
General Fund Revenue Budget 2017/18 to 2019/20

Report of the Director of Finance

1. **Purpose**

- 1.1 The purpose of this report is to ask the Council to consider the City Mayor's proposed budget for 2017/18 to 2019/20.
- 1.2 The proposed budget is described in this report, subject to any amendments the City Mayor may wish to recommend when he makes a firm proposal to the Council.
- 1.3 This version of the report is a draft for consultation, and will be updated to reflect the local government finance settlement, any further information and comments from partners.

2. **Summary**

- 2.1 The Council is in the middle of the most severe period of spending cuts we have ever experienced.
- 2.2 The independent Institute for Fiscal Studies has recently (October 2016) reported that local authority budgets have fallen by 26% in real terms since 2009/10. The 10% of authorities most dependent on grant (generally, the least affluent areas) have cut spending by an average of 33% in real terms. The 10% least dependent on grant have cut spending by only 9%. Our own estimates, comparing cuts to the Index of Multiple Deprivation, point very strongly to the same conclusions.
- 2.3 Our government grant has fallen, on a like for like basis, from £289m in 2010/11 to £174m in 2017/18; and is projected to fall further, to £166m by 2019/20. Grant will have fallen by over 50%, after allowing for inflation, over ten years.
- 2.4 This has resulted in the Council's budget, again on a like for like basis, falling from £358m to an equivalent £277m by 2019/20. These figures, however, mask the fact that additional funding has been required to manage pressures

in statutory social care (both for adults and children). The amount available for all other services has consequently fallen by around 70% in real terms over the same period.

- 2.5 The Council's approach to achieving these substantial budget reductions is based on the following approach:-
- (a) An in-depth review of discrete service areas (the "Spending Review Programme");
 - (b) The building up 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".
- 2.6 The spending review programme is a continuous process. When individual reviews conclude, an Executive decision is taken and the budget is reduced in-year, without waiting for the next annual budget report. Executive decisions are informed by consultation with the public (where appropriate) and the scrutiny function.
- 2.7 Since the 2016/17 budget was approved last February, a number of spending reviews have reported and budget reductions consequently made. Some of these have saved money in 2016/17 as well as later years.
- 2.8 Last February, it was anticipated that all reserves set aside for the managed reserves strategy would be used by 2017/18. However, additional reserves have become available, enabling the strategy to be extended:-
- (a) Savings in 2016/17 arising from spending reviews approved after February have become available to support subsequent budgets;
 - (b) A review of earmarked reserves held by departments has taken place, with the result that £5m has become available for general purposes.
- 2.9 These measures, plus reductions in the annual budget, mean that a very limited level of reserves have now become available to support the 2018/19 budget. Spending reviews approved from now on will extend the strategy further.
- 2.10 Nonetheless, it is abundantly clear that the amount of work still required to achieve estimated savings of £41m by 2019/20 is enormous, notwithstanding the progress that has been made since last year. Even when the full spending review programme is complete, a gap will remain, and work will take place during early 2017 to bridge this. Some extremely difficult decisions will inevitably be required.
- 2.11 The budget provides for a council tax increase of 4%, which is the maximum available to us without a referendum. Half of this increase is for the "social care levy" – the Government has permitted social care authorities to increase tax by more than the 2% available to other authorities, in order to help meet

social care pressures. In practice, increasing our tax by 4% for 4 years will only meet a small proportion of the extra costs we are incurring.

- 2.12 In the exercise of its functions, the City Council (or City Mayor) must have due regard to the Council's duty to eliminate discrimination, to advance equality of opportunity for protected groups and to foster good relations between protected groups and others. The budget is, in effect, a snap-shot of the Council's current commitments and decisions taken during the course of 2016/17. There are no proposals for decisions on specific courses of action that could have an impact on different groups of people. Therefore, there are no proposals to carry out an equality impact assessment on the budget itself, apart from the proposed council tax increase (this is further explained in paragraph 11 and the legal implications at paragraph 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 will be asked to:-

- (a) approve the budget strategy described in this report, and the formal budget resolution for 2017/18 which will be circulated separately;
- (b) note the outcome of the local government finance settlement for 2017/18 (once received);
- (c) note any comments received on the draft budget from scrutiny committees, trade unions and other partners (once received);
- (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 will be adequate during 2017/18, 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.

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4. Budget Overview

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

| | <u>2017/18</u> £m | <u>2018/19</u> £m | <u>2019/20</u> £m |
|--|----------------------|----------------------|----------------------|
| <u>Service budget ceilings</u> | 262.9 | 258.7 | 260.6 |
| <u>Sums to be Allocated to Services</u> | | | |
| Apprentice Levy | 0.6 | 0.6 | 0.6 |
| <u>Corporate Budgets</u> | | | |
| Capital Financing | 13.8 | 13.7 | 13.4 |
| Miscellaneous Central Budgets | (2.7) | (2.5) | (2.3) |
| <u>Future Provisions</u> | | | |
| Inflation | | 3.9 | 7.9 |
| Education Funding Reform | 3.0 | 3.0 | 3.0 |
| Planning provision | | 3.0 | 6.0 |
| <u>Managed reserves Strategy</u> | (20.7) | (4.6) | |
| TOTAL SPENDING | 256.9 | 275.8 | 289.1 |
| <u>Resources – Grant</u> | | | |
| Revenue Support Grant | 48.1 | 38.4 | 28.4 |
| *Business rates top-up grant | 45.7 | 47.2 | 48.8 |
| New Homes Bonus | 9.2 | 5.8 | 5.5 |
| <u>Resources – Local Taxation</u> | | | |
| Council Tax | 99.5 | 104.2 | 109.1 |
| *Business Rates | 53.5 | 55.1 | 56.5 |
| Collection Fund Surplus – Council Tax | 0.8 | | |
| TOTAL RESOURCES | 256.9 | 250.6 | 248.3 |
| Projected tax increase | 4.0% | 4.0% | 4.0% |
| Gap in resources | | 25.2 | 40.8 |
| Underlying gap in resources | 20.7 | 29.8 | 40.8 |

These figures will be revised following the local government finance settlement, once received.

*A revaluation of business rates will take effect from 2017/18. This will increase the amount of rates expected, but lead to a reduction in top-up grant (in theory, to ensure the effects of the revaluation are financially neutral but this is currently a risk). These figures will be revised once the settlement has been received.

- 4.2 Future forecasts are of course volatile and will change.
- 4.3 The forecast gap in 2019/20 makes no allowance for most inflation (other than for pay awards). In real terms, the gap for that year is some £5m higher.

5. **Council Tax**

- 5.1 The City Council’s proposed tax for 2017/18 is £1,408.15 an increase of just below 4% compared to 2016/17.
- 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 2016/17 for a Band D property was as follows:-

| | £ |
|------------------|-----------------|
| City Council | 1,354.01 |
| Police | 183.58 |
| Fire | 61.62 |
| Total tax | 1,599.21 |

- 5.4 The actual amounts people are paying in 2016/17, 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 will set out the precepts issued for 2017/18 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;
- (c) Increases in pay costs, arising from the two year pay increase awarded in June 2016 (1% in each of 16/17 and 17/18).

6.4 Apart from the above, no inflation has been added to departments' budgets for running costs or income, except for an allowance for:-

- (a) Independent sector adult care (1.5%);
- (b) Foster care (1.5%);
- (c) Costs arising from the waste PFI contract (2% - RPI).

6.5 The following spending review decisions have been formally taken since February 2016, and budgets reduced accordingly:-

| | <u>17/18</u> <u>£000</u> | <u>18/19</u> <u>£000</u> | <u>19/20</u> <u>£000</u> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Parks and Open Spaces | 1,200 | 1,350 | 1,500 |
| Substance Misuse | 1,000 | 1,000 | 1,000 |
| Transforming Neighbourhoods | 486 | 647 | 647 |
| Technical Services | 3,407 | 5,870 | 6,970 |
| Regulatory Services | 150 | 150 | 150 |
| | 6,243 | 9,017 | 10,267 |

[This list will be added to as new reviews conclude before the budget is approved].

