



Revenue Budget Monitoring – Outturn, 2017/18

Decision to be taken by: City Mayor
Decision to be taken on: 22 June 2018
Lead director: Alison Greenhill

Overview Select Committee date: 21st June 2018

Useful information

- Ward(s) affected: All
- Report author: Amy Oliver
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1. Summary

This report is the final report in the monitoring cycle for 2017/18, setting out the Council's financial performance against its revenue budget for the financial year. Given the scale of Government funding cuts, departments are inevitably under pressure to provide services with less funding, which is very challenging. It is pleasing to report that the Council continues to live within its means.

The outturn position is consistent with the picture that has been emerging during the year with the main issues remaining the same.

As reported during the year there has been continued pressure in Children's Services mainly in relation to the increased numbers of Looked After Children and home to school transport. The continued pressures in this area were recognised in the 2018/19 budget report and the department is currently adopting approaches to mitigate these pressures.

There are ongoing concerns about future pressures in Adult Social Care especially in relation to the increasing needs of our service users and resulting higher package costs. Nevertheless by achieving budget savings particularly in staffing sooner than targeted there was a one-off underspend for 2017/18 which has been used in other departments as described at period 9. There has been a small increase from the savings anticipated at period 9, mainly as a result of an overestimate of the growth in package costs. The underspend has been transferred to an earmarked reserve to support future demographic growth needs.

The Council's budget strategy relies on the delivery of spending review savings. £3.6m has been saved during the 2017/18, which has been added to the money available for the managed reserves strategy. This extends the period over which the reserve can be used to reduce the impact of budget cuts.

Despite achieving the spending review savings the medium-term financial outlook is extremely difficult as funding cuts continue. Managing spending pressures will be vital to living within our means in the future along with achieving the spending review targets. An additional £20m of spending review savings were identified as being required in the annual budget report by 2019/20, to address the forecast budget gap in that year.

2. Recommendations

2.1 The Executive is recommended to:

- Note the outturn position detailed in the report.
- Approve the following transfers to earmarked reserves
 - a) savings within the Corporate Resources department as set out in Appendix B, Para's 1.1, 2.2, 4.2, 4.4, 5.1.
 - b) to support Syrian Refugees, as set out in Appendix B, Para 10.1
 - c) underspends within Public Health as set out in Appendix B, Para 13.1.
 - d) one-off underspends in Adult Social Care to the Demographic Pressures Reserve (19/20 -20/21)
 - e) to fund future shortfalls of PFI credits, as set out in Appendix B para 12.9
- Approve the following spending reviews
 - a) a reduction to the Housing General Fund budget of £25k in 2017/18, as detailed in Appendix B, Para 10.3 (part of the spending review)
 - b) a reduction in Legal Registration & Coronial Services of £75k in 2018/19 as detailed in Appendix B Para 5.1 (part of the spending review)
- Note the achievement of the spending review saving of £555k, in relation to Sexual Health services as detailed in Appendix B Para 13.6

2.2 The OSC is recommended to:

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

3. Supporting information including options considered:

The General Fund budget set for the financial year 2017/18 was £258.2m.

Appendix A details the budget for 2017/18.

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

4. Financial, legal and other implications

4.1 Financial & Legal implications

This report is solely concerned with financial issues.

Alison Greenhill, Director of Finance, Ext 37 4001

4.2 Climate Change and Carbon Reduction implications

This report is solely concerned with financial issues.

4.3 Equality Impact Assessment

No Equality Impact Assessment (EIA) has been carried out as this is not applicable to a budget monitoring report.

4.4 Other Implications

Other implications	Yes/No	Paragraph referred
Equal Opportunities	No	-
Policy	No	-
Sustainable & Environmental	No	-
Crime & Disorder	No	-
Human Rights Act	No	-
Elderly/People on low income	No	-
Corporate Parenting	No	-
Health Inequalities Impact	No	-

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

5. Background information and other papers.

Report to Council on the 22nd February 2017 on the General Fund revenue budget 2017/18.

Period 4 Monitoring report and minutes of OSC Finance task group presented to OSC on 2 November 2017.

Period 6 Monitoring report and minutes of OSC Finance task group presented to OSC on 30 November 2017.

