Executive Decision- Revenue Budget Monitoring Outturn 2021/22

Considered by OSC on: 30th June 2022

Decision to be taken by: City Mayor

Decision to be taken on: 18 July 2022

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 final one in the monitoring cycle for 2021/22 and reports performance against the budget for the year. The report essentially shows that the Council spent at budget in 2021/22, but this was not a typical year, and there are a number of factors to take into account to explain the true position.

The first of these is the covid pandemic, the major cost impact of which has been on fee income in City Development and Neighbourhoods (particularly car parking) and Sports Services. A further £3m of non-operational pandemic related costs were charged to corporate budgets. 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 reduced in 2021/22, although Government provided an unringfenced grant of £11m and various other grants with terms and conditions attached. Most of the grants with attached conditions have been treated as income to the services which received them and spent the money (and hence do not affect the net outturn). Some grants, however, are treated as corporate and are further explained in paragraph 16 below.

Some of the longer-term financial impacts of the pandemic are difficult to predict, especially fee income levels. In the 2022/23 budget, one-off funding has been set aside to support some areas of the budget while income levels recover. There are no further covid grants in 2022/23.

The second explanatory factor is the position of social care. Both adults' and children's social care services have been affected by the pandemic, as reported previously. The cost of adult social care mostly comprises the cost of packages of care for individuals. Each year, the cost increases due to increasing numbers of people receiving services and changes in the needs of those already in receipt of packages. The Council has a model for projecting these costs which has proved robust over a number of years, but the pandemic has given rise to underspends as people have shown increased reluctance to access services (direct pandemic related costs being met by the Government or the CCG). This was the case in 2020/21 and has continued into 2021/22. The underspend in Adult Social Care has also been compounded by the continued difficulties in recruiting staff.

As previously reported, an overspend in Education Children's Services is due to placement costs for looked after children together with cost pressures in SEND home to school transport, and increasing numbers of applications by parents for special needs support. This was compounded by an increased number of high cost placements. The overspend can be funded from the underspend in Adult Social Care.

The final factor is essentially presentational rather than an actual impact on the overall position. A staff pay award for 2021/22 has cost £3.6m, but the award was made so late in the year that budgets could not be allocated to departments, and provision continues to be held in central budgets. Thus, departmental budgets are showing additional pressures of £3.6m which should have been financed by a transfer of £3.6m from corporate budgets.

This would have led to a £1m overspend on corporate budgets (similar to the period 9 forecast) rather than a £2.5m underspend, which is not real.

Like other authorities, the cost of our high needs' education provision continues to rise inexorably, and despite increased government funding the Dedicated Schools Grant reserve is expected to be in deficit to the tune of £9m by the end of 2022/23. Legally, this sits outside the Council's main general fund.

Schools have continued to add to their balances, due to continuing to receive their budget allocations despite saving money during lockdown.

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 as detailed in Corporate Resources and Support, at Appendix B to the ICT Development Fund reserve.
  b) transfer the amounts in City, Developments and Neighbourhoods, as detailed in Appendix B, paras 5.1, 7.1, 8.1, 10.1 to reserves.
  c) transfer the amounts in Adult Social Care as detailed in Appendix B, Paras12.10 and 12.11 to reserves.
  d) transfer the Deliver Communications and Political Governance reserve to the ICT Development Fund reserve as detail in Appendix C, para 4.2.
  e) transfer the £409k underspend to the managed reserves strategy to support future year budgets.
- To approve reductions to the budget arising from the Fundamental Budget Review described at paragraph 17, and delegate authority to the Director of Finance to determine the specific budget ceilings affected.

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 – Outturn (April 2021 – March 2022) Budget Monitoring summary.

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

Appendix C explains the Council's earmarked reserves

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 16th September 2021.
Period 6 Monitoring report presented to OSC on 16 December 2021.
Period 9 Monitoring report presented to OSC on 24th March 2022.

8. Summary of appendices:

Appendix A – Outturn (April-March) Budget Monitoring 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?

Yes – recurrent savings in excess of £0.5m.

