Executive Decision- Revenue Budget Monitoring April-December 2023/24

Decision to be taken by: City Mayor

Decision to be taken on: 29 April 2024

Lead director/ officer: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
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- Report version number: 1

1. Summary

This report is the third in the monitoring cycle for 2023/24 and provides an update on the financial pressures faced by the Council.

The overall position shows a net overspend of £2.1m; this does not fairly represent the significant financial pressures the Council is facing.

As previously reported, the Council continues to see significant cost pressures totalling £21.1m. This is largely offset by £15.4m of underspends and additional income, and the use of the corporate contingency of £3.6m towards overspends in temporary accommodation and children's services.

The £21.1m of cost pressures are:

- £12.2m in Education and Children's Services, of which £11.9m relates to increased costs of children looked after, where placement costs remain high.
- £6.3m in City Development and Neighbourhoods. Homelessness is seeing additional pressures of £6.9m, offset by additional grant of £1.4m; and £0.6m is the higher costs of waste management.
- £2.5m additional costs of the local government pay award over and above the budget provision.
- £0.1m other cost pressures in Sports Services

The £15.4m of lower than budgeted costs and additional income are:

- A £5.8m underspend on adult social care, following significant change and improvement work designed to reduce people's need for formal care, social work assessment, and commissioning practice. Further details are given in Appendix B, section 11.
- A £3.3m underspend on capital financing costs, due to higher interest rates and cash balances than previously forecast;
- Additional income of £0.7m in Sports Services due to continued growth and retention in health and fitness memberships. The budget is reduced from 2024/25 to reflect this;
- An expected £3.2m lower cost of energy, compared to the budget provision;
- Underspends of £2.4m in corporate budgets.

Departmental reserves are being used to meet overspends where possible, and £13.7m has been identified. The balance will be funded from the projected underspends. Remaining underspends will be used to increase reserves available to support future years' budgets.

A further £4.5m has been identified as one-off resources that can be added to managed reserves (this is not included in the net £2.1m overspend mentioned above).

It should be noted that departmental reserves are one-off resources and will not be available in future years - while the underlying cost pressures will continue into future years unless action is taken. It remains imperative that significant savings are identified as soon as possible to safeguard the Council's longer-term financial position.

Management action has been identified resulting in savings of £0.7m per year (by 2025/26), which can be approved now. Details are in Appendix C.

In total, savings identified since the budget was set have reduced expected spend by £3.5m in the current year. This will allow the call on managed reserves this year to be reduced from the budgeted amount, originally £34.1m.

2. Recommended actions/decision

2.1 The Executive is recommended to:

- Note the emerging picture detailed in the report.
- Approve the in-year transfer to reserves described in Appendix B; para 15.1.
- Approve the reductions to budgets described in Appendix C, and delegate authority to the Director of Finance to determine the specific budget ceilings affected.

2.2 The OSC is recommended to:

Consider the overall position presented within this report and make any observations it sees fit.

3. Scrutiny / stakeholder engagement

N/A

4. Background and options with supporting evidence

The General Fund budget set for the financial year was £382.7m, before the use of managed reserves. Following savings identified since the budget was set, including the savings identified in a report to OSC on 9th November, this has been updated to £379.2m.

Appendix A summarises the original budget, current budget and anticipated spending in 2023/24.

Appendix B provides more detailed commentary on the forecast position for each area of the Council's operations.

Appendix C summarises the savings and other resources that have been identified.

5. Detailed report
See appendices.

6. Financial, legal, equalities, climate emergency and other implications

6.1 Financial implications

This report is solely concerned with financial issues.

6.2 Legal implications

This report is solely concerned with financial issues.

6.3 Equalities implications

Under the Equality Act 2010, public authorities have statutory duties, including the Public Sector Equality Duty (PSED) which means that, in carrying out their functions they have to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't. It is important to note that currently no policy changes have been proposed but the possibility remains that the Council may need to consider changes to existing services going forward. If this is the case, the Council's equality impact process should be used to evaluate the potential equalities impact of any proposed changes.

