Leicester City Council

Revenue Budget Monitoring
April-December 2019/20

Decision to be taken by: City Mayor

Overview Select Committee date: 26th March 2020

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 2019/20 and forecasts the expected performance against the budget for the year.

As has been the case for many years now, the scale of Government funding cuts means departments are under pressure to provide services with reduced funding, and this often results in budget difficulties which need to be managed.

As reported previously this year has seen several councils forecasting an overspend in 2019/20 and imposing emergency spending controls in response. It is therefore positive to note the Council is forecasting it will not overspend its budget.

Nonetheless, the budget this year masks significant pressures: - (a) growth in the costs of looked after children, which can only be funded through one-off resources provided by the budget. This is addressed as part of the 2020/21 budget; (b) continued upward pressure in demand for adult social care which may or may not be addressed by future government action.

The budget for 2020/21 will provide additional resources for both Adults and Children's to support the services. However, it is anticipated that both departments will nonetheless continue to experience pressures.

It is therefore important we continue to achieve the Spending Review targets to ensure we work towards balancing our budget in future years.

City Development and Neighbourhoods are continuing to see pressures, although they are forecasting to manage individual overspends within their divisional budgets and by use of the departmental reserve.

2. Recommendations

2.1 The Executive is recommended to:

- Note the emerging picture detailed in the report.
- Note the wider use of the Welfare Reform reserve as reported in the 2020-21 budget report, to provide additional funding to the Council Tax Discretionary Relief scheme and delivering the anti poverty strategy.

2.2 The Overview Select Committee 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 2019/20 was £263.9m.

Appendix A summarises the budget for 2019/20.

Appendix B provides more detailed commentary on the forecast 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 20th February 2019 on the General Fund revenue budget 2019/20
Period 3 Monitoring presented to OSC on 19th September 2019.
Period 6 Monitoring presented to OSC on 28th November 2019.
Report to Council on the 19th February 2020 on the General Fund revenue budget 2020/21.

6. Summary of appendices:

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

Appendix B – Divisional Narrative – Explanation of Variances;

7. Is this a private report?

No

8. Is this a "key decision"?

No

APPENDIX A

Revenue Budget at Period 9 (April – December), 2019/20

2019-20	CURRENT BUDGET	Forecast P9	Variance
Neighbourhood & Environmental Services	31,436.5	31,436.5	0.0
Tourism Culture & Inward Investment	4,260.9	4,260.9	0.0
Planning, Development & Transportation	15,222.4	15,222.4	0.0
Estates & Building Services	4,841.4	5,006.2	164.8
Departmental Overheads	1,020.9	856.1	(164.8)
Housing Services	2,822.8	2,822.8	0.0
City Development & Neighbourhoods	**59,604.9**	**59,604.9**	**(0.0)**
Adult Social Care	**109,141.3**	**106,904.3**	**(2,237.0)**
Health & Well Being	**18,557.0**	**18,557.0**	**0.0**
Strategic Commissioning & Business Support	1,039.4	980.9	(58.5)
Learning Services	10,550.8	10,705.2	154.4
Children, Young People & Families	60,055.5	60,007.3	(48.2)
Departmental Resources	(2,766.8)	(2,814.5)	(47.7)
Education & Children's Services	**68,878.9**	**68,878.9**	**0.0**
Delivery, Communications & Political Governance	5,659.5	5,659.5	0.0
Financial Services	11,215.5	11,215.5	0.0
Human Resources	3,899.0	3,899.0	0.0
Information Services	9,256.3	9,256.3	0.0
Legal Services	2,673.8	2,673.8	0.0
Corporate Resources & Support	**32,704.1**	**32,704.1**	**0.0**
Housing Benefits (Client Payments)	500.0	500.0	0.0
Total Operational	**289,386.2**	**287,149.2**	**(2,237.0)**
Corporate Budgets	(157.6)	(2,268.4)	(2,110.8)
Capital Financing	6,005.9	5,461.8	(544.1)
Total Corporate & Capital Financing	**5,848.3**	**3,193.4**	**(2,654.9)**
Public Health Grant	(26,103.0)	(26,103.0)	0.0
Managed reserves Strategy	(1,763.4)	(1,763.4)	0.0
Demographic pressures reserve	(3,455.0)	(3,455.0)	0.0
TOTAL GENERAL FUND	**263,913.1**	**260,784.6**	**(4,891.9)**

APPENDIX B

Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources Department is forecasting a balanced outturn on a net budget of £32.7m.

