
Executive Decision- Revenue Budget Monitoring April-June 2021/22

Decision to be taken by: City Mayor

Decision to be taken on: 22 September 2021

Lead director: Colin Sharpe

Useful information

- Ward(s) affected: All
- Report author: Steven Cutler
- Author contact details: steven.cutler@leicester.gov.uk
- Report version number: 1

1. Summary

This report is the first in the monitoring cycle for 2021/22 and forecasts the expected performance against the budget for the year.

The year continues to be dominated by the effect of the COVID-19 pandemic. The budget was set based on the underlying position before the pandemic but, recognising that a significant amount of one off money might be required to meet pandemic costs and loss of income during this and future years. An overspend of £7m is currently forecast for 2021/22, which is effectively due to loss of income and additional costs as a direct impact of the pandemic. This can be accommodated within the one-off sums available to support the ongoing impact of the pandemic.

In 2020/21, the Government provided significant support to councils to assist with meeting the costs associated with the pandemic. The level of financial support from Government is anticipated to be reduced for this year, although Government is continuing to provide specific grants for certain activities and services, for example the Contain Outbreak Management Fund. In addition, the Council set aside money in 2020/21 to fund the ongoing impact of the pandemic and to assist with recovery.

Some of the longer-term financial impacts of the pandemic are difficult to predict, especially around the recovery on the Council's various income levels, this includes local taxation, leisure centres and parking income. We are currently monitoring our main income streams closely to see how they recover and to identify any potential long-term impacts on our budgets.

Even with the difficult time during the pandemic, it is positive to note that Adults and Children's Services are forecasting to remain within their budgets. Nonetheless the increased budgets mask the continued pressures in these areas, mainly relating to the consistent upward trend in adult social care demand and increased looked after children numbers and needs.

City Development and Neighbourhood and Sports Services are reporting overspends, mainly relating to the losses of income as a direct consequence of the pandemic.

2. Recommended actions/decision

2.1 The Executive is recommended to:

- Note the emerging picture detailed in the report.
- Approve the transfer of £3.3m of funding received to offset shortfalls in local taxation collection and additional business rates relief due to the pandemic, to an earmarked reserve, as detailed in paragraph 15.2.

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 2021/22 was £288.1m.

Appendix A summarises the budget for 2021/22.

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.

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 17th February 2021 on the General Fund Revenue budget 2021/2022.

8. Summary of appendices:

Appendix A – Period 3 (April-June) Budget Monitoring Summary;

Appendix B – Divisional Narrative – Explanation of Variances

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 Period 3 (April – June), 2021-22

2021-22	Current Budget	Forecast	Variance
	£000's	£000's	£000's
Financial Services	11,273	11,273	0
Information Services	9,124	10,025	901
Human Resources & Delivery, Communications & Political Governance	11,067	10,166	(901)
Legal Services	3,244	3,244	0
Corporate Resources & Support	34,708	34,708	0
Planning, Development & Transportation	13,874	18,424	4,550
Tourism Culture & Inward Investment	4,598	5,971	1,373
Neighbourhood & Environmental Services	31,840	32,061	221
Estates & Building Services	5,971	5,891	(80)
Departmental Overheads	1,271	1,142	(129)
Housing Services	3,342	3,891	549
City Development & Neighbourhoods	60,895	67,381	6,484
Adult Social Care & Safeguarding	135,899	131,683	(4,216)
Adult Social Care & Commissioning	(16,596)	(15,960)	636
Sub-Total Adult Social Care	119,303	115,723	(3,580)
Strategic Commissioning & Business Support	1,432	1,432	0
Learning Services	13,948	15,659	1,711
Children, Young People & Families	65,595	65,963	368
Departmental Resources	1,493	(586)	(2,079)
Sub-Total Education & Children's Services	82,468	82,468	0
Total Social Care & Education	201,771	198,191	(3,580)
Public Health & Sports Services	23,528	25,704	2,176
Housing Benefits (Client Payments)	500	500	0
Total Operational	321,401	326,482	5,080
Corporate Budgets	4,688	4,688	0
Additional COVID-19 related costs (new budget)	0	1,990	1,990
Capital Financing	6,549	6,549	0
Total Corporate & Capital Financing	11,237	13,227	1,990
Public Health Grant	(27,202)	(27,202)	0
Managed Reserves Strategy	(17,301)	(17,301)	0
TOTAL GENERAL FUND	288,135	295,206	7,071

Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources Department is forecasting to spend as per budget of £35m.

1. Finance

- 1.1 The Financial Services Division is forecasting to spend as per budget. Local Tax collection recovery has recommenced, which will eliminate the pressure on the £1m income budget experienced in 20/21 due to COVID - 19.