Protected characteristics under the Equality Act 2010 are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. There are no direct equality implications arising out of this budget monitoring report.

Equalities Officer, Surinder Singh, Ext 37 4148

6.4 Climate Emergency implications

There are no climate emergency implications directly associated with this report, as it is a budget monitoring report. However, where proposals are brought forward to make additional savings required, any climate emergency implications should be considered and addressed while proposals are being developed and should be identified in the appropriate decision reports at the time. The Sustainability service may be able to help departments with assessing implications as part of the evaluation of proposals ahead of report preparation. Where any necessary capital funding can be identified or secured, the potential role of invest-to-save energy efficiency and renewable energy projects in helping to address revenue budget pressures while also reducing carbon emissions is also worth noting. Aidan Davis, Sustainability Officer, Ext. 37 2284

6.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

No other implications are noted as this is a budget monitoring report, and therefore no policy changes are proposed.

7. Background information and other papers:

Report to Council on the 22 February 2023 on the General Fund Revenue budget 2023/24.

Period 3 Monitoring report presented to OSC on 20 September 2023

Budget Savings report presented to OSC on 9 November 2023

Period 6 Monitoring report presented to OSC on 14 December 2023

8. Summary of appendices:

Appendix A – Period 9 (April-December) Budget Monitoring Summary

Appendix B – Divisional Narrative – Explanation of Variances

Appendix C – In-year budget savings to be approved

9. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

10. Is this a "key decision"? If so, why?

Yes – savings in excess of £500k per year

APPENDIX A

Revenue Budget at Period 9 (April – December), 2023-24

Table A

2023-24	Original Budget £000's	Current Budget £000's	Forecast £000's	Variance £000's
Financial Services	11,259.4	11,806.6	11,870.2	63.6
Information Services	10,791.9	11,072.7	11,988.7	916.0
Corporate Services	9,787.0	9,959.5	9,054.7	(904.8)
Legal, Coronial & Registrars	5,146.3	5,456.0	5,381.2	(74.8)
Corporate Resources & Support	**36,984.6**	**38,294.8**	**38,294.8**	**0.0**
Planning, Development & Transportation	14,294.7	16,805.4	16,805.8	0.4
Tourism Culture & Inward Investment	4,558.2	4,702.6	4,702.6	0.0
Neighbourhood & Environmental Services	36,214.9	39,875.8	40,492.8	617.0
Estates & Building Services	4,927.2	6,378.1	6,695.7	317.6
Departmental Overheads	575.8	582.4	582.4	0.0
Housing Services	4,634.9	4,993.8	10,369.4	5,375.6
City Development & Neighbourhoods	**65,205.7**	**73,338.1**	**79,648.7**	**6,310.6**
Adult Social Care & Safeguarding	170,181.8	175,608.1	170,796.6	(4,811.5)
Adult Social Care & Commissioning	(18,061.4)	(22,141.8)	(23,086.1)	(944.3)
Sub-Total Adult Social Care	**152,120.4**	**153,466.3**	**147,710.5**	**(5,755.8)**
Strategic Commissioning & Business Support	2,385.5	2,428.7	2,296.6	(132.1)
Learning Services	19,596.5	19,967.7	21,165.6	1,197.9
Children, Young People & Families	71,231.0	73,893.4	85,255.8	11,362.4
Departmental Resources	1,976.3	1,794.1	1,589.2	(204.9)
Sub-Total Education & Children's Services	**95,189.3**	**98,083.9**	**110,307.2**	**12,223.3**
Total Social Care & Education	**247,309.7**	**251,550.2**	**258,017.7**	**6,467.5**
Public Health & Sports Services	**23,940.6**	**26,912.5**	**26,312.2**	**(600.3)**
TOTAL OPERATIONAL	**373,440.6**	**390,095.6**	**402,273.4**	**12,177.8**
Corporate Budgets	35,429.8	15,899.5	9,175.5	(6,724.0)
Capital Financing	2,292.1	2,292.1	(960.0)	(3,252.1)
Total Corporate & Capital Financing	**37,721.9**	**18,191.6**	**8,215.5**	**(9,976.1)**
Public Health Grant	(28,448.1)	(29,064.8)	(29,169.5)	(104.7)
TOTAL GENERAL FUND	**382,714.4**	**379,222.4**	**381,319.4**	**2,097.0**

