



Revenue Budget Monitoring – Period 9, 2018/19

Decision to be taken by: City Mayor

Date of decision 15 April 2019

Overview Select Committee date: 4 April 2019

Lead director: Alison Greenhill

Useful information

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

This report is the third in the monitoring cycle for 2018/19 and forecasts the expected performance against the budget for the year.

The scale of Government funding cuts has put departments under pressure to provide services with less funding. It is pleasing that all services are forecasting they will operate within their resources for the year. Given the number of local authorities facing overspends this financial year, this is a positive position.

The key issues during the last few years have been the continued pressures within Adult Social Care and Children's Services. However, it is encouraging to report that, both departments forecast they can live within their resources, this financial year. The budget report for 2019/20 highlights the continued growth in social care costs and the pressure this puts on budgets going forward.

Corporate Resources are forecasting to remain within budget for 2018/19.

As reported at period 3, there remain significant pressures in City Development and Neighbourhoods. But following the realignment of budgets earlier in the year and the achievement of spending review savings the department is now forecast to remain in budget for the year. However, the department has significant work to do to implement the Technical Services Review to achieve budgeted savings in 2019/20.

Significant savings have been achieved on Corporate budgets due to early achievement of spending review savings.

As previously reported, substantial savings are forecast on capital financing costs, assuming a policy change is approved at outturn.

Members are reminded that the final report of the year, will contain decisions that will need to be taken prior to discussion at OSC. This is due to the earlier closedown date of the 31st May for the Council's Annual Accounts.

2. Recommendations

2.1 The Executive is recommended to:

- Note the emerging picture detailed in the report;
- Approve the budget reductions arising from achieved spending review savings, as detailed in Appendix C of this report.
- Note the receipt of the £2.8m refund of VAT for sports services and £1.5m from the Government allocating sums formerly top-sliced from national grant. These sums have retained in case they are needed to match fund a £10m “Transforming Cities” bid, as detailed in the General Fund Revenue Budget 2019/20 to 2021/22 report.

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 2018/19 was £259.7m.

Appendix A summarises the budget for 2018/19. Whilst all departments are forecasting spend very close to budget, this arises from active management of the budget (and the use of one off sums set aside for this purpose);

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

Appendix C details the budget amendments required, consequent to spending review savings;

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 21st February 2018 on the General Fund revenue budget 2018/19.

Period 6 Monitoring report and minutes of OSC Finance task group presented to OSC on 13th December 2018.

6. Summary of appendices:

Appendix A – P9 Budget Monitoring Summary;

Appendix B – Divisional Narrative – Explanation of Variances;

Appendix C – Spending Review Savings

7. Is this a private report?

No

8. Is this a “key decision”?

Yes

9. If a key decision please explain reason

The report involves expenditure/savings in the Revenue budget in excess of £500k.

Revenue Budget at Period 9, 2018/19

2018-19 Period 9 Monitoring	Current Budget for Year	Forecast @ Period 9	Variance
Neighbourhood & Environmental Services	31,131.3	31,131.3	0.0
Tourism Culture & Inward Investment	5,866.9	5,866.9	0.0
Planning, Development & Transportation	15,853.2	15,853.2	0.0
Estates & Building Services	5,253.8	5,253.8	0.0
Departmental Overheads	549.6	549.6	0.0
Housing Services	3,025.7	3,025.7	0.0
City Development & Neighbourhoods	61,680.5	61,680.5	0.0
Adult Social Care	104,011.2	104,011.2	0.0
Public Health & Sports Services	20,070.7	19,893.4	(177.3)
Strategic Commissioning & Business Support	698.3	698.3	0.0
Learning Services	10,648.6	10,648.6	0.0
Children, Young People & Families	54,645.9	54,645.9	0.0
Departmental Resources	(6,575.4)	(6,575.4)	0.0
Education & Childrens Services	59,417.4	59,417.4	0.0
Delivery, Communications & Political Governance	5,840.1	5,840.1	0.0
Financial Services	10,662.3	10,662.3	0.0
Human Resources	3,842.5	3,842.5	0.0
Information Services	9,287.4	9,287.4	0.0
Legal Services	2,628.5	2,628.5	0.0
Corporate Resources & Support	32,260.8	32,260.8	0.0
Housing Benefits (Client Payments)	500.0	500.0	0.0
Total Operational	277,940.6	277,763.3	(177.3)
Corporate Budgets	4,743.8	1,024.0	(3,719.8)
Capital Financing	14,020.6	5,846.0	(8,174.6)
Total Corporate & Capital Financing	18,764.4	6,870.0	(11,894.4)
Public Health Grant	(26,804.0)	(26,811.0)	(7.0)
Use of Reserves	(10,227.8)	(10,227.8)	0.0
TOTAL GENERAL FUND	259,673.2	247,594.5	(12,078.7)

Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources Department is forecasting to breakeven on their net budget of £32.1m.