Period 9 Monitoring report and minutes of OSC Finance task group presented to OSC on 4 April 2018

6. Summary of appendices:

Appendix A – P9 Budget Monitoring Summary;

Appendix B – Divisional Narrative – Explanation of Variances;

7. Is this a private report?

No

KEY DECISION - No

APPENDIX A

Revenue Budget Outturn, 2017/18

	Current Budget for Year	OUTTURN	Variance
	£000	£000	£000
Neighbourhood & Environmental Services	30,861.1	32,043.3	1,182.2
Tourism, Culture & Inward Investment	5,958.9	6,111.6	152.7
Planning, Transportation & Economic Development	16,387.2	16,114.4	(272.8)
Estates & Building Services	7,771.1	7,763.2	(7.9)
Departmental Overheads	621.3	648.5	27.2
Fleet Management	5.1	4.9	(0.2)
Housing Services	3,819.9	2,738.7	(1,081.2)
City Development and Neighbourhoods	65,424.6	65,424.6	0.0
Adult Social Care	100,722.5	97,267.7	(3,454.8)
Public Health & Sports Services	21,207.6	21,207.6	0.0
Strategic Commissioning & Business Development	547.8	476.2	(71.6)
Learning Services	8,354.6	8,601.5	246.9
Children, Young People & Families	57,567.4	60,675.3	3,107.9
Departmental Resources	693.9	(2,614.6)	(3,308.5)
Education & Children's Services	67,163.7	67,138.4	(25.3)
Delivery Communications & Political Governance	5,367.9	5,367.9	0.0
Financial Services	11,669.3	11,669.3	0.0
Human Resources	4,099.0	4,099.0	0.0
Information Services	9,280.9	9,280.9	0.0
Legal Coronial & Registrars	2,045.2	2,045.2	0.0
Corporate Resources and Support	32,462.3	32,462.3	0.0
Housing Benefits (Client Payments)	500.0	(299.2)	(799.2)
Total Operational	287,480.7	283,201.4	(4,279.3)
Corporate Budgets	2,144.1	(2,228.5)	(4,372.6)
Capital Financing	13,806.9	13,467.6	(339.3)
Total Corporate & Capital Financing	15,951.0	11,239.1	(4,711.9)
Public Health Grant	(27,519.0)	(27,519.0)	0.0
Use of Reserves	(17,709.7)	(17,709.7)	0.0
TOTAL GENERAL FUND	258,203.0	249,211.8	(8,991.2)

Outturn Divisional Narrative – Explanation of Variances

Corporate Resources and Support

1. Finance

- 1.1. The Financial Services Division under spent by £289k due to vacant posts. It is proposed to transfer this underspend to the Divisional earmarked reserves, to help fund the replacement costs of the Council's Financial System.

2. Human Resources & Workforce Development

- 2.1. Human Resources & Workforce Development underspent by £437k. Of this £228k relates to staffing vacancies, in various teams, including £116k which relates to vacancies being held pending the Corporate Resources Spending Review 4.
- 2.2. Further to this, additional income has been generated via trading with schools. It is proposed to transfer this underspend to the Channel Shift/Digital Transformation Fund, to support work on digital transformation.

3. Information Services

- 3.1. Information Services has delivered a balanced outturn, following the implementation of earlier Spending Review savings of £2.4m.

4. Delivery Communications & Political Governance

- 4.1. The Delivery, Communications and Political Governance Division underspent by £818k. This includes £302k arising from vacancies, some of which have now been filled by graduate appointments where possible. In addition, £75k of vacancies are held pending the Corporate Resources Spending Review 4.
- 4.2. Efficiencies in the Individual Electoral Registration (IER) process resulted in not all of the allocated funding being required. It is recommended this is moved to the Electoral Services reserve to fund future elections.

- 4.3. Community Languages achieved an additional £114k of income. The VCS had an underspend of £111k, as a number of contracts and support arrangements are currently subject to a spending review.
- 4.4. It is proposed to set a side £400k of the underspend, to cover the estimated costs arising from the Hinckley Road explosion incident. Some of this may be reimbursed by Government in due course pending an application for support, although this cannot be guaranteed. The remaining £418k is proposed to be transferred to the Channel Shift/Digital Transformation Fund, to support digital transformation work.

