
Revenue Budget 2024/25

Decision to be taken by: Council

Date of meeting: 21 February 2024

Lead director: Amy Oliver, Director of Finance



City Mayor

Useful information

■ Ward(s) affected:

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■ Report version number: 1

1. **Purpose**

- 1.1 The purpose of this report is to present the City Mayor's proposed budget for 2024/25 and to describe the future financial outlook.
- 1.2 The proposed budget is described in this report, subject to any amendments the City Mayor may wish to recommend when he makes a firm proposal to the Council.

2. **Summary**

- 2.1 The medium term financial outlook is the most severe we have ever known. Like many authorities, we face the real probability of not being able to balance our budget in 2025/26, necessitating a formal report under section 114 of the Local Government Finance Act 1988 (indeed, some authorities appear to be in that position already). In previous years, we have used a "managed reserves policy", by which specific reserves have been set aside to support budgets and buy us time to make cuts. Without new money from the Government, the proposed budget will exhaust these reserves. The Council also holds a £15m emergency reserves balance, some of which looks like it will need to be spent in 2024/25.
- 2.2 The background to this severe outlook is:
 - (a) a "decade of austerity" between 2010 and 2020 in which services other than social care had to be reduced by 50% in real terms. This has substantially reduced the scope to make further cuts;
 - (b) the covid-19 pandemic where we set "stop gap" budgets whilst we dealt with the immediate emergency. Budgets in 2021/22 to 2022/23 were supported by managed reserves;
 - (c) recent cost pressures, shared by authorities across the country. These include pressures on the costs of children looked after and support for homeless households, as well as the long-standing pressures in adult social care and the hike in inflation. The budget for 2023/24 was supported by a further £34m of managed reserves;
 - (d) a new round of austerity is expected, which will lead to further cuts to local authority funding from 2025/26. Meanwhile cost pressures have continued to mount since we set the 2023/24 budget, most notably in children's services and support for the homeless.
- 2.3 As yet, we only have national information, and have had to prepare a draft budget without the benefit of our own local funding settlement. This has required us to

make assumptions based on a share of national amounts. The report assumes that no new Government funding will be forthcoming.

- 2.4 The “fair funding” review of local government finance has been continuously delayed, meaning that most of the data on which our funding is based is now at least 10 years old (and disregards, for instance, increases in the city’s population).
- 2.5 The Government’s chosen measure of a council’s ability to spend is “core spending power”. This core spending power consists of a number of funding sources with only a small element being provided by Government Grant. This budget implies a core spending power increase of £23.8m being 6.9%. The Government may point to this as a reason why local authorities have a received an above inflation increase, but as this report indicates it does not come close enough to fund our forecast pressures.
- 2.6 Additionally, core spending power is predominantly raised locally and not provided by central government. In 2023/24 only 25% of core spending power came from government grant
- 2.7 The budget reflects savings of £10m which have been achieved during 2023/24 and approved separately. This, however, is dwarfed by the £40m of unavoidable service growth we have had to build in, and which is further explained in section 6 below. The City Mayor has made national representations about the extremely serious effect current government funding policy will have on the entire sector, but so far there has been no indication that this will be addressed.
- 2.8 We will continue to make further savings. However, it is clear that the budget needs a root and branch review if we are to have any hope of balancing the budget for 2025/26. Inevitably, this means a lot of discretionary services will be under threat. Such a review will commence in January. We have also commissioned a peer review which will be carried out early in 2024 by the Local Government Association. This will either help us identify additional savings, or provide evidence of the impossibility of the challenge.
- 2.9 The budget proposes a tax increase of just under 5%, which is the maximum we believe we will be allowed to set without a referendum.
- 2.10 The medium term outlook is attached as Appendix Four and shows the escalating scale of the financial pressures facing the council.

3. **Recommendations**

- 3.1 At its meeting in February, the Council will be asked to:
 - (a) approve the budget strategy described in this report;
 - (b) approve a formal budget resolution, which sets the council tax level for 2024/25;
 - (c) approve the budget ceilings for each service, drafts of which are shown at Appendix One to this report;

- (d) approve the scheme of virement described in Appendix Two to this report;
- (e) note my view on the adequacy of reserves and the estimates used in preparing the budget;
- (f) note the equality implications arising from the proposed tax increase, as described in paragraph 11 and Appendix Three;
- (g) note the medium term financial strategy and forecasts presented at Appendix Four, and the significant financial challenges ahead;
- (h) note that the Executive is not recommending any changes to the Council Tax Support Scheme in 2024/25, but intends to consult on a new “banded scheme” in time for the 2025/26 budget (section 8). The making of savings in the cost of the scheme will be explored at the same time.
- (i) subject to consultation, approve any changes in Council Tax premiums that will be described in a separate appendix.

