Revenue Budget Monitoring – Outturn, 2018/19

Decision to be taken by: City Mayor

Overview Select Committee date: 20th June 2019

Lead director: Alison Greenhill

Useful information

- Ward(s) affected: All
- Report author: Amy Oliver
- Author contact details: Ext 37 5667

1. Summary

This report is the final one in the monitoring cycle for 2018/19, setting out the Council's financial performance against its revenue budget for the financial year. The scale of Government funding cuts has put departments under pressure to provide services with less funding. It is pleasing to report that the Council continues to live within its means.

As with all authorities, costs associated with social care are high, and rising. A long-term solution from the Government is still awaited. It's pleasing therefore that Adult Social Care and Children's Social Care have lived within their resources – Adult Social Care making one-off savings to support future budgets.

The managed reserves strategy is a key plank of the successful achievement of our annual budgets. Money has been consciously set aside to enable us to "buy time", review services effectively, and cater for government funding cuts in a planned way. As a result of the outturn the amount available has increased from that expected when the 2019/20 budget was approved, which will help us sustain this policy for a longer period of time.

Despite the above, the medium-term financial outlook is extremely difficult as funding cuts are expected to continue. Managing spending pressures will be vital to living within our means in the future along with achieving spending review targets.

2. Recommendations

2.1 The Executive is recommended to:

- Note the outturn position detailed in the report.

- Approve the following earmarked reserve changes;

  a) transfer of underspends within the Corporate Resources department as set out in Appendix B, Para’s 1.1, 2.1, 4.1.
  b) transfer the underspend of £26k in City Developments and Neighbourhoods, as well as the amounts detailed in Appendix Para 7.1, 8.1, 9.1 & 11.4.
  c) transfer the amounts in Adult Social Care as detailed in Appendix B Para’s 13 and 13.13 into the Demographic Pressures Reserve
  d) transfer the amounts in Children’s as detailed in Appendix B, Para 15.13
  e) transfer the underspends within Public Health & Sports Services as set out in Appendix B, Para 14.1.
  f) transfer the underspends within corporate budgets to managed reserves and the capital reserve, as detailed in Appendix B, Para 16

- Note the effect of an accounting change in the way earmarked reserves are presented as detailed in Appendix C, para 1.4, (as required by the auditor).

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:

General Fund budget set for the financial year 2018/19 was £259.7m.

Appendix A details the budget 2018/19

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

Appendix C provides detail on the Council’s earmarked reserves.

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.

Period 3 Monitoring report and minutes of OSC Finance Task Group presented to OSC on 13th September 2018.
Period 6 Monitoring report and minutes of OSC Finance Task Group presented to OSC on 13th December 2018.

Period 9 Monitoring report and minutes of OSC Finance Task Group presented to OSC on 4th April 2019.

6. Summary of appendices:

Appendix A – Outturn Summary;

Appendix B – Divisional Narrative – Explanation of Variances;

Appendix C – Earmarked Reserves

7. Is this a private report?

No

8. Is this a "key decision"?

No

APPENDIX A

Revenue Budget Outturn, 2018/19

2018-19 Outturn	CURRENT BUDGET	OUTTURN	Variance
Neighbourhood & Environmental Services	31,131.3	31,020.1	(111.2)
Tourism Culture & Inward Investment	5,866.9	5,821.2	(45.7)
Planning, Development & Transportation	15,833.2	15,824.1	(9.1)
Estates & Building Services	5,221.1	5,452.9	231.8
Departmental Overheads	549.6	505.6	(44.0)
Housing Services	3,025.7	3,003.9	(21.8)
City Development & Neighbourhoods	**61,627.8**	**61,627.8**	**0.0**
Adult Social Care	**104,011.2**	**104,011.2**	**0.0**
Public Health & Sports Services	**20,103.4**	**20,110.4**	**7.0**
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	(3,801.3)	(3,801.3)	0.0
Education & Childrens Services	**62,191.5**	**62,191.5**	**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	(3,361.5)	(3,861.5)
Total Operational	**280,694.7**	**276,840.2**	**(3,854.5)**
Corporate Budgets	1,989.7	(5,684.9)	(7,674.6)
Capital Financing	14,020.6	5,886.2	(8,134.4)
Total Corporate & Capital Financing	**16,010.3**	**201.3**	**(15,809.0)**
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**	**240,002.7**	**(19,670.5)**

APPENDIX B

Outturn Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources and Support has delivered a balanced Outturn for Financial Year 2018/19, after setting aside savings achieved for improvement plans (as described below).