5. Legal, Registration & Coronial Services

- 5.1. Legal Services underspent by £205k, of which £75k relates to Spending Review 4, the budget being reduced in 2018/19. The balance of £205k will be transferred to the departmental reserve to assist with recruiting additional Children and Social Care Lawyers to meet increasing demand.

City Development and Neighbourhoods

The Department underspent by £7k on a net budget of £65.4m, after delivering in-year spending review savings of £3.4m and receiving a one-off budget virement of £1.5m from Adult Social Care. The underspend will be transferred to the departmental reserve. The virement enabled the Department to avoid drawing on its strategic reserve, as had been expected. The Department does however have on-going pressures, which will be considered as further budget planning work takes place.

The significant variances within the divisions are as follows:

6. Planning, Transportation and Economic Development

- 6.1. Car parking income was below budget and bus station operating costs exceeded budget. This was offset by higher than budgeted bus lane enforcement income together with energy cost savings. The repayments for the LED street lighting investment were adjusted, giving in year savings of £230k to help offset pressures elsewhere in the Department. The division successfully delivered savings of £1m from

Technical Services, Car Parking and Highways Maintenance spending reviews.

7. Tourism, Culture & Inward Investment

- 7.1. The division overspent by £153k, mainly due to lower income as Leicester Market is redeveloped. Whilst the market is expected to make a small surplus on its direct costs in the future, it can no longer achieve the net income budget of £400k p.a. set some years ago. The shortfall was largely covered by other savings and higher income within the Division, particularly increased income from managed workspaces.

8. Neighbourhood & Environmental Services

- 8.1. The Division had two major budgetary pressures as previously reported. Firstly, bereavement services income has fallen, due to the opening of two new crematoria in the south of the county. This is expected to create an ongoing pressure of circa £400k p.a. after other savings and income generation in the service. Secondly, the £15m waste management budget has on-going pressures and overspent by £640k. This is due to legislative changes resulting in more waste attracting a higher rate of landfill tax, increased tonnages and higher than budgeted inflationary cost increases. The division however successfully delivered £706k of savings from various spending reviews. Due to the ongoing market and fiscal pressures a budget realignment process is to be undertaken at Department (CDN) level in 2018/19.

9. Estates & Building Services

- 9.1. The Division underspent by £8k whilst also undergoing a major structural change, implementing various spending reviews. The reviews included adopting the corporate landlord model, the first phase of which was implemented from April 2017. Work is ongoing to identify all building related spend to achieve further centralisation of these budgets. The divisional budget was reduced by £1.3m, this predominantly being the in-year savings target from the Technical Services spending review.

10. Housing General Fund

- 10.1 The General Fund Housing Service underspent against budget by £1.1m. A further £232k of grant income received for Syrian Refugees remains unspent at the end of the year. It is requested the grant income be moved to reserves to spend in future years.
- 10.2 As reported previously, unbudgeted grant income of £350k was received and savings of £100k on IT costs have arisen from hostels having transferred to the HRA. The service has successfully delivered £200k of planned savings a year earlier than budgeted. Previously reported recruitment difficulties resulted in an underspend on staffing for homelessness of £350k. More recent recruitment attempts have been successful, such that at April there is only 1.5 FTE front line vacancies across the homelessness service which employs 100 staff. A year-end review of the bad-debt provision resulted in the service benefitting by £100k for the year.
- 10.3 The support service for those in the family temporary hostel accommodation at Border House is now being charged in full to the HRA, generating a £25k General Fund revenue saving from 2017/18 onwards.

11. Housing Revenue Account

- 11.1. 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.
- 11.2. The HRA underspent by £7.1m (excluding revenue used for capital spending, which is included in the capital monitoring report).
- 11.3. Rental income was £2.4m above budget. There was no requirement in the year to sell properties to fund the High Value Vacant Homes Levy, as had been provided for in the budget. The HRA also benefitted from unbudgeted rental

income from shops, which should transfer to the General Fund in 2018/19. A budget of £1.4m for adverse movement in the bad debt provision was not required.