4. **Budget Overview**

- 4.1 The table below summarises the proposed budget for 2024/25 (summary projections for a three-year period are included in the medium term strategy at Appendix Four):

	2024/25 £m
Service budget ceilings	375.5
Corporate Budgets	
Inflation provisions and contingencies	25.2
Capital Financing	2.7
Miscellaneous Corporate Budgets	2.0
Demographic pressures provision	8.0
Total forecast spending	413.4
Rates retention scheme:	
Business rates income	76.4
Top-up payment	62.0
Revenue Support Grant	34.7
Other resources:	
Council Tax	153.1
Collection Fund surplus	0.6
Social Care grants	32.1
Other grants	2.0
Total forecast resources	260.9

Underlying gap in resources	52.5
Use of Managed Reserves	43.6
Use of General Fund Emergency Balance	8.9
Gap in resources	NIL

- 4.2 The draft budget forecasts are uncertain, because we have had to prepare them before getting details of funding from the government. However, it is clear that the future financial position is very serious.

5. Construction of the Budget and Council Tax

- 5.1 By law, the Council's role in budget setting is 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") - proposed budget ceilings are shown at Appendix One;
- 5.2 In line with Finance Procedure Rules, Council must also approve the scheme of virement that controls subsequent changes to these ceilings. The proposed scheme is shown at Appendix Two.
- 5.3 The draft budget is based on a proposed Band D tax for 2024/25 of £1,924.63, an increase of just under 5% compared to 2023/24. This is believed to be the maximum which will be permitted without a referendum.
- 5.4 The tax levied by the City Council constitutes only part of the tax Leicester citizens have to pay (albeit the major part – 84% in 2023/24). Separate taxes are raised by the Police and Crime Commissioner and the Combined Fire Authority. These are added to the Council's tax, to constitute the total tax charged.
- 5.5 The actual amounts people will be paying, however, depend upon the valuation band their property is in and their entitlement to any discounts, exemptions or benefit. Almost 80% of properties in the city are in band A or band B, so the tax will be lower than the Band D figure quoted above. The Council also has schemes for mitigating hardship.
- 5.6 The Police and Crime Commissioner and Combined Fire Authority will set their precepts in February 2024. The formal resolution will set out the precepts issued for 2024/25, together with the total tax payable in the city.

6. Departmental Budget Ceilings

- 6.1 Budget ceilings have been prepared for each service, 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) An allowance is made for non-pay inflation on a restricted number of budgets. Our general rule is that no allowance is made, and departments are expected to manage with the same cash sum that they had in the previous year. Exceptions are made for the budgets for independent sector adult social care (2%) and foster care (2%) but as these areas of service are receiving growth funding, an inflation allowance is merely academic (we pay from one pot rather than another). Budgets for the waste PFI contract have been increased by RPI, in line with contract terms. A sum of £5m has been allocated to reset budgets based on current energy prices.
 - (c) Unavoidable growth has been built into the budget, as described in the sections below;

- (d) As discussed in the summary, action is being taken to reduce budgeted spend, and where decisions have already been taken budget ceilings have been reduced (this process will continue up to approval of the final budget).
- 6.2 The proposed budget ceilings are set out in Appendix One.
- 6.3 The local government pay award for 2023/24 was agreed in November 2023. Modelling of the cost suggests it will be an average 6.2% across the Council's (non-schools) employees. For this draft budget, the amount is held in a central provision, but will be added to service budget lines for the final budget. A further central provision is held to fund the 2024/25 pay award, forecast at 5%. Additionally, reflecting the extreme volatility of some budgets, a further £8m has been set aside in a central provision which will only be released if needed.
- 6.4 The role of the Council is to determine the financial envelopes within which the City Mayor has authority to act. Notwithstanding the way the budget has been constructed, the law does not enable the Council to determine how the City Mayor provides services within these envelopes: this is within his discretion.

Adult Social Care

- 6.5 Adult social care services nationally have been facing severe cost pressures for some years, and these are expected to continue.
- 6.6 The demand for service looks to continue accelerating in future years, as a consequence of increases in the level of need of the average care recipient and pressure on providers due to National Living Wage increases, as well as ongoing rising numbers of adults requiring care. For 2024/25 the budget has been increased by £13.7m as a result of these impacts.
- 6.7 The government has generally responded to growth pressures on an ad-hoc basis, making one-off resources available year by year. Indicative (national) funding totals for 2023/24 and 2024/25 were announced in autumn 2022, and our estimate of our share is included in this draft budget. We have no indication of any further increases in funding.
- 6.8 The Autumn Statement is on 22nd November 2023, and this report will be further updated with any announced additional funding for pressures in adult social care.
- 6.9 The proposed budget includes growth of £13.7m in 2024/25 (net of standard inflation of 2%) for the increased costs of packages of support, estimated to rise to £30.5m by 2025/26. The 2024/25 growth takes account of the continuation of the government's discharge and workforce improvement grants totalling £4.6m. However, it is not expected that these grants will increase in 2025/26 hence the larger cost increase in 2025/26.
- 6.10 In year increases in package costs for people with existing packages of care has been a substantial ongoing budget pressure. Significant work is now being undertaken to reduce future pressures in this area. This work includes reviewing existing working practices and identifying best practice and embedding that across all social work teams together with increasing alternative non-adult social care provision to support increased needs. This includes change and

improvement to support designed to reduce people's need for formal care, social work assessment, and commissioning practice. The budget assumes that this work will have a positive impact, but this will be challenging and clearly there remains a risk of exceeding the budget.