APPENDIX A

Revenue Budget at Outturn (April – March), 2021-22

2021-22	Current Budget	Outturn	Variance
	£000's	£000's	£000's
Financial Services	11,218.4	11,218.4	0.0
Information Services	9,124.4	10,165.1	1,040.7
Human Resources & Delivery, Communications & Political Governance	10,934.1	9,893.4	(1,040.7)
Legal Services	3,361.4	3,361.4	0.0
Corporate Resources & Support	**34,638.3**	**34,638.3**	**(0.0)**
Planning, Development & Transportation	13,828.3	17,956.4	4,128.1
Tourism Culture & Inward Investment	4,598.2	5,984.2	1,386.0
Neighbourhood & Environmental Services	31,855.7	31,959.7	104.0
Estates & Building Services	5,761.7	6,001.7	240.0
Departmental Overheads	818.3	651.0	(167.3)
Housing Services	3,341.8	4,238.1	896.3
City Development & Neighbourhoods	**60,204.0**	**66,791.0**	**6,587.0**
Adult Social Care & Safeguarding	136,119.0	141,169.1	5,050.1
Adult Social Care & Commissioning	(16,816.0)	(30,792.4)	(13,976.4)
Sub-Total Adult Social Care	**119,303.0**	**110,376.7**	**(8,926.3)**
Strategic Commissioning & Business Support	1,836.1	1,524.5	(311.6)
Learning Services	13,899.2	15,571.2	1,672.0
Children, Young People & Families	65,643.4	66,465.3	821.9
Departmental Resources	1,541.8	364.8	(1,177.0)
Sub-Total Education & Children's Services	**82,920.5**	**83,925.9**	**1,005.4**
Total Social Care & Education	**202,223.5**	**194,302.6**	**(7,920.9)**
Public Health & Sports Services	**23,589.7**	**26,130.8**	**2,541.1**
Housing Benefits (Client Payments)	500.0	(511.4)	(1,011.4)
Total Operational	**321,155.5**	**321,351.3**	**195.8**
Corporate Budgets	4,787.6	2,235.2	(2,552.4)
Covid Related Costs /Income	0.0	3,217.3	3,217.3
Capital Financing	6,786.0	5,516.5	(1,269.5)
Total Corporate & Capital Financing	**11,573.6**	**10,969.0**	**(604.6)**
Public Health Grant	(27,293.5)	(27,293.5)	0.0
Managed Reserves Strategy	(17,300.9)	(17,300.9)	0.0
TOTAL GENERAL FUND	**288,134.7**	**287,726.0**	**(408.7)**

APPENDIX B

Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources Department spent £33.5m, £1.1m less than the budget. It is proposed that the £1.1m saving is used to support the growing needs for IT development spending as discussed below.

1. Finance

1.1. The Financial Services Division spent £10.5m, £0.7m less than the budget. This was mainly due to vacancies across the Business Services Centre and within Customer Services.

2. Information Services

2.1. Information Services spent £10.2m, £1m more than the budget. The service has incurred additional cost, largely associated with a growing need for equipment to support flexible working, and for security software. The service maintains a reserve specifically to cover equipment and other development needs which are incurred at irregular intervals, but this is now under pressure. It is therefore proposed to utilise savings elsewhere in the department to continue to support the growing needs in ICT.

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

3.1. Human Resources spent £3.6m, £0.7m less than the budget and DCPG spent £6m, £0.6m less than the budget. The combined saving of £1.3m is predominantly due to vacant posts together with additional income from traded activities by HR, Health and Safety and the translation service.

4. Legal, Registration & Coronial Services

4.1. The division spent at budget. Within this, Legal Services spent £3.3m, £0.1m less than the budget due to vacant posts.

4.2. Coronial Services spent £0.1m more than the budget after receiving £0.4m of support from corporate budgets (as in previous years). The increased level of corporate support is due to higher levels of activity (continuing the trend of spending since the start of the pandemic). The net £0.1m overspend has been offset by an underspending in Registration Services which arose due to vacancies and additional fee income.