1. *Finance*

1.1. The Financial Services underspent by £61k. The underspend has been transferred to Financial Services Reserves to contribute to the costs of the finance systems project.

2. *Human Resources & Workforce Development*

2.1. Human Resources underspent by £350k, due to vacant posts and increased income from trading with Schools and Academies. The underspend will be transferred to reserves to cover future costs of the Digital Transformation Team.

3. *Information Services*

3.1. Information Services has delivered a balanced outturn.

4. *Delivery Communications & Political Governance*

4.1. The Delivery, Communications and Political Governance Division underspent by net £137k, after funding the Digital Transformation Team. This has been transferred to DCPG reserves, to contribute to future costs of the Digital Transformation Project. A government grant of £105k for assisting with potential impacts of leaving the EU, has been transferred to the departmental reserve to cover potential future costs.

5. *Legal, Registration & Coronial Services*

5.1. Legal Services has delivered a balanced outturn.

5.2. Coroners spent by £141k more than budget, which has been covered from corporate budgets in line with normal policy. This has happened in previous years and is largely due to historical funding arrangements. Although the costs of the service are increasing as salaries, Post Mortem Computed Tomography and pathology costs rises, this is a national issue. The budget for this service will be reviewed in 2019/20.

City Development and Neighbourhoods

The department underspent by £26k on a net budget of £61.6m, the underspend will be transferred to the departmental reserve.

6. Planning, Transportation and Economic Development

6.1. The division underspent by £9k. The previously reported pressures on income budgets were managed by controlling expenditure budgets and savings generated by City Highways. £800k of local air quality grant received towards the end of the year will be required in 2019/20, and has been transferred to an earmarked reserve accordingly.

7. Tourism, Culture & Inward Investment

7.1. An underspend of £46k was achieved, largely due to additional managed workspace income. Grant income has been received in year from the Arts Council this is required for future years expenditure. Therefore £666k has been transferred to earmarked reserves.

8. Neighbourhood & Environmental Services

8.1. The division underspent by £111k, due to a number of general savings across a range of services. This allows for £355k which has been moved to reserves to fund costs on waste management, in future years. These budgets are under pressure.

9. Departmental Overheads

9.1. This includes departmentally held budgets such as postage and pension contributions, together with the schools' organisation function. The outturn was a £70k underspend, due to staff vacancies. Grant income received for the delivery of the Learning Programmes (£1,353k) and English for speakers of other languages (£118k) will be required in future years. The money has been transferred to a reserve.

10. Estate and Building Services

10.1. The Division overspent by £232k, as Technical Services Review savings were not delivered as early as anticipated by the budget. The division continues to take action to deliver the balance of savings at the earliest possible opportunity.

11. Housing General Fund

11.1 The General Fund Housing Service underspent by £20k.

11.2 The introduction of the Homelessness Reduction Act has increased the demand for front line staff across the country, and the Homelessness Service has faced recruitment challenges throughout the year as a result. This led to the increased staffing budget not being fully utilised.

11.3 Partially offsetting this has been the cost of temporary accommodation due to a significant rise towards the end of the year in the number of families and individuals presenting themselves as homeless. In addition, as part of homelessness prevention, the cost of supporting people into private sector accommodation has increased.

11.4 Grant income for Syrian Refugees (£422k) and Homelessness Services (£316k) was received in 2018/19 and will be required in future years. The money will be spent and has been transferred to an earmarked reserve.

12. Housing Revenue Account

12.1. 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.

12.2. The HRA budget is underspent by £2.6m (excluding revenue used for capital schemes, which is reported separately in the capital monitoring report). As previously reported, the main reason for the underspend is savings on capital financing costs, arising from the beneficial repayment of a loan. Other significant variances are explained below.

12.3. Rental income was £0.5m higher than the budget. This is largely due to performance in collecting rents being better than expected.

12.4. The Repairs and Maintenance service spent £0.2m. above budget. This is mainly due to essential work being carried out in district heating sub stations. This was partially offset by vacancies within the craft operatives in the first half of the financial year.