Education and Children's Services

- 6.11 In common with authorities across the country, increased demand for children's social care services has created substantial budget pressure for many years.
- 6.12 A forecast of placement costs in 2024/25 and 2025/26 has been made, and £17.2m added to the budget for 2024/25. The forecast builds on a budget that is already under pressure (it is expected to overspend in 2023/24). It assumes that non-UASC (unaccompanied asylum seeking children) entrants into the care system continue at the same level as in 2023/24, and that there is further growth in UASC children becoming looked after until the government target of 0.1% of the city 0-17 population is reached. 2023/24 has been notable for the unusually high average placement costs of new entrants. This is as a result of some particular placements requiring high levels of support, together with price pressure from providers.
- 6.13 Work is continuing to take place to reduce placement costs:
- (a) Regular review of long-term, emergency and high cost placements;
 - (b) Substantial work began in August 2023 with the consultancy firm Impower who were commissioned to undertake an analysis of placements and the match between costs and assessed needs. This helpful analysis of a large cohort of children in higher cost placements (182, 20% of the overall population), has already identified several cohorts of placements that will be the subject of targeted activity to address mismatches in cost versus level of need to generate significant savings. This work will take place in 2023/24 and 2024/25.
 - (c) An extensive review of our internal resources (fostering and children's homes) to ensure that the capacity and resilience of these are maximised.
 - (d) Business cases will be put forward for capital investment to expand our internal children's home resources over the next 5 years.
 - (e) The need to increase the number of foster carers is clear and work is ongoing to make the council website more accessible to attract more enquiries. The training and support levels will also be reviewed to avoid placement breakdown.
 - (f) A review of council resources deployed to prevent entry into care will also be completed with a view to refocusing/retargeting resources to have

greater impact for those children and young people at greater risk of becoming looked after.

- (g) A strengthening of the role of commissioning in sourcing placements will also take place and a tighter focus on contract management and capping cost inflation will be deployed to limit the impact of demands by providers for uplifts.
- (h) Work with the ICB to agree joint funding solutions for complex, high-need children;

- 6.14 The budget assumes a lower average placement cost for new entrants in 2024/25. In part this is because of the work outlined above; but also there is a variation in the percentages of different placement types (and therefore average cost) from year to year and therefore it is more appropriate to look at average placement percentages over a longer period to determine future entrance costs to smooth out this variation. There is of course a risk with this approach if a particular variation is a new ongoing trend, but placement cost will continue to be monitored through routine budgetary control reports.
- 6.15 A further £2.5m has been added to the department's budget. £0.5m of this relates to increasing pressure on legal and translation budgets for children's social care. Legal has had significant difficulties in recruiting permanent staff and has had to rely on locums to meet demand which is more costly.
- 6.16 £1.4m of the £2.5m is to address the continued pressure on home to school transport budgets mainly for SEND children but also for children looked after. These pressures have been highlighted in the 2023/24 revenue monitoring report which are a result of increasing numbers of pupils with education, health and care plans (EHCPs) requiring transport support and continued price pressure from taxi firms.
- 6.17 The remaining £0.6m of the £2.5m addresses equally a rising demand for respite payments for disabled children together with a substantial loss of previously traded casework with schools by the Education Welfare service. The DfE have made this work a statutory duty for local authorities and have decided, inexplicably, that the change does not meet the threshold for new burdens funding.
- 6.18 In addition to the General Fund budget, Dedicated Schools Grant (High Needs Block, HNB) budgets for children and young people with special educational needs and disabilities continue to be under severe pressure. In common with most authorities, the Council has a deficit on its DSG reserve estimated to stand at £11.7m by the end of 23/24 resulting from unavoidable overspends. This is a national issue and in fact, most authorities are in a significantly worse position than Leicester.
- 6.19 In 2020, the government introduced a statutory override for a period of 3 years to the end of March 2023 which meant that local authorities' DSG deficits could not

be funded from their general reserves. The intention was to prevent council tax services being cut to fund these DSG deficits. Of course, whilst this means that the LA does not have to 'fund' these deficits on a permanent basis currently, it does have to find the cash to pay for the deficits, meaning the LA's cash position is lower than it would otherwise be. Following a 'gathering of evidence' from LAs in the summer of 2022, government confirmed in the local government finance policy statement published in December 2022, that the statutory override would be extended for a further 3 years to end in March 2026. This budget has been prepared on the basis of that extension.

- 6.20 In keeping with other local authorities we have prepared a draft deficit recovery plan, which all authorities with deficits are required to do. We are currently still in discussion with the DfE regarding the details of the plan, however the DfE have confirmed that it is not currently their intention to put Leicester into one of their two intervention programmes – the 'delivering better value' programme or the 'safety valve' programme. Leicester is however part of the 'SEND and alternative provision change programme partnership' with LLR and the DfE which begins late 2023. This DfE funded programme is intended to allow local authorities to 'road test' the ideas and approaches outlined in the DfE's SEND improvement plan to bring high needs costs under control alongside wider SEND system reform.
- 6.21 The main issue for Leicester is the step change in demand for EHCPs post pandemic. Numbers of plans agreed have doubled since the years immediately prior to the pandemic. We need a system wide change to address this which, whilst still recognising the child's needs, means that those needs can be addressed to a much greater extent within existing resources within mainstream settings. This will require a culture change and the adoption of the best practice for inclusivity across all schools.