- 6.6 Additionally, management savings of £400,000 per year have arisen from a review of management in City Development and Neighbourhoods, and have been built into the budget.
- 6.7 A full schedule of reviews included in the programme is provided at Appendix Eight.
- 6.8 The budget ceiling of the Health and Wellbeing Division has been reduced to reflect Government cuts to the public health grant, amounting to £0.7m in 2017/18, and an estimated additional £0.7m in each of 2018/19 and 2019/20.

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. Actions taken, or proposed by the City Mayor, to live within these budgets is described below.

Adult Social Care

7.2 In common with adult care services across the country, the department faces significant cost pressures. These principally arise from:-

- (a) Demographic growth – an ageing population means the number of older people requiring care is increasing (which has been the pattern for many years);
- (b) Increasing frailty and the impact of people having multiple health conditions that increase the level of care and support required (not just in older people, but also for adults of working age who are supported by the Department);
- (c) The National Living Wage – this was introduced by the Government in April 2016, and is due to increase in stages to around £9 by 2020/21. These increases are creating substantial pressures for independent sector care providers, who are heavily dependent on a minimum wage workforce; and they will seek to pass on additional costs to local authorities.

7.3 The Government has partially recognised the difficulties facing adult social care, and has:-

- (a) Permitted social care authorities to increase council tax by 2% per year over and above the referendum limit. This will raise around £1.9m per year, and will increase our total income by some £8m by 2019/20. This is well short of the sums required (as will be seen from the table below);
- (b) Announced a further tranche of Better Care Fund monies, which will amount to £1.5bn nationally by 2020. However, the amount available will be minimal in 2017/18. This is discussed further at paragraph 12 below.

7.4 When the Council set the budget in February 2016, the budget for Adult Social Care had to be increased substantially to meet the cost of the living wage and increased need. Since then, in order to reduce the overall pressures facing the Council, the department has reviewed its budgets. The current position is shown below (which slightly reduces the growth previously approved). Estimates of the cost of the living wage have also been revised since 2016/17:-

| | <u>2016/17</u> <u>£000</u> | <u>2017/18</u> <u>£000</u> | <u>2018/19</u> <u>£000</u> | <u>2019/20</u> <u>£000</u> |
|----------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| National living wage | 4,935 | 7,630 | 10,921 | 14,469 |
| Other pressures | 9,067 | 7,950 | 4,200 | 3,500 |
| Net increase | 14,002 | 15,580 | 15,121 | 17,969 |

7.5 Whilst the department believes it can live within these sums, the position is volatile. Key challenges facing the department are:-

- (a) Managing demand for the service;
- (b) The significant increase in costs of existing service users as their circumstances or conditions change. This is currently being analysed and monitored by the department.

7.6 The service also has to respond to a comparatively high level of working age adults requiring care due to problems of poor health, which have often built up over many years. The potential for prevention work in this area is being addressed by the Public Health Service (see below) and in joint working with the NHS, but the fruits of such work will not be seen for a considerable period of time.

7.7 Actions the department is taking to live within its resources include:-

- (a) On-going review of the cost of existing user packages;
- (b) Ensuring access to service is restricted to those with statutory entitlement;
- (c) Transferring service users from residential care to supported living where possible, which is both cost effective and more popular than residential care. However, the Government has placed the future of Supported Living schemes in jeopardy by the proposed implementation of a housing benefit cap: such a cap would make schemes financially unviable. The Government has recently announced that the cap will not apply to supported living schemes until 2019/20. From this date, additional ringfenced grant funding will be provided to local authorities to address the shortfall between the rent cap and the actual rent (and service charges) paid. It is unclear whether the level of funding will be sufficient. A consultation paper was received on 21st November and is currently being studied.
- (d) Substantial staffing savings which are designed to reduce our staffing complement to a level closer to that of comparative authorities (currently, our care staffing levels exceed those of similar authorities).

Education and Children's Services

7.8 Like adult care, the budget for Education and Children's Services was increased in 2016/17. This reflected substantial cost increases arising from:-

- (a) Numbers of looked after children, where we had experienced significant growth in line with national trends;
- (b) Extra staffing, arising from a national shortage of qualified social workers (and consequent reliance on more expensive agency staff).

7.9 However, measures to address these problems ("growing our own" social workers, and intensive family intervention to divert children from care) were expected to reduce these pressures over time. Consequently, unlike adult social care, the additional money required by the department was expected to reduce in years subsequent to 2016/17. The table below shows the position:-

| | <u>16/17</u> <u>£000</u> | <u>17/18</u> <u>£000</u> | <u>18/19</u> <u>£000</u> | <u>19/20</u> <u>£000</u> |
|----------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| New monies | 10,170 | 7,900 | 6,300 | 6,300 |
| Less use of reserves | (6,962) | | | |
| | <u>3,208</u> | | | |

7.10 All the department's services (other than social care) are subject to review as part of the Council's Spending Review Programme. Proposals have been made to save £4m per annum from Early Help, children's centres and adventure playgrounds. This includes reducing numbers of children's centres from 23 to 12.

7.11 The department is planning the following actions, to ensure it can live within its resources:-

- (a) Continuing and expanding its new approach to preventing children being taken into care. There are currently 2 "Multi Systemic Therapy" (MST) teams – one predominantly for older children (11-17 years) with behavioural difficulties, and one for children aged 6-17 years who have suffered abuse and neglect. The former team has capacity to deal with 40-48 children per year, and the latter around 30 children per year. Subject to evaluation, it is planned to increase the size of the Child Abuse and Neglect Team. The department is also evaluating whether or not to expand the multi-systemic therapy interventions to include a team which will tackle those children already in care and try to return them to their parents. Additional resources are being provided to support a range of pre-proceedings work which will reduce the number of children aged 0-5 coming into care (the MST approach is not suitable for this age range). Funding to implement these measures has

been provided from the DfE, and the Council's own transformation fund;

- (b) Results so far suggest that the strategy to “grow our own” social workers (which involves supporting and training them through their first years of work) is succeeding, and reliance on agency staffing can therefore decline in the coming years;
 - (c) Other areas of service are being considered in order to secure spending review savings of £5m in total (as the early help/children's centres/adventure playgrounds review is only targeting £4m);
 - (d) It is not clear yet how many of the 3,000 unaccompanied children who are being allowed to enter the UK under the “Dubs amendment” will ultimately need to be placed by the Council, and at what cost. This is a critical issue given the potential costs involved: the Government is being asked to ensure these costs are fully funded.
- 7.12 As members will be aware, schools' funding is provided by the Dedicated Schools Grant (DSG), and is outside the scope of the general fund. Funding for individual schools is calculated by reference to a locally determined formula, which is approved by the Schools' Forum. There is also scope to provide some (tightly prescribed) services which support schools from DSG.
- 7.13 The Government has consulted on sweeping changes to the arrangements for schools' funding. This will include replacement of the local funding formula with a national funding formula, and overhaul of the arrangements for using DSG on anything other than schools' individual budgets.
- 7.14 In addition to these proposals, the Government proposes to substantially reduce the amount of Education Services Grant paid to local authorities. This change will take effect in 2017/18. The reduction will be accompanied by certain changes in LEA duties.
- 7.15 No Government response to the consultation has yet been published, although the bulk of the changes have now been deferred until 2018/19.
- 7.16 Taken together, these changes will have knock-on implications for the general fund, and for the time being a provision has been made in corporate budgets (see paragraph 9 below).

City Development and Neighbourhoods

- 7.17 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 brings together divisions responsible for local services in neighbourhoods and communities, economic strategy, tourism, regeneration, the environment, culture, heritage, sport, libraries, housing and property management.

7.18 The department is able to live within its budget for 2017/18. It is also contributing to the savings required by the Council from the Spending Review Programme (in fact, the majority of reviews in the programme are the responsibility of this department). Projects include:-

- (a) Transforming Neighbourhood Services (TNS), which is reviewing local services in the city area by area. In the areas that 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. TNS has also enabled staffing savings to be made, through our organisational review process;
- (b) A review of technical services (facilities management, operational property services, traffic and transport, buildings repairs and maintenance, fleet, stores, energy and environment services). Savings of £10m per annum have been identified and approved, and are in the process of implementation;
- (c) Using Buildings Better, which is an extension of TNS and is reviewing building use throughout the city. In addition to customer facing buildings reviewed by TNS, this programme is looking at operational buildings such as offices and depots, and seeking to reduce the cost of customer contact by means of “channel shift”;
- (d) A review of sports and leisure provision, which is examining how these services can best be run in the future;
- (e) Reviews of Cleansing, Regulatory Services, Arts, Festivals and Museums.

