
Revenue Budget Monitoring April- September 2020/21

For consideration by Overview Select Committee

on: 3rd December 2020

Lead director: Director of Finance

Useful information

- Ward(s) affected: All
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- Report version number: V1

1. Summary

This report is the second in the monitoring cycle for 2020/21 and forecasts the expected performance against the budget for the year. This report was written before the second lockdown was announced and therefore the impact of this is not reflected in the forecasts, although it is noted this is likely to increase the current forecast overspends, especially for those areas that are required to close again such as leisure centres.

The year has continued to be dominated by the effect of the COVID-19 pandemic. The financial projection is currently anticipating an overspend of around £35m on service expenditure in 2020/21, which is almost entirely due to the pandemic. When coupled with the impact of council tax support and local tax collection, total costs will comfortably exceed £40m. We will also need to make a contribution to the capital programme to meet the cost of contractual price increases (see the separate report on your agenda). Our cost estimates continue to be provisional and will depend on when we get back to normal as costs could further increase if the second wave intensifies and we face further lockdowns. We also do not know what impact the pandemic will have on next year's budget: how changes to behaviour might affect our income, and how an economic downturn will affect our ability to collect future debt. Further cost in 2021/22 appears inevitable.

The pandemic has affected local tax collection in addition to service expenditure. The impact is becoming clearer but is still subject to a large number of assumptions about the remainder of the year and therefore volatile. Additional council tax support is forecast to cost us £1.5m, which could track upwards if there are redundancies once the furlough schemes end. Council tax collection was 3.4% behind the position in 2019/20 at the end of September (£4.9m); business rate collection was 4.9% behind (£3.4m). However, the Council will continue to collect outstanding tax and some of these losses will be recuperated in later years; some of the eventual cost will be borne by the police and fire authorities, and (in the case of rates) the Government. Nonetheless, we expect to have to make substantial extra provision for bad debts. The cost of council tax support and bad debt provisions affect later years' budgets. We are expecting some (unspecified) government support and the Government has confirmed that these losses can be spread over three years if needed, not the usual one. It is planned to set some funding aside this year to help meet these costs.

The Government has provided some additional funding to meet authorities' costs, with a total of £33m of unringfenced funding being provided to contribute to the total costs. In addition, the Government is partially compensating us for losses in income: the actual figure will depend on our final losses. This scheme does not compensate for losses in commercial rents.

Any balance of spending will fall to the Council to meet. As a well-managed authority, members have always approved a reserves strategy, and made monies available to meet the unexpected. At present, we do not believe residual costs will be unaffordable.

Our approach to monitoring the costs of the pandemic are as follows:

- (a) Extraordinary costs which the Council would not normally incur have been charged to a new budget. This has been used to record costs such as the food hub, IT to support working from home and accommodation for rough sleepers;
- (b) Costs of a type the Council normally incurs have been recorded as part of normal budgets, which will consequently overspend. In practice, this has only applied to adult social care;
- (c) Departmental budgets will also overspend as a consequence of income shortfalls caused by the pandemic. Chief ones are for facilities that continue to be shut or those that have been and continue to see reduced demand (De Montfort Hall and leisure centres being the major ones) but other services such as parking have also been severely affected.

It was our intention to make a series of adjustments to departmental budgets at period 6, to ensure departments are compensated for pandemic costs (net of any expected savings). However, due to the continued uncertainty over costs and losses of income it is proposed to delay this, so costs can be monitored closely at divisional level.

The Government has also provided additional funds for specific purposes, which do not affect our overall forecast (unless the additional funds prove to be insufficient). These include:

- (a) £82m for business support grants (£76m main scheme spend, £3.7m discretionary, £2.6m local lockdown);
- (b) £48m for additional rate reliefs;
- (c) £4m to provide further council tax reductions to those in receipt of council tax support;
- (d) £7.3m for infection control in adult social care establishments;
- (e) £3m to support national test and trace.