11.4. The repairs and maintenance service underspent by £2.3m. Vacancies contributed £1.4m of this underspend. Although the number of repairs undertaken during the year reduced, the number of outstanding repairs also fell. Fewer repair jobs resulted in savings on materials of £0.3m, and fleet reduction, including fuel, saved £0.4m. The number of leaseholders continues to increase, and income from rechargeable work to these properties increased by £0.3m. Essential maintenance work to district heating substations costing £0.6m was funded from savings elsewhere. The service benefitted by £0.5m from a one-off reduction in the provision for bad debt and the removal of a provision for leaseholder reserve funds no longer required.

11.5. Management and Landlord Services underspent by £2.4m. Savings of £0.5m were achieved through staffing vacancies. Further to this a further £0.2m of savings came from co-locating neighbourhood housing offices, through the Transforming Neighbourhood Services review. As reported previously, a provision of £0.5m to meet the cost of the High Value Vacant Homes Levy was not required, following its deferral. The cost of fuel under the District Heating system was lower than previously forecast and underspent by £0.6m; Income from the administration charge on Right to Buy applications exceeded the budget by £0.2m. The service has benefitted from reductions in the cost of running corporate services recharged to the HRA; these represent £0.4m in 2017/18.

Adult Social Care

12. Adult Social Care

12.1. The department has underspent by £3.4m compared to the revised in year budget of £100.7m. This reflects the virement to Children's Services and City Development and Neighbourhoods approved at period 9. £0.7m of this underspend was forecast at period 9 as a result of successfully managing to make savings ahead of the

original budget plan. These savings are therefore one off in nature. The balance of the final year end underspend of £2.7m has resulted predominantly from lower than expected gross package costs (£2.3m) together with further savings of £0.4m, mainly from staffing.

- 12.2. Total gross package costs were £101.1m for the year with 5,129 service users at the end of the year.
- 12.3. In the year there has been an overall reduction of 1.8% (94 service users) in the 5,223 long term service users we had at the start of the year which compares to a 1.2% increase (62 service users) in 2016/17. This was as a result of a reduction in new long term service users in the year, rather than an increase in the number of service users leaving long term care. The reduction in service user numbers resulted in savings of £1m, compared to the period 9 forecast where we had cautiously assumed 1% growth for the year.
- 12.4. Both older people and those service users with learning disabilities reduced in number during the year by 1.2% (42 service users) and 6.7% (73 service users) respectively compared to small increases of 0.8% and 0.3% in 2016/17.
- 12.5. Adult mental health service users did however see an increase of 6.5% (43 service users) which was slightly more than the 5.2% growth in 2016/17.
- 12.6. The overall level of increasing service user need added 5.3% or £4.9m to the cost of service users receiving care at the start of the financial year. This increase was £0.4m lower than anticipated at period 9 and the trend rate of increase reduced in the last quarter.
- 12.7. Nevertheless as in previous years increasing need currently remains *the* area of significant cost growth rather than increasing service user numbers. The rate of increase in need has itself been increasing (in 2016/17 it was 3.4% and 2.5% in 2015/16). The increase in package costs is predominantly in the 75 year plus age group and also with older service users with a learning disability. We have conducted a number of case audits of package changes

and are satisfied that any increases are justified and appropriate, as we would expect.

- 12.8. In addition to the savings from lower long term service users and lower than expected increasing need, there were fewer short term care packages and lower backdated package costs in the year which resulted in further savings of £0.9m compared to the previous forecast.
- 12.9. These financial results include the impact of transferring £0.6m to the Earmarked reserve for the PFI funded Merlyn Vaz centre which is used to pay for future shortfalls of PFI credits compared to the unitary charge. The reported underspend will be transferred to an earmarked reserve (see Appendix C).

Health Improvement & Wellbeing

13. Public Health & Sports Services

- 13.1. After transferring a net underspend of £0.6m to the Health and Wellbeing Division earmarked reserve the department spent on budget.
- 13.2. The under spend resulted from a number of areas where activity was below expectations as highlighted in the report at period 9 and was offset by £0.2m used to fund redundancy costs.
- 13.3. The Sexual Health service is under spent by £0.1m against a budget £4.1m largely as a result of lower than expected activity in some elements of the service. The use of on-line self-diagnosis tools and self-collection points has diverted some activity away from the need for appointments with service staff. The service is currently being re-procured with a new contract to start from 1 January 2019.
- 13.4. Within the Lifestyle services offer (with a total budget £2.1m) which aims to reduce smoking levels and promote physical activity there was lower demand than budgeted for nicotine replacement therapy (NRT) mainly as a result of electronic cigarettes and weight management programmes. The total underspend was £0.3m. Lifestyle services are

being reviewed as part of the spending review programme in 2018.

