
Executive Decision- Revenue Budget Monitoring 2020/21 Outturn

Decision to be taken by: City Mayor

Decision to be taken on: 3 June 2021

Lead director: Alison Greenhill

Useful information

- Ward(s) affected: All
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- Report version number: V1

1. Summary

This report is the final one in the monitoring cycle for 2020/21 and reports the final outturn for 2020/21.

The year has been dominated by the consequences of the Covid 19 pandemic, the need for the Council to incur expenditure to respond to and mitigate the effects of the pandemic, and the loss of income due to facility closure in successive lockdowns. The outturn reported shows the combined effect on our budget of covid related costs and losses, other budgetary variations unrelated to covid and one-off grant received by the Government.

Overall, we are reporting a net underspend of £4.3m, although this does not show the full picture. The pandemic did not end on 31st March. The city has experienced a year of enduring transmission with its rates consistently ranked near the top of all local authorities. The contributing factors to this are not going to go away, and vaccination rates are less than the UK average (considerably so for some community groups). National modelling also suggests that a third wave is highly likely although the severity remains to be seen.

Whilst the Government has provided more funding for the pandemic in 2021/22 (principally £11m of unringfenced funding, but also funding to manage local outbreaks and to partially compensate losses of income in the first quarter), it is felt unlikely that the Government will provide more money than has already been announced. Thus, we need to be sure we have sufficient provision for any pandemic related costs in 2021/22. Additionally, members will wish to see a comprehensive set of measures to assist the recovery of the city's economy once the pandemic is over. For this reason, the report proposes setting aside significant sums for these purposes.

Our approach to recording the costs of the pandemic are as follows:

- (a) Extraordinary costs which the Council would not normally incur have been charged to a new budget. These costs have been shown at paragraph 15.6 below;
- (b) Costs of a type the Council normally incurs have been recorded as part of normal budgets (e.g. adult social care costs);
- (c) Grant income received for the pandemic has been either credited to departmental budgets or retained in a central budget. The latter grants are described at paragraph 15.68 below.

The pandemic has affected patterns of service provision with a change in the usual patterns of new adult care packages (and funds available from the NHS). The impact on children's social care is more difficult to determine.

The pandemic has also affected local tax collection. At the end of 20/21, 89.7% of the current year's business rates had been collected compared to 95.7% in 2019/20. 91.6% of council tax had been collected compared to 94.6% in 2019/20. Additional spend was also

incurred on council tax support. A quirk of local authority finance is that the consequent financial losses to the Council do not affect the 2020/21 outturn but impact 2021/22: estimates were reflected in the current year's budget.

Additionally, the Government has provided around £200m for additional rate reliefs and business support grants in 2020/21 which do not affect the outturn and are not included in this report.

2. Recommended actions/decision

2.1 The Executive is recommended to:

- Note the outturn position detailed in the report.
- Approve the following earmarked reserve changes:
 - a) transfer the amounts in City Development & Neighbourhoods as detailed in Appendix B, Paras 5.1,6.1,7.1,9.1 & 10.1 to reserves.
 - b) transfer the amounts in Adult Social Care as detailed in Appendix B, Para12.10 to reserves.
 - c) transfer the underspend in Public Health as detailed in Appendix B, Para 14.5 to reserves.
 - d) transfer sums for capital investment and post covid recovery as discussed in Appendix B, para. 15.5 & 15.7 to reserves.
 - e) transfer of departmental reserves to the managed reserves strategy as detailed in Appendix C, para 4.
 - f) transfer of grants paid in 2020/21 where expenditure will not be incurred until 2021/22 to reserves as detailed in Appendix C, para 5.3 and 5.4.
 - g) merge the children's services pressures with the social care reserve, as detailed in Appendix C, para 4.8.
 - h) merge the Covid reserve with the managed reserves strategy as detailed in Appendix C, para 5.1.
 - i) transfer the underspend of £4.3m equally between the Service Transformation and ICT development reserves to assist with delivering new ways of working and to support the budget strategy for 2022/23.

2.2 The OSC is recommended to:

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

3. Scrutiny / stakeholder engagement

N/A

4. Background and options with supporting evidence

The General Fund budget set for the financial year 2020/21 was £282.4m.