7.19 The main budget pressures facing the department are:-

- (a) Delivering the savings arising from the Technical Services Review, which is a substantial remodelling exercise involving the rationalisation of both staffing structures and occupation of buildings. The savings from this review have already been built into the budget, but close monitoring will be required to ensure it achieves its aims and makes the intended savings;
- (b) Additional landfill tax, arising from a change in legislation relating to the organic content of sand;
- (c) Loss of car park income, arising from sale of the former Granby Halls site.

7.20 These pressures are being addressed through management action.

Corporate Resources and Support

- 7.21 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.
- 7.22 Two substantial spending reviews were completed prior to approval of the 2016/17 budget. These were:-
- (a) A review of support services, which is now saving £3.9m per year. Savings have principally come from the Finance Division; and the Delivery, Communications and Political Governance Division;
 - (b) A review of IT, which has saved £1.2m in 2016/17. Further work is taking place to ensure the full savings of £2.4m per year will be achieved, on time, by 2017/18.
- 7.23 The department is able to manage within its budget ceilings for 2016/17, having absorbed new spending pressures. These pressures include reductions in the housing benefit administration grant, which now amount to £2m per year compared to 2010/11, despite a largely similar caseload.
- 7.24 The main budget pressures facing the department are:-
- (a) Pressures in the Revenues and Benefits Service, as benefit claimants are gradually transferred 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. The transfer is also likely to adversely affect our ability to collect overpaid housing benefit, as DWP will prioritise other debts when making deductions from continuing benefit;
 - (b) Pressures arising from welfare reform, and an expected increase in numbers of residents requiring emergency support (this used to be funded by a DWP grant, which has now ceased);
 - (c) Difficulties in recruiting and retaining qualified legal staff, in the face of additional workload arising from spending reviews and regeneration projects. In particular, there are concerns about our ability to recruit and retain experienced childcare lawyers;
 - (d) An increasing number of cyber-attacks are being experienced by our IT network, requiring additional expenditure to safeguard our systems and data.
- 7.25 These pressures are being addressed through management action.

Public Health

- 7.26 The budget ceiling of the Health and Well Being Division has been reduced to reflect government cuts to specific grant (the Public Health Grant), as described at paragraph 6 above. A reduction of £0.7m is expected in 2017/18, followed by an estimated £0.7m per year in each of 2018/19 and 2019/20.
- 7.27 Spending reductions will be achieved by:-
- (a) Consolidation of a range of children's public health services (school nurses, health visiting and healthy child programme) into a single contract, which will save an estimated £1.3m per year;
 - (b) A review of lifestyle services to develop a single integrated service, focussing predominantly on high risk working age adults. NHS monies to co-fund this service are being sought.

8. Sums to be Allocated to Services

- 8.1 The budget for the **apprentice levy** will meet the cost of a new tax imposed on large employers, which the Government will ringfence for apprentice training. Precise sums will be allocated to departments in due course. This tax amounts to 0.5% of pay costs; sums will also be required from the HRA and individual schools. The Council will have a digital account, out of which we can pay for any training we provide for our apprentices. Work is taking place to establish how we can best utilise this account to help move towards the Government's apprenticeship targets, and to offset the costs of the levy.

9. Corporately held Budgets

- 9.1 In addition to the service budget ceilings, some budgets are held corporately. These 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 controlled to a cash ceiling, and is managed by the Director of Finance. Costs which fall to be met by this budget are driven by the Council's approved treasury management strategy, which will be approved by the Council in January. This budget is declining over time, as the Government now provides grant in support of capital expenditure instead of its previous practice of providing revenue funding to service debt.
- 9.3 **Miscellaneous central budgets** include external audit fees, pensions costs of some former staff, levy payments to the Environment Agency, 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.

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 in 2018/19 and 19/20;
 - (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 Paragraph 7 above describes the Government's proposals for **education funding reform**. Whilst details remain unclear, and the major aspects will not be implemented until 2018/19, there will be knock on implications for general fund services: cuts will be made to Education Services Grant (ESG) and some services currently paid for by Dedicated Schools Grant will need to be traded with schools or cease altogether. The ESG cuts will take effect in 2017/18. Whilst the Education and Children's Services Department will make some cuts to mitigate these changes, there will be some resultant cost – the Government is unwinding the current framework which enables us to share some school support costs with the schools themselves. A provision has thus been made for any funding reductions which the department will be unable to mitigate.
- 10.4 A **planning provision** has been set aside to manage uncertainty. Our general policy is to set aside a cumulative £3m per year, each year for the duration of the strategy. This can then be removed in subsequent budget reports, to the extent that it has not been utilised elsewhere (the sum set aside in the 16/17 budget, for instance, has now been used as a provision for the costs of education funding reform).

11. **Budget and Equalities (Irene Kszyk)**

- 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, and through its practices aimed at ensuring fair treatment for all and the provision of appropriate and culturally sensitive services that meet local people's needs.
- 11.2 In accordance with section 149 of the Equality Act, the Council must "have due regard", when making decisions, to the need to meet the following aims of our Public Sector Equality Duty:-
- (a) eliminate 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 When making decisions, the Council (or City Mayor) must be clear about any equalities implications of the course of action proposed. In doing so, it must consider the likely impact on those likely to be affected by the recommendation; their protected characteristics; and (where negative impacts are anticipated) mitigating actions that can be taken to reduce or remove that negative impact.
- 11.5 This report seeks the Council's approval to the proposed budget strategy. The report sets out financial ceilings for each service which act as maxima above which the City Mayor cannot spend (subject to his power of virement). However, decisions on services to be provided within the budget ceilings are taken by managers or the City Mayor separately from the decision regarding the budget strategy. Therefore, the report does not contain details of specific service proposals. However, the budget strategy does recommend a proposed council tax increase for the city's residents. As the recommended increase could have an impact on those required to pay it, an assessment has been carried out to inform decision makers of the potential equalities implications. This is provided at Appendix Five.
- 11.6 In a nutshell, the likely impact on a household depends on whether or not the household is reliant on social security benefits.
- 11.7 The assessment suggests a very limited impact on the household finances of council tax payers who are not dependent on social security benefits: the increase will be readily mitigated by increased levels of household discretionary income which have been seen nationally (assuming these levels continue). However, the country may face a more uncertain economic future as a result of the referendum to leave the European Union. Future negative impacts on household incomes could undermine the premise this equality impact assessment is based on. However, these are as yet unknown, and the EIA sets out the known potential impacts and the sources used to identify these.
- 11.8 Some households reliant on social security benefits are likely to be adversely affected. This follows from a forecast increase in inflation (2.7% according to the Bank of England) and further implementation of the Government's welfare reforms. That said, the increase in tax alone contributes only a small increase in weekly costs for many benefit dependent households. The Council also has a number of mitigating actions in place to provide support in instances of short term financial crisis.
- 11.9 Locally, Council services provide (or fund) a holistic safety net including the provision of advice, personal budgeting support, and signposting provision of necessary household items. It is important to note that these mitigating

actions are now the sole form of safety net support available to households in the city. A House of Commons Works and Pensions Committee report in January ('The local welfare safety net') describes this devolution of discretionary support to those in short term financial crisis to local government. There is now no other source of Government support available.

- 11.10 Leicester is ranked as the 21st most deprived local authority in the country. In addition to provision of a 'local welfare safety net', council services seek to address inequalities of opportunity that contribute to this deprivation. They do this by seeking to improve equality of outcomes for those residents that we can directly support. The role of Adult Social Care is crucial in this context, and the approval of the additional 2% of council tax to maintain this service provision for a growing number of elderly people will directly contribute to improved outcomes related to health; personal safety; and personal identity, independence and participation in community life.
- 11.11 Our public sector equality duty is a continuing duty, even after decisions have been made and proposals have been implemented. Periodically we review the outcomes of earlier decisions to establish whether mitigating actions have been carried out and the impact they have had. The spending review programme enables us to assess our service provision from the perspective of the needs of individual residents. This "person centred" approach to our decision making ensures that the way we meet residents' needs with reducing resources can be kept under continuous review – in keeping with our Public Sector Equality Duty.