1. Finance

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

2. Information Services

2.1. Information Services is forecasting a break-even position. The division continues to work on a programme of rationalisation of systems and infrastructure, in order to deliver the spending review savings, which are in process of implementation. The investment to deliver these will in part be funded from reserves set aside for the purpose.

3. Human Resources

3.1. Human Resources is forecasting an underspend of £495k due to staff vacancies and an increase in income, similar to the previous monitoring report. This will be used to help cover the costs of the Digital Transformation Team.

4. Delivery Communications & Political Governance (DCPG)

4.1. The Delivery, Communications and Political Governance Division continues to forecast a balanced outturn, after applying the HR underspend to help fund the Digital Transformation Team.

5. Legal, Registration & Coronial Services

5.1. The Legal Services Division is forecasting a balanced outturn. Additional capacity is being funded by corporate and departmental reserves.

5.2. Coronial Services are forecasting an overspend of some £360k 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 a balanced outturn on a net budget of £59.6m, after a potential call upon the Departmental reserve. Divisionally, the position is as follows:

6. Planning, Transportation and Economic Development

6.1. The division is forecasting a balanced outturn. As previously reported lower income is now being received in relation to the new bus shelter advertising contract. This is being managed by closely controlling expenditure.

7. Tourism, Culture & Inward Investment

7.1. Pressures have arisen from lower than budgeted income. These are being partially offset by operational efficiencies at De Montfort Hall, unbudgeted income from the former Granby Halls site prior to its sale and close control of other costs/income. The King Richard III Visitor Centre has been added to the division.

8. Neighbourhood & Environmental Services

8.1. The division continues to forecast a balanced outturn, through close management of activity and costs.

9. Estates & Building Services

9.1. The Division is forecasting an income shortfall, as capital fees income is not being generated at the level assumed in the budget. The implementation of the Technical Services Spending Review continues - this was reported previously, however delivery of all the expected savings is taking longer than anticipated. The Division is taking a range of actions to contain spending and following a review of essential property maintenance spending and commitments it is proposed to capitalise further works to the value of £500k, to be funded by corporate resources.

10. Departmental Overheads

10.1. This holds the departmental budgets such as added years' pension costs, postage and departmental salaries. Savings of around £160k are expected due to vacant posts.

11. Housing General Fund

11.1. Additional temporary accommodation costs of £500k will be fully offset by in-year savings and the use of reserves held specifically for this purpose. Pressures are emerging on the vehicle fleet budget due to increased repairs and temporary hire costs, as delivery of new replacement vehicles is awaited.

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. The HRA is forecast to overspend by £0.1m, excluding revenue used for capital spending (which is reported in the capital monitoring report). The overspend has reduced since the previous report, largely due to the early delivery of planned savings having been confirmed.

12.2. Rental income is forecast to be £0.1m higher than budget, due largely to higher than expected hostel income. An underspend of £0.5m is expected on a budget held for adverse movement in the bad debt provision; analysis of current debt indicates that this is unlikely to be required.

12.3. The Repairs & Maintenance Service is expected to overspend by £0.3m. Unplanned costs of £0.5m will be incurred following the re-grading of Multi-Trade Operatives. In addition, contractors have been engaged to minimise void times at a cost of £0.2m. Partially offsetting these are reduced expenditure on materials, staffing underspends, and delayed expenditure on vehicle racking totalling £0.4m.

12.4. An overspend of £0.4m is forecast within Management & Landlord Services. This is largely due to a one-off cost of £0.6m associated with the relocation of tenants from Goscote House, as previously reported. Staff re-grading and one-off redundancy costs will add a further £0.2m. Permanent savings of £0.4m planned for 2020/21 have been confirmed as delivered early, helping to offset some of these costs.

<u>Adult Social Care</u>

13. Adult Social Care

13.1. At quarter 3, the department is forecasting an annual spend of £106.9m, £2.2m less than the budget of £109.1m.

13.2. £1.3m of the underspend relates to preventative services (7% of the total budget) as a result of difficulties in recruiting to posts in Reablement, ICRS (integrated crisis response service) and Enablement. A further £0.5m of staffing underspend is forecast in the social work teams (4% of total team costs), together with £0.4m across the support teams covering admin, commissioning, contracting and performance, which is 7% of the budget for these areas.

13.3. Long term service user numbers stood at 5,185 at the end of the third quarter, 148 more than at the start of the year, a 2.94% increase. This is significant as we have not seen the net growth in long term service user numbers exceed 100 for five years. The rate of growth is significantly higher than the 0.9% at the same point last year and the budgeted annual growth of 1.5%. Both working age and older people cohort net entrants to date have increased compared to the previous year, although the working age increase remains significantly higher. For working age adults, the net growth to date is 5.1% (compared to 2.56% last year) and for older people 1.45% (compared to -1% last year).