Appendix A summarises the budget for 2020/21.

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

5. Detailed report

See appendices

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

6.1 Financial implications

This report is solely concerned with financial issues.

Colin Sharpe, Deputy Director of Finance

6.2 Legal implications

This report is solely concerned with financial issues.

6.3 Equalities implications

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

6.4 Climate Emergency implications

This report is solely concerned with financial issues

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

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

7. Background information and other papers:

Report to Council on the 19th February 2020 on the General Fund Revenue budget 2020/2021.

Period 4 Monitoring presented to OSC on 24th September 2020.

Period 6 Monitoring presented to OSC on 3rd December 2020.

Period 9 Monitoring presented to OSC on 16th March 2021.

8. Summary of appendices:

Appendix A – Outturn Summary;

Appendix B – Divisional Narrative – Explanation of Variances;

Appendix C- Earmarked Reserves;

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

No

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

No

Revenue Budget at Outturn 2020/21

2020-21	Current Budget	OUTTURN	Variance
	£000's	£000's	£000's
Financial Services	11,147.9	11,450.2	302.3
Information Services	9,190.3	9,496.2	305.9
Human Resources & Delivery, Communications & Political Governance	9,912.4	9,896.2	(16.2)
Legal Services	2,730.5	3,359.0	628.5
Corporate Resources & Support	32,981.1	34,201.6	1,220.5
Planning, Development & Transportation	14,498.8	23,161.0	8,662.2
Tourism Culture & Inward Investment	4,117.6	6,829.8	2,712.2
Neighbourhood & Environmental Services	32,095.5	35,328.1	3,232.6
Estates & Building Services	4,681.8	5,702.0	1,020.2
Departmental Overheads	1,021.0	796.6	(224.4)
Housing Services	2,591.8	2,909.8	318.0
City Development & Neighbourhoods	59,006.5	74,727.3	15,720.8
Adult Social Care & Safeguarding	123,483.2	122,495.6	(987.6)
Adult Social Care & Commissioning	(16,207.3)	(24,580.2)	(8,372.9)
Sub-Total Adult Social Care	107,275.9	97,915.4	(9,360.5)
Strategic Commissioning & Business Support	1,296.0	1,255.5	(40.5)
Learning Services	11,038.3	13,877.0	2,838.7
Children, Young People & Families	65,522.2	60,964.5	(4,557.7)
Departmental Resources	1,042.6	631.8	(410.8)
Sub-Total Education & Children's Services	78,899.1	76,728.8	(2,170.3)
Total Social Care & Education	186,175.0	174,644.2	(11,530.8)
Public Health & Sports Services	23,379.5	26,814.5	3,435.0
Housing Benefits (Client Payments)	500.0	(1,419.4)	(1,919.4)
Total Operational	302,042.1	308,968.2	6,926.1
Corporate Budgets	3,061.8	147.8	(2,914.0)
Additional COVID-19 related expenditure		24,769.9	24,769.9
Additional COVID-19 income		(51,827.0)	(51,827.0)
Post Covid Economic Recovery		20,000.0	20,000.0
Capital Financing	6,316.5	5,022.2	(1,294.3)
Total Corporate & Capital Financing	9,378.3	(1,887.1)	(11,265.4)
Public Health Grant	(26,599.0)	(26,599.0)	0.0
Managed Reserves Strategy	(2,377.4)	(2,377.4)	0.0
TOTAL GENERAL FUND	282,444.0	278,104.7	(4,339.3)

Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources Department incurred an overspend of £1.22m on a budget of £33m.

1. Finance

- 1.1 Financial Services outturn is a net overspend of £0.3m. An overspend of £0.7m was due to reduced summons costs as debt recovery was delayed on local tax – although tax collection in 20/21 does not affect the outturn, the division budgets for income from summons costs, which was not received. This overspend was reduced by a number of vacancies generating a saving of £0.4m.

2. Information Services

- 2.1. Information Services outturn is an overspend of £0.3m due to additional costs in IT Development of £0.9m. This has been offset by vacancies of £0.6m across the division.