2. Information Services

- 2.1. Information Services is forecasting a net overspend of £0.9m. This is due to spend on development projects and new ways of working, which will be covered by the underspend from HR and DCPG.

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

- 3.1. The division is forecasting a net underspend of £0.9m. This is due to vacancies across both areas and newly appointed staff not yet at the top of the grade, together with additional income generation from traded activity by HR Operations and Health & Safety. This will be used to fund expenditure in Information Services.

4. Legal, Registration & Coronial Services

- 4.1. The Legal Services Division is forecasting a breakeven position, although this includes the ongoing use of reserves to fund locums to address workload pressures and difficulties in recruiting permanently.
- 4.2. Coronial Services are forecasting an overspend of £274k due to increased mortuary costs and increased workload due to COVID -19, 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 an overspend of £6.5m on a net budget of £60.4m. Divisionally, the position is as follows:

5. Planning, Development and Transportation

- 5.1. The division is forecasting an overspend of £4.6m. This is entirely due to a shortfall in income arising from COVID-19, including car parking, bus lane enforcement and planning fees.

6. Tourism, Culture & Inward Investment

- 6.1. The division is forecasting an overspend against budget of £1.4m. This is predominantly driven by income shortfalls of £2.1m at De Montfort Hall, markets and museums as a result of COVID-19. These income shortfalls will only be partially offset by savings on running costs.

7. Neighbourhood & Environmental Services

- 7.1. The division is forecasting an overspend of £0.2m, due to loss of income due to the pandemic. This includes a fall in building control fees and licensing income, which is expected to pick up following the easing of restrictions..

8. Estates & Building Services

- 8.1. The division is currently forecasting a small underspend against budget.

9. Departmental Overheads

- 9.1. This holds the departmental budgets such as added years' pension costs, postage and departmental salaries. A small underspend is being forecast against pensions.

10. Housing General Fund

- 10.1. The Housing General Fund is forecast to overspend by £0.5m. Temporary accommodation costs continue to be high, exceeding the budget by £0.8m, largely as a consequence of bringing 'Everyone In' during the pandemic. There is a delay in the delivery of replacement fleet vehicles due to issues with the supply of steel and electronic components, leading to lower than anticipated prudential borrowing charges of £0.3m.

11. Housing Revenue Account

- 11.1. The Housing Revenue Account (HRA) is a ring-fenced income and expenditure account relating to the management and maintenance of the Council's housing stock. The HRA is forecasting to underspend by £1.2m, excluding revenue used for capital spending (which is reported in the capital monitoring report).
- 11.2. Rental income is forecast to be £0.3m above the budget, largely due to a greater number of properties being held within the HRA. This is a consequence of a delay due to the pandemic in the number of properties sold through Right to Buy and the impact of the acquisitions programme to buy back properties previously sold under Right to Buy.
- 11.3. The Repairs & Maintenance Service is forecast to underspend by £0.5m. Staffing vacancies throughout the year are expected to result in costs being £0.6m below budget, with a further £0.6m arising from a reduction in materials and the use of contractors. Partially offsetting these, £0.5m will be invested in increasing the speed of turning around void properties, while income into the repairs service will be £0.2m below budget due to reduced capital work and chargeable work being undertaken.
- 11.4. Management and Landlord services are forecast to underspend by £0.4m. Whilst the cost of council tax on void properties will exceed the budget by £0.5m, this will be more than offset by staffing vacancies and savings on the premises costs of buildings that have remained closed during lockdown.

Adult Social Care

12. Adult Social Care

- 12.1. The department is forecasting to spend £3.6m less than the budget of £119.3m. At this stage of the year, there is uncertainty over the extent to which the service has returned to pre-pandemic flows of people entering and leaving care and this clearly has a major impact on the reliability of the forecast. The underspend is in part the knock on impact of the pandemic in 2020/21 which reduced the anticipated average cost of those people receiving care at the start of the year, coupled with continued lower take up of some services by those with direct payments, in the first part of 2021/22.