13.4. The annual rate of increase in need of our existing service users has remained relatively stable from 2017/18 to the first half of 2019/20. The rate at the end of the third quarter was 6.2% (£6.7m) however, which is significantly higher than at the same point last year of 5.1% and the budget for the year of 5.5%.

13.5. Both the increasing numbers and the increasing need will continue to be closely monitored to determine whether the observed changes represent a sustained change or a temporary blip. Whilst the higher growth and increase in need has added costs the overall forecast position for net package costs remains as per the budget as a result of better than budgeted service user income.

<u>Health Improvement & Wellbeing</u>

14. Public Health & Sports Services

14.1. At quarter three, the department is forecasting to spend £18.6m as per the budget.

14.2. The first phase of the sports services organisational review is complete.

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

15. Education and Children's Services

15.1. The department is currently forecasting to spend £68.9m as per the general fund budget. The underlying pressures on the looked after children (LAC) placement cost and SEN home to school transport budgets remain and are being funded using reserves as outlined in the Council budget report. The pressure on the High Needs Block of the Dedicated Schools Grant (DSG) also remains a very significant issue but the DfE have confirmed an increased allocation from 2020/21. The shortfall in the annual allocation in 2019/20 will be funded this year from remaining DSG reserves.

15.2. The total number of LAC at the end of the third quarter has reduced to 643 compared to the 671 at the start of the year. Numbers of entrants into care were high in the first half of this year and whilst this continued into October, there has been a slow-down in November and December. The cumulative number of new entrants still in care at quarter 3 is 117, 9% less than at the same point last year. MST/CAN and FFT teams have successfully diverted 135 children away from care this year.

15.3. Numbers of children leaving care are 23% higher than at the same point last year, however this figure is distorted as a result of the drive to convert a backlog of eligible care placements to special guardianship (SGO) status and these account for nearly 30% of care leavers. This level of conversion will not continue into the new year. SGOs are a desirable outcome in terms of the permanence of the placement and they reduce headline LAC numbers and casework for LAC social workers. Placement costs are marginally less than the equivalent LAC placement, but the cost still has to be funded by the service.

15.4. Whilst there has been a net reduction in LAC in the first 9 months of 28, the cost of the cohort remaining has increased because the new entrants to care have a significantly higher average cost than those that have left care. This trend towards more high cost placements is driven by teenagers who show aggressive, violent behaviour, criminal activity, involvement in county lines, CSE or with other severe behavioural and mental health issues. Consequently, the numbers of external residential placements are increasing and the higher level of support within semi-independent placements results in higher unit costs. Numbers of IFA placements are also increasing as a result of difficulties in matching children to the internal foster carers available.

15.5. The forecast placement cost for the year is £30.7m as per the previous quarter, £1.2m more than the budget.

15.6. The number of social worker agency staff is now only 22 (23 at the end of quarter two), compared to an establishment of 111. ASYEs and level 2 permanent social worker posts represent nearly 50% of the total social workers, higher than will be the case in the future as these staff progress through the career grade. Staffing costs for social workers are currently therefore lower than the core establishment budget and this alongside the use of reserves will offset the additional placement costs.

15.7. In Leicester the pressure remains on the general fund in relation to home to school transport costs and on the High Needs Block (HNB) of the DSG for placement costs and other services. Work continues as outlined previously to ensure that we are obtaining value for money across the SEN provision, including in special and mainstream settings together with council provided services. DSG reserves are being used to meet budget pressures in 2019/20 of up to £6m, but these effectively run out in 2020/21.

15.8. The DfE have provided additional funding of £6m as part of the HNB formula funding from 2020/21 onwards. This will only deal with the legacy of the shortfall in allocation and not allow either increased expenditure on high needs or, put us in a position to deal with growth in demand from 2021 onwards, without finding savings from the areas mentioned above.

Corporate Items & Reserves

16. Corporate Items

16.1. The corporate budgets cover the Council's capital financing costs, items such as audit fees, bank charges and levies.

16.2. Corporate budgets are showing a £2.7m total underspend largely due to £1.7m of spending review savings achieved in year. The spending review savings will be transferred to reserves as part of the managed reserves strategy. A further £0.5m saving is anticipated in respect of capital financing costs due to cash balances being higher than anticipated and increased investment income.