City Development and Neighbourhoods

- 6.22 Homelessness is currently a significant pressure in 2023/24, as a consequence of insufficient homes being available for rent at or below the level of the local housing allowance, meaning more families cannot afford a roof over their heads. This will be compounded by the Government's plans to fast-track the cases of asylum seekers currently being housed in hotels in the city.
- 6.23 Growth of £5m has been added to the budget to meet costs of accommodation for increasing numbers of families presenting as homeless. This remains a high risk area – if demand continues to increase at current rates, further growth will be required. There is a plan to address the needs of homeless families through the Housing Revenue Account, which will provide partial relief.
- 6.24 Other areas of the department's budget are relatively predictable (compared with social care and homelessness services), and the department is expected to be able to live within its resources.

Health and Wellbeing

- 6.25 The division, together with a number of services provided by other departments, is paid for from the public health grant. This grant is ring-fenced for defined public health purposes wherever they are provided in the Council. General Fund monies have also been spent on public health services, both before and after 2013/14 when the function transferred from the NHS.
- 6.26 The future of public health grant is unclear. It is not known whether it will remain as a separate grant when local government funding reforms are eventually introduced: previous proposals have suggested it will be included in general funding arrangements.
- 6.27 The department is able to live within its resources in 2024/25, and no budget growth is proposed.

Corporate Resources Department

- 6.28 The department primarily provides internal support services together with leading on good corporate governance, but also some public facing services such as benefits, collection of council tax, customer contact and sports services. The department has made considerable savings in recent years in order to contribute to the Council's overall savings targets. It has nonetheless achieved a balanced budget each year.
- 6.29 Whilst the budget is broadly balanced, a number of factors may lead to budget pressures in the department, most notably in respect of the cost of living crisis affecting demand for Revenues & Benefits and Customer Services; and pressures in Legal Services.

7. Corporately held Budgets and Provisions

- 7.1 In addition to the services' budget ceilings, some budgets are held corporately. These are described below.
- 7.2 The budget for **capital financing** represents the cost of interest and debt repayment on past years' capital spending, less interest received on balances held by the council. The net cost has reduced recently due to increasing interest rates leading to better returns on balances (while the majority of our borrowing is on fixed rates and is not affected by interest rate variations in the short term). As we spend our reserves, however, interest on balances will fall. As shown in the Treasury Management Strategy (elsewhere on your agenda) it is likely we will need to borrow in 2024/25, and these costs are reflected in the budget.
- 7.3 **Miscellaneous central budgets** include external audit fees, pension costs of some former staff, levy payments to the Environment Agency, bank charges, general insurance costs, money set aside to assist council tax payers suffering hardship and other sums it is not appropriate to include in service budgets. These budgets are partially offset by the effect of recharges from the general fund into other statutory accounts of the Council.

8. **Resources**

- 8.1 At the time of writing, the local government finance settlement for 2024/25 has not been published. Current estimates of government funding we will receive are therefore based on information included in the government's fiscal statements, and are liable to change.
- 8.2 The majority of the council's core funding comes from business rates; government grant funding; and council tax. Service-specific sources of funding, such as fees & charges and specific grants, are credited to the relevant budget ceilings, and are part of departmental budgets.

Business rates and core grant funding

- 8.3 Local government retains 50% of business rates collected locally, with the balance being paid to central government. In recognition of the fact that different authorities' ability to raise rates do not correspond to needs, there are additional elements of the business rates retention scheme: a top-up to local business rates, paid to authorities with lower taxbases, and Revenue Support Grant (RSG).
- 8.4 Government decisions in recent years have reduced the amount of rates collected from businesses, by limiting annual increases in the multiplier used to calculate rates and by introducing reliefs for various classes of business. The government's practice is to compensate authorities for lost income due to changes to the scheme. So many changes have been made in recent years that by 2023/24 compensation made up around a third of the "rates" income received by the Council. The complexity of these changes, and the fact that a single ratepayer may be affected by several overlapping changes, makes it difficult to accurately estimate rates income; the estimates in this draft report are the best we can make at present. In practice, we believe that the system of business rates is becoming unsustainable in its current form.
- 8.5 The figures in the draft budget assume no significant growth or decline in "rates" from the current position, apart from inflationary increases. In effect, we are assuming we will get £ for £ compensation for all changes the Government is making which affect payable rates (which is likely). These figures will be revised for the final budget to be approved in February.
- 8.6 The majority of other funding streams in previous budgets, including the New Homes Bonus and Services Grant, have been sharply cut in recent years.

Council tax

- 8.7 Council tax income is estimated at £153.6m in 2024/25, based on an assumed tax increase of just below 5% (the maximum allowed without a referendum). The proposed tax increase includes an additional "social care levy" of 2%, designed to help social care authorities mitigate the growing costs of social care. Since our tax base is relatively low for the size of population, the levy raises just £2.9m per year.

