



Revenue Budget Monitoring – Period 3, 2016/17

Decision to be taken by: City Mayor

Decision to be taken on: 23rd September 2016

Overview Select Committee date: 15th September 2016

Lead director: Alison Greenhill

Useful information

- Ward(s) affected: All
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1. Summary

This report is the first in the monitoring cycle for 2016/17, and gives an early indication of the expected performance against the budget for the year.

Given the scale of Government funding cuts, departments are inevitably under pressure to provide services with less funding.

It is pleasing to note that at this stage, all services are forecasting that they will operate within budget for the year (albeit with some use of reserves and other measures to manage pressures in some areas)

In particular, indications are that the considerable budget planning work carried out within Adult Social Care and improvements to management information systems made in 2015/16 have resulted in a budget that reflects the demographic and other pressures that have been consistently highlighted in recent years.

As reported to OSC in June, the budget strategy places heavy emphasis on delivery of the spending review programme.

2016/17 marks a turning point in that the Council is now drawing down reserves to support the budget whilst ongoing spending reviews are approved and delivered - this means that services are being maintained using one off funding and cannot be sustained at their current levels within their current formats.

This use of one-off funding is in line with the Managed Reserves Strategy adopted in recent budgets whereby reserves built up for this purpose are used to manage pressures whilst ongoing reductions are achieved through the Spending Review programme.

Plans are in place for nearly all spending reviews to have been brought to the Executive for decisions by the end of 2016/17 but the achievement of this and the subsequent implementation of the approved measures is vital. Delays or failure to achieve the approved savings will increase pressures elsewhere in the Council and undermine the budget strategy. Services are, overall, managing these pressures at the moment but the scale of the task should not be underestimated.

2. Recommendations

2.1 The Executive is recommended to:

- Note the emerging picture detailed in the report.
- Approve reductions to the City Development & Neighbourhoods departmental budget of £0.1m in respect of the City Centre spending review and £0.1m (rising to £0.15m in future years) in respect of the early delivery of savings in regulatory savings, as detailed in Appendix B, Paragraphs 6.1 and 6.2 respectively

2.2 The OSC is recommended to:

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

3. Supporting information including options considered:

The General Fund budget set for the financial year 2016/17 was £263.2m.

Appendix A details the budget for 2016/17.

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

4. Financial, legal and other implications

4.1 Financial & Legal implications

This report is solely concerned with financial issues.

Alison Greenhill, Director of Finance, Ext 37 4001

4.2 Climate Change and Carbon Reduction implications

This report is solely concerned with financial issues.

4.3 Equality Impact Assessment

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

4.4 Other Implications

Other implications	Yes/No	Paragraph referred
Equal Opportunities	No	-
Policy	No	-
Sustainable & Environmental	No	-
Crime & Disorder	No	-
Human Rights Act	No	-
Elderly/People on low income	No	-
Corporate Parenting	No	-
Health Inequalities Impact	No	-

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

5. Background information and other papers.

Report to Council on the 24th February 2016 on the General Fund revenue budget 2016/17.

6. Summary of appendices:

Appendix A – P3 Budget Monitoring Summary;

Appendix B – Divisional Narrative – Explanation of Variances;

7. Is this a private report?

No

Overall Position against General Fund Budget for 2016/17

At this stage of the year a high level forecast has been presented against the budget shown below.

All departments, and the Council overall, believe they can live within their allocated budgets, and the Corporate Resources Department is currently forecasting savings of £0.6m in the year.

	Current Budget for Year
	£000
Neighbourhood & Environmental Services	30,854.4
Tourism, Culture & Inward Investment	6,221.0
Planning, Transportation & Economic Development	18,251.8
Estates & Building Services	9,031.8
Departmental Overheads	655.4
Fleet Management	110.0
Housing Services	4,834.2
City Development and Neighbourhoods	69,958.6
Adult Social Care	103,277.1
Health Improvement & Well-being	23,272.2
Strategic Commissioning & Business Development	522.1
Learning Quality & Performance Services	8,656.5
Children, Young People & Families	58,959.5
Departmental Resources	(10,278.0)
Education & Children's Services	57,860.1
Delivery Communications & Political Governance	5,652.1
Financial Services	11,731.0
Human Resources	3,921.4
Information Services	10,026.1
Legal Coronial & Registrars	1,981.0
Corporate Resources and Support	33,311.6
Housing Benefits (Client Payments)	527.6
Total Operational	288,207.2
Corporate Budgets	11,784.7
Capital Financing	13,300.3
Total Corporate & Capital Financing	25,085.0
Public Health Grant	(28,214.0)
Use of Reserves	(21,904.7)
TOTAL GENERAL FUND	263,173.5

Outturn Divisional Narrative – Explanation of Variances

Corporate Resources and Support

1. Finance

- 1.1. The Financial Services Division is on course to achieve savings of £0.3m, due to 7 vacant posts across the accounting teams. Some posts are however being recruited to and hence the impact on the service is expected to be limited.

