Revenue Budget Monitoring – Period 4, 2017/18

Decision to be taken by: City Mayor

Decision to be taken on: 24th November 2017

Overview Select Committee date: 2nd November 2017

Lead director: Alison Greenhill

Useful information

- Ward(s) affected: All
- Report author: Amy Oliver
- Author contact details: Ext 37 5667

1. Summary

This report is the first in the monitoring cycle for 2017/18, 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.

The key issues during the last few years have been the continued pressures within Adult Social Care and Children's Services. This report continues to demonstrate the pressures within these areas.

The Adult Social Care Department is continuing to see package costs rise for existing service users as their level of need increases. The department is seeking to make significant savings in anticipation of future pressures. Through the early implementation of planned savings, Adults is forecasting one off savings in the current year.

As discussed in last year's outturn report, the major issue for Children's Services remains the number of looked after children. This reached 687 in August compared to 627 at the same time last year. It is anticipated that placement costs will exceed the budget for this year by £2.3m, but the department can meet this cost with one-off monies. Longer term plans to make savings are being prepared, including increased use of multi systemic therapy.

Additionally, we are seeing pressures in City Development and Neighbourhoods, forecasting to draw up to £0.8m of departmental reserves. Many of these pressures are anticipated to be ongoing and will need to be considered in budgeting for 2018/19.

The medium-term financial outlook is extremely difficult as funding cuts continue. Managing spending pressures will be crucial to living within our means in the future along with achieving spending review targets.

As this is based on Period 4, it is too early to make a forecast of the eventual outturn. The narrative of the report describes the pressures which have arisen so far.

2. Recommendations

2.1 The Executive is recommended to:

- Note the emerging picture detailed in the report.

- Approve reductions to the Delivery Communications and Political Governance budget of £140k as detailed in Appendix B, Paragraph 4.2.

- Approve reductions to the Delivery Communications and Political Governance budget of £62k 2017/18 rising to £125k in 2018/19 as detailed in Appendix B, Paragraph 4.3.

- Approve reductions to the Planning, Transportation and Economic Development budget of £100k in 2018/19, in respect of the Park & Ride spending review, as detailed in Appendix B , Paragraph 6.2.

- Approve reductions to the Housing Budget of £250k from 2018/19 in respect of further savings arising from the Homeless review as detailed in Appendix B, Paragraph 11.2.

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 2017/18 was £258.2m.

Appendix A details the budget for 2017/18.

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

4. Financial, legal and other implications

<u>4.1 Financial & Legal implications</u>

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 22nd February 2017 on the General Fund revenue budget 2017/18.

6. Summary of appendices:

Appendix A – P4 Budget Monitoring Summary;

Appendix B – Divisional Narrative – Explanation of Variances;

7. Is this a private report?

No

APPENDIX A

Revenue Budget at Period 4, 2017/18

	Current Budget for Year
	£000
Neighbourhood & Environmental Services	30,392.0
Tourism, Culture & Inward Investment	6,365.1
Planning, Transportation & Economic Development	16,398.5
Estates & Building Services	8,437.3
Departmental Overheads	621.3
Fleet Management	5.1
Housing Services	3,846.0
City Development and Neighbourhoods	**66,065.3**
Adult Social Care	**105,481.5**
Public Health & Sports Services	**22,051.8**
Strategic Commissioning & Business Development	690.1
Learning Services	8,064.3
Children, Young People & Families	58,668.9
Departmental Resources	(4,071.2)
Education & Children's Services	**63,352.1**
Delivery Communications & Political Governance	5,704.0
Financial Services	11,802.1
Human Resources	4,241.6
Information Services	9,002.5
Legal Coronial & Registrars	2,080.4
Corporate Resources and Support	**32,830.6**
Housing Benefits (Client Payments)	**500.0**
Total Operational	**290,281.3**
Corporate Budgets	(661.6)
Capital Financing	13,812.0
Total Corporate & Capital Financing	**13,150.4**
Public Health Grant	(27,519.0)
Use of Reserves	(17,709.7)
TOTAL GENERAL FUND	**258,203.0**

APPENDIX B

Outturn Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Some divisions have identified savings at this stage of the year, which are sufficient to offset pressures elsewhere.