3. Human Resources, Delivery Communications & Political Governance (DCPG)

- 3.1. The outturn is a net underspend of £16k. This largely occurred due to the slowing down in recruitment of apprentices and additional income from traded activity by HR Operations and Health and Safety. These were partly offset by the costs of the Digital Transformation Team.

4. Legal, Registration & Coronial Services

- 4.1. The Legal Services Division has overspent by £0.4m, due to increased staffing costs and loss of income of £0.2m in Registration Services, Local Land Charges and Property Planning due to COVID-19.
- 4.2. Coronial Services outturn is £0.2m due to high costs in pathology tests and increased workload including additional COVID-19 costs, continuing the pattern of recent times.

City Development and Neighbourhoods

The department overspent by £15.7m on a net budget of £59m. The position for each division is as follows:

5. Planning, Development and Transportation

- 5.1. The division overspent by £8.7m. COVID-19 has resulted in a significant loss of income in relation to car parking, bus lane enforcement and planning fees, totalling £7m. In addition, running costs during the year were higher as a result of COVID-19. This report requests that £1.1m of grant income is transferred to the departmental reserves to finance expenditure against those grants which will be incurred in future years.

6. Tourism, Culture & Inward Investment

- 6.1. The division overspent by £2.7m. Income fell short of budget by £7.1m with the most significant effects of COVID-19 being on income at De Montfort Hall, museums and markets. These shortfalls have been partially offset by savings on running costs. This report requests that £0.4m of grant income and contributions are transferred to departmental reserves to finance expenditure which will be incurred in future years.

7. Neighbourhood & Environmental Services

- 7.1. The division has overspent by £3.2m. Within Regulatory Services there has been a significant drop in building control fees and licensing income. Partially offsetting this, the service has benefitted from savings on running costs while buildings such as libraries and community centres have been closed. This report requests that £3.3m is transferred to reserves to finance expenditure which will be incurred in future years. Of this £3m will be set aside for future legal, service design and procurement costs in association with the waste management PFI contract (which ends in 2028).

8. Estates & Building Services

- 8.1. The division overspent by £1.0m largely as a result of lower capital fees being generated on projects being managed by the division. This is partly due to reduced capital works in the pandemic, and partly due to a structural problem with the budget which was resolved when the 2021/22 budget was set. However, savings on running costs have arisen while buildings have been closed.

9. Departmental Overheads

- 9.1. This holds the departmental budgets such as added years' pension costs, postage and departmental salaries. An underspend of £0.2m arose in this regard. This report requests that £9k of funds received upon the transfer of the Leicester DNA Centre Ltd to the Council are placed into reserves for the company.

10. Housing General Fund

- 10.1. The Housing General Fund overspent by £0.3m as a result of additional costs incurred by Fleet Services on repair costs of older vehicles, hire costs and prudential borrowing for the vehicle replacement programme. Additional grant income and staffing underspends in Homelessness services have fully covered the increased cost of temporary accommodation not linked to COVID-19. This report requests that £187k of grant income is transferred to reserves to finance expenditure which will be incurred in future years.

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 underspent by £0.6m, excluding revenue used for capital spending (which is reported in the capital outturn report).
- 11.2. Rental income was £0.5m lower than budget, primarily due to the closure of Border House. Compounding this, the ability to complete housing benefit claim forms in the early stages of lockdown was limited, leading to some income being lost.
- 11.3. The Repairs & Maintenance service underspent by £1.3m. The extended lockdown meant that additional work to catch up on a repairs backlog that accumulated in tenanted properties did not take place in 2020/21; staff were diverted to assist in turning around void properties. Staffing vacancies throughout the year contributed £0.6m to the underspend, with a further £0.5m from a reduction in material spend from reduced job numbers. There was a £0.6m underspend on the use of contractors, primarily on projects for district heating and structural works. Reduced work brought in £0.4m less income for the HRA, mainly internal to the Council.

- 11.4. Management and Landlord services overspent by £0.8m. The cost of council tax on void properties exceeded the budget by £0.5m, and the cost of property lettings was £0.3m over budget. Additional COVID-19 costs have been offset by underspends on staffing across tenancy management and STAR.
- 11.5. The interest payable by the HRA on its debt was £0.6m lower than the budget.