2. Recommended actions/decision

2.1 The Executive is recommended to:

- Note the emerging picture detailed in the report.

2.2 The OSC is recommended to:

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

3. Scrutiny / stakeholder engagement

N/A

4. Background and options with supporting evidence

The General Fund budget set for the financial year 2020/21 was £282.4m.

Appendix A summarises the budget for 2020/21.

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

5. Detailed report

See appendices

6. Financial, legal, equalities, climate emergency and other implications

6.1 Financial implications

This report is solely concerned with financial issues.

Alison Greenhill, Director of Finance, Ext 37 4001

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 19th February 2020 on the General Fund Revenue budget 2020/2021.

Period 4 Monitoring presented to OSC on 24th September 2020.

8. Summary of appendices:

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

Appendix B – Divisional Narrative – Explanation of Variances

9. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

10. Is this a “key decision”? If so, why?

No

Revenue Budget at Period 6 (April – September), 2020/21

2020-21	Current Budget	Forecast	Variance
	£000's	£000's	£000's
Financial Services	11,147.9	11,279.0	131.1
Information Services	9,190.3	9,190.3	0.0
Human Resources & Delivery, Communications & Political Governance	9,912.4	9,884.4	(28.0)
Legal Services	2,745.2	3,203.6	458.4
Corporate Resources & Support	32,995.8	33,557.3	561.5
Planning, Development & Transportation	14,498.8	23,743.5	9,244.7
Tourism Culture & Inward Investment	4,117.6	7,889.6	3,772.0
Neighbourhood & Environmental Services	32,095.5	33,593.0	1,497.5
Estates & Building Services	4,667.1	6,039.6	1,372.5
Departmental Overheads	1,021.0	708.3	(312.7)
Housing Services	2,591.8	2,958.9	367.1
City Development & Neighbourhoods	58,991.8	74,932.9	15,941.1
Adult Social Care	107,275.9	112,024.9	4,749.0
Strategic Commissioning & Business Support	1,296.0	1,332.3	36.3
Learning Services	11,050.3	15,319.9	4,269.6
Children, Young People & Families	65,510.2	63,626.3	(1,883.9)
Departmental Resources	1,042.6	1,080.4	37.8
Education & Children's Services	78,899.1	81,358.9	2,459.8
Public Health & Sports Services	23,379.5	26,052.9	2,673.4
Housing Benefits (Client Payments)	500.0	500.0	0.0
Total Operational	302,042.1	328,426.9	26,384.8
Corporate Budgets	3,061.8	3,061.8	0.0
Additional COVID- 19 related costs (new budget)	0.0	8,159.0	8,159.0
Capital Financing	6,316.5	6,316.5	0.0
Total Corporate & Capital Financing	9,378.3	17,537.3	8,159.0
Public Health Grant	(26,599.0)	(26,599.0)	0.0
Managed Reserves Strategy	(2,377.4)	(2,377.4)	0.0
TOTAL GENERAL FUND	282,444.0	316,987.8	34,543.8

NB – Unringfenced Government grants of £33m will assist with meeting this forecast overspend, along with any support for income losses.

Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources Department is forecasting an overspend of £0.6m on a budget of £33m.

1. Finance

- 1.1 The Financial Services Division is forecasting a net overspend of £0.1m. An overspend of £0.6m is forecast for delayed recovery of local tax– the division budgets for income from summons costs, which is not currently being received. This overspend is reduced by a number of vacancies generating an estimated saving of £0.5m.

2. Information Services

- 2.1. Information Services is forecasting a balanced outturn. Specific costs of £0.7m in support of the Council's operations during COVID-19 have been charged directly to the new COVID-19 account and are included in section 13 of this report.

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

- 3.1. The two areas of the division are forecasting a net underspend of £28k. This has occurred after underspends within the Division have funded the Digital Transformation Team. This has largely occurred due to the slowing down in recruitment of apprentices (£329k) and additional income of £146k from traded activity by HR Operations and Health and Safety.