1. Finance

1.1. The Financial Services Division has identified savings of £0.45m, due to vacancies across a range of teams.

2. Human Resources & Workforce Development

2.1. Human Resources & Workforce Development has identified savings of £0.23m due to additional income being generated by HR Operations through trading with schools and Academies, and vacancies across the division which are currently in the process of being recruited to. This saving will be used to offset the projected shortfall in IT.

3. Information Services

3.1. Information Services is forecasting pressures of £0.27m, due to slight delays in achieving the £1.2m savings arising from the spending review programme. An Organisational Review is due to commence in the current financial year to implement the balance of the savings target.

4. Delivery Communications & Political Governance

4.1. The Delivery, Communications and Political Governance Division is forecasting an underspend of £0.12m.

4.2. The spending review in Civic & Democratic Services has now been completed, with the final savings of £40k being identified in staffing and running costs budgets. A further £100k has been identified in Communications, Marketing and Human Resources.

4.3. Savings related to one of the two areas which form part of the community capacity building review have been achieved. The savings relate to future arrangements for support to strengthen and enhance the voluntary and community sector. An Executive decision in relation to the future support services to be procured was taken on 20 June 2017 and the resulting procurement process was completed in September 2017 with a provider being appointed from 1st October 2017. Phasing is as follows 2017/18 £62k rising to £125k in 2018/19.

5. Legal, Registration & Coronial Services

5.1. Legal Services is forecasting a balanced budget. Coronial Services are forecasting an over spend of £0.19m which is due to high costs in pathology tests and increased workload. The over spend will be will be met from Corporate Reserves.

<u>City Development and Neighbourhoods</u>

The department forecasts a balanced out-turn on the net budget of £66.1m after using one-off funding and drawing up to £0.8m from the department's strategic reserve. Many of the pressures are anticipated to be on-going and will be considered in budget planning for 2018/19 and beyond.

The significant variances within the divisions are as follows:

6. Planning, Transportation and Economic Development

6.1. Car parking income is currently below expectations. This is being offset by higher than projected bus lane enforcement income together with energy cost savings, thus an overall balanced outturn is expected. The division is delivering £839k of new savings from the Technical Services and Car Parking and Highways Maintenance spending reviews.

6.2. Following a recent commuter season ticket trial and a review of fares, not changed since 2009, a revised fare structure has been agreed with the county council for Park & Ride and introduced in September. It is projected that this will generate £75k additional income to the city council annually, contributing towards the £100k spending review target. The £25k balance of savings required will be taken from the Transport Service Budget to be met through energy savings initiatives.

7. Tourism, Culture & Inward Investment

7.1. The main budgetary pressure is increased costs and lower income as Leicester Market is redeveloped. Whilst the market is expected to make a small surplus on its direct costs in the future, it can no longer achieve the net income budget of £400k p.a. set some years ago. The shortfall will be covered by funds set aside in the CDN reserve and other savings/increased income within the Division.

8. Neighbourhood & Environmental Services

8.1. The Division has two major budgetary pressures. Firstly, the fall in bereavement services income due to opening of two new crematoria in the south of the county, which is expected to be an ongoing pressure of circa £400k p.a. Secondly, the £15m waste management budget has on-going pressures of circa £500k due to legislative changes resulting in more waste attracting a higher rate of landfill tax, increased tonnages and higher than budgeted inflationary cost increases. The division is taking actions to mitigate the pressures, which are expected to deliver £300k, leaving a net shortfall of up to £600k. The division is however successfully delivering £559k of new savings from various spending reviews.

9. Resources

9.1. Resources include departmentally held budgets such as postage and pension contributions, on which a small underspend is forecast.

10. Estates & Building Services

10.1. The Division is undergoing a major structural change, implementing the Technical Services spending review and the investment portfolio spending review, with total new budget reductions of over £1.5m in the current year. The review includes adopting the corporate landlord model involving centralisation of maintenance budgets. This is taking longer than expected and full savings will not be realised this year. A staffing review is anticipated to commence in September 2017 but will not realise the full savings until 2018/19, significantly later than assumed in the Spending Review. To partially mitigate the pressures, the Division is generating additional income from managing capital projects, some posts are vacant in advance of the review and other maintenance commitments are to be reviewed. A net pressure of circa £650k is expected, which will be met from departmental reserves.

