Revenue Budget Monitoring April-September 2021/22

Overview Select Committee

Date of Meeting: 16th December 2021

Lead director: Colin Sharpe, Deputy Director of Finance

Useful information

- Ward(s) affected: All
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- Report version number: 1

1. Summary

This report is the second in the monitoring cycle for 2021/22 and forecasts the expected performance against the budget for the year. An overspend of £4.9m is currently forecast for 2021/22 which is a slight improvement on the overspend of £7m forecast in the first quarter. This position is consistent with the quarter one report in that the overspend is effectively due to loss of income from the public as a direct impact of the pandemic. City Development and Neighbourhoods is the department most directly affected. This loss of income 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 has reduced 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 at the end of 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 income levels, which 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.

It is positive to note that Adult Social Care is forecasting to remain within its budget. Children’s Services is forecasting a small overspend which can be accommodated by departmental reserves. In both departments, activity has been affected by the pandemic and its aftermath, and it is therefore very difficult to extrapolate the longer-term financial position.

2. Recommended actions/decision

2.1 The Executive is recommended to:

- Note the emerging picture detailed in the report.

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 - Period 6 (April -September) Budget Monitoring summary.

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.
Period 3 Monitoring report presented to OSC on 16 September 2021

8. Summary of appendices:

Appendix A – Period 6 (April-September) 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

APPENDIX A

Revenue Budget at Period 6 (April – September), 2021-22

2021-22	Current Budget	Forecast	Variance
	£000's	£000's	£000's
Financial Services	11,212.9	10,862.8	(350.1)
Information Services	9,124.4	10,317.4	1,193.0
Human Resources & Delivery, Communications & Political Governance	11,066.7	9,872.8	(1,193.9)
Legal Services	3,228.8	3,228.8	0.0
Corporate Resources & Support	**34,632.8**	**34,281.8**	**(351.0)**
Planning, Development & Transportation	13,833.8	18,438.3	4,604.5
Tourism Culture & Inward Investment	4,598.2	6,251.3	1,653.1
Neighbourhood & Environmental Services	31,839.5	31,970.9	131.4
Estates & Building Services	5,748.6	5,846.8	98.2
Departmental Overheads	818.3	779.0	(39.3)
Housing Services	3,341.8	3,117.9	(223.9)
City Development & Neighbourhoods	**60,180.2**	**66,404.2**	**6,224.0**
Adult Social Care & Safeguarding	135,898.7	132,056.7	(3,842.0)
Adult Social Care & Commissioning	(16,595.7)	(16,645.7)	(50.0)
Sub-Total Adult Social Care	**119,303.0**	**115,411.0**	**(3,892.0)**
Strategic Commissioning & Business Support	1,884.5	2,090.5	206.0
Learning Services	13,948.4	16,704.7	2,756.3
Children, Young People & Families	65,595.0	65,601.1	6.1
Departmental Resources	1,492.6	1,010.5	(482.1)
Sub-Total Education & Children's Services	**82,920.5**	**85,406.8**	**2,486.3**
Total Social Care & Education	**202,223.5**	**200,817.8**	**(1,405.7)**
Public Health & Sports Services	**23,527.7**	**24,882.5**	**1,354.8**
Housing Benefits (Client Payments)	500.0	500.0	0.0
Total Operational	**321,064.2**	**326,886.3**	**5,822.1**
Corporate Budgets	4,787.6	4,813.1	25.5
Capital Financing	6,786.0	5,861.7	(924.3)
Total Corporate & Capital Financing	**11,573.6**	**10,674.8**	**(898.8)**
TOTAL GENERAL FUND	**332,637.8**	**337,561.1**	**4,923.3**

APPENDIX B

Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources Department is forecasting an underspend of £0.35m on a budget of £34.6m.

1. Finance

1.1 The Financial Services Division is forecasting an underspend of £0.35m largely due to vacancies. It is proposed that, once the year is complete, this will be transferred to reserves to deal with budget pressures in 2022/23.

2. Information Services

2.1. Information Services is forecasting a net overspend of £1.2m. This is due to spending 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 £1.2m. This is due to vacancies across both areas and newly appointed staff not yet at the top of the grade, together with additional income generated 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 £0.4m 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 £6.6m on a net budget of £60.2m. Divisionally, the position is as follows:

5. Planning, Development and Transportation

5.1. The division is forecasting an overspend of £4.6m, 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 £1.7m. The division continues to suffer from income shortfalls 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 £0.1m. COVID-19 related shortfalls in income in Regulatory Services, City Warden enforcement activity and libraries are largely offset by savings from staffing vacancies and delayed recruitment.

8. Estates & Building Services

8.1 The division is currently forecasting a small overspend of £0.1m.

9. Departmental Overheads

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

10. Housing General Fund

10.1. The Housing General Fund is forecast to underspend by £0.2m. This is mainly due to delays in the vehicle replacement programme (due to issues with the supply of steel and electronic components), leading to lower than anticipated prudential borrowing charges.

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 £0.7m, 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 acquired properties being held within the HRA.

11.3. The Repairs & Maintenance Service is forecast to break even. Underspends are expected from staffing vacancies and from reduced material spend. However, these underspends are being used to turn around the new acquisitions quicker.

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 £0.4m, this will be more than offset by staffing vacancies and savings on the premises costs.

Adult Social Care

12. Adult Social Care

12.1. The department is forecasting to spend £3.9m less than the budget of £119.3m as at quarter two, this is following a budget increase in 2021/22 of £12.3m. The under spend is mainly the result of the pandemic: the average cost of people receiving care at the start of 2021/22 was significantly lower than expected, and take up of some services by those receiving direct payments has continued at a lower rate than expected in the first half of this year.