City Development and Neighbourhoods

The department overspent by £6.6m on a net budget of £60m, due to the impact of the pandemic. The continued loss of income is anticipated to continue into 2022/23, for which provision was made in the 2022/23 budget. The position for each division is as follows:

5. Planning, Development & Transportation

5.1. The division overspent by £4.1m. COVID-19 has resulted in a significant loss of income in relation to car parking, bus lane enforcement and planning fees, totalling £4m. Additionally, this report requests that £0.9m of income from various government grants is transferred to departmental reserves, as expenditure against those grants will be incurred in future years.

6. Tourism, Culture & Inward Investment

6.1. The division overspent against budget by £1.4m. Income fell short of budget by £2.5m with the most significant impact of COVID-19 being at De Montfort Hall and the markets. These shortfalls have been partially offset by savings on running costs.

7. Neighbourhood & Environmental Services

7.1. The division has overspent by £0.1m. Whilst there has been a shortfall in income within Regulatory Services associated with a drop in building control fees and licensing income, this has largely been offset by savings on running costs and by holding posts vacant. Cost pressures are emerging within Waste Management, particularly in relation to landfill tax; one-off income was received in the year to manage this. Additionally, this report requests that £1.7m of government grant income is transferred to departmental reserves to finance expenditure which will be incurred in future years.

8. Estates & Building Services

8.1. The division overspent by £0.2m. The corporate estate has underachieved its income target but savings on the running costs of buildings along with staffing vacancies have minimised the impact. Additionally, this report requests that £160k of government grant income is transferred to departmental reserves to finance expenditure which will be incurred in future years.

9. Departmental Overheads

9.1. This holds the departmental budgets for added years' pension costs and departmental salaries. An underspend of £0.2m arose during the year, principally due to a reduction in the level of bad debt provision required for the department.

10. Housing General Fund

10.1. The Housing General Fund overspent by £0.9m. Additional temporary accommodation costs linked to COVID-19 led to an overspend of £1.1m in Homelessness Services. This was only partially offset by a reduction in prudential borrowing costs from COVID-19 related delays to fleet replacement. Additionally, this report requests that £0.7m of government grant 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 overspent by £0.8m, excluding revenue used for capital spending (which is reported in the capital outturn report).

11.2. Rental income was £0.1m higher than budget, with a further £0.2m becoming available as a result of a reduction in the amount of bad debt provision required.

11.3. The Repairs and Maintenance service overspent by £0.6m. Additional investment in speeding up the turnaround of void properties will help to avoid lost rental income whilst vacant. Unavoidable responsive repair work to the district heating network added to the overspend.

11.4. Management and Landlord Services overspent by £0.4m. The principal driver for this was the cost of council tax on void properties, which exceeded the budget by £0.5m. This will also be helped by the additional investment in the turnaround of void properties.

11.5. The HRA makes contributions towards general fund activities as well as being charged for its fair share of overheads. These were £0.2m more than the budget.

11.6. The interest payable by the HRA on its debt was £0.1m lower than the budget.

Adult Social Care

12. Adult Social Care

12.1. The department spent £110.4m, £8.9m less than the budget of £119.3m. The underspend is the result of a range of factors including the pandemic. The main factors were: the average cost of people receiving care at the start of 2021/22 was lower than had been budgeted due to the ongoing covid impacts; the level of increase in assessed need for people already in receipt of services has not returned to the pre-pandemic trend; and take up of some services by those receiving direct payments has continued to be at a lower rate than had been budgeted. In addition, a small proportion of the underspend resulted from: income from fees which was affected by the pandemic has recovered better than expected; additional funds have also been received from the CCG to cover short term social care costs following hospital discharge; and finally there continued to be staffing vacancies in social work and directly provided services despite ongoing efforts to recruit.

12.2. £9.6m of grant funding from the DHSC has been paid to providers during the year. This funding contributed towards the additional costs associated with infection control and prevention, testing, specific support regarding the Omicron variant and workforce retention and recruitment. An additional £4.7m of funding from the CCG was also paid to providers' staff as part of a retention reward package.