11. Housing General Fund

11.1. The General Fund housing service is forecast to underspend by £0.5m. Unbudgeted new grant income (Homeless Support Grant) of £0.2m has been received and vacancy management across the service is forecast to result in 8 FTE vacancies, saving £250k. A further £50k is expected to result from the decommissioning of Shared and Supported accommodation within 2017/18. Looking ahead, however, the Homelessness Reduction Act is due to take effect in 2018. This is expected to increase service demand and workloads in the Homelessness Service, and will create service and budget pressures.

11.2. The closure of Shared & Supported Housing (60 units) has delivered a saving of £150k and a further £100k has been delivered on the associated administration costs. These are the budgets that remain following the closure of the service.

12. Housing Revenue Account

12.1. 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.

12.2. The HRA is expected to underspend by £2.8m, (excluding revenue used for capital spending, which is reported in the capital monitoring report).

12.3. Income is forecast to be £0.8m above budget. More rental income has been received, due to slightly lower than budgeted Right to Buy sales and the on-going delay to the transfer of HRA shops to the General Fund. The delayed national implementation of the High Values Vacant Homes Levy means that properties have not had to be sold as was expected when setting the budget, thus protecting rental income. A further £0.5m provision that had been set aside to help meet the levy is not required.

12.4. Underspends totalling £1m are occurring on repairs and maintenance, comprising vehicles, materials and fleet, whilst a reduction in the number of outstanding repair jobs during the year has been achieved. There are savings of £0.5m across Management and Landlord Services, comprising vacancies and savings on district offices as services are co-located into fewer buildings through the Transforming Neighbourhood Services review.

Adult Social Care

13. Adult Social Care

13.1. The department is forecasting a one off saving of £3.2m compared to a budget of £105.5m

13.2. The saving is one off in nature as a result of making planned savings ahead of schedule. Care management and related staffing costs are targeted to reduce by £2.3m from 2019/20 and we have already identified £1.1m from voluntary redundancies and deletion of vacant posts against a target this year of £0.85m. Savings from the Enablement service of £0.7m have also been identified from vacant posts a year ahead of schedule. The Kingfisher intermediate care centre has also been closed this year and a contract let for 12 beds with two independent sector providers giving savings a year ahead of schedule. There have also been a number of other staffing savings including in Contracts and Commissioning from posts which were not filled immediately following organisational reviews.

13.3. Following on from last year there has been no significant growth in net new service users (and this has continued to the end of period five this year). We are projecting that annual growth may be 1%, slightly less than the 1.2% seen in 2016/17.

13.4. The major issue for the service remains the increasing levels of need of our existing service users. This is forecast to add £5.2m to our gross package costs or 5.7% of the service user annual costs at the beginning of the year. This rate of increase is itself increasing – in 2016/17 it was 3.4% and 2.5% in 2015/16. The increase in package costs is predominantly in the 75 year plus age group and also with older service users with a learning disability. We have conducted a number of case audits of package changes and are satisfied that any increases are justified and appropriate, as we would expect.

13.5. Needless to say this is an area that is being constantly monitored down to individual service users. We have carried out projections of the likely increases in need over the next two years and are satisfied that they remain sustainable within the funding available, including the new improved Better Care Fund.

13.6. The additional cost of the increasing needs has been mitigated to a significant extent this year as a result of the impact of savings from planned reviews of care packages together with additional service user fees and income from the CCG for joint funded packages. The savings from 426 targeted reviews carried out last year have been sustained into this year which gives us confidence that the changes were appropriate for the individual service users.

<u>Health Improvement & Wellbeing</u>

14. Public Health & Sports Services

14.1. The department is forecasting to spend £21.6m, £0.4m less than the budget of £22.0m (Public Health £18.7m and Sports Service £3.3m).