NB Corporate Resources & Support management has been restructured, and budgets have been restated from previous monitoring reports

1.1 Changes since the original budget are summarised in the table below:

	Total General Fund £000's
Original budget	**382,714**
Savings approved - Period 9 monitoring 22/23	**(1,113)**
Savings approved - Outturn 22/23	**(1,216)**
Savings approved - Period 3 monitoring 23/24	**(480)**
Savings approved - Savings Report OSC 09/11/23	**(683)**
Latest budget	**379,222**

1.2 The original budgets split between employees, running costs and income are available at https://www.leicester.gov.uk/media/50bbavjj/budget-summary-2023-2024.pdf

Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources Department is forecasting to spend £38.3m as per the budget. The position after the planned use of reserves is a breakeven position:

1. Finance

1.1. The Financial Services Division is forecasting to spend £13.5m as per the budget.

2. Corporate Services and Legal, Registration & Coronial Services

2.1. Taken together Corporate Services and Legal, Registration & Coronial Service are forecasting to spend to budget after the planned use of reserves.

2.2. The HR service is forecasting a £603k underspend, resulting from vacancies across various areas together with additional traded income. DCPG is also forecasting an underspend of £313k, again resulting mainly from vacancies. This combined underspend of £916k will support Information Services to reduce the call on reserves for new IT equipment.

2.3. The forecast takes account of the planned use of reserves for Information Services (to fund new equipment) and Electoral Services following the council and mayoral election in May 2023.

2.4. Coronial and registrar services are forecasting to spend £0.6m as per the budget, after support from corporate budgets of £0.4m, as in previous years.

3. City Catering

3.1. New charging arrangements for schools have been put in place by City Catering from August this year. Some internal re-organisation of staffing will also take place this year. Both of these actions are being undertaken to deal with the financial deficit the service incurred in 2022/23. The forecast deficit this year is £0.82m and this will be funded from the school catering reserve.

City Development and Neighbourhoods

The department is forecasting an overspend of £6.3m on a net budget of £73.3m. It is proposed that £2.8m of departmental reserves be used towards increased homelessness costs, reducing the overspend to £3.5m.

4. Planning, Development & Transportation

4.1. The division is forecasting to break even. This represents a significant improvement on the £0.3m overspend forecast at Period 6 and is a reflection of further review and analysis of the division's finances. The consistent underspend on concessionary fares has helped to counter-act wider pressures within the division.

4.2. There is a £1.5m forecast overspend on bus services, including supported bus services and park & ride, compounded by a shortfall in income through bus lane enforcement. The overspend on parking and bus services are expected to be more than offset by a £2.3m underspend on concessionary fares.

4.3. In a continuation of recent pressures, linked to wider economic factors, a reduction in the number of major planning applications being submitted is expected to lead to an income shortfall of £0.5m. Other minor overspends across the division total a further £0.3m, resulting in an overall break-even position.

5. Tourism, Culture & Inward Investment

5.1. The division is forecasting a break-even position for the year. Income levels across the service continue to be adversely affected by cost-of-living pressures, but costs are being managed in order to deliver a balanced outturn position.

6. Neighbourhood & Environmental Services

6.1. The division is forecasting an overspend of £0.6m, compared with the £0.7m overspend forecast at Period 6.

6.2. Waste management costs continue to exceed the budget by £0.5m, due to additional contracted costs for sand and grit recycling and paint disposal. Furthermore, a contractual mechanism has been triggered relating to the Gypsum Close Waste Recycling Centre meaning an incurrence of extra staffing costs.

