
Executive Decision- Revenue Budget Monitoring April- December 2020/21

Decision to be taken by: City Mayor

Decision to be taken on: 16th March 2021

Lead director: Alison Greenhill

Useful information

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

1. Summary

This report is the third in the monitoring cycle for 2020/21 and forecasts the expected performance against the budget for the year. We are now in the third national lockdown and the forecasts assume expenditure and income will not return to normal patterns before the end of March. For example, leisure centres are not expected to re-open in 2020/21. The expectation is that service expenditure and income will be directly affected next year as well.

The overall position is a forecast overspend of £37m on service spending in the current year. This is a combination of substantial additional spending (and loss of income) arising from the pandemic, offset by savings which have arisen for varying reasons. In practice, it is hard to distinguish savings which are “due to” the pandemic from those which are not. For instance, there has been less spend on putting on shows at De Montfort Hall which are clearly pandemic related (and offset the loss of income from shows). Less clear, however are underspends arising from staff vacancies which feature in a number of services’ forecasts: some posts may have been left vacant because the pandemic reduced workloads in the team concerned, some may have been vacant for longer than usual due to recruitment difficulties, and some may have been held pending organisational review (as always happens). It is safe to say, however, that the true cost has been masked by savings elsewhere. It cannot be assumed that any specific savings can be used to offset pandemic costs.

The forecast of £37m includes an assumed £10m requirement for a post pandemic recovery fund, which is further discussed at paragraph 15. The amount required is very difficult to assess and further consideration will be given both to needs and to what we can afford as the year progresses.

In addition to service spending (and as a direct consequence of the pandemic), there will be a current year deficit of £4.5m in respect of council tax income and £5.6m in respect of business rates (as reported in the 2021/22 budget report). These deficits arise from bigger provisions for bad debt, additional council tax support, and additional exemptions from business rates.

We are forecasting additional cost to the capital programme (see the separate report on your agenda). It is envisaged the COVID-19 pandemic will continue to impact on next year’s budget as noted in the budget setting report for 2021/22.

The Government has provided some additional funding to meet authorities’ costs in 2020/21, with a total of £33m of unringfenced funding being provided. In addition:

- (a) The Government is partially compensating us for losses in sales, fees and charges: the actual figure will depend on our final losses at the end of the year. We have submitted a claim for £8m for the first 8 months of the year, but the amount due to us will not be determined by the Government until after the end of the year. This scheme does not compensate losses in commercial rents;
- (b) The Government is partially compensating us for local tax losses.

Any balance of cost 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. This is further discussed in the 2021/22 budget report. 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 (e.g. adult social care costs);
- (c) Departmental budgets will overspend as a consequence of income shortfalls caused by the pandemic. Chief ones are for facilities that continue to be shut (such as De Montfort Hall and leisure centres) and services such as car parking.

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) £140m for business support grants
- (b) £48m for additional rate reliefs;
- (c) £4m to provide further council tax reductions to those in receipt of council tax support;
- (d) £7m for infection control in adult social care establishments;
- (e) £8m for outbreak management;
- (f) £1m for winter grants.

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.

Period 6 Monitoring presented to OSC on 3rd December 2020.

8. Summary of appendices:

Appendix A – Period 9 (April-December) 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 9 (April – December), 2020/21

2020-21	Current Budget	Forecast	Variance
	£000's	£000's	£000's
Financial Services	11,147.9	11,405.8	257.9
Information Services	9,190.3	9,190.3	0.0
Human Resources & Delivery, Communications & Political Governance	9,912.4	9,713.2	(199.2)
Legal Services	2,745.2	3,217.8	472.6
Corporate Resources & Support	32,995.8	33,527.1	531.3
Planning, Development & Transportation	14,498.8	24,719.6	10,220.8
Tourism Culture & Inward Investment	4,117.6	7,665.5	3,547.9
Neighbourhood & Environmental Services	32,095.5	32,618.3	522.8
Estates & Building Services	4,667.1	5,955.3	1,288.2
Departmental Overheads	1,021.0	857.4	(163.6)
Housing Services	2,591.8	2,904.4	312.6
City Development & Neighbourhoods	58,991.8	74,720.5	15,728.7
Adult Social Care & Safeguarding	123,483.2	120,426.2	(3,057.0)
Adult Social Care & Commissioning	(16,207.3)	(17,196.3)	(989.0)
Sub-Total Adult Social Care	107,275.9	103,229.9	(4,046.0)
Strategic Commissioning & Business Support	1,428.3	1,428.3	0.0
Learning Services	10,918.0	13,798.1	2,880.1
Children, Young People & Families	65,510.2	63,337.2	(2,173.0)
Departmental Resources	1,042.6	1,342.6	300.0
Sub-Total Education & Children's Services	78,899.1	79,906.2	1,007.1
Total Social Care & Education	186,175.0	183,136.1	(3,038.9)
Public Health & Sports Services	23,379.5	25,476.5	2,097.0
Housing Benefits (Client Payments)	500.0	500.0	0.0
Total Operational	302,042.1	317,360.2	15,318.1
Corporate Budgets	3,061.8	3,061.8	0.0
Additional COVID-19 related costs (new budget)	0.0	22,142.0	22,142.0
Capital Financing	6,316.5	6,316.5	0.0
Total Corporate & Capital Financing	9,378.3	31,520.3	22,142.0
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	319,904.1	37,460.1

Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources Department is forecasting an overspend of £0.5m on a budget of £33m.