- 8.8 The estimated council tax base has remained largely flat since last year's budget; this appears to be the result of slower housebuilding numbers, and a growing number of exempt properties (mostly student accommodation).
- 8.9 It is proposed that no changes to the council tax support scheme are made in 2024/25, but we intend to consult on a "banded scheme" to be introduced in 2025/26. Such a scheme works by placing claimants' weekly income into a band. Council tax support is awarded by reference to the band, without differentiation. If a claimant's income changes, no recalculation of support is required unless the change is significant enough to place them in a different band. Claimants benefit from such a scheme as they know in advance what support they will get from month to month, and our own administration process would be simpler. The scheme can be devised so that certain types of income are disregarded to protect the most vulnerable customers (e.g. disability living allowance or personal independence payments). Significantly, the approach provides more flexibility when seeking to achieve savings. It allows for local priorities to be considered, and the effects forecast: following analysis an informed decision can be reached. The current model does not facilitate this.

Other grants

- 8.10 The majority of grant funding is treated as income to the relevant service departments and is not shown separately in the table at paragraph 4.1. The most substantial grant held corporately is the **Social Care Grant**, which has been provided each year since 2016/17 to reflect national cost and demographic pressures. It has been increased several times since then, and is now a significant amount. In 2023/24, our share of this funding was over £28m, and a further increase is planned for 2024/25. We do not yet know how this will be allocated to authorities; the budget assumes a share similar to previous social care funding allocations.

Collection Fund surplus / deficit

- 8.11 Collection fund surpluses arise when more tax is collected than assumed in previous budgets. Deficits arise when the converse is true.
- 8.12 The Council has an estimated **council tax collection fund deficit** of £1.0m, after allowing for shares to be paid by the police and fire authorities. This largely relates to numbers of exempt properties being higher than expected when the budget was set.
- 8.13 The Council has an estimated **business rates collection fund surplus** of £1.6m. Because of changes to reliefs in recent years that were funded by government grants, the actual collection fund position is distorted and various technical accounting adjustments (that will balance out over the years) are required.

9. **Managed Reserves Strategy**

- 9.1 Since 2013, the Council has employed a managed reserves strategy, contributing money to reserves when savings are realised and drawing down reserves when needed. This policy has bought time to more fully consider how to make the recurrent cuts which have been necessary in nearly every budget year.
- 9.2 As at April 2023, resources available for the strategy totalled £65.8m. A significant proportion of this will be required to balance the budget in the current financial year. A review of one-off resources available has identified £8.5m that can be released from the capital reserve to support the revenue budget.
- 9.3 Unless further savings are found, or the Government provides more money, the draft budget will require £52.0m of support from reserves in 2024/25, which exceeds the amount available, and will require the use of the General Fund emergency balance. This also leaves no resources to offset pressures in 2025/26, and indicates that a section 114 report will become a probability:

	£m
Available to support budget as at 1/4/2023	65.8
Additional funding identified	8.5
Estimated amount Required in 2023/24	(30.7)
Estimated amount required for 2024/25 budget	(52.5)
Shortfall for 2024/25 to be funded from Emergency Balance	<u>(8.9)</u>

- 9.4 The Council has long held a £15m minimum working balance of reserves (the emergency pot). As can be seen, we look set to draw from this reserve in 2024/25.

10. **Earmarked Reserves**

- 10.1 In addition to our general reserves, the Council also holds earmarked reserves which are set aside for specific purposes. These include ringfenced funds which are held by the Council but for which we have obligations to other partners or organisations; departmental reserves, which are held for specific services; and corporate reserves, which are held for purposes applicable to the organisation as a whole.
- 10.2 A review of earmarked reserves is being finalised to identify any that can be released to minimise the call on the General Fund Emergency Balance for 2024/25. The final report will include a summary of earmarked reserves currently held, as well as their planned usage.
- 10.3 The planned use of earmarked reserves will be monitored through the regular revenue budget monitoring process, and reported to members throughout each financial year.

11. **Budget and Equalities**

- 11.1 The Council is committed to promoting equality of opportunity for its residents; both through its policies aimed at reducing inequality of outcomes, and through its practices aimed at ensuring fair treatment for all and the provision of appropriate and culturally sensitive services that meet local people's needs.
- 11.2 In accordance with section 149 of the Equality Act 2010, the Council must "have due regard", when making decisions, to the need to meet the following aims of our Public Sector Equality Duty :-
- (a) eliminate unlawful discrimination;
 - (b) advance equality of opportunity between those who share a protected characteristic and those who do not;
 - (c) foster good relations between those who share a protected characteristic and those who do not.
- 11.3 Protected groups under the public sector equality duty are characterised by age, disability, gender reassignment, pregnancy/maternity, race, religion or belief, sex and sexual orientation.
- 11.4 When making decisions, the Council (or decision maker, such as the City Mayor) must be clear about any equalities implications of the course of action proposed. In doing so, it must consider the likely impact on those likely to be affected by the recommendation; their protected characteristics; and (where negative impacts are anticipated) mitigating actions that can be taken to reduce or remove that negative impact.
- 11.5 The budget does not propose any service changes which will have an impact on residents. Where appropriate, an individual Equalities Impact Assessment for any service changes will be undertaken when these decisions are developed.
- 11.6 The budget does recommend a proposed council tax increase for the city's residents. The City Council's proposed tax for 2024/25 is £1,924.63, an increase of just below 5% compared to 2023/24. 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 includes the potential impacts of alternative options.
- 11.7 A number of risks to the budget are addressed within this report (section 12 below). If these risks are not mitigated effectively, there could be a disproportionate impact on people with particular protected characteristics and therefore ongoing consideration of the risks and any potential disproportionate equalities impacts, as well as mitigations to address disproportionate impacts for those with particular protected characteristics, is required.