12.5. Management and Landlord services underspent by £0.3m. Vacancies within the Admin Support (£0.3m) and the STAR Team (£0.3m) has contributed to a combined underspend of £0.6m. This is offset by the Noise Reduction Team, CCTV and the City Wardens, which are shared with the General Fund.

<u>Adult Social Care</u>

13. Adult Social Care

The department spent £104m as per the budget after transferring an in year under-spend of £5.8m to the ear-marked reserve set up last year for future demographic cost pressures. Whilst the level of under-spend compared to the budget is significant, it is essentially one off in nature and should not detract from the very significant underlying year on year increase in actual care package gross costs of £10m, a combination of increasing need and inflationary fee increases. The demographic cost pressures reserve will be used to offset the costs of adults and children's social care in future budgets.

13.1. The £5.8m consists of the following items which are explained in subsequent paragraphs:

(i) £2.8m net package cost under-spend (3% of the total £89.4m budgeted net package cost).
(ii) £0.8m of savings targets achieved ahead of schedule
(iii) £1.3m of lower spend in preventative services (reablement, enablement, crisis response teams, equipment service) either through difficulties in recruitment or lower than expected demand.
(iv) £0.3m net in-year staffing vacancies in care management, contracting and commissioning and administration.

(v) £0.6m of various items with the main ones being no increase to the service user bad debt provision (£0.26m) and £0.14m savings in pension costs (we agreed to make payments to providers who bought our care homes. Our costs are falling over time).

13.2. The £2.8m under-spend in net package costs consists of £0.8m lower spend from the gross package budget of £111m and £2m of better than budgeted service user and joint funded income from the CCG. It has been mentioned in previous reports that joint funded cases (288 service users at the year-end) were being reviewed and as a result the proportion of the service user cost attributable to health needs is reducing, on average. The budget for joint funded income was conservative this year but the full year impact of the reduction in income will be felt in 2019/20.

13.3. In terms of package costs, whilst there has been a significant year on year increase in actual costs this is not due to unexpected growth in service users. Long term service user numbers stood at 5,089 at the end of the year, 22 more than at the start, a 0.4% increase. This compares to an overall reduction of 1.8% in the prior year. The overall growth in 18/19 of 0.4% is made up a 0.28% growth in over 65s with physical issues and dementia, 3.5% growth in working age adults with physical issues, no net increase in those with learning disabilities and a 1.2% reduction in those with mental health issues.

13.4. The fact that service user numbers have remained stable should be seen in the context of the significant increase in the numbers of requests for support seen at the ‘front door’. In 2018/19 there were 15,238 such requests, 1,653 or 12% more than the previous year. The department has been successful so far in diverting the increase in requests away from statutory care, through better signposting to universal and other services and through improved uptake of one-off preventative support services.

13.5. The £10m increase in gross care package costs has been due to the deterioration and increasing need of our existing service users, together with fee inflation.

13.6. A comprehensive review of residential fees was completed during the early part of the year and the revised banded fee rates and additional needs allowances were accepted by providers.

Increases to residential fees, domiciliary care and other services have added £3.9m to the 18/19 costs, predominantly driven by the 4.4% increase in national living wage (NLW) rate. The NLW has been increasing in stages with the intention of reaching 60% of median earnings by 2020. The Low Pay Commission who recommend rates, estimate that the NLW will reach this target at a rate of £8.62 per hour by 2020/21 (19/20 rate is £8.21). We have no knowledge of the Government's intention regarding the National Living Wage beyond 2020/21 (the Chancellor announced a review in the 29th October budget).

13.7. The proportion of service users within the different types of provision remains relatively consistent year on year with 54.5% using home care, 25.6% in residential provision, 9.3% in supported living and 9.7% using day care. The most significant variation from the previous year is a shift from residential to homecare of around 3.5%.

13.8. The rate of increase in need of our existing service users was 5.5% this year, adding £5.6m to gross package costs this year. The increases were seen in the over 75-year olds with physical frailty issues and in the younger age groups for those with learning disabilities where lifespan is shorter. Whilst the rate of increase is comparable with 2017/18 (and the budget), significantly this 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%. This is encouraging and whilst too early to draw any firm conclusions for 2019/20 onwards, this slow-down is in line with our expectations that there is a limit to the average density of care package that existing service users require before end of life. Further analysis will be done in this area in advance of the budget setting process for 2020/21.