1. Finance

- 1.1 The Financial Services Division is forecasting a net overspend of £0.2m. An overspend of £0.7m 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 in support of the Council's operations during COVID-19 have been charged directly to the COVID-19 account.

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

- 3.1. The two areas of the division are forecasting a net underspend of £0.2m. This has largely occurred due to the slowing down in recruitment of apprentices and additional income 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 £0.2m due to the loss of income estimated at £0.3m in Registration Services, Local Land Charges and Property Planning due to COVID-19. This has been offset by vacancies of £0.1m in Registration services.
- 4.2. Coronial Services are forecasting an overspend of £0.25m due to high costs in pathology tests and increased workload including additional COVID-19 costs, 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 an overspend of £15.7m on a net budget of £59m. The position is as follows:

5. Planning, Development and Transportation

- 5.1. The division is forecasting an overspend of £10.2m. Of this, £8m relates to a shortfall in income because of COVID-19. The main areas are car parking, bus lane enforcement and planning fees. There are also forecast overspends on running costs which are also largely COVID related.

6. Tourism, Culture & Inward Investment

- 6.1. The division is forecasting an overspend against budget of £3.5m. Income is expected to fall short of budget by £8m, with COVID-19 having significant impacts on income at De Montfort Hall, museums and markets. These income shortfalls will be partially offset by savings on running costs, such as the cost of promoting shows.

7. Neighbourhood & Environmental Services

- 7.1. The Division is forecasting an overspend of £0.5m. Within Regulatory Services there has been a significant drop in building control fees and licensing income. Neighbourhood Services have benefitted from savings on running costs while buildings such as libraries and community centres have been closed offsetting some of the losses in income.

8. Estates & Building Services

- 8.1. The division is forecasting to overspend by £1.3m largely as a result of lower capital fees being generated on projects being managed by the division; the 2021/22 budget is being realigned to reflect a more realistic income target. Savings on running costs have arisen while buildings have been closed.

9. Departmental Overheads

- 9.1. This holds the departmental budgets such as added years' pension costs, postage and departmental salaries. Savings of around £0.1m are expected.

10. Housing General Fund

- 10.1. The Housing General Fund is forecast to overspend by £0.3m. Fleet services is expected to overspend by £0.4m as a result of repair costs on older vehicles, hire costs and prudential borrowing for the vehicle replacement programme. Homelessness services is forecasting to underspend by £0.1m due to staffing vacancies during the year. Separate to the impact of COVID, the cost of temporary accommodation for families will exceed the budget to the order of £0.4m; additional grant income has been received which will cover this cost.

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 underspend by £0.2m, excluding revenue used for capital spending (which is reported in the capital monitoring report); this is an improvement on the £0.7m overspend predicted at period 6.
- 11.2. Rental income is forecast to be £0.5m lower than budget due to the closure of Border House. In addition, in the early stages of restrictions on the movement of people from March 2020, the ability to complete Housing Benefit claims for hostel rent was limited.
- 11.3. The Repairs & Maintenance Service is forecast to underspend by £1m. The extended lockdown means that additional work to catch up on a repairs backlog that has accumulated in tenanted properties will now not take place in the current financial year. Staffing vacancies throughout the year are expected to result in costs being £0.6m below budget, with a further £0.6m arising from a reduction in materials being used. Partially offsetting these, income into the repairs service will be below budget due to reduced capital work and chargeable work being undertaken.
- 11.4. Over the year to date there has been an increase in the number of void properties within general housing stock. Whilst not affected to the same degree as tenanted properties, staff have had to work differently (often with a single operative per property), and this has resulted in properties taking longer to be ready to let. This has contributed to the shortfall on rental income as well as the cost of council tax which is payable on empty properties. To help address this, repairs staff are being utilised in void properties.

- 11.5. Management and Landlord services are forecast to overspend by £0.9m. The cost of council tax on void properties will exceed the budget by £0.4m, and property lettings 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.
- 11.6. 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 £3.7m on additional COVID-19 costs from its own resources. 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 required due to higher staff sickness absence. Domiciliary care providers also received a four-week advance payment to ease cash flow issues.
- 12.2. Separately the Council has received additional grant funding from the Department of Health and Social Care (DHSC). The first of these was the ring-fenced Infection Control Fund of £3.7m which has been paid out as directed by the DHSC, principally to residential home providers, but also to domiciliary care and supported living providers. This fund 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 has also been substantially distributed.
- 12.3. Further grants totalling £1.7m have now been received to support increased testing in care homes (the Rapid Testing Fund) and to boost staffing levels in residential and community settings where there are existing shortages (the Workforce Capacity Fund).
- 12.4. During the March to September period hospital patients were rapidly discharged from hospital with adult social care packages in order to free up bed space. Such patients received their care package free of charge. For those who were already receiving adult social care prior to hospital admission, any charges post-discharge were stopped and the lost fee income recovered from the NHS via the CCG. For those who were new to adult social care, the service paid for their care package and then re-charged this cost to 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 is still taking some time to process. Hospitals are still discharging 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. The NHS discharge funding is not confirmed until 1st April 2021 although the expectation of rapid discharge is maintained. To date we have re-charged £2.7m of package costs for over 500 people.