Adult Social Care

12. Adult Social Care

- 12.1. The pandemic and the resultant extended lock-down has had a significant impact on the adult social care service in 2020/21. This impact has been seen both in terms of changes to the normal annual flows of people entering and exiting the adult social care system and the extent to which additional financial support has been given to providers facing extra costs.
- 12.2. Overall, there has been a net increase of only 46 people in care at the end of the year compared to the start, a 0.9% increase (2.8% in 2019/20). Behind this headline number however, the trend of increasing numbers of working age people in care has continued, with a 7% increase year on year (146 people) compared to 5.8% in 2019/20. These increases are predominantly in those people with mental health issues. However, the trend in recent years of small increases in the numbers of older people in care has been reversed in 2020/21 with a 3.3% net reduction (100 people). This reduction has been seen predominantly in the number of people in residential homes.
- 12.3. Whilst the numbers of requests for support through the normal community routes have been lower this year due to the lockdown, this inflow has been offset by new people coming into care following discharge from hospital, although many of these people have had short term care packages only. During the March to September 2020 period hospital patients were rapidly discharged from hospital with adult social care packages in order to free up bed space. Such patients received their care package free of charge. For those who were already receiving adult social care prior to hospital admission, any charges post-discharge were stopped and the lost fee income recovered from the NHS. For those who were new to adult social care, the service paid for their care package and then re-charged this cost to the NHS. These arrangements came to an end on 1 September and anyone still requiring an ongoing package of care has been subject to the normal financial assessment process.

- 12.4. From September, hospitals have still discharged people back home as rapidly as possible with an initial package of care if required. The NHS has paid for these packages for up to six weeks, until the person has been assessed to determine whether an ongoing care package is necessary. This discharge related funding has continued to the end of the financial year. To date we have re-charged £3.2m of package costs for over 800 people, the vast majority of which were new to the service. In 2019/20 by comparison, the number of new long and short-term entrants was around 2,200.
- 12.5. People have not been able to access services as easily during the lock downs and this has resulted in significantly lower usage of direct payments, lower transport costs and less take up of community equipment and other preventative services.
- 12.6. Whilst the pattern of inflows and outflows in the care system has been different in 2020/21, the increase in need of existing people in care has remained. The rate of increase has been trending steadily upwards in recent years and in 2019/20 was 5.9% - this translated to an in-year cost increase of £6.5m. This year that trend has paused with an increase of 5%, which translates to £6.2m in absolute terms, £0.6m less than the budget. This is predominantly due to fewer numbers of older people with changes to their care package, presumably due to the impact of not wanting or being able to access services during lockdown.
- 12.7. An additional £12.5m of funding has been given to providers during the year to assist with additional COVID related costs, including PPE, agency cover staff, higher sick pay, costs of testing staff and necessary alterations to settings. Of this £3.7m has come directly from the Council and £8.8m from specific Department of Health and Social Care (DHSC) grants which have been administered by the service. The Council has provided fee uplifts and advance payments to help with cash-flow. The DHSC grants include the Infection Control Fund, a Rapid Testing Fund (to support increased testing in care homes) and the Workforce Capacity Fund (to boost staffing levels in residential and community settings where there are existing shortages).
- 12.8. Taken as whole, these COVID related factors result in costs which are lower by £5.4m compared to the assumptions in our original pre-pandemic budget. It must be stressed that these lower costs are a temporary one-off event which is attributable to the unique circumstances created by the pandemic in 2020/21.

- 12.9. A further £4m of underspend is not COVID related, although still very much one-off in nature. The bulk of this is one off unbudgeted income received in the 2020/21 accounts, which relates to the final settlement and recovery of prior years' related joint funded income due from NHS via the CCG. Additionally, some expenditure budgets which were uncommitted in 2020/21 but are committed in 2021/22 including those which will contribute to spending review savings.
- 12.10. Taken together, these two COVID and non COVID one off events mean that the service has under-spent the original budget of £107.3m by £9.4m, after the transfers to reserves outlined in the following paragraph, for which approval is sought in this report. For the sake of clarity the £9.4m underspend is one-off in nature and has no bearing on future year's budget assumptions in terms of the level of provider price increases (driven by changes in the rate of the statutory national living wage) and increases in the level of need and demographic changes.
- 12.11. Quite separately from the above, additional payments were received from the CCG out of the Better Care Fund in 2020/21 totalling £5.3m. This funding is to be used to support health inequalities across the city and plans are being developed jointly with the CCG, Public Health, Housing, the voluntary sector and adult social care. It is recommended therefore that the £5.3m, together with a further £1.6m of other health funding covering specific schemes, giving a total of £6.9m be transferred to the NHS joint working ear marked reserve.