- 12.2. The DHSC have extended the Infection Control Fund with two further tranches covering the periods April to June and July to September with total funding of £2.3m, and a further £1.7m for rapid testing covering the same period. These funds are paid to care homes and other community-based services. We have no information on the future of these grants beyond September.
- 12.3. The NHS have continued to provide a national discharge fund to temporarily cover the additional costs of care for those people discharged from hospital (in other words these temporary costs incurred by ASC are recovered from the NHS via the CCG and people do not have to make any financial contribution themselves). For the period April to June the funded care could last up to six weeks and for the period July to September up to four weeks. In fact, the level of funded care required has dropped very significantly from what was seen in 2020/21 as the number of hospital admissions has reduced. £3.2m was recharged in 2020/21 and only £45k in the first quarter of 2021/22. During this initial period, social care staff assess any on-going care requirements.
- 12.4. The overall cost of care for those 5,133 people on our books at the start of the year was lower than the budget which was set in Autumn 2020. At the time of setting it was unclear how the pandemic would impact the numbers requiring care. The reduction in the number of older people in care homes and the lower than trend rate of increasing need for older people in 2020/21 (probably reflecting a reluctance to access services) has meant that those 5,133 people, at the start of 2021/22 cost £1.9m less than was assumed in the budget.
- 12.5. The rate of increase in need of those people receiving care at the start of the year has been discussed many times in these reports. The trend in the rate was a continual increase since measurement began in 2015/16 - however 2020/21 saw a lower increase (5% compared to 5.9% in 2019/20). It is too early to be certain what the rate will finally be in 2021/22, but early indications are a return to 2019/20 levels and this forecast assumes 5.9% in line with the budget. This adds nearly £8m to our costs in the year which is included in the budget and forecast.
- 12.6. In terms of new people entering the care system (and who are still receiving care at the end of the quarter), there has been a net inflow of 95 people (1.9%) in the first quarter, 63 of whom are older people and 32 of working age. Net growth in 2020/21 was only 0.9% (46 people). The forecast assumes that net growth for the year remains at 3.4% (172 people) as per the budget, despite the initial high level of net growth in the older people cohort in the first quarter.

- 12.7. The degree to which those people with direct payments have been able/willing to access services, in particular day care has continued to be reduced in the first part of 2021/22 and therefore people have not been fully spending their direct payments. We are anticipating a return to normal activity as the year progresses.
- 12.8. The reduction in the base cost of people receiving care and the lower uptake of direct payment services means that overall ASC is forecasting an underspend of £3.6m for 2021/22 as at quarter one.

Education and Children's Services

13. Education and Children's Services

- 13.1. The department is forecasting to spend as per the budget of £82.5m, but after using £2.1m of departmental reserves to offset cost pressures in SEN home to school transport (£1.6m), the special education service and placement costs for looked after children (£0.4m) and other variances (£0.1m).
- 13.2. Savings of £1m in SEN home to school taxi costs were assumed in the budget for 2021/22, in anticipation of a new framework contract being in place which fixed taxi charge rates at a unit rate which was fair and equitable to both providers and the Council. Providers bid to be placed on the new framework contract following a comprehensive engagement process explaining the basis of the new contract and the unit rates. Sufficient providers were awarded a place on the new framework. Unfortunately, in December 2020, prior to the contract going live in January 2021, taxi providers refused to take on the individual contracts awarded at the new framework rate. The Council was left with no alternative other than to extend the previous contract arrangements and abandon the new framework and the associated savings. The taxi framework is being re-procured (with an expected go live date of April 2022) using a dynamic purchasing system (DPS). It is thought that this on-line bidding process will allow more competition between providers to apply downward pressure on prices.
- 13.3. In addition to the loss of savings, unit costs have also increased in the first quarter of 2021/22, although this may in part be due to less sharing of journeys as a result of the pandemic.

- 13.4. There has been some progress in the use of personal transport budgets, which are of lower cost than taxi the provision - the impact of this was also included in the budget for 2021/22. There are now 112 parents/carers with personal transport budgets compared to 34 at the start of the previous financial year. A revised SEN home to school transport policy has been drafted and will be consulted upon in due course. The new policy will more clearly define the Council's SEN transport related responsibilities and will emphasise further the options that are available for the parent/carer in respect of personal transport budgets. Greater emphasis is also being placed on promoting independence through travel training.
- 13.5. The number of looked after children at the start of the year (656) was significantly higher than that assumed when the budget was set in the Autumn of 2020 (598). This followed an increase in the rate of numbers entering care in the second half of 2020/21 and the impact of delays in the courts processing adoption orders delaying numbers leaving care.
- 13.6. There has been a net reduction of 14 in the numbers of LAC in the first quarter, although this includes 4 very expensive new placements into semi-independent accommodation for 16/17 year olds which has meant costs have actually risen despite the overall reduction in numbers.
- 13.7. It is too early to be clear about the final pattern of flows into and out of care, the level of need (and hence unit cost), the extent of breakdown of existing placements and the level of short-term placements. This forecast therefore assumes that these items are as per the budget. Nevertheless, the higher overall LAC numbers at the start of the year means that the forecast placement cost is £1.6m more than the budget of £34.1m.
- 13.8. The special education service has been experiencing a high number of requests for assessing pupils for Education, Health and Care plans (EHC plans). The capacity of the service was increased substantially this year as part of the budget process. Nevertheless, some additional capacity may be required to prevent backlogs developing.
- 13.9. The impact of the pandemic has continued to have a negative impact on income levels in a number of services in the first half of the year including Educational Welfare service and the School Improvement service.