4. Legal, Registration & Coronial Services

- 4.1. The Legal Services Division is forecasting an overspend of £172k due to the loss of income estimated at £320k in Registration Services, Local Land Charges and Property Planning due to COVID-19. This has been offset by vacancies of £139k in Registration services. The loss of income is not as severe as previously forecast, as actual activity has started to increase.
- 4.2. Coronial Services are forecasting an overspend of £286k due to high costs in pathology tests and increased workload including additional COVID-19 costs. This is a continued pattern of recent times. The

overspend will be funded from Corporate Budgets in line with normal policy.

City Development and Neighbourhoods

The department is forecasting an overspend of circa £16m on a net budget of £59m. This is an improvement upon the position reported at Period 4. Divisionally, the position is as follows:

5. Planning, Development and Transportation

- 5.1. The division is forecasting an income shortfall of £9.2m largely due to forecast losses in number of areas as a result of COVID-19, including car parks, bus lane enforcement, on street parking income, park and ride income and planning fees.

6. Tourism, Culture & Inward Investment

- 6.1. The division is forecasting a shortfall of £3.8m largely due to forecast income losses in number of areas as a result of COVID-19, including De Montfort Hall, the KRIII Visitor Centre and the markets. Some operational cost savings from closure of facilities have also resulted, which have offset the income losses to a small extent.

7. Neighbourhood & Environmental Services

- 7.1. The Division is forecasting an overspend of £1.5m, mainly due to forecast loss of income as a result of COVID-19 in areas including Building Control and Neighbourhood Services. There is a cost risk in waste management, as a number of contractual matters are under discussion and review. Some operational cost savings from closure of facilities have also resulted, which have offset the income losses to a small extent.

8. Estates & Building Services

- 8.1. The division is forecasting an overspend of £1.4m due largely to lower capital fees as capital schemes are delayed due to COVID-19 and the overall size of the programme being supported by the Division has proved to be lower than assumed in the budget. Risks to rental income from the Corporate Estate due to COVID-19 are noted at this stage, pending further analysis and consideration.

9. Departmental Overheads

- 9.1. This holds the departmental budgets such as added years' pension costs, postage and departmental salaries. Savings of around £0.3m are expected.

10. Housing General Fund

- 10.1. The Housing General Fund is forecast to overspend by £0.4m. Fleet services is expected to overspend by £0.5m as a result of repair costs on older vehicles, hire costs and prudential borrowing for the vehicle replacement programme. Additional grant income and staffing underspends within homelessness services will be partially offset by £0.4m of additional temporary accommodation costs resulting in a forecast underspend of £0.1m.

11. Housing Revenue Account

- 11.1. The Housing Revenue Account (HRA) is a ring-fenced income and expenditure account relating to the management and maintenance of the Council's housing stock. The HRA is forecasting to overspend by £0.5m, excluding revenue used for capital spending (which is reported in the capital monitoring report).
- 11.2. Rental income is forecast to be £0.5m lower than budget due to the closure of Border House, reduced collection rates of hostel rent during lockdown, and increased void levels within general housing stock. Rent arrears have increased by £0.4m since April, largely as a result of COVID-19.
- 11.3. The Repairs & Maintenance Service is forecast to break even. As reported at period 4, spend on external contractors will be £0.7m lower than the budget. Underspends on staffing contribute £0.3m and materials a further £0.6m. Catching up on the backlog of work that has accumulated on tenanted properties during lockdown will cost £0.7m, plus a further £0.5m of maintenance costs on void properties. Income to the repairs service is £0.4m below budget due to reduced capital work and chargeable work being undertaken.
- 11.4. Management and Landlord services are predicted to overspend by £0.6m. The cost of council tax on void properties will exceed the budget by £0.4m and staffing costs in the property lettings team will be £0.2m over budget. In addition, £0.4m of COVID-19 costs on temporary

accommodation have been incurred, offset by underspends on staffing across tenancy management and STAR.