Education and Children's Services

13. Education and Children's Services

- 13.1. The pandemic has had a significant impact on certain areas of the Children's services budget, in particular lowering the expected SEN home to school transport costs due to lock down and in delaying the implementation of previously agreed budget reductions from the review of Connexions and the Education Welfare Service. The on-going impact of the pandemic on children's social care is less clear.
- 13.2. The number of looked after children at the end of the year was 657 compared to 621 at the start of the year. The year-end figure includes over 30 children awaiting adoption, double the number at the start of the year, as a result of delays in court proceedings. There was speculation in the sector that during the initial lockdown the potential for abuse and neglect would increase, but go undetected, to be followed by a surge in care entrants once children returned to school in the autumn. In fact, during the

period April to September the number of new LAC was very similar to the previous year. From October onwards there has been an increase in the rate of entry but it is unclear to what extent this is COVID related as there was a similar increase seen in 2019/20 over the same period.

- 13.3. Whilst the number of care entrants was similar to 2019/20, the number exiting care was significantly lower. This has not been helped by the adoption court delays discussed above, however there was also a one-off significant number of LAC moved to special guardianship orders in 2019/20 which distorts the year on year comparison.
- 13.4. Numbers of children in external residential and semi-independent placements at the end of the year have increased in total by 19 to 102 (15.5% of the total), although numbers in independent sector fostering placements (IFAs) have remained broadly constant. There are also a large number of placements with parents and those waiting for adoption which do not incur a placement cost. Nevertheless, the average placement cost of the cohort at the end of the year has increased by 3.5% to £45k pa. One of the main issues seen in 2019/20 was the increase in the number of more complex and difficult to place young people and the resultant higher overall average placement cost for our LAC cohort. As can be seen from the modest increase in average placement cost this year, the position has not deteriorated markedly in 2020/21 compared to the previous year, although clearly the number of high cost placements is still an area of concern.
- 13.5. The service spent £33.9m across all placement types, including SGOs in 2020/21, £1.7m less than the budget, but £2m more than in 2019/20.
- 13.6. Multisystemic Therapy-Child Abuse and Neglect (MST-CAN) and Functional Family Therapy (FFT) intervention programmes diverted 143 children from care in-year, with in-year LAC placement cost avoidance of £3.7m, £1.9m net of programme costs.
- 13.7. As a result of the pandemic and the impact on the local economy the review of the Connexions service was postponed with the loss of £0.2m of budgeted savings. New charging arrangements for the Education Welfare Service have been postponed for a year which, together with the loss of penalty notice income resulted in a £0.5m unbudgeted cost.
- 13.8. Additional resources were deployed in the Special Education Service in 2020/21 to deal with a backlog of Education, Health and Care plan assessments and reviews. The additional costs associated with this and the ongoing (although lower than expected due to lockdown) budget pressure from SEN home to school transport costs totalling £2.2m, have

been more than offset by a combination of budget savings elsewhere. These include savings from social care agency and other staffing costs, lower LAC home to school transport and savings in Early Help.