6.3. Pressures within Regulatory Services remain at £0.1m, particularly due to increased staffing costs and income shortfalls within Building Control. A further £0.1m overspend within Parks & Open Spaces results from extensive boiler repairs at Gilroes Crematorium.

6.4. The service continues to endeavour to deliver savings and manage costs to offset these pressures but it is unlikely that the full deficit will be recovered.

7. Estates & Building Services

7.1. The division is forecasting an overspend of £0.3m, an adverse movement from the overspend of £0.2m at Period 6. Whilst savings on vacant posts continue to offset some of the pressures being experienced by the division, there is a £0.6m overspend in the Corporate Estate that has developed since P6. This is predominantly due to under-recovery of service charges, as well as there being a backlog on the lease reviews. The division is anticipating delivering a balanced position by the end of the financial year.

8. Departmental Overheads

8.1. This area holds budgets for added years' pension costs and departmental salaries and is forecast to break even.

9. Housing General Fund

9.1. The number of homelessness presentations continues to add to the cost of temporary accommodation. Not only have costs increased, but this trajectory is forecast to continue throughout the remainder of the year. This is expected to cost £6.9m above budget; the increase of £0.4m from the position reported at period 6 is, in part, reflective of government's fast-tracking of asylum decisions. The use of £1.5m of grants and £2.8m of reserves will partially offset the pressure this year; work continues to find longer-term resolutions to this nationally recognised issue.

10. Housing Revenue Account

10.1. The Housing Revenue Account (HRA) is a ring-fenced income and expenditure account relating to the management and maintenance of the Council's housing stock. The HRA is forecast to underspend by £1.9m compared to a breakeven position at period 6. It is proposed that this be held in reserve to support the future provision of affordable housing. Revenue is also used for capital spending, which is reported separately within the capital monitoring report.

10.2. Income from core rent and service charges is expected to be on target for the year, other than for district heating, which is reported below.

10.3. The Repairs and Maintenance service is forecast to overspend by £1m. Whilst there are vacant posts generating underspends of £1.1m, these will be partially offset by the use of contractors, costing £0.7m. Materials and running costs are expected to add a further £1.1m of unbudgeted costs, particularly in voids where there is a continued focus on turning properties around. This focus has also involved reprioritising staff from other work, which has resulted in a reduction in income from capital charges of £0.3m.

10.4. Management and Landlord Services are expected to underspend by £3.2m. A £3.2m net underspend is expected in the District Heating scheme as a result of reductions to the price of gas and the introduction of metering. The extent of this has been offset by properties being subsidised for a longer period of time during the year. A reduction in the forecast number of property sales through Right to Buy will reduce income to fund the administration cost by £0.2m. Separately, the Council Tax payable on void properties is likely to be £0.2m higher than budgeted.

10.5. The HRA makes contributions towards general fund activities as well as being charged for a fair proportion of the Council’s overheads. These are expected to be £0.3m more than the budget due to inflationary increases for these services.

Adult Social Care

11. Adult Social Care

11.1. Adult social care is forecasting to spend £147.7m, £5.8m less than the budget. £3.5m of this underspend relates to a reduction in the forecast gross package costs and £2.3m relates to increased income from fees and joint funding from health.

11.2. Gross package cost budgets were increased by £32.9m from £160.7m in 2022/23 to £193.6m in 2023/24. The forecast cost is now £190.1m, £3.5m less than the budget. This is due to a combination of a reduction in the growth of new people receiving care, a reduction in the growth in need of people already receiving care and a higher than expected of return of funds to the LA where people have not needed to fully utilise their direct payment funded care package.

11.3. The budget included net growth in numbers of people receiving adult social care of 4% overall, with 2% for older people and 7% for working age adults. Prior to the pandemic the net growth in older people was rising steadily. There was a net reduction in the first year of the pandemic 2020/21, followed by net growth in 2021/22 and a net reduction in 2022/23. At period 9 there has been a net reduction in older people of 1.5%, driven by a reduction in the number of new entrants (rather than higher numbers of leavers).