- 13.10. In summary, Education and Children's Services as a whole is therefore forecasting an overspend for the year of £2.1m as at quarter one. However, to the extent that this is realised by the end of the year, this overspend can be financed from the Adults and Children's combined earmarked reserve.
- 13.11. As outlined in previous reports, demand for SEN places and other SEN support costs funded from the High Needs Block (HNB) of the Dedicated Schools Grant (DSG) exceeds the available funding. The number of EHC plans has increased at an average rate of 12.9% over the last five years, but the funding allocation from the Department for Education is not based on numbers of EHC plans. The overspend in 2021/22 is forecast to be £5.6m. The DfE have recently announced an increase in funding in 2022/23 which for Leicester means an additional £6m. This increase would deal with the growth in 2021/22 but, as already noted in paragraph 13.9 above, the increase in the number of requests for plans continues and therefore the increase in funding from the DfE will not be sufficient to deal with the anticipated growth in 2022/23.
- 13.12. The funding increase in 2022/23 by the DfE was part of a 3-year commitment to increase school funding and high needs funding. There is no information about funding beyond 2022/23, although the DfE are committed to reviewing how the high needs national funding formula can be improved. However the DfE have stated that '*Numbers of EHC plans are not to be used as a robust indicator of underlying need because the way they are used varies considerably across local areas, and the number of plans is therefore not necessarily directly associated with the local authority's need to spend.*' It seems unlikely therefore that the DfE will change their funding formula significantly to reflect actual demand.
- 13.13. The Council is working to manage the HNB expenditure – we have reviewed special school funding rates, will be consulting upon funding support for SEN within mainstream school settings and we have expanded our dedicated specialist provision to provide cost effective placements. Nevertheless, the demand for SEN will remain a significant cost pressure for both the DSG and the general fund (in terms of taxi costs and assessment costs).

Public Health & Sports Services

14. Public Health & Sports Services

- 14.1. Public Health is forecast to spend £21.7m as per the budget. The pandemic was still having an impact on services in the first quarter of the financial year. The sexual health service normally paid for on the basis of activity continues to be paid at a fixed amount as a result of lower numbers of patients, to ensure the financial viability of the provider. This temporary arrangement will be reviewed again in September and a decision taken dependent upon levels of demand at that time.
- 14.2. A backlog of sexual health and contraception related cases has therefore built up over the past 15 months. The service is keen to address this where possible by commissioning additional activity, using departmental reserves where necessary. Similarly, the NHS health checks service provided by GPs also has a backlog of work and incentives may be required to increase numbers in the second half of 2021/22.
- 14.3. The service is expecting a high demand for mental health services as we come out of lockdown and this budget may come under pressure.
- 14.4. Sports Services is forecast to spend a net £4.0m, £2.2m more than the budget of £1.8m. Only 3 gyms were open in the first quarter of the year, operating at a reduced capacity and with advance booking required. The wider leisure centre estate opened at the end of June with 6 centres opening but operating at 70% of capacity. The forecast assumes that income will be at an average of 60% of the budget for the remaining 9 months of the year. There is a loss of income from reduced medical referrals for gym classes. There will be some savings from staffing and running costs.
- 14.5. The service is managing the COMF (Contain Outbreak Management Fund) grant of £2.96m and temporary staff have been appointed for Test and Trace activity in the city.

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. There is no significant change forecast at this stage.

- 15.2. The Council has received £2.6m from the Local Tax Income Compensation grant for 2020/21 to recognise lower collection rates due to the pandemic. Notification of the amount of this grant was received late and therefore was not included in the 2020/21 outturn report. This grant was significantly lower than budgeted due to a change in the government calculation. The Council also received £0.7m in 2020/21 grant for additional NNDR (business rates) reliefs provided in year, also due to the pandemic. However, due to the accounting associated with local taxation it is proposed to move this funding into an earmarked reserve in 2021/22 so it offsets losses as they are realised.

- 15.3. A corporate cost centre is again being used for significant costs directly attributable to the pandemic,, other than those which cannot be distinguished from normal departmental activity (such as income shortfalls). Forecast spend is £1.9m, which will be funded from funds set aside for COVID in the 2020/21 outturn.