- 13.9. In total Children's services spent £76.7m, £2.2m less than the budget of £78.9m.
- 13.10. The High Needs Block (HNB) allocation of the Dedicated Schools Grant (DSG) of £59m was overspent by £4.9m. Whilst there was an increased allocation of the HNB in 2020/21 of £6.7m, in effect this was completely absorbed by the underlying shortfall in resources seen in 2019/20 of £6.6m which was 'baked in' to our cost base for 2020/21. As a result, all of the new growth in demand in 2020/21 was unfunded. This demand is driven by the numbers of children with Education, Health and Care plans which have increased year on year by 13.5% to nearly 3,000. This increase has translated to an overall cost increase of 10.5% in direct placement costs in 2020/21.
- 13.11. DSG reserves remain in credit at the end of 2020/21, but only just, with a balance of £1.4m.
- 13.12. Schools have clearly been significantly disrupted in 2020/21. School balances at the end of the year (i.e cumulative funds unspent by schools) have increased overall by £9.4m to £24m. Primary schools increased their balances by £5.9m, secondaries by £3.3m and special schools including PRUs by £0.2m. This significant increase is a combination of cost savings, additional catch up grants not yet utilised together with above inflation increases from the national school funding formula in 2020/21.
- 13.13. Schools have been able to make savings in running costs during the lockdown, including in utilities, exam fees, learning resources, training and agency staff. There were of course increased cleaning costs but overall, these savings amounted to £5.7m. Schools also received £1.8m of catch up grants which will be predominantly spent in 2021/22. The national funding formula also provided an average increase of around 5.3% for the schools' main budget in 2020/21, although some schools benefited well in excess of 10%.

Public Health & Sports Services

14. Public Health & Sports Services

- 14.1. In early July, the city was placed in extended lockdown, and an extensive local testing operation was launched. The costs of this have been recorded against the central budget for pandemic costs.
- 14.2. Public Health and Sports spent £25.7m, £2.3m more than the budget of £23.4m. Sports services contributed £3.4m to this overspend, with Public Health itself being £1.1m underspent.
- 14.3. The costs of the sexual health service provided by Midlands Partnership Foundation Trust during the lockdown have been subject to negotiations as activity levels have been low during this period, as these services do not allow social distancing. A similar situation also applied to GP provided health checks. The overall impact of this was an underspend of £0.8m across the two services, compared to a total budget of £3.9m.
- 14.4. Other underspends of £0.3m include vacancies in the Integrated Lifestyle Services team and in the main public health team together with the deferral of the bi-annual public health annual surveys.
- 14.5. It is recommended that the underspend within Public Health of £1.1m is transferred to an ear marked reserve to fund catch up work in 2021/22. The main driver of the underspend was the disruption to the sexual health and health check services due to COVID. The proposal for this area in particular is to commission catch up activity for Long Acting Reversible Contraception (LARC) and NHS Health Checks to reduce the adverse effects of the reduced provision in 2020 on the health of Leicester's citizens.
- 14.6. Sports Services have been severely affected by the lockdown with income down by 95% against a budget of £5.9m. The service was able to make some savings in pay, utility and other running costs totalling £2.1m, resulting in an overall overspend of £3.4m

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. An additional corporate budget was created for all costs incurred as a direct consequence of the pandemic, other than those which cannot be distinguished from normal departmental activity (the chief exclusion is social care costs, which were charged to the department). All income shortfalls also fell to departments. Throughout 2020/21 we saw continued expenditure on PPE, communication, track and trace to reduce transmissions and accommodation to support rough sleepers. The table below summarises the expenditure recorded in the new budget, and the final cost:

Type of Expenditure	Forecast £000's
Food Hub	813
Community mobilisation	86
Accommodation	2,596
IT costs	778
Communications	2,071
Property costs including PPE	2,358
Staffing	3,502
Other	690
Transport	1,100
Supporting Self Isolators and the Vulnerable	138
Supporting testing	638
Pandemic Recovery	10,000
Total	24,770

- 15.2. As the pandemic continues, it is apparent that funding is going to be required for a recovery package and to support budgets in 2021/22. This was recognised at period 9, when an additional contribution of £10m was suggested to be met from the above budget, with a view to further consideration as the year progressed.
- 15.3. Funding will be needed to support service provision and vulnerable people, and to facilitate economic recovery. This will require a combination of capital and revenue spend. The Government has made £11m available for emergency support in 2021/22 (and some other sums). A further £11m of unringfenced funding was made available at the end of 2019/20: this can now be included in managed reserves for covid related revenue expenditure, doubling the amount the Government has provided for 2021/22. From the new corporate budget, it is proposed to make available

£10m for capital projects that support recovery as shown in the above table.