2. Human Resources & Workforce Development

- 2.1. Human Resources & Workforce Development is forecasting a balanced budget.

3. Information Services

- 3.1. Information Services is on course to achieve savings of £0.1m, due to vacancies as the service implements the spending review with a target of £2.4m to be achieved by 2017/18.

4. Delivery Communications & Political Governance

- 4.1. The Delivery, Communications and Political Governance Division is on course to achieve savings of £0.1m, due to vacancies and running costs, as spending review targets are implemented.

5. Legal, Registration & Coronial Services

- 5.1. The Legal, Coronial & Registrars Division is forecasting it will live within its budget. Pressures on the Coroners' budget due to legislative changes will be met corporately.

City Development and Neighbourhoods

6. Spending Review Savings

- 6.1. As part of the spending review programme, savings of £0.1m per year are being sought through a review of city centre budgets. In order to consider this review more fully in the context of economic regeneration programmes in the city centre, it would be beneficial to extend the timetable for identifying savings. Consequently, it is proposed to realign budgets within the wider department to achieve the saving, and the recommendations to this report reflect this.
- 6.2. The spending review programme also includes savings from the Council's Regulatory Services function (part of Neighbourhood & Environmental Services). The spending

review work is not due to report until later in the year, but early savings have been secured through a review of the senior management structure. This has allowed a saving of £0.15m per annum to be realised and this can be removed from the department's budget (with a reduction of £0.1m in 2016/17 to reflect the part-year impact).

7. Planning, Transportation and Economic Development

7.1. The Division is forecasting a balanced outturn on a net budget of £18.3m.

8. Tourism, Culture & Inward Investment

8.1. The Division has identified pressures of £0.1m, largely due to reductions in income whilst the Leicester Market redevelopment works continue. This is being offset by savings on other services and the departmental reserve.

9. Neighbourhood & Environmental Services

9.1. The Division is forecasting a balanced out-turn on a net budget of £30.8m. However, a pressure of over £300k is emerging due to changes in waste disposal regulations which could increase landfill tax costs. Mitigating options are being explored. The Division is also reviewing all costs to seek to contain these pressures; if this is not fully possible, then reserve funding will be used

10. Resources

10.1. Resources include departmentally held budgets such as postage and pension contributions, and a balanced out-turn to the net budget of £655k is expected. The vehicle fleet is on target to deliver the £900k spending review savings target for 2016/17.

11. Estates & Building Services

11.1. The Division is forecasting a balanced out-turn on a net budget of £9m.

12. Housing General Fund

12.1. The General Fund housing service is on course to achieve savings of £0.1m.

12.2. Vacancy management across the service is expected to the equivalent of 9 FTE vacancies across the year with an underspend of £300k. Any emerging significant impact on service provision would be mitigated by short term staffing arrangements.

Supported Housing has identified pressures of £0.1m. Fifteen self-contained flats were returned to general housing management last year and were to be replaced with five shared houses to maintain the same level of provision. However, these plans are on hold pending the outcome of a government review of housing benefit for supported housing.

13. Housing Revenue Account

- 13.1. 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.
- 13.2. At period 3, the HRA is on course to achieve savings of £0.7m (excluding revenue for capital spending, which is reported in the capital monitoring report)
- 13.3. Rental income is forecast to be £0.6m less than budget. Right to Buy Sales are expected to be in the region of 500 this year, significantly higher than the 240 sales assumed in the budget. Additional resources are now in place to reduce the backlog that has arisen as a result of the high number of new applications.
- 13.4. Repairs and maintenance is forecast to achieve savings of £1.1m. Vacancies across the service are expected to contribute £0.9m. The new repairs service is expected to be implemented in November 2016 and most of the in-year underspend will become an ongoing saving, which will contribute to offsetting future pressures on the HRA. Expenditure on materials is forecast to be £0.2m less than budget.
- 13.5. Management and Landlord Services expect to spend £0.3m less than budget. Vacancies management across the service is expected to yield 9.5fte, ahead of the savings becoming permanent once the new district management service is implemented in November 2016 as part of the transformation programme to meet the financial pressures on the HRA.