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.
- 12.2 Funding of local authorities changed in 2013/14, when we started to keep 50% of business rates. (Prior to 2013/14, business rates were handed over in their entirety to the Government, and recycled to local authorities on the basis of a formula). Government grant support now principally consists of:-
- (a) **Revenue Support Grant (RSG)**. This is the main grant which the Government has available to allocate at its own discretion. Consequently, cuts to local authority funding are substantially delivered through reductions in RSG (and the methodology for doing this has disproportionately disadvantaged deprived authorities). The impact on the city has been dramatic (RSG is reducing from £133m in 2013/14, to an estimated £28m in 2019/20). In 2016/17, the Government offered, and we accepted, a four year certainty deal which means the grant figures for 2017/18 to 2019/20 are fixed, "barring exceptional circumstances." As part of the four year certainty offer, the Council published an efficiency plan which can be found on the City Mayor's website;

- (b) A **top-up to local business rates**. The local authority sector keeps 50% of business rates collected, with the balance paid to the Government. In recognition of the fact that different authorities' ability to raise rates does not correspond to needs, a top-up is paid to less affluent authorities (authorities with substantial numbers of highly rated businesses pay a tariff into the system, which funds these top-ups). The amount of our top-up grant was first calculated in 2013/14, and has not changed since, except for inflation. The grant will, however, be re-calculated as part of the 2017/18 settlement. As part of a regular cycle of revaluations, the rates of individual businesses have been re-assessed and will change with effect from April. The Government's intention is that local authorities should neither lose nor gain from the revaluation, and the top-up will be re-calculated as a consequence (the revaluation will see rates in Leicester increase by more than the national average, so our top-up grant will be reduced). [Once we have the final settlement, this report will be amended accordingly.] It should be added that the Government lacks the data to properly calculate the impact of the revaluation on top-up grant, so proxies will be used – we do not yet know how much difference this will make. More importantly, however, the calculation of the top-up grant needs to allow for an expected substantial number of appeals by businesses against the new values. Whether this allowance is adequate or not also remains to be seen, but will be a significant risk for the future (in the first two years of business rates retention, appeals cost local authorities almost twice the amount Government had assumed);
- (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. The system of New Homes Bonus is expected to change, and the Government wishes to reduce the amount it pays by £800m per year. Until now, the grant for each new house has been paid for six years, and the Government has proposed to reduce this to four. More detail about this may be available as part of the local government finance settlement.

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 Some specific grants are subject to change:-

- (a) The **Education Services Grant** is being cut as part of education funding reforms, as described at paragraphs 7 and 10 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 the proposed cuts to New Homes Bonus (described above); the remainder is reflected in the amount available for Revenue Support Grant. Only £100m of this money is expected to be made available in 2017/18.

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. Unlike previous rounds of BCF, the new tranche will be made available as a grant to local government. It is vital that the full amount is made available for adult social care, which we believe is the Government's intent (previous rounds have involved projects sponsored by both local authorities and the NHS).

- 12.5 The Institute for Fiscal Studies (IfS) has calculated the disproportionate impact of funding cuts on deprived authorities. Since 2009/10, the 10% of authorities most reliant on grant have seen budget cuts averaging 33% in real terms. The 10% of authorities least reliant on grant have seen cuts averaging 9%. This is a consequence of various changes in the funding regime which have had different impacts, and (to some extent) contravened the Government's stated intentions. The IfS states that "the overall impression is of rather confused, inconsistent and opaque policymaking."
- 12.6 Paradoxically, the local government finance settlement for 2016/17 provided some extra, transitional money to authorities who unexpectedly lost out from a change to the way RSG cuts were calculated in 2016/17. This transitional money has generally been made available to more affluent authorities, and the final payment will be made in 2017/18. The Government has refused requests for information on how these allocations have been calculated.

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 retains 50% of the rates collected locally, with the other 50% being paid to central government. 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 Rates due from individual businesses are calculated with reference to "rateable value" (RV). This is a sum calculated for each business by the Valuation Office Agency (a government agency), and for most properties the main driver of RV is rental values. Rateable value is multiplied by a nationally

set “multiplier”, to calculate gross rates due from which any exemptions or reliefs are deducted.

- 13.4 The Government asks the Valuation Office Agency to recalculate RVs every five years (although the revaluation due in 2015 was deferred). The next revaluation will take effect in 2017/18, and provisional lists of values are available now. Total RV in Leicester will increase by 17%, considerably higher than the national average of 10% and the East Midlands average of 7%. To a large extent, this reflects changes in rental values arising from successful regeneration of the city – we are by this measure a victim of our own success.
- 13.5 Business rates payable by Leicester businesses will be based on the new rateable values, although the multiplier will be lower than it otherwise would have been (the Government seeks to ensure that the total national yield does not increase as a result of revaluation). There will also be a transitional scheme which will phase in increases and decreases over time. Nonetheless, many Leicester businesses will see substantial increases in due course.
- 13.6 In advance of the local government finance settlement, we have estimated rates income based on the old rateable values. These will be reviewed prior to the final report being presented to Council, although (as discussed at paragraph 12 above) we would expect any increase in rates to be offset by reductions in top-up grant.
- 13.7 Our estimates of rates income will also require us to forecast the amount of income we will lose as a consequence of successful appeals: this is likely to be significant, and difficult to estimate (particularly given the scale of increases in RV). The cost ought to be allowed for in our top-up grant, but there is a real risk that this will be insufficient. This has been reflected in current estimates.
- 13.8 The Council is part of a “business rates pool” with 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 those areas. Conversely, if district councils’ rates decline, this transfers risk to the pool authorities. (Oddly, our own rates do not affect the pool). In 2015/16, the pool made a substantial surplus of £2.7m: £0.7m of this was retained as a contingency, and £2m was paid to the LEP for area wide regeneration projects. A surplus of £4m is also forecast for 2016/17. Forecasting the pool surplus in 2017/18 is extremely difficult, given the impact of revaluation, and the impact of future appeals adds a new level of risk. A decision can be taken to disband the pool if the finance settlement suggests that the risk in 2017/18 would be too great.
- 13.9 The Government is planning to introduce 100% business rates “by 2020” (which could be 19/20 or 20/21). 100% business rates retention means local government will keep 100% of rates, not just the current 50%. As a consequence, RSG will cease. By 2019/20, 50% of national rates will exceed 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. How the change will affect us locally is not known – the Government plans to carry out a re-assessment of need which may be to our benefit (depending on how it is done). The City Mayor has responded to a consultation on 100% business rates retention, which took place over the summer. The table at paragraph 4.1 shows forecast RSG in 2019/20, thereby assuming that 100% business rates retention (if implemented) will be neutral.

Council Tax

- 13.10 Council tax income is estimated at £99.5m in 2017/18, based on a tax increase of just below 4%. For planning purposes, a tax increase of just below 4% has also been assumed in 2018/19 and 2019/20.
- 13.11 The Council is unable to increase tax by 4% or more without first seeking endorsement by means of a local referendum. The “referendum limit” is 2% higher than it is for authorities generally: 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 some £8m, 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. The Government will partially address this in the way it distributes the proposed additional BCF monies. However, a comparison of the amount the Council will receive over 3 years from the combined 2% and additional BCF has been carried out by Sigoma. This suggests the Council will receive £1.7m less than it would have done compared to the needs formula for adult social care. Deprived authorities generally are in the same position. Surrey, by contrast, will be £18m better off.

Collection Fund Surpluses/Deficits

- 13.12 Collection fund surpluses arise when more tax is collected than assumed in previous budgets. Deficits arise when the converse is true.
- 13.13 The Council has a **council tax collection fund surplus** of £0.8m, after allowing for shares paid to the police and fire authorities.
- 13.14 No surplus or deficit is currently forecast in respect of business rates.

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 discussed 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 to 2015/16, and drawing down reserves in later years. This policy has bought time to more fully consider how to make the substantial cuts which are necessary. The 2016/17 budget was heavily dependent on the use of reserves, although some remain to support 2017/18 and 2018/19.