15.4. When the Council set the budget for 2021/22, £30m was set aside within managed reserves to fund covid related expenditure. It is believed this will no longer be needed for dealing with immediate aspects of the pandemic given the package described above. £20m can therefore be used to support future budget strategies (to manage the expected significant cuts we will be required to make after this year). It has, of course, been very difficult to make ongoing budget savings during the pandemic, and the scale of future cuts is therefore itself an indirect consequence of the pandemic. It is proposed that the remaining £10m is used to support income generating capital investment which will also support future budgets. In total, £42m of managed reserves will be available to support future budgets.

15.6 It is also proposed to set aside £20m from the 20/21 final budget to provide a separate post covid economic capital investment package, which will principally be used to support bids to the Government's levelling up fund, which (if successful) will lever in many times this sum. This is shown separately in the table at Appendix A.

15.7 Additional Covid Income

Grant income received from the Government has been credited to a central account, except where it was sensible to allocate the money to specific departments. £52m has been received (or is still due) for 20/21. The key sums are:

- (a) £22.7m of unringfenced emergency support;
- (b) £8.0m to partially compensate income losses (which is still subject to review by the Government);
- (c) £11.4m to manage and mitigate the effects of outbreaks;
- (d) £1.8m to support the extremely clinically vulnerable.

15.8 Capital Financing

Capital financing costs relate to principal and interest payments on debt incurred on historic capital expenditure, offset by income on investments. A full report on treasury activity is elsewhere on your agenda. Savings have been achieved on this budget due to higher than expected investment income. This has been achieved by means of loans to local authorities for over one year which were placed before interest rates dropped in the pandemic (and exceeded pre-covid expectations) and the receipt of grant income in advance of need.

Earmarked Reserves – Year-end Summary

1. Summary

- 1.1. Earmarked reserves represent sums set aside for specific purposes. This is in contrast to the annual revenue budget, which exists to support the Council's day-to-day operations. Reserves are however increasingly 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 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.

2. Ring-fenced reserves

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

2.1 The following reserves are ringfenced for schools;

2020-21	Balance at 31st March 2020	Total in Year Transfers	Balance at 31 March 2021
	£000	£000	£000
DSG not delegated to schools	5,577	(4,144)	1,433
School Balances	14,954	9,154	24,108
School Capital Fund	2,750	3	2,753
Schools Buy Back	2,486	(57)	2,429
Total School Ring Fenced Reserves	25,768	4,955	30,723

2.2 DSG not delegated to schools is principally for spending on the High Needs Block. Schools' balances have increased for the reasons explained in the report.

2.3 The following reserves are ringfenced for Arts Council & Education & Skills Funding.

2020-21	Balance at 31st March 2020	Total in Year Transfers	Balance at 31 March 2021
	£000	£000	£000
Education & Skills Funding agency Learning Programmes	863	249	1,112
Arts Council National Portfolio Organisation Funding	822	23	845
Total Other Ring Fenced Resources	1,686	272	1,958

3. Capital Programme Reserve

This reserve supports approved spending on the Council's capital programme. It has increased by the £40m proposed as detailed earlier in the report. This is a provisional balance until the capital financing is completed for 2020/21.

2020-21	Balance at 31st March 2020	Total in Year Transfers	Balance at 31 March 2021
	£000	£000	£000
Capital Programme Reserve	57,591	39,996	97,588

4. Departmental Reserves

Departmental reserves are held by services to fund specific projects or identified service pressures identified. A number of the reserves were reviewed at outturn identifying £0.6m that was available to be transferred to the managed reserves strategy.