13.9. The result of changes to the service user numbers, level of need (both the in-year impact and the full year effect of previous year changes) and fee inflation is an increase in gross package costs from £101m in 18/19 to £111m. Whilst this level of increase is catered for in the 2019/20 budget there remains an urgent need for central government to provide a sustainable long-term permanent funding solution for adult social care and we continue to await the publication of the promised social care green paper.

13.10. The department has once again been able to deliver on savings targets ahead of the original schedule, totalling £0.8m this year. Following consultation, RSLs (registered social landlords) have agreed that they are able to provide non-statutory support to the elderly tenants in their sheltered housing provision and it is no longer necessary for the Council to contribute financially. Similarly, existing contractors that provide non-statutory support for tenants with mental health (MH) issues and learning disabilities (LD) have agreed that the Council contributions towards non-statutory support can be safely reduced. Contracts to provide short term non-statutory support to promote independent living for LD and MH service users have been ended this year. This service provision will now be provided internally by the Enablement service. The final element of savings from the review of care management staff have also been completed a year in advance without the need for redundancies

13.11. Preventative services have under-spent by £1.3m (total budget £17.2m) this year. Vacant posts in the Reablement, Enablement and Crisis Response services (which will be filled in 19/20) account for £0.9m. The Integrated Community Equipment service (which provides, hoists, frames etc) underspent by a further £0.15m (budget £0.8m) through a combination of more effective equipment re-cycling and lower demand. Hastings Road Day centre was operating with vacant posts but maintained service provision, under-spending by £0.25m as a result.

13.12. The Additional debt collection resource has been in place for two years and this has reduced old service user debt and therefore the bad debt provision. The provision currently stands at £2.3m, 33% of the £6.9m gross debt redundancies.

13.13. In the 2019/20 budget report it was identified funding would need to be available to support the 2020/21 budget, after the current round of the Better Care Fund has ceased. To ensure funding is available £7.8m has been transferred into the demographic pressures reserve.

<u>Health Improvement & Wellbeing</u>

14. Public Health & Sports Services

14.1. The department spent £20.1m in line with the budget after transferring under-spends of £246k and £312k to reserves in public health and sports services respectively.

14.2. The public health underspend of £246k arises predominantly as a result of lower demand for sexual health services (£189k against a total budget of £4.1m) and the NHS health check programme (£66k against a total budget of £0.4m). The new contract for sexual health services began on 1 January 2019 and transferred to the new building in the Haymarket in March. The full year savings from the new sexual health contract will save £0.6m from 2019/20, which is reflected in the budget. The NHS health check programme will be re-procured in 2019. The decline in take up recently in Leicester has been mirrored nationally.

14.3. In Sports services efforts to increase the number of gym memberships and the level of swimming participation this year have been successful with total leisure centre income £0.4m ahead of budget. Although staffing costs were higher than budget, partially offsetting the income gain, this will be resolved in 19/20 following the conclusion of the staffing review.

14.4. The total held in earmarked reserves after transferring this year's under-spends are £3.5m. These will be used to support the department as it makes further savings as part of spending review four.

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

15. Education and Children's Services

15.1. The department spent £62.2m as per the budget. Significant pressures remain in social care and home to school transport particularly for SEN children as previously reported. These were dealt with this financial year by using one off funds as planned in the budget (but the amount required was £2m higher than originally planned). The pressure on the High Needs Block of the Dedicated Schools Grant (DSG) also remains a significant issue.

15.2. The total number of looked after children (LAC) at the start of the year was 683, reducing by a net 12, taking into account starters and leavers, leaving 671 at the end of the financial year. This compares to a net increase of 41 and 40 in the previous two financial years. Whilst the total number of LAC remains high, this is the first time since 2006 that overall numbers have reduced within the year.

To set our numbers in context, the number of LAC per 10,000 of the Leicester population was 81 at March 2018, compared with our statistical neighbours' averaging 78 and England as a whole 64. Placement costs alone for the 671 LAC and the 251 children with special guardianship orders accounted for 44% (£27.5m) of the total departmental budget.