14.4 The managed reserves strategy will be extended as far as we can:-

- (a) Following a review of earmarked reserves during 2016/17, £4.9m has been identified as no longer required and added to the monies set aside for the managed reserves strategy;
- (b) The rolling programme of spending reviews enables any in-year savings to extend the strategy. Additional money has been made available since the 2016/17 budget was set, and future reviews should enable further contributions to be made.

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

| | 2016/17 | 2017/18 | 2018/19 |
|------------------------------------|----------------|----------------|----------------|
| | £m | £m | £m |
| Brought forward | 40.9 | 25.2 | 4.6 |
| Additional spending review savings | 3.3 | | |
| Earmarked reserves review | 4.9 | | |
| Planned use | (23.9) | (20.7) | (4.6) |
| Carried forward | 25.2 | 4.6 | NIL |

15. Earmarked Reserves

15.1 Appendix Six shows the Council's earmarked revenue reserves. These are set aside for specific purposes.

15.2 As stated above, departmental earmarked reserves have been reviewed; the purposes for which each was held have been challenged, and consequently £4.9m has been made available to support the managed reserves strategy. Appendix Six shows the estimated year end balances of departmental reserves as at period 6 in 2016/17.

15.3 Appendix Six also shows the Council's non-departmental earmarked reserves, and reserves which are ringfenced by law.

15.4 The appendix repeats the information shown in the Revenue Monitoring report for period 6, considered by Overview Select Committee in December, 2016.

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 2017/18 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 2017/18.

16.5 There are also risks in the 2017/18 budget arising from:-

(a) Ensuring spending reviews which have already been approved, but not yet implemented, deliver the required savings. The most significant of these is the Technical Services review, which is discussed further at paragraph 7 above;

(b) Achievability of estimated rates income (although technically any shortfall will appear as a collection fund deficit in the 2018/19 budget). The key concern is the extent to which ratepayers will successfully appeal their new valuations, although there are still appeals outstanding from the previous revaluation which would result in backdated reductions if successful.

16.6 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;

(d) Costs arising from the education funding reforms, over and above those for which provision has already been made.

16.7 A further risk arises from the implementation of the National Living Wage. This has effectively removed bands 1 and 2 from our pay structure, meaning differentials have ceased to be meaningful at the lower ends of the pay scale.

The LGA is currently reviewing the pay spine, with a view to making it fit for purpose again: recommendations have not yet been made, although it is hard to see what could be recommended other than wage increases to pay bands just above the national living wage.

16.8 Further risk is economic downturn, nationally or locally. This could result in new cuts to Revenue Support Grant (the Government has reserved its position over 4 year certainty, in the event of a substantial downturn); falling business rate income; and increased cost of council tax reductions for taxpayers on low incomes. It could also lead to a growing need for council services and an increase in bad debts. The decision to leave the EU may have increased this risk.

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

- (a) A minimum balance of £15m reserves will be maintained;
- (b) A planning contingency is included in the budget from 2018/19 onwards (£3m per annum accumulating);
- (c) Savings from the Council's minimum revenue provision policy are being saved until they are required (see paragraph 19).

16.10 Subject to the above comments, I believe the Council's general and earmarked reserves to be adequate. I also believe estimates made in preparing the budget are robust. (Whilst no inflation is provided for the generality of running costs in 2017/18, 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 Comments on the draft budget will be sought from:-

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

17.2 Comments received will be included in the final version of this report.

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, and the indicators are of limited value.

- 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 approach in November, 2015, and the proposed policy for 2017/18 is shown at Appendix Four.
- 19.2 The proposed MRP policy results in revenue account savings when compared to the old approach, although these are paper rather than real savings – they result from a slower repayment of historic debt.
- 19.3 The proposed budget for 2017/18 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 2018/19 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/Emma Horton)**

- 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 2017/18, 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 will undertake tailored consultation exercises with wider stakeholders.
- 21.5 As set out at paragraph 2.12, 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

30th November 2016

Appendix One

Budget Ceilings

1. City Development & Neighbourhoods

1.1 Local Services and Enforcement

| | | | | | |
|-----------------------------|-----------------|----------------|------------|--------------|-----------------|
| Divisional Management | 202.7 | 0.0 | 1.7 | 204.4 | |
| Regulatory Services | 4,398.5 | (50.0) | 55.2 | 4,403.7 | |
| Waste Management | 15,248.4 | 0.0 | 285.9 | 15,534.3 | |
| Parks & Open Spaces | 4,122.9 | (430.0) | 102.4 | 3,795.3 | |
| Neighbourhood Services | 5,910.5 | (111.0) | 40.4 | 5,839.9 | |
| Standards & Development | 715.9 | 0.0 | 11.3 | 727.2 | |
| Divisional sub-total | 30,598.9 | (591.0) | 0.0 | 496.9 | 30,504.8 |

1.2 Tourism, Culture & Inward Investment

| | | | | | |
|-----------------------------|----------------|------------|------------|-------------|----------------|
| Arts & Museums | 4,985.0 | 0.0 | 25.9 | 5,010.9 | |
| De Montfort Hall | 969.7 | 0.0 | 18.9 | 988.6 | |
| City Centre | 324.5 | 0.0 | 1.8 | 326.3 | |
| Inward Investment | 192.7 | 0.0 | 1.9 | 194.6 | |
| Economic Development | 457.2 | 0.0 | 10.5 | 467.7 | |
| Markets | (388.1) | 0.0 | 6.6 | (381.5) | |
| Management - TCII | 55.0 | 0.0 | 1.8 | 56.8 | |
| Divisional sub-total | 6,596.0 | 0.0 | 0.0 | 67.4 | 6,663.4 |

1.3 Planning, Transportation & Economic Development

| | | | | | |
|-------------------------------|-----------------|---------------|------------|-------------|-----------------|
| Transport Strategy | 8,403.5 | 0.0 | 29.6 | 8,433.1 | |
| Traffic Management | 1,526.4 | 0.0 | 35.2 | 1,561.6 | |
| Highways Design & Maintenance | 6,199.5 | (50.0) | 2.2 | 6,151.7 | |
| Planning | 1,057.1 | 0.0 | 21.5 | 1,078.6 | |
| Divisional Management | 194.5 | 0.0 | 2.0 | 196.5 | |
| Divisional sub-total | 17,381.0 | (50.0) | 0.0 | 90.5 | 17,421.5 |

1.5 Investment

| | | | | | |
|-----------------------------|----------------|------------|------------|-------------|----------------|
| Property Management | 6,813.5 | 0.0 | 68.6 | 6,882.1 | |
| Environment team | 329.4 | 0.0 | 3.0 | 332.4 | |
| Energy Management | 635.9 | 0.0 | 7.0 | 642.9 | |
| Divisional sub-total | 7,778.8 | 0.0 | 0.0 | 78.6 | 7,857.4 |

1.6 Housing Services

| | | | | | |
|--|----------------|------------|------------|-------------|----------------|
| | 4,414.7 | 0.0 | 0.0 | 61.2 | 4,475.9 |
|--|----------------|------------|------------|-------------|----------------|

1.7 Departmental Overheads

| | | | | | |
|--|--------------|------------|------------|------------|--------------|
| | 657.0 | 0.0 | 0.0 | 1.6 | 658.6 |
|--|--------------|------------|------------|------------|--------------|