12.3. The NHS continued to provide a national discharge fund to temporarily cover the additional costs of care until 31 March 2022 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 2021 the funded care could last up to six weeks and for the period July to March 2022 up to four weeks. The level of funded care required has dropped very significantly from 2020/21 levels, as the number of hospital discharges requiring care has reduced (£3.2m was recharged in 2020/21 and only £0.5m in 2021/22).

12.4. The overall cost of care for those 5,125 people in receipt of care 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) meant that those 5,125 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 already 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 Commission working group. The trend in the rate has been a continual increase since measurement began in 2015/16 - however 2020/21 saw a reduction to 5% compared to 5.9% in 2019/20 and this was believed to be due to lower levels of interaction by people with the service during lock-downs. The 2021/22 budget was set whilst we were still in lock-down in September 2020 and the prudent assumption made then was that the rate would return to pre-pandemic levels of 6%. This assumption was reinforced by the potential for latent demand in 2020/21 being shifted forward into 2021/22 such that catching up on reviews might even cause a spike in the rate. The final rate for 2021/22 was 4.6% resulting in a further budget saving of £2m. It is not clear at this stage to what extent the rate is still being affected by either the legacy of the pandemic, the backlog of reviews, the increased use of strength based social work practice, some other variation or a combination of the above. Despite the backlog of reviews, the percentage of existing people who had a package change was actually comparable with pre-pandemic levels at 38%; however, the average increase in these package costs was lower than previously seen which drove the overall rate down to 4.6%.

12.6. In terms of new people entering the care system (and who are still receiving care at the end of the year), there has been a net inflow of 225 people (4.4% increase) by the end of March, 71 (2.4% increase) of whom are older people and 154 (7.1% increase) 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 reduced significantly in 2021/22 compared with last year, numbers entering the system remain at broadly similar levels.

12.7. The degree to which those people with direct payments have been able/willing to access services, in particular day care, was reduced in the first part of 2021/22 and therefore people have not been fully spending their direct payments. Therefore, funding that would have been allocated to people for this activity has been retained.

12.8. Recruitment to posts within ASC remains a challenge, with many posts being on the national ‘shortlist’ for hard to fill roles. This includes qualified social workers, occupational therapists, best interest assessors and approved mental health professionals. As a consequence, many of these posts have remained unfilled despite ongoing attempts to recruit, resulting in an underspend on staffing budgets. A similar issue is noted in care roles within directly provided reablement and crisis services. As all of these roles are critical to the delivery of social care, recruitment remains a priority and therefore sufficient funding will be retained in the budget. However, given the difficulties experienced in recruitment and hence that underspends are likely to be ongoing into future years, there will be some adjustment of budgets to recognise vacancy rates.

12.9. The lower base cost of people receiving care at the start of the year, the lower rate of increase in need, the lower uptake of direct payment services, difficulties recruiting, a better recovery in fee income and unbudgeted additional NHS hospital discharge related income means that ASC underspent by £8.9m, with £6.7m related to gross package costs. It should be noted however that gross package costs still increased year on year by £8.6m from £133.7m in 2020/21 to £142.3m in 2021/22. The budget for package costs in 2021/22 included growth of £15.4m for fee increases, increase in need and growth in numbers.

12.10. It is proposed that the under-spend in ASC is offset against the over-spend in Education and Children's Services with the remaining under-spend of £7.9m to be transferred to the Managed Reserve to support the Council's overall budget strategy.

12.11. The CCG have made additional voluntary BCF contributions to ASC of £11.3m this year and these are to be transferred to an earmarked reserve for use in joint working projects. This funding will provide further investment in projects which will enable both health and social care services to recover more quickly from the impacts of the pandemic for the benefit of Leicester residents.

__**Education and Children's Services**__

13. Education and Children's Services

13.1. The department spent £83.9m, £1m more than the budget. As outlined in previous monitoring reports, the over-spend is due to placement costs for children who are looked after, together with cost pressures in SEN home to school transport, the special education service and increasing numbers of referrals by parents for support for their disabled 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 by 20% compared to the previous year, largely due to the pandemic.