- 13.5. The NHS health check programme under spent by £0.2m compared to a budget of £0.4m as a result of lower take-up in GP surgeries. There were also saving from Public Health staffing costs of £0.2m from vacant posts following the organisational review in 2016/17.
- 13.6. The review of the sexual health service is complete, and savings will be achieved once the service relocates to new premises in the Haymarket. The new service is expected to commence on the 1/1/2019 once the capital works are complete. Consequently the budget will be reduced by £555k in 2019/20.

Education and Children's Services

14. Education and Children's Services

- 14.1. The department has spent £67.2m, which is within budget. However, the budget included £3.5m of one off support funding for 2017/18 only, which was transferred from Adult Social Care at Period 9. This means the underlying overspend was £3.5m with the most significant items being the continued demand pressures in relation to placement costs and transport for looked after and SEN children which totalled £4.8m.
- 14.2. The major issue remains the number of looked after children (LAC) which stood at 689 at the end of March. The net growth in LAC in 17/18 was 4.4%% (29 children, with 260 new entrants) which is 1% higher than the previous year. However if the 39 children diverted from care this year through Multi-Systemic-Therapy are taken into account the underlying position is a net growth of 10%. A leading indicator of future pressures on the level of LAC is the number of new child protection (CP) plans taken out in the year. In 2017/18 the number of new CP plans was 780, double the number in the previous year. The average conversion rate of children with plans becoming LAC is 25%.

- 14.3. Together with the growth in the number of placements there have also been changes in the mix of provision and in particular an increase in the number of agency foster placements as a result of breakdowns in internal placements and a shortage of our own foster carers. At the end of March we had 87 agency foster carers compared to 49 at the beginning of the year.
- 14.4. There was also a significant increase in the cost of residential parent and baby assessment places and measures have now been put in place to reduce this by doing the assessments in-house wherever possible. Other external residential places were lower at the end of the year (40 places) compared to the start (45 places).
- 14.5. Overall placement costs exceeded the budget this year of £25.2m by £4m including the impact on home to school transport budgets of the higher LAC numbers. With the higher CP and LAC numbers there are additional pressures in associated budgets such as for legal and translation costs.
- 14.6. There are a number of areas of work that should have an impact over time on placement costs including increasing the number of children returning to home or 'stepping down' from expensive residential placements as soon as possible. We will also begin a recruitment drive for internal foster carers to extend our current capacity to avoid these expensive agency placements.
- 14.7. The process has begun to recruit the new Functional Family Therapy Child Welfare (FFT-CW) team and second MST CAN team. A review of the 2017/18 LAC entrants confirms the continuing need for these teams which was established in 2017. The demand for referrals to the child abuse and neglect team (MST CAN) has exceeded the team's capacity and FFT-CW will deal with cases not currently eligible for MST CAN. Both of these should have a significant impact on reducing LAC numbers. FFT is being expanded state wide in Australia to address a significant increase in LAC numbers.

- 14.8. Social care's reliance on agency workers (57 FTEs at the end of March compared to a budgeted establishment of 136 FTEs) remains. The agency staff are providing sickness and maternity leave cover, support for the ASYE social worker cohort and where permanent posts cannot be recruited to. The budget set aside to cover these agency costs of £1.6m was adequate in 2017/18. This budget reduces in 2018/19 by 50% and plans are in place to reduce agency levels particularly through recruitment and retention of ASYE staff (24 ASYEs were recruited this year) and other fully qualified social workers. Nevertheless the extent of the reduction in agency staff required is substantial.
- 14.9. The review of the children's centres and the early help offer completed in the year and there were some savings in advance of the target for this year as the service was carrying a number of vacant posts. The organisational review of the youth service is now complete. The total additional savings ahead of this year's budget from these areas is £1.6m.
- 14.10. The Education Services Grant of £4.5m in 2016/17 reduced to £2.15m this year as part of transitional arrangements which will see the grant being replaced in 2018/19 by £0.8m from the new Central Services Block of the Dedicated Schools Grant. This reduction is being managed by funding set aside corporately. As part of these changes there will also be a very significant reduction in resources available for the School Improvement service, which will now be funded by a separate school improvement grant of £0.3m per annum by the local authority. Schools may commission from the authority additional support using their own funds.
- 14.11. The number of SEN children in specialist provision is increasing significantly year on year, both as a result of the increasing population and a higher rate of incidence for some conditions including mental health and autism. Numbers of children in special schools increased by 60 in 2017/18, taking the total numbers to over a thousand. This, together with the increasing numbers of SEN children being taught in our mainstream schools, means that the High