1.8 Fleet Management

| | | | | | |
|--|--------------|----------------|------------|------------|-------------|
| | 111.8 | (103.0) | 0.0 | 1.8 | 10.6 |
|--|--------------|----------------|------------|------------|-------------|

| | | | | | |
|--------------------------------|------------|------------------|------------|------------|------------------|
| Savings to be allocated | 0.0 | (1,816.5) | 0.0 | 0.0 | (1,816.5) |
|--------------------------------|------------|------------------|------------|------------|------------------|

| | | | | | |
|---------------------------|-----------------|------------------|------------|--------------|-----------------|
| DEPARTMENTAL TOTAL | 67,538.2 | (2,560.5) | 0.0 | 798.0 | 65,775.7 |
|---------------------------|-----------------|------------------|------------|--------------|-----------------|

| | 2016/17 budget £'000s | Spending Review savings £'000s | Social care pressures £'000s | Inflation £'000s | Budget 2017/18 £'000s |
|--|-----------------------------|---|------------------------------------|---------------------|-----------------------------|
| 2. Adults | | | | | |
| 2.1 Adult Social Care & Safeguarding | | | | | |
| Other Management & support | 1,752.7 | 0.0 | | 13.9 | 1,766.6 |
| Safeguarding | 543.0 | 0.0 | | 6.9 | 549.9 |
| Preventative Services | 7,914.0 | 0.0 | | 72.6 | 7,986.6 |
| Independent Sector Care Package Costs | 75,522.0 | 0.0 | | 1,179.8 | 76,701.8 |
| Care Management (Localities) | 7,274.2 | 0.0 | | 74.7 | 7,348.9 |
| Divisional sub-total | 93,005.9 | 0.0 | 0.0 | 1,347.9 | 94,353.8 |
| 2.2 Adult Social Care & Commissioning | | | | | |
| Enablement & Day Care | 4,723.7 | 0.0 | | 48.2 | 4,771.9 |
| Care Management (LD & AMH) | 5,426.0 | 0.0 | | 53.7 | 5,479.7 |
| Preventative Services | 3,746.3 | 0.0 | | 2.1 | 3,748.4 |
| Contracts, Commissioning & Other Support | 2,695.3 | 0.0 | | 30.0 | 2,725.3 |
| Substance Misuse | 5,282.7 | 0.0 | | 0.0 | 5,282.7 |
| Departmental | (12,396.0) | 0.0 | 1,578.0 | 4.8 | (10,813.2) |
| Divisional sub-total | 9,478.0 | 0.0 | 1,578.0 | 138.8 | 11,194.8 |
| 2.3 City Public Health & Health Improvement | | | | | |
| Sexual Health | 4,390.6 | 0.0 | | 0.0 | 4,390.6 |
| NHS Health Checks | 521.0 | 0.0 | | 0.0 | 521.0 |
| Children 0-19 | 10,367.5 | 0.0 | | 0.0 | 10,367.5 |
| Smoking & Tobacco | 972.0 | 0.0 | | 0.0 | 972.0 |
| Substance Misuse | 327.0 | 0.0 | | 0.0 | 327.0 |
| Physical Activity | 1,623.2 | 0.0 | | 0.0 | 1,623.2 |
| Health Protection | 55.0 | 0.0 | | 0.0 | 55.0 |
| Public Mental Health | 234.0 | 0.0 | | 0.0 | 234.0 |
| Public Health Advice & Intelligence | 90.0 | 0.0 | | 0.0 | 90.0 |
| Staffing & Infrastructure | 1,288.7 | 0.0 | | 0.0 | 1,288.7 |
| Sports Services | 3,491.8 | 0.0 | | 54.0 | 3,545.8 |
| Divisional sub-total | 23,360.8 | 0.0 | 0.0 | 54.0 | 23,414.8 |
| 2.4 Public Health grant income | (28,214.0) | 0.0 | 0.0 | 0.0 | (28,214.0) |
| DEPARTMENT TOTAL | 97,630.7 | 0.0 | 1,578.0 | 1,540.7 | 100,749.4 |

| | 2016/17 budget £'000s | Spending Review savings £'000s | Social care pressures £'000s | Inflation £'000s | Budget 2017/18 £'000s |
|---|-----------------------------|---|------------------------------------|---------------------|-----------------------------|
| 3. Education & Children's Services | | | | | |
| 3.1 Strategic Commissioning & Business Support | | | | | |
| Divisional Budgets | 640.9 | 0.0 | | 7.3 | 648.2 |
| Operational Transport | (111.6) | 0.0 | | 0.0 | (111.6) |
| Divisional sub-total | 529.3 | 0.0 | 0.0 | 7.3 | 536.6 |
| 3.2 Learning Quality & Performance | | | | | |
| Raising Achievement | 1,872.4 | 0.0 | | 17.8 | 1,890.2 |
| Adult Skills | (870.4) | 0.0 | | 0.0 | (870.4) |
| School Organisation & Admissions | 794.8 | 0.0 | | 5.0 | 799.8 |
| Special Education Needs and Disabilities | 6,783.5 | 0.0 | | 27.2 | 6,810.7 |
| Divisional sub-total | 8,580.3 | 0.0 | 0.0 | 50.0 | 8,630.3 |
| 3.3 Children, Young People and Families | | | | | |
| Children In Need | 9,490.1 | 0.0 | | 58.9 | 9,549.0 |
| Looked After Children | 33,448.7 | 0.0 | 4,692.0 | 221.1 | 38,361.8 |
| Safeguarding & QA | 2,128.5 | 0.0 | | 21.0 | 2,149.5 |
| Early Help Targeted Services | 8,948.7 | 0.0 | | 86.5 | 9,035.2 |
| Early Help Specialist Services | 5,266.4 | 0.0 | | 56.6 | 5,323.0 |
| Divisional sub-total | 59,282.4 | 0.0 | 4,692.0 | 444.1 | 64,418.5 |
| 3.4 Departmental Resources | | | | | |
| Departmental Resources | (5,677.7) | 0.0 | | 6.7 | (5,671.0) |
| Education Services Grant | (4,468.1) | 0.0 | | 0.0 | (4,468.1) |
| Divisional sub-total | (10,145.8) | 0.0 | 0.0 | 6.7 | (10,139.1) |
| DEPARTMENTAL TOTAL | 58,246.2 | 0.0 | 4,692.0 | 508.1 | 63,446.3 |
| 4. Corporate Resources Department | | | | | |
| 4.1 Delivery, Communications & Political Gover | 5,685.6 | 0.0 | 0.0 | 33.8 | 5,719.4 |
| 4.2 Financial Services | | | | | |
| Financial Support | 6,218.9 | 0.0 | | 70.6 | 6,289.5 |
| Revenues & Benefits | 5,767.9 | 0.0 | | 81.1 | 5,849.0 |
| Divisional sub-total | 11,986.8 | 0.0 | 0.0 | 151.7 | 12,138.5 |
| 4.3 Human Resources | 3,963.2 | 0.0 | 0.0 | 42.2 | 4,005.4 |
| 4.4 Information Services | 10,084.6 | (1,200.0) | 0.0 | 64.0 | 8,948.6 |
| 4.5 Legal Services | 2,017.1 | 0.0 | 0.0 | 38.0 | 2,055.1 |
| DEPARTMENTAL TOTAL | 33,737.3 | (1,200.0) | 0.0 | 329.7 | 32,867.0 |
| GRAND TOTAL -Service Budget Ceilings | 257,152.4 | (3,760.5) | 6,270.0 | 3,176.5 | 262,838.4 |

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 incur costs for which there is provision in miscellaneous corporate budgets, except that any policy decision requires the approval of the City Mayor;
 - (b) the City Mayor may determine the use of the provision for Education Funding reform.

Earmarked Reserves

10. Earmarked reserves may be created or dissolved by the City Mayor. In creating a reserve, the purpose of the reserve must be clear.
11. 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.

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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:

| | 2017/18 Estimate % | 2018/19 Estimate % | 2019/20 Estimate % |
|--------------|-----------------------------------|-----------------------------------|-----------------------------------|
| General Fund | 5.4 | 5.5 | 5.4 |
| HRA | 11.4 | 11.9 | 12.3 |

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

| | 2017/18 Estimate £ | 2018/19 Estimate £ |
|--------------------|-----------------------------------|-----------------------------------|
| Band D council tax | 0.0 | 0.0 |
| HRA rent | 0.0 | 0.0 |

3. Indicators of Prudence

- 3.1 The forecast level of capital expenditure to be incurred for the years 2016/17 and 2017/18 (based upon the Council capital programme, and the proposed budget and estimates for 2017/18) are:

| Area of expenditure | 2016/17 Estimate £000s | 2017/18 Estimate £000s |
|-----------------------------------|------------------------------|------------------------------|
| Children's services | 20,467 | 41,310 |
| Young People | 438 | 1,097 |
| Resources ICT | 951 | 1,880 |
| Transport | 15,271 | 45,333 |
| Cultural & Neighbourhood Services | 7,350 | 1,298 |
| Environmental Services | 2,375 | 284 |
| Economic Regeneration | 41,679 | 28,864 |
| Adult Care | 934 | 15,571 |
| Public Health | 390 | 120 |
| Property | 7,769 | 2,715 |
| Vehicles | 501 | 3,100 |
| Housing Strategy & Options | 2,121 | 3,600 |
| Corporate Loans | 1,000 | - |
| | | |
| Total General Fund | 101,246 | 145,172 |
| | | |
| Housing Revenue Account | 22,080 | 17,130 |
| | | |
| Total | 123,326 | 162,302 |
| | | |

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

| | 2016/17 Estimate £m | 2017/18 Estimate £m | 2018/19 Estimate £m | 2019/20 Estimate £m |
|--------------|---------------------------|---------------------------|---------------------------|---------------------------|
| General Fund | 364 | 347 | 330 | 313 |
| HRA | 213 | 212 | 211 | 211 |

4. Treasury Limits for 2017/2018

- 4.1 The Treasury Strategy which includes a number of prudential indicators required by CIPFA's prudential code for capital finance has been included as part of a separate report to 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. A different approach may also be adopted for other projects which aim to achieve a return.