Finance

- 1.1. The Financial Services Division expects to break even.

2. Human Resources & Workforce Development

- 2.1. Human Resources is forecasting an underspend of £529k, due to vacancies and income. The underspend will cover the in-year costs of the Digital Transformation Team.

3. Information Services

- 3.1. Information Services is forecasting a break-even position.

4. Delivery Communications & Political Governance (DCPG)

- 4.1. The Delivery, Communications and Political Governance Division forecasts an underspend of £408k due to increased grant income for elections and additional income from Community Languages, and further savings in running costs across the Division. The underspend will be transferred to DCPG reserves to fund the expected future costs of Digital Transformation Team.

5. Legal, Registration & Coronial Services

- 5.1. Legal Services Division is forecasting a balanced outturn.
- 5.2. Coronial Services are forecasting an overspend of £262k due to high costs in pathology tests and increased workload, continuing the pattern of recent times. The overspend will be funded from corporate budgets in line with normal policy.

City Development and Neighbourhoods

The department is forecasting to breakeven on a net budget of £61.6m, after the delivery of approved savings.

6. Planning, Transportation and Economic Development

- 6.1. The division is forecasting a balanced budget outturn. Pressures continue on income budgets (including parking and advertising), which are being offset by additional income from bus lane enforcement and by controlling expenditure budgets

7. Tourism, Culture & Inward Investment

- 7.1. The division is forecasting a break-even position.

8. Neighbourhood & Environmental Services

- 8.1. The division is forecasting a break-even position.

9. Estates & Building Services

- 9.1. The Division has adopted the corporate landlord model and reorganised the budgets reflecting the new organisational structure. A balanced out-turn is forecast.
- 9.2. However, the 2019/20 budget will be significantly reduced by previously approved savings from the Technical Services Review, with the work on-going to implement the necessary changes. This will be a challenge.

10. Housing General Fund

- 10.1. The introduction of the Homelessness Reduction Act has increased the level of demand on front line services. The Homelessness Service had difficulty recruiting to vacant posts in the first half of the year, which has led to underspends on staff costs. These posts have now all been recruited to. This underspend has been offset by increased expenditure on temporary accommodation, the cost of supporting people into private sector accommodation, and improvement works to Prebend Gardens.

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. The HRA is forecast to underspend by £1.3m, excluding revenue used for capital spending (which is reported in the capital monitoring report). This is a small increase on the forecast underspend in the previous report and is largely attributable to savings on capital financing costs.
- 11.2. Income is forecast to be £0.2m higher than the budget. As previously reported, £0.6m can be released from the bad debt provision and an additional £0.1m of income is arising from high occupancy levels within hostels. However, the number of council dwellings being managed by the service is lower than was budgeted, resulting in a reduction of £0.5m on core rental income and service charges.
- 11.3. An overspend of £0.6m is expected due to unplanned lift refurbishment work (£0.1m) and preventative maintenance work to the district heating network and pipework entering blocks of flats (£0.5m).
- 11.4. Management and Landlord Services are projected to underspend by £0.1m. As previously expected, vacancies across the service are forecast to result in an underspend of £0.6m, offset by costs associated with moving tenants out of Goscote House (£0.2m) and increased costs of heating and lighting communal areas.
- 11.5. As reported within the period 6 report, savings of £1.6m will be made on capital financing costs. This arises from the beneficial repayment of a loan. These represent the early delivery of savings which will be used to fund known future pressures on the HRA.

Adult Social Care

12. Adult Social Care

- 12.1. The department is forecasting to spend £104m as per the budget.
- 12.2. Year to date there has been a net increase of 45 long term service users, 0.9% of the 5,068 users at the beginning of the year. The growth was predominantly in the over 65, elderly cohort, with no net increase in either adult mental health or learning disability related service users

- 12.3. The forecast rate of increase in need of existing service users is 5.5%, adding £5.6m to in year costs. This is comparable with 2017/18 but significantly is the first year that the rate of change of this increase has slowed. The equivalent rates in the previous 3 years were 2.5%, 3.4% and 5.3%. Whilst far too early to draw any firm conclusions this slowdown would be in line with our expectations that there is a limit to the density of care packages that existing service users require.
- 12.4. We are still working with the CCG to review the re-assessments of joint funded packages of care that they have undertaken this year. The full year impact will be felt in 2019/20 and is still estimated at up to £2m.
- 12.5. Whilst it is difficult to provide a definitive outturn position, the impact of a slowdown in client cost growth and early achievement of savings implies that we are to make savings on the current year's budget.