13.4. There has been significant further progress in the use of personal transport budgets (at lower cost than taxi provision) with a greater proportion of new referrals taking this route. A revised SEN home to school transport policy has been consulted upon. The new policy more clearly defines the council's SEN transport related responsibilities and emphasises further the options that are available for the parent in respect of personal transport budgets. Greater emphasis is also being placed on promoting independence through travel training. Overall, around 1,450 pupils were supported with their travel either by taxi, in-house fleet or personal budget.

13.5. The number of children who are looked after 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. Overall, there has been a net reduction of 8 in the numbers of children who are looked after and other placements from 656 at the start of the year to 648 at the end. New entrants to care who remain in care at the end of the year have been relatively consistent since 2018/19 (152 in 2018/19, 138 in 2019/20, and 139 in 2020/21) with 152 this year. The number of existing placements leaving in the year has varied more widely during the same period (164 in 2018/19, 188 in 2019/20, 104 in 2020/21 which was affected by delays in court proceedings, and 160 this year). Whilst the budget was accurate for the number of leavers, the number of entrants was 14 more than the budget.

13.7. The average unit cost of new entrants has varied significantly from month-to-month dependent upon the complexity of need and therefore the type of provision. The final average entry unit cost was £41k per annum compared to the budget of £40k and also higher than the £37k seen in 2020/21.

13.8. The average unit cost of those leaving care in the year has been £25k, with the majority having been in lower cost foster care or placed with parents. The shift in the mix of placements towards those with higher costs means that the carrying cost of the current 648 placement population has increased from

£45.7k to £49.4k per placement. Numbers of external residential placements have decreased (to 51 from 58) but internal foster placements and those waiting adoption or placed with parents have also reduced, with a shift to more semi-independent and independent sector foster placements.

13.9. In the calendar year 2021 the special education service experienced a 38% increase compared to 2020 in the numbers of referral requests for Education, Health and Care (EHC) plans and a 23% increase compared to the pre-pandemic year 2019. This high referral rate has continued into the first quarter of 2022. Other LAs have experienced similarly unusually high request rates and this may be a post pandemic effect. The capacity of the service has been 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.

13.10. Although to a lesser extent, there has also been an increase in the number of open cases in the disabled children's service resulting in an increase in ongoing support costs. This issue is being reviewed currently to determine whether this is likely to be sustained going forward.

13.11. There continue to be difficulties in recruiting qualified social workers, and there is a continued reliance on agency staff as well as our own trainee staff. This has resulted in staffing underspends in social care and to a lesser extent across other services; taken together, the impact of SEN home to school transport, the higher number of children who are looked after and other placements, the increase in EHC plan requests and requests for support from the disabled children's service results in an overall overspend for Education and Children's Services of £1m.

13.12. It is proposed that the over-spend in Education and Children's Services is offset against the under-spend in Adult Social Care.

13.13. 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 is not based on numbers of EHC plans, it is based predominantly on proxy SEN indicators and historic spend. The overspend in 2021/22 was £6.1m (£4.9m in 2020/21). Commissioned placements and support were provided for on average 3,226 children and young people, a 10% increase on 2020/21.

13.14. The 2022/23 DSG HNB allocation has increased by £6.1m and there is also an additional supplementary grant of £2.5m to cover '*additional costs* *including the health and social care levy*'. The additional funding is not ring-fenced and will be added to the overall HNB funding available, giving an £8.6m increase in total.

13.15. Nevertheless, after allowing for the increase in demand for places in 2022/23 and an allowance for pay, pension and other inflation, the HNB will remain in deficit in 2022/23 by £5.7m despite this additional funding.

13.16. The overall LA DSG reserve balance has moved into a deficit of £3.6m at the end of March 2022. This will be carried forward into the following financial year and not offset against DSG block allocations from the DfE. This deficit will rise by the forecast 2022/23 overspend from the HNB of £5.7m, i.e. a forecast cumulative reserve deficit of £9.3m by the end of March 2023.

