Revenue Budget Monitoring April-September, 2019/20

Decision to be taken by: City Mayor

Overview Select Committee date: 28th November 2019

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 second in the monitoring cycle for 2019/20 and forecasts the expected performance against the budget for the year.

As has been the case for many years now, the scale of Government funding cuts means departments are under pressure to provide services with reduced funding, and this often results in budget difficulties which need to be managed.

This year several councils are reporting a forecast overspend in 2019/20 and imposing emergency spending controls in response. It is therefore positive to note that the Council is forecasting it will not overspend its budget. Both adults and children's social care services can manage within their resources in 2019/20. Nonetheless, the budget this year masks significant pressures: - (a) growth in the costs of looked after children, which can only be funded through one-off resources provided by the budget. This will be addressed further as part of the 2020/21 budget; (b) continued upward pressure in demand for adult social care which may or may not be addressed by future government action.
It is therefore important we continue to achieve the Spending Review targets to ensure we work towards balancing our budget in future years.

City Development and Neighbourhoods are continuing to see pressures, although they are forecasting to manage individual overspends within their divisional budgets and by calling on the departmental reserve.

It is our usual practice to use this report to seek Executive approval to budget reductions arising from savings achieved by means of management action (i.e. those that do not need formal approval to the course of action proposed). These are shown in a separate appendix (Appendix C) and represent a further £1m p.a savings.

2. Recommendations

2.1 The Executive is recommended to:

- Note the emerging picture detailed in the report;
- Approve the budget reductions arising from achieved spending review savings, as detailed in Appendix C of this report;

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 2019/20 was £263.9m.

Appendix A summarises the budget for 2019/20;

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

Appendix C details the budget amendments required, consequent to spending review savings; and

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 20th February 2019 on the General Fund revenue budget 2019/20
Period 3 Monitoring presented to OSC on 19th September 2019.

6. Summary of appendices:

Appendix A – Period 6 (April-September) Budget Monitoring Summary;

Appendix B – Divisional Narrative – Explanation of Variances;

Appendix C – Spending Review Savings

7. Is this a private report?

No

8. Is this a “key decision”?

Yes – as a reduction of revenue expenditure exceeding £0.5m

APPENDIX A

Revenue Budget at Period 6 (April – September), 2019/20

2019-20	CURRENT BUDGET	Forecast Period 6	Variance
Planning, Development & Transportation	15,292.9	15,292.9	0.0
Tourism Culture & Inward Investment	4,395.3	4,395.3	0.0
Neighbourhood & Environmental Services	31,474.0	31,474.0	0.0
Estates & Building Services	4,425.9	4,545.3	119.4
Departmental Overheads	1,087.5	966.0	(121.5)
Housing Services	2,861.4	2,863.5	2.1
City Development & Neighbourhoods	**59,537.0**	**59,537.0**	**0.0**
Adult Social Care	**109,264.2**	**107,012.8**	**(2,251.4)**
Health Improvement & Wellbeing	**18,630.6**	**18,508.4**	**(122.2)**
Strategic Commissioning & Business Support	1,043.2	1,013.2	(30.0)
Learning Services	10,551.8	10,871.9	320.1
Children, Young People & Families	60,186.9	60,248.0	61.1
Departmental Resources	(2,720.8)	(3,072.0)	(351.2)
Education & Childrens Services	**69,061.1**	**69,061.1**	**0.0**
Financial Services	11,531.4	11,511.1	(20.3)
Information Services	8,609.2	8,609.2	0.0
Human Resources	3,861.7	3,861.7	0.0
Delivery, Communications & Political Governance	5,684.0	5,684.0	0.0
Legal Registration & Coronial Services	2,727.0	2,727.0	0.0
Corporate Resources & Support	**32,413.3**	**32,393.0**	**(20.3)**
Housing Benefits (Client Payments)	500.0	500.0	0.0
Total Operational	**289,406.2**	**287,012.3**	**(2,393.9)**
Corporate Budgets	(89.6)	(2,020.9)	(1,931.3)
Capital Financing	6,005.9	6,005.9	0.0
Total Corporate & Capital Financing	**5,916.3**	**3,985.0**	**(1,931.3)**
Public Health Grant	(26,103.0)	(26,103.0)	0.0
Managed reserves Strategy	(1,851.4)	(1,851.4)	0.0
Demographic pressures reserve	(3,455.0)	(3,455.0)	0.0
TOTAL GENERAL FUND	**263,913.1**	**259,587.9**	**(4,325.2)**

APPENDIX B

Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources Department is forecasting a balanced outturn on a net budget of £32.4m.

1. Finance

1.1. The Financial Services Division expects an underspend of £20k, which will be transferred to the Financial Services reserves to cover costs relating to the development of the corporate financial system.