Needs Block of the Dedicated Schools Grant is under severe pressure. This had a knock on effect on our SEN home to school transport budget which was £0.9m over the budget of £4.6m this year.

- 14.12. All transport cases for LAC and SEN are being reviewed internally to ensure that they adhere to the current policies.
- 14.13. The number of maintained schools with cumulative financial deficits increased from 9 to 18 in the financial year. We are working with these schools to agree a way forward, which will also take into account the impact of the new funding formula from 2018/19.
- 14.14. In 2017/18 the High Needs Block (HNB) allocation of £44.4m was £2m less than the actual expenditure and this was funded from DSG reserves as planned. The new HNB funding formula from 2018/19 does not help to address this shortfall and also will not provide adequate growth funding for additional placements in special schools. We are still in the process of reviewing the future costs and funding arrangements for all the services paid for from the High Needs Block in order to try and address this. There are adequate DSG reserves to provide the necessary time to complete this work.

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 and levies.
- 15.2. Since setting the budget a total of £3.6m of spending reviews have been achieved. The spending reviews reduce the amount required to balance the 2017/18 budget (making more reserves available for future budgets – the managed reserves strategy).

Collection Fund

16. NNDR & Council Tax

- 16.1. The deficit for the City Council's share of NDR is £1.4m more than budgeted. This however will not impact the general fund until 2019/20. The reason for this is a larger than anticipated rates reduction on a large property in the city that has been backdated to 2005.
- 16.2. There is no significant movement on the council tax outturn position

APPENDIX C

Earmarked Reserves – Year-end Summary

1. Summary

- 1.1. Earmarked reserves represent sums set aside for specific purposes. This is in contrast to the General Fund, which exists to support the Council's day-to-day operations.
- 1.2. Reserves are created or dissolved with the approval of the City Mayor. Directors may make contributions to reserves provided that the purpose of the reserve is within the scope of the budget ceiling from which the contribution was made. Directors may withdraw money from reserves to support spending that is consistent with the purpose for which the reserve was created.
- 1.3. Information on the larger reserves is set out detailed below. Some of the balances shown include transfers for which approval is sought in the recommendations to this report.
- 1.4. Earmarked reserves are reducing, particularly as the Council has to spend the money set aside in the managed reserves strategy to support the budget.

2. Description of Reserves

2.1 Ring-fenced Reserves

Ring-fenced reserves hold funds that are held by the Council but for which we have obligations to other partners or organisations. These include funds held on behalf of the City's schools and funds held as part of joint working arrangements with the NHS.

- 2.1.1. **Dedicated Schools Grant Balances:** This represents grant received by the Council, which has not been delegated to schools or spent on relevant non-delegated functions. The balance currently stands at £11.9m, and is ring fenced by law and is therefore not available for general spending. Plans for utilising DSG balances are developed in consultation with the Schools' Forum. The balances are being used to support pressures in the High Needs Block.

- 2.1.2. **Schools Balances (Revenue):** The amount held in this reserve has increased slightly from £14.5m to £15.8m following this year's outturn. This money is, by law, ring fenced to individual schools (subject to any clawback of excessive balances, which are returned to the overall Schools Budget)
- 2.1.3. **NHS Joint Working Projects:** The balance in this reserve has remained the same in 2017/18 at £1.8m. The Government has provided funding for joint working between adult social care and the NHS. The majority of this has now been spent and there is a programme of projects accounting or £1.1m
- 2.1.4. **Public Health:** This is ringfenced Public Health Grant money and will be used for future service changes.
- 2.1.5. **School Capital Fund:** Schools are able to set aside resources to support future capital spending to enhance their facilities or resources. This reserve holds the funds set aside. The reserve has decreased from £3.0m to £2.4m during 2017/18.
- 2.1.6. **Schools Buy Back:** This reserve contains funds set aside by schools from their delegated budgets to support investment in the catering service they receive through the City Catering operation. The reserve increase by £0.3m in the year, to a balance of £1.1m.