11.4. Net growth in the working age cohort was variable prior to the pandemic. In the first year of the pandemic 2020/21, net growth rose to 7% driven mainly by an increase in those adults with mental health issues. Growth has remained at around 7% post the pandemic but to date in 2023/24, driven mainly by lower numbers of new mental health cases, growth has been lower at 4%.

11.5. Given that we are now at period 9, with only 3 months remaining, the forecast has been adjusted compared to period 6, on the assumption that the trend in lower growth will be sustained for at least this financial year, giving an in-year underspend of £1.9m.

11.6. The growth in need of people with existing care packages drives significant cost increases and has been discussed in previous monitoring reports. The overall growth in need is determined by the proportion of those receiving care at the start of the year that have their package changed together with the level of average increase in that package. To date the proportion of people with package changes is in line with the previous year at 36%, however the average package increase is significantly lower at 13% compared to 20% this time last year and 12% in the budget. The budget assumption for growth in need was challenging. Significant work is being undertaken to meet this challenge and 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 designed to reduce people's need for formal care, social work assessment, and commissioning practice. The period 9 forecast has been revised on the basis that there is greater certainty that the current trend to date will be sustained at least to the end of the financial year resulting in a cost increase of £6.5m, £0.9m more than the budget of £5.6m. This is a significant improvement compared to the period 6 forecast.

11.7. The extent to which those funds received in the form of direct payments to cover care costs are not required and returned to the LA, varies from year to year and is difficult to budget for. The forecast for this year is £4.6m, £1.6m more than the budget of £3m. To set this in context, the annual cost of direct payments commissioned this year is £57.4m.

11.8. The items discussed in the above paragraphs together with the impact of in year adjustments to package costs that were in place at the start of the year, combine to result in the forecast £3.5m (1.8%) underspend in gross package costs.

11.9. Both fee income from people contributing to the cost of their care and the extent of joint funded income from the ICB are now, as at period 9, forecast to exceed the budget by £1.1m (5%) and £1.2m (9%) respectively. The impact of annual package cost increases and changes to the cohort on fee income is difficult to budget for as it depends on the impact of individual financial assessments. Similarly, the change in the number of eligible joint funded and section 117 funded cases from one year to the next is also difficult to budget for and therefore the general approach to this has been a prudent one when setting the budget.

11.10. Whilst there are some variations in expenditure compared to the budget in the other departmental areas of care management, preventative services, commissioning, contracting and other support teams, the net impact does not contribute to the overall forecast underspend.

<u>Education and Children's Services</u>

12. Education and Children's Services

12.1. The department is forecasting to spend £110.3m, an overspend of £12.2m; similar to that reported at period 6. £10.9m of this overspend will be funded from social care and education earmarked reserves on a one-off basis, leaving a net overspend of £1.3m. As outlined in the period 6 report the overspend is mainly due to the cost of children looked after and other placements.

12.2. Social care continues to experience a greater proportion of new high-cost placements than was anticipated in the budget, coupled with cost escalation through placement breakdowns and pressure from providers regarding fees with limited placement availability. In the 4 years from 2019/20 to 2022/23 average annual new placement costs reduced from £44k to £40k. In 2023/24 there has been a step change with average entry costs now £70k year to date, £30k more than the budget.

12.3. Whilst there have been increases in the average unit price of new entrants by type of provision, this only contributes £2k of this £30k increase. The remaining £28k is a result of the increase in the proportion of new external residential placements (10.9% compared to 2.3% in 2022/23) and semi-independent placements (15.1% compared to 12.1% in 2022/23). This reflects a year in which the needs and complexity of those entering care has been exceptionally high.

12.4. Whilst unit costs have increased, there has been essentially no change in overall numbers with a net reduction of 2 in the number of placements year to date. This includes an increase of 12 in unaccompanied asylum seeker children (UASC), meaning that non – UASC placements have reduced by 14 since the start of the year.

12.5. The forecast assumes a continuation of the trend rate of new entrants and leavers and a continuation of the average entrant unit cost for the remainder of this year. As a result of this, the revised total placement cost is now forecast to be £11.9m more than the budget.