Adult Social Care

14. Adult Social Care

- 14.1. In summary the department is forecasting to spend as per the current annual budget of £103.3m
- 14.2. Of the £103.3m budget the most significant item is the £94.6m expenditure on independent sector service user care package costs. The level of net growth in long term service users in quarter one was 0.15% (8 service users from a base at the start of the year of 5,356). This translates to an annualised rate of 0.6% which is significantly lower than the 2.6% net growth seen in 2015/16. However it is too early

in the year to revise the forecast annual growth rate which remains as per the budget. This will be reviewed again at quarter two.

- 14.3. The most significant area of potential cost increase is from net increases in package costs during the year from our existing user base. This is where the condition of the user deteriorates through increasing frailty for example, or from the need for temporary respite. This is being closely tracked at an individual service user level by social work teams to be clear of the reasons why and the appropriateness of the new package being provided. Activity in the first quarter is such that we are not revising our budget assumptions in this forecast and we will review again in quarter two.
- 14.4. Reviews of service users are ongoing to ensure that the most appropriate care packages are in place.
- 14.5. Consultations with residential care providers to agree price increases are ongoing and should conclude shortly. The increases are principally to reflect the impact of the national living wage for providers and have been provided for in the budget.
- 14.6. Extra Care Housing provides self-contained flats with onsite support to enable vulnerable adults to live independently in the community rather using traditional residential care. Not only is this better for the service user but it is also more cost effective for the Council (saving around £3,000 per user per annum). However government plans to cap housing benefit payments for residents in Extra Care flats is jeopardising the financial viability of both existing and new schemes. From a financial viewpoint this is frustrating one of our means of reducing care package costs and delivering a key policy agenda in providing independent living opportunities.
- 14.7. There is significant demand for this kind of accommodation across the city and two new schemes which could provide 157 flats have been put on hold by the development consortium and the Council. It is understood that the new DWP minister will make an announcement regarding the government's position on whether or not housing benefits will be capped for these schemes in the autumn. The Deputy Mayor has written to the minister asking for an urgent decision.

Health Improvement & Wellbeing

15. Public Health & Sports Services

- 15.1. In summary the department is forecasting to spend £23.3m (Public Health £19.9m and Sports Service £3.4m) as per the current annual budget.
- 15.2. In November 2015 the Department of Health announced a series of reductions in the Public Health Grant. £1.6m was cut in 2015/16, £0.6m in 2016/17 with estimated

cuts of £0.7m each in the years 2017/18 – 2019/20. The services provided by this division are almost entirely funded by Public Health Grant and therefore bear the brunt of the reductions.

- 15.3. The grant cuts in 2015/16 and 16/17 of £2.2m in total will be addressed by reducing spend in a number of areas including weight management in pregnancy, NHS Health-checks, Healthy Tots/ Healthy Nurseries programme, reductions in evaluation and intelligence, cuts to smoking and tobacco control, reductions in some alcohol programmes and a workplace health scheme. An organisational review is underway which will also release savings in staffing within the department, which will conclude by February 2017.
- 15.4. The 0-19 Healthy Child Programme contract is being re-tendered and savings from this exercise will meet anticipated grant cuts in 2017/18, 2018/19 and 2019/20. An integrated lifestyle review is also underway which will release further savings from 2017/18.
- 15.5. Departmental ear-marked reserves have been identified to meet severance costs associated with the organisational review and to meet any shortfall required in-year savings in staffing in 2016/17.