2.2. **Corporate Reserves**

Corporate reserves are those held for purposes applicable to the organisation as a whole and not to any specific service, and are administered corporately. They include:

- 2.2.1. **Capital Fund:** This Capital Fund represents resources set aside to support approved spending on the Council's capital programme and is fully committed for this programme. The balance on this reserve shows the position after financing 2017/18's capital expenditure, and reflects an additional £8m made available in the new capital programme.
- 2.2.2. **Budget Strategy – Managed Reserves Fund:** This reserve holds the funds set aside as part of the “managed

reserves” budget strategy adopted by the Council in recent years. The strategy aimed to build up reserves to buy time for the savings necessitated by Government funding cuts to be delivered in a structured way.

The budget for 2017/18 planned to use £17.7m of reserves. However this has been offset by savings achieved from the spending review programme, and unusually as a consequence of changes in Government financing after the finance settlement announcement. This includes a late announcement of additional Better Care Fund monies and changes to S31 grants which are given in compensation to local authorities for national changes in business rates (which would otherwise reduce our 49% share). At the end of 2017/18 the reserve stands at £21.8m, compared to £20m assumed when the budget for 2018/19 was approved. The further £2m will help support the budget in 2019/20.

- 2.2.3. **Demographic Pressures Reserves 19/20 to 20/21:** This reserve will provide funding of £3.4m for demographic and needs related growth in Adult Social Care, and reduce the impact of this growing cost on the taxpayer. It is envisaged that the Council’s stock of reserves to support the budget will shortly be exhausted, and this will help protect the position of the department.
- 2.2.4. **Building Schools for the Future:** This reserve was set up in January 2007 to meet the capital expenditure costs associated with the BSF programme. The balance at year-end stands at £11.5m and exists to manage costs over the remaining life of the BSF scheme and lifecycle maintenance costs of the new schools.
- 2.2.5. **Severance:** Established as part of the 2010/11 budget, this reserve was created to meet the redundancy and other costs arising from budget cuts. The current balance on the reserves is £7.3m, a reduction during the year of £3.8m.
- 2.2.6. **Service Transformation Fund:** This reserve (£6.1m) is to fund projects which redesign services enabling them to function effectively at reduced cost. It help delivers the Councils budget strategy.

2.2.7. **Insurance Fund:** The Council's self-insured Insurance Fund stands at £8.6m together with a further £4.9m provision for known claims. A report is currently being compiled by Actuaries, who will advise on the appropriate level of reserve required. This may mean further monies becomes available to support the 2019/20 budget.

2.2.8. **Welfare Reform Reserve:** This reserve (£3.8m) supports welfare claimants, who face crisis. Following the withdrawal of government funding, this one off pot of money is our sole means of providing for such cases and is falling year on year.

2.3. **Departmental Reserves**

Other reserves are those held for specific services or projects, including departmental reserves. These include:

2.3.1. **Financial Services' Reserves:** The balance for this reserve stands at £3.9m. It is held to support future expenditure on replacing the Council's main Finance system, the Service Analysis and Welfare & Benefits Team.

2.3.2. **ICT Development Fund:** This reserve is held for various on-going IT developments, many of which span financial years. The corporate IT fund currently stands at £2.6m – a reduction of £0.3m in the year. Annual ICT development expenditure can vary enormously year to year so this fund is used to manage expenditure over the life of the projects. The existence of this fund reduces pressure on the Council's capital programme.

2.3.3. **Channel Shift Reserve:** This reserve was set up in 2014/15 to fund work across the Council to both improve the customer experience and make savings through increasing the proportion of interactions with residents that use web-based and self-service systems, or streamlined customer services operations. The reserve stands at £1.1m, a decrease of £0.6m in 2017/18.

2.3.4. **Voluntary Sector Reserve:** The reserve (£1.5m) is to fund grants to the voluntary sector for preventative non statutory support in the community.

