board** believes that the health sector should be investing more in post diagnostic and community/VCS services, and support that helps them to continue functioning.
5. The **Older People's Forum** received a presentation on the budget on 3rd February, and expressed concerns about the impact of cuts. Questions were asked and answered.
6. The budget was discussed with CCG partners on the Joint Integrated Commissioning Board (JICB). Comments were as follows:-
 - (a) Concerns that neither partner has any financial growth in its budget (the position of the CCG is, in reality, a standstill budget notwithstanding a headline increase in funding);
 - (b) Concerns about the impact of Council funding cuts on adult care services, and the consequential impact on the wider health economy;
 - (c) Concerns about how future BCF monies will be delivered, and ability to invest in transformational models when both sides are hard pressed to meet base level funding commitments.

Appendix Eight

Spending Review Programme

	<u>Review</u>	<u>Scope</u>	<u>Approved Savings (£000)</u>
1.	Corporate Support Services	All services covered by the Corporate Resources Department, except where scoped into other reviews (the principal exclusion is IT).	3,875
2.	Using Buildings Better	Operational and community buildings based in neighbourhoods. Subsumes the "Transforming Neighbourhood Services" Programme.	238
3.	VCS Infrastructure Contracts	Support to corporate VCS projects, including those which build capacity for the sector as a whole.	132
4.	HRA Accounting	An accounting review, which has considered our approach to allocation of costs between the HRA and General Fund; and adopted a revised approach reflecting current best practice.	3,969
5.	Sports and Leisure	The Council's nine sports facilities, sports development function, sport on parks, golf, and football investment strategy assets.	
6.	Open Spaces	Management of parks, allotments, play areas, trees, woodlands; and grounds maintenance for other Council portfolios.	
7.	Park and Ride	The 3 park and ride services managed jointly with the County Council.	50
8.	External Communications	Leicester Link and other external communications with the public.	105
9.	Substance Misuse Treatment	Contracts for adult community based services, criminal justice and young people's treatment services.	
10.	Welfare Advice	Welfare advice, money advice and similar activities carried out in various departments.	200
11.	Investment Property	All property in the Council's investment portfolio, other than car parks.	
12.	IT	The efficiency and effectiveness of the IT service, seeking to use modern practices wherever possible.	2,400
13.	Homelessness Follow Up	Services which aim to prevent homelessness, or meet the needs of homeless and vulnerably housed adults and families.	764

	Review	Scope	Approved Savings (£000)
14.	Independent Living Support	Services provided by the Independent Living Support Service (will be considered in tandem with Adult Social Care more generally).	
15.	Technical Services	Facilities management across the Council's estate, property management and maintenance, transport and highways, fleet, stores, energy and environment services.	3,130
16.	Housing Maintenance	Work to tenanted houses and other services to tenants. No savings are shown, because these remain in the Housing Revenue Account.	
17.	Adult Social Care	All adult social care provision, except where subject to separate review.	
18.	Children's Services	All services provided by the Education and Children's Services Department, other than schools' budgets and those funded by Dedicated Schools' Grant.	
19.	Regulatory Services	Neighbourhood protection, business regulation, licensing and community safety.	
20.	Cleansing	Waste management, street cleansing, public conveniences and the cleaner city team.	
21.	City Centre	Contracts and projects managed by the City Centre Director.	
	Total		14,863