12. **Risk Assessment and Estimates**

- 12.1 Best practice requires me to identify any risks associated with the budget, and Section 25 of the Local Government Act 2003 requires me to report on the adequacy of reserves and the robustness of estimates.
- 12.2 This requires a judgement to be made, which is now hard given the volatility of some elements of the budget and the depletion of our reserves. In practice, the budget is replete with risk.
- 12.3 The most significant issue in developing the 2024/25 budget has been ongoing cost pressures in demand-led service areas, particularly social care and support for homeless households. These have risen very steeply during 2023/24 and there is no guarantee this will not happen again.
- 12.4 Setting the final budget will also depend on the funding settlement from central government, expected in December, current indications are that there is no additional grant funding for local authorities.
- 12.5 The budget seeks to manage these risks as follows:
- (a) £6m of emergency balances remain;
 - (b) A provision for demographic pressures of £8m per year has been included in the budget;
 - (c) In theory, the Council can also draw on the capital finance reserve. This is essentially a capital resource that has been “switched” with revenue (behind the scenes) over many years, in part to provide flexibility for times such as these. Using it would, however, force us to cut the approved capital programme or borrow, leading to future revenue cost, so it must be seen very much as a last resort.
- 12.6 Subject to the above comments, I believe our reserves can just about be considered adequate and that the estimates made in preparing the budget are sufficiently robust to allow the budget to be approved. If demand pressures again rise in the way that they have in 2023/24, I will need to consider whether section 114 of the Local Government Finance Act, 1988, requires me to write a formal report on the basis that our spending is likely to exceed our resources. In practice, this is more likely to be a consideration in respect of the 2025/26 budget.
- 12.7 Looking further ahead, we need to identify and approve options for further savings (and to reduce growth) so that we can ensure we are financially sustainable beyond 2024/25. Work to identify options is taking place, but we will need to delve more deeply than we have ever had to before.

13. **Financial, Legal and Other Implications**

13.1 **Financial Implications**

This report is exclusively concerned with financial issues.

13.2 **Legal Implications** *[to follow]*

DRAFT

Budget Ceilings (provisional)

	2023/24 latest budget £000's	Savings £000's	Growth Planned in Budgets £000's	Non-Pay Inflation £000's	24/25 budget ceiling £000's
<u>1. City Development & Neighbourhoods</u>					
<u>1.1 Neighbourhood & Environmental Services</u>					
Divisional Management	243.0				243.0
Regulatory Services	2,008.8	(318.0)			1,690.8
Waste Management	22,915.3	(135.0)		262.8	23,043.1
Parks & Open Spaces	4,734.1	(573.4)			4,160.7
Neighbourhood Services	5,827.5	(153.0)			5,674.5
Standards & Development	1,694.2	(185.8)			1,508.4
Divisional sub-total	37,422.9	(1,365.2)	0.0	262.8	36,320.5
<u>1.2 Tourism, Culture & Inward Investment</u>					
Arts & Museums	3,726.6	(71.0)			3,655.6
De Montfort Hall	461.4	(25.0)			436.4
City Centre	26.0				26.0
Place Marketing Organisation	39.4				39.4
Economic Development	64.8				64.8
Markets	(286.5)	(30.0)			(316.5)
Adult Skills	(861.2)				(861.2)
Divisional Management	186.6	(32.0)			154.6
Divisional sub-total	3,357.1	(158.0)	0.0	0.0	3,199.1
<u>1.3 Planning, Transportation & Economic Development</u>					
Transport Strategy	9,802.6	(605.0)			9,197.6
Highways	2,887.5	(83.0)			2,804.5
Planning	1,123.0	(40.0)			1,083.0
Divisional Management - PDT	141.5				141.5
Divisional sub-total	13,954.6	(728.0)	0.0	0.0	13,226.6
<u>1.4 Estates & Building Services</u>	4,860.5	(1,004.7)	0.0	0.0	3,855.8
<u>1.5 Housing Services</u>	4,449.0	(542.0)	5,000.0	0.0	8,907.0
<u>1.6 Departmental Overheads</u>	575.4	0.0	0.0	0.0	575.4
DEPARTMENTAL TOTAL	64,619.5	(3,797.9)	5,000.0	262.8	66,084.4

Budget Ceilings (provisional)