12.6. The consultancy firm Impower have almost concluded their work which included an analysis of placements and the match between costs and assessed needs. This 'valuing care' model has been applied to a large cohort of children in higher cost placements (182, 20% of the overall population), and has identified several cohorts of placements that are now the subject of targeted activity to address mismatches in cost versus level of need to generate savings. This work will take place alongside an extensive review of our internal resources (fostering and children's homes) to ensure that the capacity and resilience of these are maximised. The valuing care model will be expanded to cover all placements. Business cases will also be put forward for capital investment to expand our internal children's home resources over the next 5 years. 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. 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.

12.7. In addition to the £11.9m overspend from placement costs, a number of other over and under-spend items are expected as outlined below.

12.8. A £1.2m overspend is forecast from the continuing pressure on SEN home to school transport, with taxi journey price inflation driving up costs with journeys now costing an average of £13.7k p.a. per child. There are other pressures including on the home to school and contact taxi transport budget for children looked after (£0.8m), an increased demand for disabled children's respite service (£0.3m) and more demand for legal and translation services for social care (£0.6m). New statutory guidance for local authorities effective from September this year means that the Education Welfare Service can no longer charge schools for the majority of its existing casework which whilst currently traded, will become a council statutory duty. This will cost an estimated £0.35m pa in a full year but £0.1m this year, for which no new burdens funding is being provided. These other non-placement cost pressures total some £3m.

12.9. These overspends are partially offset by underspends of £2.7m as a result of a number of staffing vacancies across early help (in advance of reviews), in social care (31 agency social workers are being employed to cover vacancies) and in administration which continues to struggle with high staff turnover and difficulties in recruitment.

12.10. The pressure on the high needs block (HNB) of the dedicated schools grant (DSG) continues, with the number of agreed education, health and care (EHC) plans at around 750 in the academic year 2022/23. This rate is double the level pre-pandemic, and there has been no significant reduction in that rate in the 23/24 academic year to date.

12.11. The DfE increased the HNB allocation by £7.5m in 2023/24 to £79m. The period 6 forecast expenditure for the HNB in 2023/24 completed in August 2023 was based on a refreshed forecast of EHC plans and probable placement type taking into account the current capacity constraints within the system. The forecast expenditure at period 9 has been increased as a result of higher numbers of pupils (16%) than expected requiring support in mainstream settings and at a higher unit cost. Total numbers of pupils requiring additional funding from the HNB is forecast at 3,863, a 10.7% increase compared to 2022/23. Total HNB expenditure is now forecast to be £86.9m resulting in an in-year deficit of £7.9m and a cumulative DSG deficit £13.9m at the end of 2023/24.

12.12. The council has been in discussion with the DfE through the ESFA (Education and Skills Funding Agency) about our draft deficit recovery management plan. The DfE recognised our issues with regards to increasing demand and acknowledged our approach to reducing this demand including through increasing inclusivity in mainstream schools and early intervention. Our initial draft plan is now being revised with the most recent forecast data and the project plan is being finalised for presentation to the Executive for approval. This is an essential piece of work as the current response to the current level of demand in financially unsustainable. Moreover, the significant increases in HNB funding over the past 4 years (averaging over 10% pa), have come to an end, with only a 3% increase in 2024/25 and no plans to increase this in future years.

12.13. The LA is also part of the DfE’s SEND and alternative provision (AP) change programme partnership (alongside Leicestershire and Rutland). These partnerships have been set up nationally and are being used by the DfE to develop, test and iterate reforms set out by the DfE in their SEND and AP improvement plan in March 2023. This work will continue in parallel with the work required for the deficit recovery plan.

Public Health and Sports Services

13. Public Health

13.1. Public Health is forecasting to spend £22.4m, £0.1m more than the budget. The forecast overspend of £0.1m is offset by additional grant income, shown on the separate budget line for Public Health Grant in Appendix A. This is due to the impact of the (belated) 2022/23 NHS pay award on externally contracted services.