Education and Children's Services

16. Education and Children's Services

- 16.1. In summary the department is forecasting to spend as per the current annual budget of £57.9m.
- 16.2. Of the £57.9m budget £24.5m relates to placement costs for looked after children (LAC). Numbers of LAC at the end of quarter one were 637 compared to 639 at the end of March.
- 16.3. In terms of controlling placement costs the approach is to both continually review existing LAC high cost placements for potential 'step down' opportunities to lower cost provision and to use targeted interventions to divert potential new entrants away from care. In terms of the latter two new Multi-Systemic Therapy (MST) teams are now fully operational and along with the existing team will have a capacity to deal with a caseload of approximately 110 per annum (dependent on family size). These teams provide an intensive family intervention programme to change the behaviour of the young person and parent. One of the new teams will deal with cases involving abuse and neglect and is already fully subscribed.
- 16.4. The financial impact of these teams on placement costs will be evaluated and compared against the budget assumptions. It is worth noting that we are ahead of

many other local authorities in terms of the delivery of MST and have worked closely with the DfE sector advisors to set up these teams. The DfE have recently launched the Life Chances Fund which is promoting Social Impact Bonds (SIB) as a means to deliver MST programmes. The SIB is an outcome based contract where a social investor funds a provider organisation to deliver the programme with payment by results by the local authority to the investor.

- 16.5. We are currently evaluating further targeted intervention programmes and have made a bid to the Social Care Innovation Programme to fund an 'Edge of Care' team which would deal with those children who are not eligible for MST but are in danger of becoming looked after.
- 16.6. Whilst there is a degree of certainty in terms of the placement stability of our existing LAC cohort, there remains high level of uncertainty when it comes to forecasting the number of net new entrants into the system for the remainder of the financial year. Levels of net new entrants in the first quarter particularly into high cost provision are cautiously encouraging and suggest that our current budget is adequate at this stage in the year. As a result we are forecasting a placement cost as per the budget.
- 16.7. External residential placements cost £6.5m in 2015/16. There has been a net reduction of 2 such placements in quarter one, with 36 total placements at the end of June.
- 16.8. There remains an issue with the number of internal foster carers available to take placements and we are still actively seeking to recruit new ones. Where internal foster carers are unavailable or the placement is short term then more expensive Independent Foster Agency carers (IFAs) are used. There was a net reduction of 4 IFA placements in the first quarter with a total population in this type of provision of 49 at the end of June. IFA provision cost £1.8m in 2015/16.
- 16.9. A new Single Assessment Team has been created by combining practitioners and managers from existing services and budgets. This team will deliver the first response to all referrals that meet the threshold for social work assessment and transfer cases at agreed points to the remaining Children in Need Service (CiN). This will be a more effective business process.
- 16.10. The CiN service is still reliant on agency staff, the impact of which has been included in the budget. At the end of June there were 23 ASYE (Assessed and Supported Year in Employment) level one trainee social workers and 5 level two ASYEs together with 12 FTE qualified social workers, a total of 40 permanent social workers. Agency staff are needed to support the ASYEs during their training and also to cover for secondments and maternity leave.

- 16.11. Proposals to remodel the Early Help service and Children's Centres are being developed to contribute to the Department's spending review savings target of £5m. These proposals will be consulted upon later in the year when agreed by the Executive.

Schools & Learning Services

- 16.12. The government has announced that the implementation of the National School Funding Formula will now be implemented from 2018/19, a year later than originally envisaged. The first stage of the consultation earlier in the year focused on principles only and did not provide any data upon which to estimate the financial impact on schools or the local authority. In short the local authority will no longer be able to set the school funding formula, schools will not be able to de-delegate funds back to the local authority and the funding of High Needs will change significantly. The Education Services Grant provided to LAs (and Academies) for centrally provided services will also reduce dramatically.
- 16.13. It is still anticipated that the local authority will have to withdraw from school improvement activities from September 2017, with the consequent impact on our staff.
- 16.14. Humberstone Infants, Knighton Fields Primary, Willowbrook Primary, Uplands Junior and Thurnby Lodge Primary have converted to academies this financial year. The loss of Education Services Grant to the authority as a result of these conversions has been included in the budget.

Corporate Items & Reserves

17. Corporate Items

- 17.1. The corporate budgets cover the Council's capital financing costs, items such as audit fees, bank charges and levies.
- 17.2. Given the difficult financial climate, recent budgets continue to include a general contingency of £3m to help the Council manage both anticipated and unforeseeable risks.
- 17.3. Since setting the budget, additional spending review savings have been approved, principally Parks & Open Spaces (£0.77m), Substance Misuse (£1m) and TNS Staffing (£0.38m in 2016/17 rising to £0.59m by 2018/19). A further £0.3m has also been recovered from the City Development and Neighbourhoods division's operating budget as reported in the 2015/16 Outturn report.