12.2. The DHSC has 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. The DHSC has also now confirmed a further allocation of £2.64m for the period to October 2021 to 31 March 2022 which covers infection control and on-costs associated with testing and vaccination of providers' staff.

12.3. The NHS has 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. The level of funded care required has dropped very significantly from that seen in 2020/21 as the number of hospital discharges requiring care has reduced (£3.2m was recharged in 2020/21 and only £120k in the first half of 2021/22). The discharge funding will continue until 31 March 2022.

12.4. The overall cost of care for those 5,140 people on our books at the start of the year was lower than the budget which was set in Autumn 2020, at which time it was unclear how the pandemic would develop during the remaining months of 2020/21. The reduction in the number of older people in care homes in 2020/21 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 5,140 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 and recently as part of the Adult Social Care Scrutiny Commission working group. The trend in the rate was a continual increase since measurement began in 2015/16 - however 2020/21 saw a reduction in the rate of increase (5% compared to 5.9% in 2019/20). It is still too early to be certain what the rate will be finally in 2021/22, but this forecast assumes a return to the 2019/20 level of 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 218 people (4.2%) in the first half year, 119 of which are older people and 99 of working age. Net growth in 2020/21 was only 0.9% (46 people), but this was because of abnormally high numbers of older people leaving the care system during the pandemic and not a reduction in numbers entering the care system. Whilst the number of older people leaving care has reduced significantly in 2021 to date compared with last year, numbers entering the system remain at similar levels. The overall financial impact of the net change in numbers of people receiving care remains as per the budget in this forecast.

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 £3.9m for 2021/22 as at quarter two.

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

13. Education and Children's Services

13.1. The department is forecasting to spend £85.4m, £2.5m more than the budget. As outlined in the previous quarter one revenue monitoring report, the over-spends are due to cost pressures in SEN home to school transport, the special education service and placement costs for looked after children.

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.

13.3. In addition to the loss of savings, unit costs have also increased significantly in 2021/22 compared to last year. Journeys procured for the new academic year cost 37% more than in 2020.

13.4. There has been some progress in the use of personal transport budgets, which are of lower cost than taxi provision - the impact of this was also included in the budget for 2021/22. 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 and other placements at the start of the year (656) was 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. In the first half of the year there has been a net reduction of 11 in the numbers of LAC and other placements. The average cost of those entering care has reduced in the second quarter compared to the first, with fewer high cost placements.

13.7. Compared to the same period last year, the Special Education Service has experienced a 40% increase in the year to date numbers of referral requests for Education, Health and Care (EHC) plans. Other LAs have experienced similarly unusually high request rates and this may be a post pandemic effect. The capacity of the service is being increased to deal with this high level of referrals to prevent an unacceptably high backlog of assessments developing. The situation in terms of referral rates is being monitored constantly.

13.8. Whilst there are some staffing underspends across the services, taken together, the impact of SEN home to school transport, the anticipated level of LAC and other placements and the increase in EHC plan requests results in a forecast overall overspend for Education and Children's services of £2.5m.

13.9. 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. This is a national issue. The number of EHC plans in Leicester has increased at an average rate of 12.9% over the last five years, but the funding allocation is not based on numbers of plans. The overspend in 2021/22 is forecast to be £6.9m. The DfE have recently announced an increase in funding in 2022/23 which for Leicester means an additional £5.7m. This increase would deal to an extent with the shortfall in 2021/22 but, as already noted above, the increase in the number of requests for plans continues and therefore the gap between funding and expenditure will continue to grow.

13.10. 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 and put measures in place to ensure the consistent quality of the EHC plans.

13.11. The Council is working to manage the HNB expenditure – Special school funding rates have been reviewed and there is currently a consultation upon funding support for SEN within mainstream settings. The dedicated specialist provision has been expanded with a view to providing 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).

<u>Public Health & Sports Services</u>

14. Public Health & Sports Services

14.1. Public Health is forecast to spend £21.4m, £0.3m less than the budget of £21.7m. The pandemic is still having an impact on services six months into the financial year. The sexual health service, normally paid for based on activity, continues to be paid at a fixed amount because of lower numbers of patients, to ensure the financial viability of the provider. This temporary arrangement was reviewed again in September and a decision taken to continue with fixed payments for the remainder of this financial year. The provider, Midlands Partnership Foundation Trust is not only struggling with low patient numbers but also with staff retention.

14.2. A backlog of sexual health and contraception related cases has therefore built up over the past 15 months and the service is keen to address this where possible by commissioning additional activity. 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. However, six months into the financial year, GPs will still not be able to undertake/deliver the full demand of the service.

14.3. The main public health team was carrying some vacancies during the first half of the year, but these are now largely filled.

14.4. The service is expecting a high demand for mental health services as the year progresses. A grant of £0.4m has been received for prevention and promotion of better mental health.

14.5. Lifestyle services have suffered a loss of income from Sports Services because of a lack of referrals for gym classes to date for those people with weight issues and for smokers.

14.6. Sports Services forecast to spend £3.4m, £1.6m more than the budget of £1.8m. This forecast overspend of £1.6m is an improvement on the £2.2m forecast at the end of the first quarter. 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 70% (60% as at period 3) of the budget throughout the remaining months of the financial year. There will be some savings from staffing and running costs.

14.7. The service is managing the COMF (Contain Outbreak Management Fund) grant of £2.96m and the main spend is the Contact Tracing team.

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. An underspend on capital financing costs of £0.9.m is forecast. This is a result of higher cash balances than forecast in the budget, and interest rates achieved which exceed current rates.

15.2. 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 £3.8m, which will be funded from monies set aside for COVID in the 2020/21 outturn.