13.2. The 2023/24 NHS pay settlement affecting external public health contracts has been finalised at 5%. This will be funded by the ICB as a one-off in 2023/24, so has no net impact on costs this year. The on-going cost will be funded by a permanent additional allocation to the main public health grant, which has been addressed in setting the 2024/25 budget.

14. Sports Services

14.1. Sports Services are forecasting an underspend of £0.7m reducing the net cost to the Council to £3.9m.

14.2. Income from leisure centres and facilities is forecast to be £0.6m more than the budget of £6.7m. The increased income is a result of more members and a fee increase of 12% from May this year. Whilst there was a dip in membership numbers in November and December (with 11,451 health and fitness and 7,780 learn to swim members), new membership sales have been buoyant in January as is normal in the leisure and fitness industry. The budget is being adjusted from April 2024 to reflect the increased income.

14.3. There have been in-year vacancies and difficulties in recruiting casual staff with supervisors and general managers having to cover some shifts. This has resulted in an underspend on pay of £0.2m. This is offset by additional running costs of £0.1m including continued price pressure on consumables including chemical water treatments, building repair works and locker replacements.

Corporate Items & Reserves

15. Corporate Items

15.1. The corporate budgets cover the Council's capital financing costs, items such as audit fees, bank charges, contingencies and levies. This budget is currently forecasting an underspend of £10.0m, plus £4.5m of grant funding that can be transferred into managed reserves.

15.2. The local government pay award was finalised on 1st November. The award averaged between 6% and 6.5% of pay, compared to a budget estimate of 5%. The cost of this exceeded the budget by £2.5m.

15.3. Conversely, a saving of £3.2m is expected on the provision for additional energy costs, which was made centrally in the original budget. Energy prices, while still high, have reduced globally since the budget was set.

15.4. Additional recharges to the HRA, as a contribution to overheads and functions that support both HRA and General Fund services, have generated an additional £0.8m of income to corporate budgets.

15.5. The forecasts assume that the corporate contingency budget of £3.6m is fully committed towards overspends in social care and homelessness, as detailed above. Various other provisions and contingency budgets have been reviewed to support the overall budget. This has resulted in a further £1.6m underspend on corporate budgets in the current year (in addition to the contingency).

15.6. Capital Financing costs are forecast to be £3.3m below budget. This has improved recently due to higher interest rates and slower than predicted falls in our cash balances. The situation around investment returns remains extremely volatile, particularly in regard to the level of cash balances: for example, a 10% change in cash balance levels can equate to a variance of around £1.2m on this budget. High investment income returns are unlikely to continue in future years as cash balances decline.

15.7 The Council has received £4.5m of additional grant that was not budgeted. This includes £3.2m of additional funding from government, £0.5m originally provided for the Covid self-isolation support scheme, and £0.8m announced in February relating to the national surplus on the business rates retention scheme. Approval is sought as part of this report to transfer these sums to the managed reserves.

Savings Identified

1.1 As members are aware, future funding outlooks remain bleak and work is ongoing to identify and make savings during the course of 2023/24, which help reduce the scale of future deficits. Savings have been reported in previous monitoring reports and in a separate report to OSC in November and this process is ongoing.

1.2 Where savings are made as part of a service review, decisions will be taken in the normal manner through a decision report. Where savings are incidental or can be made through management action, it is proposed to continue our previous practice of seeking approval to budget adjustments through routine budget monitoring reports.

1.3 Approval is sought to make the following budget adjustments:

	2023/24	2024/25	2025/26
	£000's	*£000's*	*£000's*
City Development and Neighbourhood savings			
Reduce passenger transport bus fleet	19	38	38
Shopmobility operational savings	-	23	23
Housing Support efficiency savings	-	28	74
De Montfort Hall efficiencies	-	150	150
Arts & Museums - grant to Soft Touch Arts	-	12	12
Neighbourhood & Environmental Services staffing efficiencies	-	170	170
Health & Wellbeing savings			
Recommissioning of Healthy Child programme	-	200	200
Total savings	**19**	**621**	**667**