- 12.5. There has been a small net increase of 2.7% (137 people) in numbers of people receiving services at the end of December compared to the start of the year. Numbers of requests for support through the normal community routes have been lower this year though due to the lockdown, but this has been offset by the new people coming into care following discharge from hospital. The package costs of the people being discharged has been recovered from the CCG as outlined above. There has also been a reduction of nearly 100 in the number of people in residential care compared to the start of the year and this has significantly reduced in year package costs. People have also not been able to access services as easily during the lock downs with lower usage of direct payments, lower transport costs and less take up of community equipment. Taken as whole, these factors result in costs which are lower compared to the assumptions in our original pre-pandemic budget. It must be stressed that the lower costs are a temporary one-off event which is attributable to the unique circumstances created by the pandemic in this financial year. Nevertheless, these one-off cost reductions mean that the service is able to provide for this year only, the additional COVID related support payments to the sector as outlined in paragraph 12.1 above, within the overall service budget.
- 12.6. The increase in the level of need of our 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 nine months is lower than at the same point last year. Nevertheless, the forecast assumes that the rate of increase will conclude at 5.9% for the year in line with previous trends.
- 12.7. £3.7m of unbudgeted income will be received in the 2020/21 accounts, the bulk of which relates to the final settlement and recovery of prior years' related joint funded income due from the CCG. This income together with £0.3m of uncommitted expenditure budgets which are due to contribute to spending review savings in 2021/22, result in the service

forecasting an overall underspend of £4m in 2020/21. For the sake of clarity this underspend of £4m is one-off in nature and has no bearing on future year's budget assumptions in terms of the level of provider price increases (driven by changes in the rate of the statutory national living wage) and increases in the level of need and demographic changes.

Education and Children's Services

13. Education and Children's Services

- 13.1. Children's services are forecasting to spend an additional £1m more than the budget of £78.9m as a result of the pandemic in 2020/21. These costs are detailed in the following two paragraphs:
- 13.2. 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.
- 13.3. City Catering is forecasting a loss of at least £0.3m this year as a result of lost income from paid meals following the lockdowns.
- 13.4. Additional 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. The additional costs associated with this and the ongoing budget pressure from SEN home to school transport costs totalling £2.2m have been offset this year from staffing savings in Social Care and Early Help and Performance.
- 13.5. The net increase in LAC placements during the first nine months was 7, with 628 placements at the period end. Overall placement costs are forecast to be as per the budget at £33.9m

Public Health & Sports Services

14. Public Health & Sports Services

- 14.1. 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 against the central budget for pandemic costs. Public Health is forecasting to spend £19.6m, £1.2m less than the budget of £20.8m.

- 14.2. The costs of the sexual health service provided by Midlands Partnership Foundation Trust during the lock down were subject to negotiations as activity levels have been low during this period. A similar situation applies to GP provided health checks and GP provided contraception provision. The overall impact of this is a forecast underspend of £0.8m.
- 14.3. There have also been vacant lifestyle coordinators and advisor posts in the Integrated Lifestyle services team, a vacant commissioning manager and programme officer post in the main public health team and deferral of the bi-annual public health annual surveys. This is forecast to save £0.3m. There are variety of other small savings totalling £0.1m.
- 14.4. Following the recent lock-down Sports Services are forecasting to be overspent by £3.3m compared to the budget of £2.5m. This forecast assumes that the sports centres and other facilities remain closed for the remainder of the financial year with the consequent loss of income.

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. As we are now in the third lockdown the forecast spend on COVID-19 related expenditure has increased. This is mainly due to expenditure on PPE, communication, track and trace to reduce transmissions and accommodation to support rough sleepers.
- 15.4. As the pandemic continues, it is becoming increasingly apparent that funding is going to be required for a recovery package once it is over. This will be needed to support businesses and vulnerable people, and may be a combination of capital and revenue spending. For the time being, a provision of £10m is shown in the table below, which will be re-assessed as time goes by. It is unlikely that any of this will be spent in

2020/21 given that restrictions are likely to be in place for the whole year and the money will therefore be carried forward in a reserve.

- 15.5. The table below summarises the types of expenditure recorded, and the estimated final cost:

Type of Expenditure	Forecast £000's
Food Hub	1,649
Community mobilisation	150
Accommodation	2,093
IT costs	811
Communications	1,220
Property costs including PPE	2,889
Security	285
Staffing	1,282
Other	36
Transport	618
Reducing Transmissions	942
Supporting Self Isolators and the Vulnerable	111
Supporting testing	406
Covid-19 Recovery Plan	10,000
Total	22,492