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Equality Impact Assessment

1. The purpose of this appendix is to present the equalities impact of the proposed 3.99% council tax increase.
2. **Purpose of the increase**
 - 2.1 There are two elements to the proposed tax increase:
 - (a) A 2% increase to address Adult Social Care funding needs outlined in the budget strategy;
 - (b) A 1.99% increase in council tax to enable the council to maintain its budgeted policy commitments.
3. **Who is affected by the proposal?**
 - 3.1 Since April 2013, as a consequence of the Government's welfare reforms, all working age households in Leicester have been required to contribute towards their council tax bill. Our current council tax reduction scheme (CTRS) 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.
 - 3.2 NOMIS¹ figures for the city's working age population (June 2016) indicated that there are 159,000 economically active residents in the city, of whom 6.6% are unemployed. As of February 2016, there were 32,000 working age benefit claimants (14.0% of the city's working age population of 229,000), with 25,000 of these in receipt of out of work benefits. The working age population is inclusive of all protected characteristics.
4. **How are they affected?**
 - 4.1 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 a reduction under the CTRS.
 - 4.2 For band B properties (80% of the city's properties are in bands A or B), the proposed annual increase in council tax is £42.11; the minimum annual increase for households eligible under the CTRS would be £8.42.

¹ NOMIS is an Office for National Statistics web based service that provides free UK labour market statistics from official sources.

| Band | No. of Households | Weekly Increase | Maximum Relief (80%) | Minimum Weekly Increase |
|--------------|--------------------------|------------------------|-----------------------------|--------------------------------|
| A- | 243 | £0.58 | £0.46 | £0.12 |
| A | 80066 | £0.69 | £0.55 | £0.14 |
| B | 26153 | £0.81 | £0.65 | £0.16 |
| C | 15485 | £0.92 | £0.65 | £0.27 |
| D | 6732 | £1.04 | £0.65 | £0.39 |
| E | 3279 | £1.27 | £0.65 | £0.62 |
| F | 1459 | £1.50 | £0.65 | £0.85 |
| G | 597 | £1.73 | £0.65 | £1.08 |
| H | 39 | £2.08 | £0.65 | £1.43 |
| | | | | |
| Total | 134053 | | | |

5. Risks over the coming year:

- 5.1 One of the main risks to household income over the coming year is increased inflation. The November 2016 forecast by the Bank of England anticipates a CPI inflation rate of 2.7% in the third quarter of 2018, arising from the drop in value of the pound. Some industry sources expect an increase of up to 5% in food prices over the next year. Because food takes up a larger proportion of low income household expenditure, and their income levels have been squeezed by the Government's welfare reforms (ASDA tracker, June 2016), increases in food prices will have the most significant impact on these households.
- 5.2 Another area of cost increase could be fuel and oil, as a result of the decision by OPEC to reduce its supplies to the energy markets. Costs rose by 6% in September 2016 as result of this decision alone. It is likely we will see increases in fuel and energy costs over time as a result of this OPEC decision.
- 5.3 Incomes of households reliant on social security benefits continue to be squeezed with the Government's continued implementation of the welfare reform programme. There are a range of specific reductions alongside the far ranging freeze in the level of benefits until 2020. This will reduce the ability of low income households to respond to the above anticipated inflationary

pressures, particularly in regard to the cost of food. The chart below gives an indication of anticipated decreases in household incomes by 2020/21, as a consequence of post 2015 welfare reforms:-

| | |
|--|-------------|
| Couple – one dependent child | £900 p.a. |
| Couple – two or more dependent children | £1,450 p.a. |
| Lone parent – one dependent child | £1,400 p.a. |
| Lone parent – two or more dependent children | £1,750 p.a. |
| Single person working age household | £250 p.a. |

Source: Centre for Regional Economic and Social Research/Sheffield Hallam University report: “The uneven impact of welfare reform – the financial losses to places and people” (March 2016).

6. **Offset by current trends:**

- 6.1 There has been a continuing decrease in the percentage of the working age population unemployed in Leicester (NOMIS): June 2016, 6.6%, (down from June 2015, 7.7%; June 2014, 11.8%; and June 2013, 13.9%).
- 6.2 The supermarket ASDA tracks household expenditure. The tracker for June 2016 indicated that the national increase in average household discretionary income was £10 per week compared to June 2015. However, the level of increase is starting to be affected by inflationary rises for essential household items. The tracker nonetheless found that wage growth remains well about the inflation rate.
- 6.3 The Joseph Rowntree Foundation’s annual “Minimum Income Standard” for 2016 highlighted the emerging trend of families seeking more economical ways of maintaining their standard of living, by shopping around and using the internet for price comparisons. They cited weekly savings of £7 in fuel costs for a family with children by switching suppliers. The Minimum Income Standard also observed that a significant proportion of childcare costs for families in receipt of Universal Credit and tax credits were being covered for them (by 85% and 70% respectively); and that the introduction by the Government of free childcare for 3 and 4 year olds will further ease pressures on household incomes for those with young children.

7. **Overall impact:**

- 7.1 Any increased costs will be a problem for some households with limited incomes, as they will be squeezed by the next round of welfare reforms alongside anticipated inflationary increases of many basic household items such as food and fuel.
- 7.2 The weekly increase in council tax, however, is small for many of these households, as can be seen from the table above.

8. Mitigating actions:

- 8.1 For residents likely to experience short term financial crises as a result of the cumulative impacts of the above risks, the Council has a range of mitigating actions. These include: funding through Discretionary Housing Payments; the council's work with voluntary and community sector organisations to provide food to local people where it is required – through the council's or partners' food banks; and through schemes which support people getting into work (and include cost reducing initiatives that address high transport costs such as providing recycled bicycles).

9. What protected characteristics are affected?

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

Analysis of impact based on protected characteristic

| Protected characteristic | Impact of proposal: | Risk of negative impact: | Mitigating actions: |
|--------------------------|--|---|---|
| Age | <p>Older people are least affected – they receive protection from inflation in the uprating of state pensions; and 100% reductions are available under the CTRS.</p> <p>Working age people bear the impacts of welfare reform reductions – particularly those with children. Whilst an increasing proportion of working age residents are in work, national research indicates that those on low wages are failing to get the anticipated uplift of the National Living Wage. The tax increase could have an impact on such household incomes.</p> | <p>Working age households – incomes squeezed through low wages and reducing levels of benefit income, along with anticipated inflation.</p> | <p>Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing household budgets.</p> |
| Disability | <p>Disability benefits have been reduced over time as thresholds for support have increased. The tax increase could have an impact on such household incomes.</p> | <p>Further erode quality of life being experienced by disabled people as their household incomes are squeezed further by anticipated inflation.</p> | <p>Disability benefits are disregarded in the assessment of need for CTRS purposes. Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing budgets.</p> |

| Protected characteristic | Impact of proposal: | Risk of negative impact: | Mitigating actions: |
|---------------------------------------|---|--|---|
| Gender Reassignment | No disproportionate impact is attributable specifically to this characteristic. | | |
| Marriage and Civil Partnership | Couples receive benefits if in need, irrespective of their legal marriage or civil partnership status. No disproportionate impact is attributable specifically to this characteristic. | | |
| Pregnancy and Maternity | Maternity benefits will not be frozen and therefore kept in line with inflation. However, other social security benefits will be frozen, but without disproportionate impact arising for this protected characteristic. | | |
| Race | Those with white backgrounds are disproportionately on low incomes (indices of multiple deprivation) and in receipt of social security benefits. Some BME are also low income and on benefits. The tax increase could have an impact on such household incomes. | Household income being further squeezed through low wages and reducing levels of benefit income, along with anticipated inflation. | Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing household budgets. |