2020-21	Balance at 31st March 2020	Total in Year Transfers	Balance at 31 March 2021
	£000	£000	£000
Financial Services Reserve	4,070	(1,018)	3,052
ICT Development Fund	6,265	2,170	8,434
Delivery, Communications & Political Governance	4,550	(1,073)	3,477
Housing	2,118	240	2,358
City Development (Excl Housing)	5,308	4,074	9,382
Social Care Reserve	17,142	200	17,342
Health & Wellbeing Division	4,088	204	4,292
NHS Joint Working Projects	2,483	6,937	9,420
Other Departmental Reserves	1,037	(573)	464
Total Other Departmental Reserves	47,061	11,159	58,221

Detail on the larger reserves is provided below: -

- 4.1 **City Developments and Neighbourhoods:** to meet known one-off costs relating to highways activities, provisions for insurance claims and other contingent events, along with the funding for projects that have carried forward into 2021-22.
- 4.2 **Delivery Communications & Political Governance:** this is principally for elections and other projects within the department.
- 4.3 **ICT:** rolling funds for network and server upgrades, mobile airtime and upgrade of PC stock. It also funds initiatives to make ICT more resilient and to improve remote working. This reserve includes the proposed transfer of £2.17m to support the delivering new ways of working included in the recommendations to this report.
- 4.4 **Financial Services:** for expenditure on improving the Council's main financial systems; spikes in benefit processing and overpayment recovery; and to mitigate budget pressures including reducing grant income to the Revenues & Benefits service.
- 4.5 **Health & Wellbeing:** to support service pressures, channel shift and transitional costs.
- 4.6 **Housing:** to meet spikes in temporary accommodation costs, hold grant funding for homelessness projects that will continue into 2021-22, and government funding to support recent arrivals to the city.
- 4.7 **NHS Joint Working Projects:** the government has provided funding for joint working between adult social care & the NHS. The £6.9m increase is explained in the report above.
- 4.8 **Social Care Reserve:** this reserve was created to assist with the management of in-year pressures in both adults and children's social care, and has now been merged with the Children's Reserve which was set up for a similar purpose. The first call on this reserve will be to fund future social care budgets, and secondly to manage fluctuations in year. It is suggested that £10m is notionally allocated for the former purpose but this will be reviewed after receiving the Government's Comprehensive Spending Review in the autumn.

5. 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

2020-21	Balance at 31st March 2020	Total in Year Transfers	Balance at 31 March 2021
	£000	£000	£000
Managed Reserves Strategy	77,657	(7,397)	70,259
Covid-19 -Business Rates deficit reserve	-	22,291	22,291
Business Support Grants	-	2,722	2,722
BSF Financing	7,493	1,145	8,638
Insurance Fund	8,519	2,089	10,609
Severance Fund	4,821	6	4,827
Service Transformation Fund	3,730	2,137	5,867
Welfare Reserve	5,505	890	6,395
Other Corporate Reserves	4,604	48	4,652
Total Corporate Revenue Resources	112,328	23,932	136,260

Detail on these reserves is provided below: -

- 5.1 **Managed Reserves Strategy:** a key element to delivering our budget strategy, as set out in the budget report for 2021-22 and ongoing. The transfers relate to departmental reserves as discussed earlier in the report. Of this £70m, Council approved the use of £17m to support the 21/22 budget. £11m is allocated for covid costs as described above, and £42m for future budget strategies.
- 5.2 **Covid-19 Business Rates Deficit Reserve:** the government provided grant funding in 2020/21 to enable councils to pay additional business rate reliefs. However, due to the way local tax is accounted for, the reliefs do not affect the general fund until 2021/22. This reserve is essentially an accounting reserve which will be fully used in 2021/22.
- 5.3 **Business Support Grants Reserve:** the government provided grant funding in 2020/21 to support businesses during the pandemic. The balance of funding is required for grants to businesses in 2021/22.
- 5.4 **BSF Financing:** to manage costs over the remaining life of the BSF scheme and lifecycle maintenance costs of the redeveloped schools.
- 5.5 **Severance Fund:** to facilitate ongoing savings by meeting the redundancy and other costs arising from budget cuts.
- 5.6 **Insurance Fund:** to meet the cost of insurance claims: nearly all our costs are met from this fund.

- 5.7 **Service Transformation Fund:** to fund projects which redesign services enabling them to function effectively at reduced cost. This reserve includes the proposed transfer of £2.17m to support the delivering new ways of working included in the recommendations to this report.
- 5.8 **Welfare Reserve:** this reserve provides support for welfare reform and welfare support more generally, which would include the potential longer term implications of the Covid-19 pandemic.
- 5.9 **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