13.17. The Council continues working on managing the HNB expenditure. Capital works are proceeding to provide the necessary placement capacity, in particular our dedicated specialist provision; special school funding rates have been reviewed; funding support for SEN within mainstream settings has been reviewed; even whilst ensuring there is sufficient in-house capacity to deal with all demand, there is a recognition that there will always be some need by exception for independent/non maintained sector provision and we are reviewing the value for money of this provision.

13.18. Whilst the actions outlined above will improve the financial sustainability of the existing provision, the long-term demand forecasts for placements indicates a further net increase of well over 800 placements in the next ten years.

13.19. The current HNB DfE funding formula will not adequately compensate the Council for this forecast level of growth. The funding increase in 2022/23 by the DfE was part of a 3-year commitment to increase school funding and high needs funding. The recent publication of the SEND review green paper does not indicate any new additional revenue funding for the HNB or details of any changes to the formula. The DfE have previously 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*.'

13.20. The green paper which is now being consulted upon acknowledges this issue and contains recommendations to standardise the writing of EHC plans; it is also looking to introduce a new national framework of banding and price tariffs for funding, matched to levels of need and types of education provision. This should help with consistency in funding, provided of course this is coupled with recognition that the HNB is still under-funded nationally.

Introducing standard bands for funding need will take time. In the medium term 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).

13.21. In 2020/21 maintained primary and secondary schools increased their cumulative carry forwards significantly by £9.2m, in part due to cost savings during lock down whilst continuing to receive the same budget allocation. In 2021/22 maintained primary and secondary schools have still increased their carry forward balances, although to a lesser extent, by a total of £5.4m in the year (primary £0.8m, secondary £4.6m), rising to £30.1m at the year-end (primary £14.7m, secondary £15.4m). These cumulative balances represent 16% of primary school annual budgets and 25% of secondary school annual budgets. Maintained special school and PRUs cumulative carry forwards are negative £0.15m at the end of the year with one school contributing significantly to the overall deficit position resulting from legacy issues which have now been resolved. There has been an increase in the in-year carry forwards, however with a mixture of small deficits and surpluses totalling £0.4m.

Public Health

14. Public Health

14.1 Public Health spent £22.7m, £0.9m more than the core budget of £21.8m. The spend includes £1.2m on the test & trace Covid-19 programme which is ultimately being funded from the COMF (Contain Outbreak Management Fund) grant. Excluding the test and trace expenditure, core public health spend is £0.3m less than the budget.

14.2 The pandemic continued to have an impact on services this financial year. The sexual health service, normally paid for based on activity, has been paid at a fixed amount in the year because of lower numbers of patients, to ensure the financial viability of the provider.

14.3 A backlog of sexual health and contraception related cases has built up over the past 18 months and the service is keen to address this where possible in 2022/23 by commissioning additional activity, using departmental reserves where necessary.

14.4 Similarly, the NHS health checks service provided by GPs has a backlog of work and incentives may be required to increase numbers going forward into 2022/23. Across adult related services as a whole (including sexual health, health checks together with mental health and substance misuse) there was an overall underspend of £0.2m.

14.5 Lifestyle services have suffered a loss of income from Sports Services because of a lack of referrals for gym classes during lockdown for those people with weight issues and for smokers. However, this was offset by additional weight management funding from the CCG and additional BCF contributions.

14.6 There were vacancies in the main public health team earlier in the year (now fully established) resulting in an underspend of £0.2m.

15. Sports Services

15.1 Sports Services spent £3.4m, £1.6m more than the budgeted subsidy of £1.8m due to the pandemic. 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. For the year as a whole, leisure centre income was 61% of the budget but staffing and other operating costs were around 85%.

15.2 Nevertheless, health and fitness membership numbers have recovered well and by March stand at around 10,000, 11% more than the pre-COVID levels, assisted by the capital expansion at Aylestone, Evington and Cossington. Swimming members are at 87% of pre-COVID levels (around 5,500) with recovery being hampered temporarily by difficulties in recruiting swim instructors.