15.3. The new FFT and additional MST therapeutic intervention teams started taking cases in September and are now operating at sufficient scale to make a significant impact on the numbers of children coming into care. Total children diverted from coming into care in year was 172, reducing the number of children that would otherwise have become long term LAC from 324, leaving an actual intake of 152. The 324 children that would otherwise have become long term LAC was markedly higher than the 260 expected and compared to the previous year. It is uncertain at this stage why this should be the case and whether this is one off or a sustained increase - there were some very large sibling groups referred to both MST and FFT during the year, and we could also speculate on the cumulative impact of population changes, benefit changes and austerity generally. We will review the cases that entered care to establish whether the capacity of the FFT and MST teams needs to increase as a result of more referrals. Further work needs to be done to determine the potential financial impact on the 2019/20 budget and 20/21 projections.

15.4. The proportion of children in each type of provision has remained similar to the previous year with 59% remaining in internal foster placements. The proportion in semi-independent accommodation and IFAs has increased. The number of children in external residential placements reduced from 40 to 36 this year with greater scrutiny on the necessity for this type of placement. There were a significant number of transfers of older teenagers to semi-independent accommodation from other placement provision and this resulted in an increase from 35 to 49 placements in the year. The level of support required as teenagers transition to adulthood is increasing. This is an area being looked at in terms of proposals to increase the capacity and quality of semi-independent supported accommodation. The number of IFA placements has continued to increase from 98 to 111 either because of a lack of internal foster carer numbers, a difficulty in matching sibling groups to carer capacity or less frequently where a specialist placement is needed. 26 new foster carers were recruited this year, however 29 de-registered during the same period. The difficulties in increasing the number of foster carers is a national problem for local authorities and work is ongoing to increase new recruits.

15.5. The number of LAC leaving care under a special guardianship order (SGO) doubled in 2018/19 at 42 compared to 2017/18. This has contributed towards the net overall reduction in LAC numbers. There are no significant savings in placement costs as a result, however the caseload for social workers is reduced.

15.6. The need for short term residential parent and baby assessments has reduced by 50% (£0.5m) in financial terms this year through working more closely with the courts and providing an in-house assessment service.

15.7. The number of children with child protection plans has reduced significantly from 624 at the start of the year to 351 at the end and this has had an impact on caseloads within the Children in Need service. This has contributed to the social worker workforce beginning to stabilise with 30 agency and 85 permanent staff, a total of 115 staff at the end of this year compared to the establishment of 111. At the end of the last financial year there were 53 agency staff in post. The current agency staff are covering 26 vacancies and 4 are providing support for the ASYE workers. There are 44 level 1 and level 2 ASYE social workers out of the 85 permanent staff and the process of developing a pipeline of in-house trained social workers is bearing fruit. Expenditure on social work staff was within the available budget this year.

15.8. Stricter controls on approving and monitoring home to school and contact transport for LAC have been implemented this year. Total actual spend on transport has reduced from £1.75m in 17/18 to £1.3m in 18/19.

15.9. Home to school transport costs for SEN children is paid for from the council's general fund. As with all SEN provision, budgets are under severe pressure. We spent £6.3m on SEN transport this year, slightly ahead of expectations.

15.10. Despite the DfE announcement of additional one-off funding for the High Needs Block of £886k in 2018/19 and 2019/20 (1.9% of the total allocation of £45.8m) there remains a significant gap between current expenditure and the annual formula based grant allocation. This gap is being funded from DSG reserves. In 2018/19 the gap was £5m, significantly higher than the £3.1m planned at the start of the year. The main reason for this was the continued increase in top-ups paid to mainstream schools to supplement their core funding for SEN children. Whilst it is clearly desirable to maintain these children in the mainstream setting the extent of this funding increase is unsustainable and is the subject of a review.

15.11. The remaining DSG reserves held by the local authority is £8m and therefore 2019/20 is the last year that we will be able to finance the underlying funding gap in the High Needs Block. We are already working on proposals for high needs services which will be consulted upon later this year, which as a by-product, will also make them more financially sustainable. This is a national problem and there are a number of authorities who are already in deficit in terms of their DSG expenditure. The DfE have responded by asking councils who are in deficit to prepare 3-year recovery plans which, for those experiencing growth as we are, is extremely difficult particularly against the back-drop of parents taking councils to judicial review when services are reduced.

15.12. Total maintained primary and secondary DSG school balances have increased in total by £2.2m to £18m at the end of the year. There are a number of primary schools which are known to us that are carrying a deficit balance and we are working with them on financial recovery plans.