Health Improvement & Wellbeing

13. Public Health & Sports Services

- 13.1. The department is forecasting to spend £19.9m in total, £17.0m on Public Health and £2.9m on Sports Services which is £184k less than the combined budget of £20.1m.
- 13.2. The overall forecast underspend of £184k predominantly arises from within the Public Health services as a result of lower demand for Sexual Health Services and NHS Health Check programme. The new contract for Sexual Health services began on 1 January 2019 and will transfer to the new building in March. The NHS health check programme will be re-procured in 2019. The decline in take up recently in Leicester has been mirrored nationally.

Education and Children's Services

14. Education and Children's Services

- 14.1. The department is forecasting to spend £59.6m as per the budget. The significant pressures in social care and transport reported in the first quarter's revenue report remain. These are being dealt with this financial year by using one off departmental funds as planned in the budget.

- 14.2. The number of looked after children stood at 692 at the end of December, an overall increase of 10 since the beginning of the year. High cost external residential placements remain lower than at the beginning of the year with 33 at the end of December compared to 40 at April. The availability of sufficient internal foster carers remains an issue and placements with independent fostering agencies have increased slightly since the last forecast to 114, compared to 98 at the start of the year.
- 14.3. The new Functional Family Therapy Child Welfare team and MST Child Abuse and Neglect teams became operational in September. The new and existing programmes have diverted 107 children from care in the first 9 months of the year. This is nearly 50% of the 235 that would otherwise have become looked after in that period.
- 14.4. The DfE announced additional one-off funding for the High Needs Block of £886k in 2018/19 and 2019/20. This is inadequate to address the shortfall of £3m in our overall £45.1m allocation as described in previous reports. There remains a significant pressure in this area both locally and nationally.

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. At present we are forecasting a £11.9m underspend.
- 15.2. Corporate budgets are showing a £3.7m underspend largely due to spending review savings achieved in year. The spending review savings will be transferred to reserves as part of the managed reserves strategy and be available to support the 2019/20 budget.
- 15.3. As reported at period 6, significant savings of £8.2m are forecast on capital financing changes. These arise from a proposed change in policy on debt repayment, savings on an early loan repayment, and increased interest on cash balances. The position requires a change in policy from the original budget, and approval will be sought at outturn.

Spending Review Savings

As members are aware, the Council needs to achieve substantial savings to live within its means in future years. The key means by which we seek to achieve these is the spending review programme. The current round has been termed Spending Review 4 and savings are formally taken from the budget as the associated actions are confirmed.

Further savings within the City Development and Neighbourhoods Department are now proposed, largely taking effect from 2019/20, as shown in the table below.

Description of Saving	Division	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Organisational Review within Museum Services	TCII	0	300	300	300
Grant Reductions	TCII	0	20	20	20
Investment Property Review	EBS	0	150	150	150
Service efficiencies identified - Neighbourhood and Environmental Services	NES	0	73	73	73
Income generation- New Pay & Display bays and dropped kerb charges	PDT	20	100	100	100
Efficiencies within Highways	PDT	0	320	370	370
Income general/cost reduction gypsy & travellers' sites	HSG	0	10	10	10
		20	973	1,023	1,023

Further detail of the more significant spending review savings in City Development and Neighbourhoods are detailed below.

- Twinning Grants (£20k), this is a reduction in the grant provided to CLETA and Rajkot.
- Investment Property Review (£150k), further efficiencies have been identified in the management of the portfolio. As well as there being an increased focus on net yields.
- Highways Maintenance (£320k), a review process has been implemented to ensure work is prioritised and kept within the resources available. Further to this the utilisation of new technology (LED streetlights), has reduced the maintenance requirements.

Further savings have also been identified by Public Health and are now proposed, as detailed in the table below;

Description of Saving	Division	2018/19	2019/20	2020/21	2021/22
		£'000	£'000	£'000	£'000
Negotiated Savings from Current 0-19 contract	Public Health	0	50	50	50
Over achievement of earlier Lifestyle Services spending review savings	Public Health	0	0	45	45
		0	50	95	95