- 2.3.5. **PC Replacement Fund:** The reserve funds a rolling replacement programme for the Council's hardware and in particular computer and telephony equipment for staff. There is a significant move from desktop computers to laptops (which are more expensive) and as we continue to promote flexible working and reduce the profile of our buildings then the change in our IT estate will continue to place demand on this reserve. This reserve currently stands at £1.2m.
- 2.3.6. **Housing:** The balance on this reserve remains at £1.2m. This reserve is held to assist with the homelessness strategy and fluctuations in bed and breakfast demand.
- 2.3.7. **City Development & Neighbourhoods departmental reserve:** This reserve currently stands at £1.1m and is available to support the 2018/19 budget.
- 2.3.8. **City Council Elections:** This reserve balance is £1m. The reserve will meet costs arising from future elections.
- 2.3.9. **Children's:** The balance has remained at £1.1m and is available to support the 2018/19 budget.
- 2.3.10. **Surplus Property Disposal Reserve:** This reserve stands at £0.5m a reduction of £0.4m in 2017/18. The reserve is available to fund potential revenue costs of disposing of surplus property assets and thereby generating savings and delivering capital receipts.
- 2.3.11. **Health & Wellbeing Reserve:** The reserve is required to fund future outdoor gyms and the Food Growing Hubs Initiative. This reserve now stands at £1.5m an increase of £0.7m. Unlike the reserve described at para. 2.1.5, this money is not ringfenced.
- 2.3.12. **Adult Strategic Reserve:** As members are aware the budget strategy for 2018/19 approved the use of one off monies to balance the position of Adult Social Care. These one-off monies (£4.2m) are shown as an earmarked reserve, and will support the department's approved budget for 2018/19 and 2019/20.

As stated in the 2018/19 budget we have no certainty regarding the resources available for adult social care beyond 2019/20. The Government has a promised a review.

A small element of this reserve (£0.3m) will be used to complete work on the implementation of Liquidlogic.

2.3.13. **Other Departmental reserves:** A number of smaller reserves are put aside for specific purposes totalling £5.6m overall. These reserves all total less than £1m each and increased by a net £0.6m in the year.

2.4. General Reserve

The Council's general reserves stand at £15m. In line with our budget strategy, they are retained as a minimum balance for emergencies.

APPENDIX C

2017/18	Opening Balance 1/4/2017	Total In Year Transfers	Balance at Outturn
	£000	£000	£000
Ring-fenced Reserves			
DSG not delegated to schools	14,205	(2,301)	11,904
School Balances	14,474	1,309	15,783
School Capital Fund	2,993	(610)	2,383
NHS Joint Working Projects	1,769	-	1,769
Public Health Transformation	1,668	-	1,668
Schools Buy Back	771	302	1,073
Secondary PRU- Year End Balance	213	(122)	91
Primary PRU -Year End Balance	(6)	20	14
Total Ring-fenced reserves	36,087	(1,401)	34,686
Corporate Reserves			
Capital Programme Reserve	37,498	3,897	41,395
Managed Reserves Strategy	27,496	(5,672)	21,824
Demographic Pressures Reserve (19/20-20/21)	-	3,455	3,455
BSF Financing	18,595	(7,062)	11,533
Severance Fund	11,032	(3,767)	7,265
Service Transformation Fund	7,301	(1,215)	6,086
Insurance Fund	6,664	2,435	9,099
Welfare Reform Reserve	4,077	(287)	3,790
Energy Fund	1,107	(135)	972
Technical Accounting Reserve	1,046	138	1,184
Total Corporate Reserves	114,816	(8,212)	106,604
Earmarked Reserves Departmental			
Financial Services Reserve	3,347	524	3,871
ICT Development Fund	2,959	(349)	2,610
Channel Shift Reserve	1,648	(589)	1,060
Delivery, Communications & Political Governance	587	714	1,301
Voluntary Sector Prospective Work	1,500	-	1,500
PC Replacement Fund	1,297	(138)	1,158
Housing	1,179	232	1,411
City Development (Excl Housing)	1,092	25	1,117
Election Fund	1,020	-	1,020
Children's	1,127	-	1,127
Health & Wellbeing Division	736	735	1,471
Adults Strategic Reserve (Budget 18/19)	141	4,353	4,494
Other Departmental Reserves	4,139	632	4,771
Total Other Reserves	20,773	6,138	26,911
Total Earmarked Reserves	171,675	(3,475)	168,201