2. Information Services

2.1. Information Services is forecasting a break-even position. The division continues to work on a programme of rationalisation of systems and infrastructure, in order to deliver the spending review savings, which are in process of implementation.

3. Human Resources

3.1. Human Resources is forecasting an underspend of £498k due to staff vacancies and an increase in income, similar to the previous monitoring report. This will be used to fund the costs of the Digital Transformation Team within DCPG.

4. Delivery Communications & Political Governance (DCPG)

4.1. The Delivery, Communications and Political Governance Division is forecasting to breakeven, after applying the HR underspend to help fund the Digital Transformation Team.

5. Legal, Registration & Coronial Services

5.1. The Legal Services Division is forecasting a balanced outturn. Additional capacity is being funded by Corporate and Departmental Reserves.

5.2. Coronial Services are forecasting an overspend of some £400k due to high costs in pathology tests and increased workload, 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 a balanced outturn on a net budget of £59.5m. Divisionally, the position is as follows:

6. Planning, Transportation and Economic Development

6.1. The division is forecasting a balanced outturn. As previously reported the new bus shelter advertising contract will deliver lower income than the previous budget, as expected. This pressure is being managed in the current year within the division by closely controlling expenditure and higher than anticipated income from enforcement of bus lanes.

7. Tourism, Culture & Inward Investment

7.1. Pressures have arisen from lower than budgeted income from the summer outdoor performances at DeMontfort Hall and the previously reported operational impact of the redevelopment of Leicester Market. These are being partially offset by efficiencies at DeMontfort Hall, unbudgeted income from the former Granby Halls site pending its sale and close control of other costs / income in the Division, together with planned underwriting from the departmental reserve.

8. Neighbourhood & Environmental Services

8.1. The division continues to forecast a balanced outturn, through close management of activity and costs.

9. Estates & Building Services

9.1. The Division is now forecasting an overspend of £120k. The implementation of the Technical Services Spending Review continues – this was reported previously, however is taking longer than expected to deliver all the anticipated savings. The work includes implementation of the corporate landlord model and contract consolidation and re-procurement. This pressure is being contained by focussing maintenance spending on only essential repairs and implementing consistent approaches across all properties. Capital fees income is not being generated at the level assumed in the budget. The Division is taking all the actions it can to contain spending, with underwriting being provided by the departmental reserve.

10. Departmental Overheads

10.1. This holds the departmental budgets such as added years' pension costs, postage and departmental salaries. Forecast savings of around £120k are now being held to offset pressures in Estates and Building Services.

11. Housing General Fund

11.1. The Housing General Fund is forecast to break even. However, pressures on temporary accommodation are continuing as expected, leading to an additional £0.5m being required. This will be funded by reserves held for this purpose and any in year savings that occur as the year progresses.

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. The HRA is forecast to overspend by £0.5m, excluding revenue used for capital spending (which is reported in the capital monitoring report). The additional costs since the previous report are largely due to successful staff regrading appeals.

12.2. Rental income continues to be forecast as in line with the budget. An underspend of £0.4m is expected on a budget held for adverse movement in the bad debt provision, which is unlikely to be required.

12.3. The Repairs & Maintenance Service is expected to overspend by £0.1m. Underspends on staffing are being used to engage contractors to undertake work on void properties and within gas services. Unplanned costs of £0.5m will be incurred following the re-grading of Multi-Trade Operatives. Staff have undertaken a greater amount of work on the capital programme than planned, resulting in revenue underspend of £0.2m. A further underspend of £0.2m will arise within Housing Fleet, largely due to delays in installing vehicle tracking.

12.4. An overspend of £0.8m is forecast within Management & Landlord Services. This is largely due to a one-off cost of £0.6m associated with the relocation of tenants from Goscote House, as previously reported. Staff re-grading and one-off redundancy costs will add a further £0.2m.

Adult Social Care

13. Adult Social Care

13.1. The department is forecasting an annual spend of £107m, £2.2m less than the budget of £109.2m.

13.2. £1.3m of the underspend relates to preventative services (7% of the total budget) as a result of difficulties in recruiting to posts in Reablement, ICRS (integrated crisis response service) and Enablement. A further £0.5m of staffing underspend is forecast in the social work teams (4% of total team costs), together with £0.4m across the support teams covering admin, commissioning, contracting and performance, which is 7% of the budget for these areas.

