
Executive Decision- Revenue Budget Monitoring Outturn 2022/23

Decision to be taken by: City Mayor

Decision to be taken on: 13th July 2023

Lead director/ officer: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
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- Report version number: 1

1. Summary

This report is the final one in the monitoring cycle for 2022/23 and reports performance against budget for the year.

Our normal approach to budget monitoring is that all departments must manage within their budgets. This approach was unavoidably relaxed during the covid pandemic, the effects of which were still being seen in 2022/23 (now compounded by a rapid increase in the rate of inflation). This relaxation was complemented by a greater use of centrally held funds and contingencies. Thus, this report shows an overall overspend of £4.4m in 2022/23, albeit lower than the £10.3m forecast at period 9. With the return of more normal operating conditions, traditional budgetary disciplines are being restored in 2023/24.

The overspend in 2022/23 has been caused by high inflation (including significantly increased energy costs and higher than budgeted pay awards), together with continuing – but reducing - pandemic related income shortfalls. The inflationary cost pressures detailed in this report were not foreseeable at the time of setting the budget and are consistent with other councils' experiences. By contrast, rising interest rates have meant that our investment income has increased considerably since the budget was set. The overspend is 1.4% of the net revenue budget, which will be funded from the managed reserves strategy.

The reduction in the overspend since the last report has been mainly due to continued difficulties in recruiting to vacancies, and one-off grant funding received from the Government.

Increased levels of cost are expected to continue in 2023/24, and as noted in the budget report for that year the medium term expectation of rising costs and inadequate funding make for a bleak outlook. Some savings have been identified and implemented during the course of 2022/23, and the latest tranche is reported to you as Appendix C to this report.

As previously reported, Children's Services continue to experience pressure in the budget for children's placements, due to the number of children receiving care and the level of support required. Significant cost pressures continue to be experienced in procuring home to school transport for children with special educational needs.

City Development and Neighbourhoods Department have incurred a significant overspend, mainly relating to additional energy and waste disposal costs, and continued (but declining) income shortfalls which are a direct consequence of the pandemic.

Though not part of the General Fund, the Housing Revenue Account has had an exceedingly difficult year and is reporting an overspend of £8.2m. The biggest elements of this are the knock-on effect of staff vacancies which have resulted in extra use of contractors to carry out essential work, and the effects of inflation on energy costs and materials. The focus on reducing voids has resulted in reduced capacity for capital work, and consequent additional revenue costs.

The special education “high needs block” continues to run a significant deficit, in common with authorities everywhere. The Government has recognised this problem, which is due to Government reforms giving rise to unexpectedly high demand: the Government has extended a temporary accounting device that means we can continue to address the problem without having to make immediate compensating savings. Like all authorities we are working with the Government on a deficit recovery plan.

2. Recommended actions/decision

2.1 The Executive is recommended to:

- Note the outturn position detailed in the report
- Approve the following earmarked reserve changes:
 - a) transfer the amounts in City Development and Neighbourhoods, as detailed in Appendix B, paras 6.6, 7.1, 8.1, 11.2 to reserves.
 - b) transfer the amounts in Adult Social Care as detailed in Appendix B, para 13.4.
 - c) transfer the amounts to the Social Care Reserve as detailed in Appendix B, para 14.5.
 - d) transfer the amounts between the City Development and Neighbourhoods reserve and Managed Reserves, as detailed in Appendix D, para 4.5.
 - e) transfer £5.5m from the insurance fund to the capital programme reserve as detailed in Appendix D, para 5.4.
 - f) transfer £4.4m from the Managed Reserves Strategy to fund the 2022/23 overall overspend and balance the outturn position.
- Approve the reductions to budgets described at Appendix C and for the in-year underspend to be transferred to the Managed Reserves Strategy, and delegate authority to the Director of Finance to determine the specific budget ceilings affected.

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 2022/23 was £307.8m.

Appendix A summarises the current budget and actual spending in 2022/23.

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

Appendix C shows the latest tranche of in-year budget savings.

Appendix D explains the Council's earmarked reserves

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.

6.2 Legal implications

This report is solely concerned with financial issues.

6.3 Equalities implications

Under the Equality Act 2010, public authorities have statutory duties, including the Public Sector Equality Duty (PSED) which means that, in carrying out their functions they have to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

Protected characteristics under the Equality Act 2010 are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. There are no direct equality implications arising out of this budget monitoring report.

Equalities Officer, Surinder Singh, Ext 37 4148

6.4 Climate Emergency implications

There are no climate emergency implications directly associated with this report, as it is a budget monitoring report and is solely concerned with financial issues.

Aidan Davis, Sustainability Officer, Ext 37 2284

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 23rd February 2022 on the General Fund Revenue budget 2022/2023.

Period 3 Monitoring report presented to OSC on 27th September 2022.

Period 6 Monitoring report presented to OSC on 15th December 2022.

Period 9 Monitoring report present to OSC on 20th March 2023

8. Summary of appendices:

Appendix A – Outturn (April-March) Budget Monitoring Summary

Appendix B – Divisional Narrative – Explanation of Variances

Appendix C – Budget savings – Proposals for budget adjustments

Appendix D – Earmarked reserves

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?