14.2. There are two main areas with lower than budgeted spend in Public Health. Firstly the Sexual Health service is forecasting to underspend by £0.2m against a budget £4.4m largely as a result of lower than expected activity in some elements of the service. Secondly, following the staffing review in 2016/17, there are one off savings this year of £0.26m which includes the impact of vacant posts which have not been filled.

14.3. The Sports service is expected to spend as per their budget of £3.3m.

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

15. Education and Children's Services

15.1. The department is forecasting to spend £63.35m as per the budget. In arriving at this position £2.35m of corporate funding has been used (as approved in the budget) to deal with the shortfall resulting from the end of the Education Services Grant in August.

15.2. As discussed in last year's out-turn, the major issue remains the number of looked after children (LAC) which reached 687 in August compared to 660 at the end of

March and 627 at the same time last year. The LAC population had remained at around 630 for the majority of 2016: however there was a sharp increase in January and February of 2017. There have also been two months of unusually high net intake over the summer, although LAC numbers appear to have stabilised currently. At the current level, placement costs will exceed the budget this year of £25.2m by £2.3m including the impact on home to school transport budgets of the higher LAC numbers.

15.3. The new Multi-Systemic-Therapy (MST) teams are having a beneficial impact and have diverted 51 children from care since starting in July last year. The demand for referrals to the child abuse and neglect team (MST CAN) has exceeded the team's capacity and we will be introducing a second team in the new year following recruitment of staff. We are also likely to introduce another intervention team which can deal with cases not currently eligible for MST CAN. Both of these will have a significant impact on reducing LAC numbers.

15.4. There are a number of other areas of work that will have an impact on placement costs including increasing the number of children returning to home or 'stepping down' from expensive residential placements as soon as possible. We will also be doing a recruitment drive for internal foster carers to extend our current capacity to avoid expensive agency placements

15.5. The review of the children's centres and the early help offer has completed and there will be some savings in advance of the target for this year as the service was carrying a number of vacant posts. The organisational review of the youth service is in progress. The total additional savings ahead of this year's budget from these areas is nearly £1m.

15.6. The Education Services Grant of £4.5m in 2016/17 has reduced to £2.15m this year as part of transitional arrangements which will see the grant being replaced in 2018/19 by £0.7m from the new Central Services block of the Dedicated School Grant. This reduction is being managed by funding set aside corporately. As part of these changes there will also be a very significant reduction in resources available for the School Improvement service, which will now be funded by a separate school improvement grant of £0.3m per annum.

15.7. The number of SEN children in specialist provision is increasing significantly year on year, both as a result of the increasing population and a higher rate of incidence for some conditions including mental health and autism. Numbers of children in special schools increased by 60 in 2017, taking the total numbers to over a thousand. This, together with the increasing numbers of SEN children being taught in our mainstream schools, means that the High Needs Block of the Dedicated Schools Grant is under severe pressure. This has a knock on effect on our SEN home to school transport budget which is likely to be £0.45m (10%) over budget this year.

15.8. The additional LAC costs and SEN transport costs (net of the savings from Early Help and the Youth service) will be funded from departmental reserves in order to breakeven. The reduction in the Education Services Grant will be dealt with using corporate resources as indicated above.

15.9. The DfE have released a policy paper confirming the arrangements for the new national school funding formula from 2018/19. Following an announcement over the summer of additional funding (from within the DfE's own departmental budget), funding per pupil from the DfE will see all schools receiving a 0.5% per pupil increase as a minimum in 2018/19 as a result of the changes, rather than the previously proposed minus 3% floor. The total schools funding provided to the LA will increase by 2% compared to the current arrangements on a like for like basis, although the impact on individual schools has yet to be examined in detail. The previous proposals had differing impacts at an individual school level.

15.10. The new arrangements for the High Needs Block in 2018/19 do not address the impact of increasing numbers of SEN placements as the funding levels do not increase in line with the unit cost of a placement. Whilst this was highlighted as part of the consultation, the DfE did not address the issue and as a result we will need to look at the future costs and funding arrangements for all the services paid for from the High Needs Block.

Corporate Items & Reserves

16. Corporate Items

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

16.2. Since setting the budget, the following spending review savings have been approved, and are reflected in the forecast- Cleansing review (£365k), Investment Property (£180k) and UBB/Channel Shift (£265k)