Corporate Items

16. Corporate Items

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

16.2 The true position in respect of corporate budgets is an overspend of £1m, less than forecast at period 9. The overspend is chiefly due to the pay award being higher than anticipated, reduced support from the Government of in respect of uncollected council tax and business rates compared to what we expected, the £0.4m pressure in Coroners described above, and some unfunded pension costs. The figure in the table at Appendix A (£2.6m underspend) is misleading: the final pay award for 2021/22 was determined so late that provision could not be allocated to departments before the end of the year, and the cost of the award has been charged to departments without any corresponding budget adjustment.

16.3 Capital financing has achieved savings of £1.3m. The Council's debt servicing costs are fixed, and savings arise from interest on cash balances. Cash balances have been higher than expected, partly due to grants received and held prior to being spent. Savings have also been achieved due to locking into higher interest rates than those prevailing for most of the year.

16.4 A corporate cost centre has continued to be used for significant costs directly attributable to the pandemic, other than those which cannot be distinguished from normal departmental activity (such as income shortfalls). The final spend was £3.2m.

16.5 Compensation from the Government for housing benefit payments amounted to £0.5m more than the amount spent, leading to a budget saving of £1.0m. This is a consequence of performance in recovery of overpayments. Due to recent improvements in benefits processing (and consequent underspends) it is now believed that the budget of £0.5m is no longer required and the service can be provided within the level of funding provided by the Government.

16.6 Whilst the table at Appendix A includes a number of covid grants paid directly to services, other covid grants are corporate in nature and have not been reflected in the figures. In 2021/22, the Council received unringfenced grant of £11.5m to support the costs associated with the pandemic. Additionally, grant of £3m was received to part meet the costs of income shortfalls, and £3m (Contain Outbreak Management Fund) to support test and trace and other costs of directly managing the outbreak, along with a number of smaller grants. These grant sums compensate the council for expenditure incurred on the pandemic, which is described in the narrative above. It is proposed to set aside £4.8m to support covid costs approved in the 2022/23 budget and a further £2m for any residual covid costs in 2022/23. This leaves £13m which is therefore available to support the Council's budget strategy unless any further covid related pressures emerge such as a new variant (there are no further grants due in 2022/23).

16.7 At the outturn for 2020/21, the Council set aside £10.9m within managed reserves for covid related revenue expenditure in 2021/22. This is no longer required.

17. Fundamental Budget Review

17.1 The Fundamental Budget Review seeks to achieve £40m of savings from future budgets, to manage the impact of government funding settlements which are expected to be inadequate.

17.2 Where savings are made as part of a service review, decisions will be taken in the normal manner through a decision report. Where savings are incidental or can be made through management action, it is proposed to continue our previous practice of seeking approval to budget adjustments through routine budget monitoring reports. This is the first such report to include such adjustments, but many more will follow.

17.3 Approval is sought to make the following budget reductions:

	2022/23	2023/24	2024/25
	£000	*£000*	*£m*
Increased sports income, following recent investment in leisure centres			276
Removal of budget for a lunch club which has ceased to function	10	10	10
Use of loss reduction fund to pay for highways inspection activity	30	30	30
Managed vacancy factor within Adult Social Care.	200	200	200
Housing benefit budgets – this budget represents the difference between the amount we pay to housing benefit recipients and the reimbursement we receive from the Government. Due to improvements in administration of these payments, and recent underspends, this budget is no longer required.	500	500	500
TOTAL	**740**	**740**	**1,016**

APPENDIX C

Earmarked Reserves – Year-end Summary

1. Summary

1.1. Earmarked reserves represent sums set aside for specific purposes. This is in contrast to the 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;

2021-22	Balance at 31st March 2021	Total in Year Transfers	Balance at 31 March 2022
	£000	£000	£000
DSG not delegated to schools	1,433	(5,076)	(3,643)
School Balances	24,108	5,988	30,096
School Capital Fund	2,753	(262)	2,491
Schools Buy Back	2,429	(514)	1,915
Total School Ring Fenced Reserves	**30,723**	**136**	**30,859**

2.2 DSG not delegated to schools is principally for spending on the High Needs Block. This currently has a negative balance, and the Council is working with the Government to seek resolution. Schools' balances have increased for the reasons explained in the report.