| Protected characteristic | Impact of proposal: | Risk of negative impact: | Mitigating actions: |
|---------------------------|---|---|---|
| Religion or Belief | No disproportionate impact is attributable specifically to this characteristic. | | |
| Sex | Disproportionate impact on women who tend to manage household budgets and are responsible for childcare costs. Women are disproportionately lone parents. | Incomes squeezed through low wages and reducing levels of benefit income, along with anticipated inflation. | If in receipt of Universal Credit or tax credits, a significant proportion of childcare costs are met by these sources. Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing household budgets. |
| Sexual Orientation | No disproportionate impact is attributable specifically to this characteristic. | | |

| Earmarked Reserves | | Appendix Six |
|--|--------------------------------------|---------------------------------------|
| Earmarked Revenue Reserves-Departmental | Balance at 1st April 2016 | Forecast Balance 31-3-2017 |
| | <i>{£000}</i> | <i>{£000}</i> |
| <u>Adult Care</u> | | |
| Adult and Children's Social Care IT System (Liquidlogic) | 354 | 193 |
| Amount required to balance 16/17 budget | 331 | - |
| <u>Children's</u> | | |
| Amount required to balance 16/17 budget | 5,005 | - |
| <u>City Development (excluding Housing)</u> | | |
| Strategic Reserve | 1,139 | 954 |
| Central Maintenance Fund | 436 | - |
| On Street Parking - commitments | 432 | - |
| Other CDN | 1,078 | 637 |
| <u>Housing</u> | | |
| Provision for Bed & Breakfast Costs | 400 | 400 |
| Other Housing | 966 | 829 |
| <u>Public Health</u> | | |
| Outdoor Gyms Reserve | 727 | - |
| Provision for Severance Costs | 910 | 410 |
| Food Growing Hubs Initiative (17/18) | 93 | 93 |
| <u>Corporate Resources</u> | | |
| Replacement of Finance System | 1,250 | 1,250 |
| Service Analysis Team | 624 | 624 |
| Channel Shift Reserve | 1,702 | 1,702 |
| ICT Development Fund | 2,156 | 2,156 |
| PC Replacement Fund | 939 | 939 |
| Surplus Property Disposal Costs | 1,000 | 1,000 |
| Electoral Services | 619 | 619 |
| Legal Services Divisional Reserve | 521 | 521 |
| Election Fund | 1,020 | 1,020 |
| Strategic Initiatives | 500 | 500 |
| Other Corporate Resources | 2,339 | 1,800 |
| TOTAL DEPARTMENTAL RESERVES | 24,541 | 15,647 |

| | <u>Balance at 1st April 2016</u> <i>{£000}</i> |
|-------------------------------------|--|
| <u>Corporate Reserves</u> | |
| Earmarked Reserves Declared Surplus | 4,914 |
| Managed Reserves Strategy | 40,936 |
| BSF Financing | 24,812 |
| Capital Programme Reserve | 17,125 |
| Severance Fund | 8,094 |
| Insurance Fund | 11,121 |
| Service Transformation Fund | 6,135 |
| Welfare Reform Reserve | 4,533 |
| Other Corporate Reserves | 2,249 |
| Total Corporate Reserves | 119,919 |
| <u>Ringfenced Monies</u> | |
| NHS Joint Working Projects | 5,275 |
| DSG not delegated to schools | 16,705 |
| School Capital Fund | 2,829 |
| Schools Buy Back | 923 |
| Primary PRU Year-End Balance | 71 |
| Secondary PRU Year-End Balance | 175 |
| Schools' Balances | 19,583 |
| Total Ringfenced Monies | 45,561 |

Comments from Partners

[To complete later]

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Spending Review Programme

| | Review | Summary | Savings Reported (£m) | Outstanding Savings (£m) |
|-----|-------------------------------------|--|------------------------------|---------------------------------|
| 1. | Corporate Resources | In implementation. | 3.9 | Nil |
| 2. | Transforming Neighbourhood Services | Reviewing community use buildings on an area by area basis (libraries, community centres, adult skills, customer service centres). | 0.9 | 0.8 |
| 3. | Voluntary and Community Services | Complete. | 0.1 | Nil |
| 4. | HRA Charging | Complete (decisions taken). | 4.0 | Nil |
| 5. | Sports and Leisure | Review of Council's direct sports provision and sports development. | | 2.0 |
| 6. | Parks and Open Spaces | In implementation. | 1.5 | Nil |
| 7. | Park and Ride | Service expected to become self-financing. | | 0.2 |
| 8. | External Communications | Complete. | 0.1 | Nil |
| 9. | Substance Misuse | Complete. | 1.0 | Nil |
| 10. | Welfare Advice | Decision taken. | 0.2 | Nil |
| 11. | Investment Property. | Review of property assets held for investment income. | | 0.6 |
| 12. | IT | Complete, in implementation. | 2.4 | Nil |
| 13. | Homelessness Services | Review of services to prevent homelessness. Service already restructured to focus on prevention; savings of £0.8m achieved. | 0.8 | 0.7 |
| 14. | Technical Services | Covers facilities management, operational property services, traffic and transport, repairs and maintenance of all buildings (including housing), fleet management, stores, energy, environment team. In implementation. | 10.1 | 0 |
| 16. | Children's Services | All services provided by Education and Children's Services, other than schools and social care. | | 5.0 |
| 17. | Regulatory Services | Protective services including neighbourhood protection, business regulation, pest control, licensing and community safety. | 0.2 | 0.8 |
| 18. | Cleansing and Waste | City and neighbourhood cleansing, litter disposal, waste collection and disposal (including PFI arrangements). | | 2.5 |
| 19. | City Centre | Services provided by City Centre Division, including tourism. | 0.1 | |

| | Review | Summary | Savings Reported £m | Savings Outstanding (£m) |
|-----|---------------------------------------|---|--------------------------------|-------------------------------------|
| 20. | Using Buildings Better | Extends scope of Transforming Neighbourhoods to review other neighbourhood buildings (depots and local non-customer facing offices). Revenue savings will arise from channel shift and staff accommodation. | | 2.0 |
| 21. | Arts Organisations | De Montfort Hall and grants to Curve/Phoenix. | | 0.7 |
| 22. | Museums | Cost of managing and running buildings and collections. Scope does not include removal of free admission. | | 0.7 |
| 23. | Car Parking and Highways Maintenance | Maximise net income and reduce cost of operating car parks; and increase available surplus from on-street parking. Review options for savings in highways division. | | 0.7 |
| 24. | Festivals | Review of Council support to festivals. | | 0.1 |
| 25. | Community and Voluntary Organisations | Review support to a number of VCS bodies supported by Community Services. | | TBD |
| 26. | Parks standards and development | Efficiency savings. | | 0.2 |
| 27. | Community Capacity Building | Revisit current arrangements with Voluntary Action Leicester and other projects. | | 0.2 |
| 28. | Civic and Democratic Services | Democratic and civic functions. | | 0.2 |
| 29. | Departmental Administration | Review of departmental administrative services with view to rationalisation, automation, management of admin and removal of duplication. | | 1.0 |
| 30. | Adult Learning | Aim to increase the £0.8m currently contributing to Council support. Service is entirely grant funded, and finance input will be required to ensure grant conditions are complied with. | | 0.4 |
| 31. | Advice Services (follow up) | Review of internal and external advice services provided by internal Welfare Rights Service, STAR service and external organisations. Aims to eliminate duplicate provision. | | 0.5 |

| | Review | Summary | <u>Savings Reported</u> <u>£m</u> | <u>Savings Outstanding</u> <u>(£m)</u> |
|-----|-----------------|---|--|---|
| 32. | Health Services | Ongoing review of services promoting health, including Health and Wellbeing Division; and services contributing to healthy lifestyles. Savings cannot be made to extent that service is funded by ringfenced public health grant. | | TBD |

Total

25.2

19.4

NB: This appendix will be brought up to date for any new approvals between now and February 2017.

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