15.13. The Council has received grants for a youth employment initiative (‘EmployMe’) and a second scheme called the Early Years Outcome fund. As the schemes are continuing in to 2019/20 it is proposed to transfer the £737k into the Children’s Services departmental reserve.

Corporate Items & Reserves

16. Corporate Items

1.1. Corporate budgets are those which are not managed by any department.

1.2. Housing benefit payments are made to tenants on low income to assist with their rent. Annual spending of around £111m is met from Government grant, although cost falls on the Council when benefit is overpaid (usually due to claimants failing to tell us of changes in circumstances) and where our grant claim is reduced on audit. Improvements have been made in the way we manage housing benefits overpayments and the recovery of outstanding debt. This has resulted in a net budget saving of £3.9m which will be contributed to managed reserves to support future budgets.

16.3 At period 9, we were projecting savings on other corporate budgets of £3.7m, primarily due to spending review savings achieved after the budget for 2018/19 was set. This element of the budget has now achieved savings of £7.7m: reasons include spending reviews savings; the original budget contingency not being required; and additional government grants to compensate for changes in business rate rules made by the Government. This saving will be transferred to managed reserves.

16.4 In previously monitoring reports, a change in capital financing policy was proposed, which would save £8m through changing the speed at which we repay past years' borrowing. This change has already been made from 19/20 onwards as part of that year's budget report. It is now recommended that this change is made with effect from 2018/19, and that (as the money is one-off) the saving released is added to the capital programme to support future schemes.

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. Increasingly, though, reserves are being used to mitigate future budget pressures.

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. Earmarked reserves can be divided into different categories: information on the larger reserves in each category is detailed below. Some of the balances include transfers for which approval is sought in the recommendations to this report.

1.4. The amount of money held in reserves has changed because we have reviewed our accounting practice to ensure we meet requirements of the CIPFA Code of Practice (this is purely presentational). Grant which has not yet been spent has previously been accounted for as precisely that – we are however required to treat it in the same way as earmarked reserves. The money will be spent in the way the grant would have been spent. Some, however, is no longer required and can be added to managed reserves. The main reserves affected by this change are the Demographic Pressures, Managed and Children's Service Pressures Reserves.

1.5. A full review of earmarked reserves will be completed in the first quarter of 2019/20, which will include elements formerly presented as government grants.

2. Impact on Future Budgets

2.1. By its nature, the outturn itself does not usually affect future expenditure and income patterns. However, members will be aware that we use the Managed Reserves Strategy to "buy time" to implement budget reductions, and to ensure that all spending reviews are properly thought through. This has been a key plank in recent budget strategies, and in particular has helped us to avoid the type of crisis cuts that some authorities have been required to make.

2.2. Following the outturn, the expected levels of reserves available to support the budget strategy in 2020/21 and beyond is £35m, an increase of £17m since the budget for 2019/20 was approved. Main reasons for the increase are:

a) Savings in corporate budgets in 2018/19, over and above those reflected in the 19/20 budget (see above).
b) £8m from the review of grants described at paragraph 1.4 above.

2.3 We are facing major uncertainty over our future budget position, given that the government has given no indication whatsoever about funding levels beyond 2019/20. This increase is therefore welcome and will help us manage uncertainty we face.

3. Ring-fenced reserves

Ringfenced reserves, are funds held by the Council but which we have obligations to other partners or organisations

2.1 The following reserves are ringfenced for schools;

2018/19	Balance at 31st March 2018	Total in Year Transfers	Balance at 31 March 2019
	£000	£000	£000
DSG not delegated to schools	12,710	(4,500)	8,210
School Balances	16,719	508	17,227
School Capital Fund	2,383	575	2,958
Schools Buy Back	1,073	1,583	2,656
Secondary PRU- Year End Balance	91	(5)	86
Primary PRU -Year End Balance	14	68	83
Total School Ring Fenced Reserves	**32,990**	**(1,771)**	**31,220**

2.2 The following reserves are ringfenced for Public Health, Arts Council, Education & Skills Funding & NHS joint working projects.