2.3 The following reserves are ringfenced funding.

2021-22	Balance at 31st March 2021	Total in Year Transfers	Balance at 31 March 2022
	£000	£000	£000
Education & Skills Funding agency Learning Programmes	1,112	(141)	971
Arts Council National Portfolio Organisation Funding	845	(526)	319
NHS Joint Working Projects	9,420	15,593	25,013
Total Ring Fenced Resources	**11,378**	**14,925**	**26,303**

2.4 **NHS Joint Working Projects:** the government has provided funding for joint working between adult social care & the NHS. The £16m increase is explained in Appendix B above.

3. Capital Programme Reserve

This reserve supports approved spending on the Council's capital programme. This is a provisional balance until the capital financing is completed for 2021/22.

2021-22	Balance at 31st March 2021	Total in Year Transfers	Balance at 31 March 2022
	£000	£000	£000
Capital Programme Reserve	97,587	1,247	**98,834**

4. Departmental Reserves

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

2021-22	Balance at 31st March 2021	Total in Year Transfers	Balance at 31 March 2022
	£000	£000	£000
Financial Services Reserve	3,670	1,449	5,119
ICT Development Fund	8,434	2,044	10,479
Delivery, Communications & Political Governance	3,477	(1,037)	2,439
Housing	2,358	444	2,802
City Development (Excl Housing)	11,301	1,370	12,671
Social Care Reserve	18,483	(8,484)	9,999
Health & Wellbeing Division	4,292	1,340	5,632
Other Departmental Reserves	464	-	464
Total Other Departmental Reserves	**52,480**	**(2,873)**	**49,606**

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, re-procurement of the waste management PFI contract and other contingent events, in addition to funding for projects that have carried forward into 2022-23.

4.2 **Delivery Communications & Political Governance:** this is principally for elections and other projects within the department. It is proposed as part of this report to transfer £1.0m to the ICT reserve for ICT development spend.

4.3 **ICT:** rolling funds for network and server upgrades, mobile airtime and upgrade of PC stock, remote working. This reserve includes the proposed transfer of £2.1m as detailed earlier in this report.

4.4 **Financial Services:** for expenditure on improving the Council's main financial systems; spikes in benefit processing and overpayment recovery.

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 and refugee resettlement programmes.

4.7 **Social Care Reserve:** this reserve is available to fund pressures within Adults and Children's services. It is currently mainly supporting the pressures in Children's services particularly in relation to Looked After Children placement costs.

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

2021-22	Balance at 31st March 2021	Total in Year Transfers	Balance at 31 March 2022
	£000	£000	£000
Managed Reserves Strategy	70,261	13,009	83,270
Covid-19 -Business Rates deficit reserve	25,720	(12,323)	13,396
Business Support Grants	2,722	(2,722)	-
BSF Financing	8,638	397	9,035
Insurance Fund	10,609	887	11,495
Severance Fund	4,827	-	4,827
Service Transformation Fund	5,867	(672)	5,195
Welfare Reserve	3,428	(879)	2,550
Anti-Poverty Reserve	3,000	-	3,000
Other Corporate Reserves	973	(973)	-
Total Corporate Revenue Resources	**136,045**	**(3,276)**	**132,768**

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 2022-23. It includes £6.8m to manage ongoing pressures arising from the pandemic, as described above. A further £24m is committed to fund the 2022/23 budget.

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 after 2020/21. This reserve is essentially an accounting reserve which is fully committed.

5.3 **Business Support Grants Reserve:** the government provided grant funding in 2020/21 to support businesses during the pandemic. The balance of funding was used 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. The required balance will be reviewed by an actuary.

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

5.8 **Welfare Reserve:** this reserve provides support for welfare reform and welfare support more generally.

5.9 **Anti-Poverty Reserve:** this reserve will support the Anti-Poverty Strategy.