- 11.5. The interest payable by the HRA on its debt is forecast to be £0.6m lower than the budget.

Adult Social Care

12. Adult Social Care

- 12.1. Adult Social Care is forecasting to spend £4.7m on additional COVID-19 costs. During the pandemic additional payments have been made to domiciliary care providers, residential home providers, supported living and shared lives providers. This has taken the form of a 10% fee uplift which is intended to cover costs including those for additional PPE and agency staff from higher staff sickness absence. Domiciliary care providers also received a four-week advance payment to ease cash flow issues. The first ring-fenced infection control fund received by the Council of £3.7m has been paid out as directed by the Department of Health and Social Care, principally to residential home providers, but also to domiciliary care and supported living providers and this is intended to cover additional COVID-19 related costs incurred up to the end of September. A second infection control fund of £3.6m to cover the period from October to March 2021 will be given to councils in two tranches to distribute to care home providers and community care providers (domiciliary care and supported living).
- 12.2. People discharged from hospital since 19 March who required adult social care have received that care free of charge. For those who were already receiving adult social care prior to hospital admission, any charge to the person post-discharge has been stopped. For those discharged who were new to adult social care, the division has paid for their care package and then re-charged the NHS via the CCG. These arrangements came to an end on 1 September and anyone still requiring an ongoing package of care will be subject to the normal financial assessment process, although the backlog of cases will take some time to process. Hospitals will still discharge people back home as rapidly as possible with an initial package of care if required, which the NHS will pay for, but only for up to six weeks, until the person is assessed to determine whether an ongoing care package is necessary.
- 12.3. The number of new people using services during the first six months who are still receiving care is 14% higher than at the same point last year.

Over one third of these are from hospital discharges and this appears to have offset any reduction in new entrants from the normal community route as a result of the lock down period. The number of people leaving long-term care was broadly in line with the same period as last year, although the proportion of those exiting residential care was higher.

- 12.4. The net in numbers of people using services was 2.7% (138) in the first six months which is equivalent to the full year growth seen in 2019/20. When those additional new people who were discharged from hospital have been assessed we will be in a better position to judge the full year impact on growth. The forecast assumes a return to previous growth trends in the second half of the year.
- 12.5. The increase in the level of need of existing people using services was nearly 5.9% in 2019/20 (£6.5m), an increase of 0.4% from 2018/19. The rate of increase in need and the number of existing people with services seeing a change of package in the first six months is broadly in line with that seen at the same point last year. The forecast assumes that the rate of increase will conclude at 5.9% for the year in line with previous trends.
- 12.6. Excluding the additional COVID-19 costs, the forecast gross package costs remain as per the budget of £133.7m, although there may be some savings if the current number of residential packages is sustained. This will become clearer as we approach the year end. No other significant variations in costs forecast at this stage in totality for care management, preventative services or other support costs.

Education and Children's Services

13. Education and Children's Services

- 13.1. The department is forecasting to spend £81.5m, £2.5m more than the budget. £1.8m of the overspend relates to additional COVID-19 costs and £0.7m to non COVID-19 related costs of which £0.7m of departmental reserves will be used to offset the non COVID-19 related costs.
- 13.2. **COVID-19 related additional costs**

As a result of the pandemic and the impact on the local economy the review of the Connexions service has been postponed with the loss of £0.24m of savings. The new charging arrangements for the Education Welfare service have been postponed for a year which, together with the loss of penalty notice income results in a £0.49m unbudgeted cost. Whilst there are underlying pressures on the SEN home to school transport budget as outlined below, the impact of the pandemic has been

twofold. Firstly, taxi firms reduced their charges in June and July to reflect the reduction in activity and this resulted in an average 50% cost reduction for those months. Secondly additional segregation of children on the in-house transport fleet has required more taxi capacity estimated to cost an additional £0.75m.