	2023/24 latest budget £000's	Savings £000's	Growth Planned in Budgets £000's	Non-Pay Inflation £000's	24/25 budget ceiling £000's
<u>2. Adults</u>					
<u>2.1 Adult Social Care & Safeguarding</u>					
Other Management & support	764.8				764.8
Safeguarding	242.1				242.1
Preventative Services	5,141.7				5,141.7
Independent Sector Care Package Costs	153,472.2		13,664.0	2,723.1	169,859.3
Care Management (Localities)	10,528.8				10,528.8
Divisional sub-total	170,149.6	0.0	13,664.0	2,723.1	186,536.7
<u>2.2 Adult Social Care & Commissioning</u>					
Enablement & Day Care	3,076.0	(813.0)			2,263.0
Care Management (LD & AMH)	5,324.8				5,324.8
Preventative Services	719.5				719.5
Contracts, Commissioning & Other Support	6,580.5				6,580.5
Departmental	(34,309.4)				(34,309.4)
Divisional sub-total	(18,608.6)	(813.0)	0.0	0.0	(19,421.6)
DEPARTMENT TOTAL	151,541.0	(813.0)	13,664.0	2,723.1	167,115.1
<u>3. Education & Children's Services</u>					
<u>3.1 Strategic Commissioning & Business Support</u>					
	2,239.3	0.0	0.0	0.0	2,239.3
<u>3.2 Learning Quality & Performance</u>					
Raising Achievement	393.8				393.8
Learning & Inclusion	1,363.6				1,363.6
Special Education Needs and Disabilities	17,828.4		1,400.0		19,228.4
Divisional sub-total	19,585.8	0.0	1,400.0	0.0	20,985.8
<u>3.3 Children, Young People and Families</u>					
Children In Need	15,358.7		600.0		15,958.7
Looked After Children	44,287.1	(155.0)	17,200.0	214.1	61,546.2
Safeguarding & QA	2,595.3	(18.0)	500.0		3,077.3
Community Safety	809.5	(160.0)			649.5
Early Help Targeted Services	4,897.0	(2,000.0)			2,897.0
Early Help Specialist Services	3,667.7				3,667.7
Divisional sub-total	71,615.3	(2,333.0)	18,300.0	214.1	87,796.4
3.4 Departmental Resources	1,537.3	0.0	0.0	0.0	1,537.3
DEPARTMENTAL TOTAL	94,977.7	(2,333.0)	19,700.0	214.1	112,558.8

Budget Ceilings (provisional)

	2023/24 latest budget £000's	Savings £000's	Growth Planned in Budgets £000's	Non-Pay Inflation £000's	24/25 budget ceiling £000's
4. Health and Wellbeing					
Adults' Services	9,001.6				9,001.6
Children's 0-19 Services	9,289.5				9,289.5
Lifestyle Services	1,257.3				1,257.3
Staffing & Infrastructure & Other	2,595.4				2,595.4
Sports Services	2,552.5	(390.0)			2,162.5
DEPARTMENT TOTAL	24,696.3	(390.0)	0.0	0.0	24,306.3
5. Corporate Resources Department					
5.1 Delivery, Communications & Political Governanc	5,408.4	(116.0)	0.0	0.0	5,292.4
5.2 Financial Services					
Financial Support	4,865.5	(205.0)			4,660.5
Revenues & Benefits	7,590.5	(1,100.0)			6,490.5
Divisional sub-total	12,456.0	(1,305.0)	0.0	0.0	11,151.0
5.3 Human Resources	3,880.1	0.0	0.0	0.0	3,880.1
5.4 Information Services	10,734.2	0.0	0.0	0.0	10,734.2
5.5 Legal Services	3,751.2	(200.0)	400.0	0.0	3,951.2
Legal Services					
DEPARTMENTAL TOTAL	36,229.9	(1,621.0)	400.0	0.0	35,008.9
TOTAL -Service Budget Ceilings	372,064.4	(8,954.9)	38,764.0	3,200.0	405,073.5
<u>Note</u>					
less Public Health grant					(29,564.8)
Service expenditure as at paragraph 4.1					375,508.7

Scheme of Virement

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

Budget Ceilings

2. Directors are authorised to vire sums within budget ceilings without limit, providing such virement does not give rise to a change of Council policy.
3. Directors are authorised to vire money between any two budget ceilings within their departmental budgets, provided such virement does not give rise to a change of Council policy. The maximum amount by which any budget ceiling can be increased or reduced during the course of a year is £500,000. This money can be vired on a one-off or permanent basis.
4. Directors are responsible, in consultation with the appropriate Assistant Mayor if necessary, for determining whether a proposed virement would give rise to a change of Council policy.
5. Movement of money between budget ceilings is not virement to the extent that it reflects changes in management responsibility for the delivery of services.
6. The City Mayor is authorised to increase or reduce any budget ceiling. The maximum amount by which any budget ceiling can be increased during the course of a year is £5m. Increases or reductions can be carried out on a one-off or permanent basis.
7. The Director of Finance may vire money between budget ceilings where such movements represent changes in accounting policy, or other changes which do not affect the amounts available for service provision.
8. Nothing above requires the City Mayor or any director to spend up to the budget ceiling for any service.

Corporate Budgets

9. The following authorities are granted in respect of corporate budgets:
 - (a) the Director of Finance may incur costs for which there is provision in miscellaneous corporate budgets, except that any policy decision requires the approval of the City Mayor;
 - (b) the Director of Finance may allocate the provision for pay awards;
 - (c) The City Mayor may determine how the demographic pressures contingency can be applied.