2018/19	Balance at 31st March 2018	Total in Year Transfers	Balance at 31 March 2019
	£000	£000	£000
NHS Joint Working Projects	1,769	-	1,769
Public Health Transformation	1,668	-	1,668
Education & Skills Funding agency Learning Programmes	-	1,353	1,353
Arts Council National Portfolio Organisation Funding	-	666	666
Total Other Ring Fenced Resources	**3,437**	**2,020**	**5,457**

4. Capital Programme Reserve

3.1 This reserve supports approved spending on the Council's capital programme.

2018/19	Balance at 31st March 2018	Total in Year Transfers	Balance at 31 March 2019
	£000	£000	£000
Total Capital Programme Reserve	**41,395**	**8,933**	**50,328**

5. Departmental Reserves

Departmental reserves are held by services to fund specific projects or identified service pressures.

2018/19	Balance at 31st March 2018	Total in Year Transfers	Balance at 31 March 2019
	£000	£000	£000
Financial Services Reserve	3,940	(232)	3,708
ICT Development Fund	3,887	(390)	3,497
Delivery, Communications & Political Governance	5,211	443	5,654
Housing	1,410	170	1,580
City Development (Excl Housing)	3,369	247	3,616
Children's Services Pressures	14,560	737	15,297
Health & Wellbeing Division	1,692	102	1,794
Other Departmental Reserves	1,257	(81)	1,175
Total Other Departmental Reserves	**35,326**	**996**	**36,321**

Detail on the larger reserves is provided below:-

- **Adult Social Care:** to meet budget pressures in future years, as the Service continues to have demographic cost pressures and no certainty that the Government will provide the much needed extra money;

- **Children's Services Pressures:** to balance future budgets, including those identified as part of the 2019/20 budget report and £5m for current projects.

- **City Developments and Neighbourhoods:** to meet known additional pressures, including one off costs associated with highways functions and the cost of defending planning decisions. Along with the funding of projects that have carried forward into 2019/20.

- **Delivery Communications & Political Governance:** this is principally for expenditure incurred to retain the Digital Transformation team, temporary and one-off staffing costs in HR/Payroll along with future elections.

- **ICT:** rolling funds for network and server upgrades, mobile airtime and upgrade of PC stock.

- **Financial Services:** for expenditure on replacing the Council's main finance system; funding the Service Analysis Team; transitional costs associated with the transfer of the audit function to the County Council; spikes in benefit processing and overpayment recovery; and to mitigate budget pressures including reducing grant income to the Revenues & Benefits service.

- **Health & Wellbeing:** to support service pressures, channel shift and transitional costs.

- **Housing:** to meet spike in bed & breakfast costs; sourcing private sector landlords; costs associated with economic migrants; and for development work associated with a subsidiary housing company;

6. Corporate reserves

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

2018/19	Balance at 31st March 2018	Total in Year Transfers	Balance at 31 March 2019
	£000	£000	£000
Managed Reserves Strategy	25,252	8,331	33,583
Demographic Pressures	9,745	12,627	22,372
BSF Financing	11,533	634	12,167
Severance Fund	7,265	(937)	6,328
Service Transformation Fund	6,087	(1,175)	4,912
Insurance Fund	9,099	2,491	11,590
Welfare Reform Reserve	3,790	(407)	3,383
Other Corporate Reserves	4,042	303	4,345
Total Corporate Revenue Resources	**76,814**	**21,866**	**98,679**

Detail on these reserves is provided below:-

- **Managed Reserves Strategy:** a key element to delivering our budget strategy, as set out in the budget report for 2019/20;

- **Demographic Pressures**: to help meet cost of demographic changes in adult & children social care and reduce the burden on council tax payers – some is being used as part of the 2019/20 budget strategy and the remainder will be available for 2020/21 and 2021/22.

- **BSF Financing**: to manage costs over the remaining life of the BSF scheme and lifecycle maintenance costs of the redeveloped schools;

- **Severance Fund:** to facilitate ongoing savings by meeting the redundancy and other costs arising from budget cuts;

- **Insurance Fund**: to meet the cost of insurance claims, nearly all our costs are met from this fund.

- **Service Transformation Fund:** to fund projects which redesign services enabling them to function effectively at reduced cost;

- **Welfare Reform**: set aside to support welfare claimants who face crisis, following the withdrawal of government funding for this purpose;

Other reserves: includes monies for spend to save schemes that reduce energy consumption, the combined heat and power reserve, and the surplus property reserve to prepare assets for disposal.