13.3. Non COVID-19 related additional costs.

Additional unbudgeted resources have been deployed in the Special Education Service in 2020/21 to deal with a backlog of Education, Health and Care plan assessments and reviews which total £0.7m. The budget for the SEN home to school transport cost has been under severe pressure since 2018/19 from growth in demand. The current forecast underlying shortfall in the SEN home to school transport budget is £2.2m, with an estimated total spend of £9.3m. Savings in Social Care and Early Help and Performance totalling £2.2m (mainly staffing) reduce the non- COVID-19 over-spend to £0.7m.

13.4. The net increase in care entrants during the first six months was 1, with 622 placements at the period end. At this stage of the year overall placement costs are still forecast to be as per the budget at £33.9m.

13.5. Since the start of term City Catering has been serving on average only 70% of the number of meals pre-COVID. It is estimated that there will be an income shortfall of £0.4m on paid school meals compared to pre COVID levels and an overall loss of at least £0.3m compared to the budgeted break-even position.

Public Health & Sports Services

14. Public Health & Sports Services

14.1. Public Health is forecasting to spend £20.4m, £0.5m less than the budget of £20.9m. The underspend is mainly as a result of vacant lifestyle coordinators and advisor posts in the Integrated Lifestyle services team and a vacant commissioning manager and programme officer post in the main public health team. Three additional support posts have been recruited to support the test and trace programme which is being met by Government specific grant.

14.2. The costs of the sexual health service provided by Midlands Partnership Foundation Trust during the lock down are subject to ongoing negotiations as activity levels have been low during this period. The current forecast does not assume any reduction in budgeted cost at this stage, but this will be updated for the next forecast when the picture is clearer - a similar story applies to GP provided health checks which are also below normal activity levels.

- 14.3. Leisure centres re-opened on a phased basis from the middle of September with reduced services and programme offer in place to support a COVID secure operation. The reduced activity operating model is set to continue into 2021 with uncertainty remaining around future restrictions for leisure facilities.
- 14.4. Health and fitness membership in October has reduced by 50% from pre-COVID levels and swimming lessons are forecast to reduce by 40%. Overall activity levels in October are around 30% of the same period last year. There is clearly uncertainty over how quickly and to what extent service users will return to the centres. The best current estimate means a forecast income of £1.5m for the year, £4.8m less than the budget of £6.3m. Whilst this is offset with savings in casual staff who were employed elsewhere during lockdown (and will not return at the same level initially for group exercise instruction and for swimming lessons) and savings in running costs (mainly utilities) which together total £1.6m, Sports as a whole are forecasting a £3.2m overspend to March 2021.
- 14.5. In early July, the city was placed in extended lockdown, and an extensive local testing operation was launched. The costs of this have been recorded in the central budget for pandemic costs.

Corporate Items & Reserves

15. Corporate Items

- 15.1. The corporate budgets cover the Council's capital financing costs, items such as audit fees, bank charges and levies. There is no significant change forecast at this stage.
- 15.2. Since the start of the year, an additional corporate budget has been created for costs created by the pandemic. This has recorded all costs which have been incurred as a direct consequence of the pandemic, other than those which cannot be distinguished from normal departmental activity (the chief exclusion is social care costs, which continue to be charged to the department). All income shortfalls also fall to departments.
- 15.3. The table below summarises the types of expenditure recorded, and the estimated final cost:

Type of Expenditure	Forecast
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	£000's
Food Hub	1,471
Community mobilisation	150
Accommodation	1,202
IT costs	653
Communications	379
Property costs including PPE	2,001
Security	260
Staffing	871
Other	47
Sub-Total	7,034
Costs of Extended Lockdown	
Communications	395
Reducing Transmissions	250
Supporting Self Isolators and the Vulnerable	100
Supporting testing	380
Other	0
Sub-Total	1,125
Total	8,159