Earmarked Reserves

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

11. Directors may add sums to an earmarked reserve, from:
 - (a) a budget ceiling, if the purposes of the reserve are within the scope of the service budget;
 - (b) year-end budget underspends, subject to the approval of the City Mayor.
12. Directors may spend earmarked reserves on the purpose for which they have been created, but must obtain the agreement of the Director of Finance before the spend is committed.
13. When an earmarked reserve is dissolved, the City Mayor shall determine the use of any remaining balance.

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Equality Impact Assessment

1. Purpose

- 1.1 This appendix presents the equalities impact of a proposed 4.99% council tax increase. This includes a precept of 2% for Adult Social Care, as permitted by the Government without requiring a referendum.
- 1.2 The alternative option for comparison is a freeze on council tax at 2023/24 levels. It would of course be possible to set a council tax increase between these two levels, or indeed to *reduce* the Band D tax.

2. Who is affected by the proposal?

- 2.1 As at October 2023, there were 132,019 properties liable for Council Tax in the city (excluding those registered as exempt, such as student households).
- 2.2 All non-exempt working age households in Leicester are required to contribute towards their council tax bill. Our current council tax support scheme (CTSS) requires working age households to pay at least 20% of their council tax bill and sets out to ensure that the most vulnerable householders are given some relief in response to financial hardship they may experience.
- 2.3 Council tax support for pensioner households follows different rules. Low-income pensioners are eligible for up to 100% relief through the CTSS scheme.

3. How are they affected?

- 3.1 The table below sets out the financial impact of the proposed council tax increase on different properties, before any discounts or reliefs are applied. It shows the weekly increase in each band, and the minimum weekly increase for those in receipt of a reduction under the CTSS for working-age households.

Band	No. of Properties	Weekly increase (£)	Minimum Weekly Increase under CTSS (£)
A-	339	0.98	0.20
A	77,914	1.17	0.23
B	26,471	1.37	0.27
C	15,237	1.56	0.47
D	6,504	1.76	0.66
E	3,385	2.15	1.05
F	1,525	2.54	1.44
G	606	2.93	1.84
H	38	3.51	2.42
Total	132,019		

- 3.2 In most cases, the change in council tax (around £1.37 per week for a band B property with no discounts; and just 27p per week if eligible for the full 80% reduction under the CTSS) is a small proportion of disposable income, and a small contributor to any squeeze on household budgets. A council tax increase would be applicable to all properties - the increase would not target any one protected group, rather it would be an increase that is applied across the board. However, it is recognised that this may have a more significant impact among households with a low disposable income.
- 3.3 Households at all levels of income have seen their real-terms income decline due to cost of living increases, and wages that have failed to keep up with inflation. These pressures are not limited to any protected group; however, there is evidence that low-income families spend a greater proportion of their income on food and fuel (where price rises have been highest), and are therefore more affected by current price increases.
- 3.4 At the time of writing, it is not clear what level of inflation uplift will be applied to benefits . [NB council and housing association tenants are not affected by this as their rent support is calculated differently and their full rent can be compensated from benefits].

4. **Alternative options**

- 4.1 The realistic alternative to a 5% council tax increase would be a lower (or no) increase. It should be noted that the proposed increase is below inflation, and therefore represents a real-terms cut in council tax payable and therefore our income. A reduced tax increase would represent a permanent diminution of our income unless we hold a council tax referendum in a future year. In my view, such a referendum is unlikely to support a higher tax rise. It would also require a greater use of reserves and/or more cuts to services in 2024/25.
- 4.2 The budget situation is already extremely difficult, and it seems inevitable that further cuts will have severe effects on front-line services. It is not possible to say precisely where these future cuts would fall; however, certain protected groups (e.g. older people; families with children; and people with disabilities) could face disproportionate impacts from reductions to services.

5. **Mitigating actions**

- 5.1 The Council has a range of mitigating actions for residents. These include: funding through Discretionary Housing Payments, Council Tax Discretionary Relief and Community Support Grant awards; the council's work with voluntary and community sector organisations to provide food to local people where it is required – through the network of food banks in the city; through schemes which support people getting into work (and include cost reducing initiatives that address high transport costs such as providing recycled bicycles); and through support to social welfare advice services. The "BetterOff Leicester" online tool includes a calculator to help residents to ensure they are receiving all relevant benefits.
- 5.2 Mitigating actions will be kept under review and updated for the final report to Council in February.

6. **What protected characteristics are affected?**

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

7. **Armed Forces Covenant Duty**

- 7.1 The Covenant Duty is a legal obligation on certain public bodies to 'have due regard' to the principles of the Covenant and requires decisions about the development and delivery of certain services to be made with conscious consideration of the needs of the Armed Forces community.
- 7.2 We have considered the duty and have not identified any direct impacts on armed forces or their families; but will continue to monitor for specific proposals.

Medium Term Financial Outlook 2024/25 – 2026/27

[to follow for final report]

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Earmarked Reserves

[to follow for final report]

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Council Tax Premiums

[to follow for final report]

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