13.3. Long term service user numbers stood at 5,134 at the end of September, 85 more than at the start of the year, a 1.7% increase. This rate of growth, whilst small in terms of service users, is higher than the 0.4% at the same point last year and the budgeted annual growth of 1.5%. As last year, the growth is predominantly in working age adults (3.35%) with mental health and learning disabilities rather than older people (0.5%)

13.4. The rate of increase in need of our existing service users at the end of September was 4.6% (£5.1m) which is in line with the growth at the same point last year. The budget assumes an annual rate of 5.5% (as per last year's out-turn) and the forecast remains the same.

13.5. The overall forecast position for net package costs remains as per the budget.

Health Improvement & Wellbeing

14. Public Health & Sports Services

14.1. The department is forecasting a small underspend of £0.12m against a budget of £18.63m.

14.2. The underspend relates mainly to variable capacity of GPs to provide contraceptive services, which has a budget of £0.3m.

14.3. The first phase of the sports services organisational review is still in progress and will be fully implemented by December this year.

Education and Children's Services

15. Education and Children's Services

15.1. The department is currently forecasting to spend £69.1m as per the general fund budget. The underlying pressures on the looked after children (LAC) placement cost and SEN home to school transport budgets remain and are being funded using reserves as outlined in the Council budget report. The pressure on the High Needs Block of the Dedicated Schools Grant (DSG) also remains a very significant issue but the DfE have confirmed an increased allocation from 2020/21. The shortfall in the annual allocation in 2019/20 will be funded from remaining DSG reserves.

15.2. The total number of LAC has remained relatively stable in the first half of this year, with 678 in total at the end of September compared to 671 at the start of the year. Nevertheless, activity levels are significantly higher than for the same period last year with 37% (28) more new entrants this year to date. This is despite the increased capacity of the MST/CAN and FFT teams who have successfully diverted 95 children away from care this year. Numbers of children leaving care have also risen by 17% compared to last year, with over 30% of these leaving with a special guardianship order.

15.3. Whilst the net growth in LAC is only 7 for the period, there has been a shift in the mix of our current cohort as a result of new entrants to care having a significantly higher cost than those that have left care. This trend towards more high cost placements is driven by teenagers who show aggressive, violent behaviour, criminal activity, involvement in county lines, child sexual exploitation or with other severe behavioural and mental health issues. Consequently, the numbers of external residential placements are increasing and the higher level of support within semi-independent placements results in higher unit costs. Numbers of independent fostering agency placements are also increasing as a result of difficulties in matching children to the internal foster carers available.

15.4. Based on a continuation of the volume and mix of LAC entrants seen to date this year and the expected leavers for the remainder of the year, the forecast placement cost will exceed the budget of £29.5m by £1.2m.

15.5. The number of social worker agency staff is now only 23 (31 at the end of quarter one), compared to an establishment of 111. ASYEs and level 2 permanent social worker posts represent nearly 50% of the total social workers, higher than will be the case in the future as these staff progress through the career grade. Staffing costs for social workers are currently therefore lower than the core establishment budget and this alongside the use of reserves will offset the additional placement costs.

15.6. In SEN, the pressure remains on the general fund in relation to home to school transport costs and on the High Needs Block (HNB) of the DSG for placement costs and other services. Work continues as outlined previously to ensure that we are obtaining value for money across the SEN provision, including in special and mainstream settings together with council provided services. DSG reserves are being used to meet budget pressures in 2019/20 of up to £6m, but these effectively run out in 2020/21.

15.7. The DfE have announced additional funding of £6m as part of the HNB formula funding from 2020/21 onwards. This will only deal with the legacy of the shortfall in allocation and not allow either increased expenditure on high needs or put us in a position to deal with growth in demand from 2021 onwards, without finding savings from the areas mentioned above.

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. At present, an underspend of £0.3m is anticipated.

APPENDIX C

Spending Review Savings

As members are aware, the Council needs to achieve substantial savings to live within its means in future years. The key means by which we seek to achieve these is the spending review programme. The current round has been termed Spending Review 4 and savings are formally taken from the budget as the associated actions are confirmed.

Further savings within departments are now proposed in the table below:

Description of Saving	Division	2019/20	2020/21	2021/22	2022/23
		£'000	£'000	£'000	£'000
Workspace Income - additional income from review of business unit rents	TCII	0	0	80	160
Markets Review - deletion of posts and efficiencies in running costs.	TCII	0	80	80	80
Reflective bollards and signs - energy savings	PDT	0	50	50	50
Increase enforcement of bus lanes/clearways - introduction of new cameras	PDT	0	150	200	200
HMO licensing saving - additional income from landlord licensing	NES	0	55	55	55
Investment Properties Review - review of leases, service charges and new income streams from capital investment.	EBS	0	150	225	350
Legal Services & Procurement - savings in running costs	Legal	52	52	52	52
IT Services - additional income and cost savings	Finance	36	36	36	36
		88	**573**	**778**	**983**