Yes – recurrent savings in excess of £0.5m

Revenue Budget at Outturn (April – March), 2022-23

2022-23	Current Budget	Outturn	Variance
	£000's	£000's	£000's
Financial Services	12,494.1	11,798.1	(696.0)
Information Services	10,866.1	10,834.3	(31.8)
Human Resources & Delivery, Communications & Political Governance	9,772.5	9,154.1	(618.4)
Legal Services	3,774.3	3,807.1	32.8
Corporate Resources & Support	36,907.0	35,593.6	(1,313.4)
Planning, Development & Transportation	14,698.8	16,348.0	1,649.2
Tourism Culture & Inward Investment	4,459.1	4,829.3	370.2
Neighbourhood & Environmental Services	33,489.5	37,657.0	4,167.5
Estates & Building Services	6,002.7	6,330.6	327.9
Departmental Overheads	833.8	606.7	(227.1)
Housing Services	3,834.7	5,588.2	1,753.5
City Development & Neighbourhoods	63,318.6	71,359.8	8,041.2
Adult Social Care & Safeguarding	147,924.0	144,626.7	(3,297.3)
Adult Social Care & Commissioning	(17,667.3)	(16,227.8)	1,439.5
Sub-Total Adult Social Care	130,256.7	128,398.8	(1,857.9)
Strategic Commissioning & Business Support	2,510.0	1,881.8	(628.2)
Learning Services	18,163.8	18,592.5	428.7
Children, Young People & Families	69,134.3	71,344.1	2,209.8
Departmental Resources	1,539.7	(470.6)	(2,010.3)
Sub-Total Education & Children's Services	91,347.8	91,347.8	(0.0)
	0.0	0.0	
Total Social Care & Education	221,604.5	219,746.6	(1,857.9)
	0.0	0.0	
Public Health & Sports Services	24,377.0	24,972.8	595.8
	0.0	0.0	
Total Operational	346,207.1	351,672.8	5,465.7
Corporate Budgets	(4,681.6)	(2,829.7)	1,851.9
Capital Financing	6,450.0	3,654.5	(2,795.5)
Total Corporate & Capital Financing	1,768.4	824.8	(943.6)
Public Health Grant	(28,150.7)	(28,248.1)	(97.4)
TOTAL GENERAL FUND	319,824.8	324,249.5	4,424.7

Divisional Narrative – Explanation of Variances

Corporate Resources and Support

Corporate Resources Department spent £35.6m, £1.3m less than the budget.

1. Finance

- 1.1. The Financial Services Division spent £11.8m, £0.7m less than the budget. This is because the Business Service Centre and Customer Services teams continue to experience recruitment difficulties, as was the case in 2021/22. Additionally, the BSC were holding some posts vacant in advance of deleting the posts which will contribute towards the council's overall savings target.

2. Information Services

- 2.1. Information Services spent £10.8m, £32k less than the budget. A number of planned schemes have not yet started so the planned use of reserves has been delayed.

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

- 3.1. Human Resources and DCPG spent £9.2m, £0.6m less than the budget, as a result of carrying staffing vacancies across a number of areas some of which will contribute to savings targets, and generating additional traded income.

4. Legal, Registration & Coronial Services

- 4.1. Legal Services spent £3.2m, £33k more than the budget. The service has had difficulty in recruiting permanent staff and is using locums instead which are more expensive.
- 4.2. Coronial and registrar services spent £0.6m as per the budget, after support from corporate budgets of £0.45m. Activity for the year was slightly higher than expected.

5. City Catering

- 5.1. City Catering, which provides school meals for some schools across the city, has faced significant headwinds with increasing food costs and pay inflation, together with lower levels of uptake. Meal price increases have previously been kept to a minimum, but pay and food inflation now mean

that the cost of production is on average more than the prices charged to schools. The service has drawn £1m from the “Schools Catering” earmarked reserve in order to break-even. A new pricing model based on full cost recovery is being explored, to limit drawings from reserves in future.

City Development and Neighbourhoods

The department overspent by £8m on a net budget of £63.3m which was an improvement of £0.6m from the forecast at period 9. The position for each division is as follows:

6. Planning, Development & Transportation

- 6.1. The division overspent by £1.6m, a significant improvement on the £3m that was reported at period 9.
- 6.2. Income into the division has been suppressed during the year, in part due to the residual effects of the pandemic, with income from parking and bus lane enforcement being £1m lower than budgeted. This is higher than had been predicted earlier in the year, and these income shortfalls will be funded by the one-off COVID monies set aside as part of the 2022/23 budget.
- 6.3. An increase in energy costs across street lighting, traffic signals and signs have added £0.6m of budget pressures. Cost pressures for the provision and enforcement of parking have added a further £1.2m, with operating costs being over budget and have been so for a number of years. The PCN operating costs increased in 22/23 due to the procurement and implementation of the new management system, with a saving delivered against year-on-year spending moving forward. Further measures to reduce operating costs are being brought forward.
- 6.4. Market conditions have resulted in a reduction in the number of major planning applications being submitted, leading to an income shortfall of £0.9m, along with expenditure pressures of £0.1m.
- 6.5. An underspend of £1.8m has arisen on concessionary fares and tendered bus services. Since period 9 there has been additional grant income as well as a favourable settlement on prior years’ Park & Ride costs which has improved the position by £0.8m.
- 6.6. This report requests that £592k of government grant income, primarily in relation to the promotion of walking and cycling activities, is transferred to departmental reserves to finance expenditure which will be incurred in future years.

7. Tourism, Culture & Inward Investment

- 7.1. The division overspent against its budget by £0.4m, in line with the figure reported at period 9. As reported throughout the year, the number of market traders operating is much lower than before the pandemic, with the division forecasting an under-recovery of income as a result. This report requests that £374k of government grant income is transferred to departmental reserves to finance agreed economic development expenditure which will be incurred in future years.

8. Neighbourhood & Environmental Services

- 8.1. The division overspent against its budget by £4.2m. The contract for domestic waste collection and disposal provides for an annual inflationary increase, resulting in an overspend of £1.8m as inflation rose sharply after the budget was prepared. Separately, the volume of waste going to landfill has risen such that landfill tax was higher by £1.7m. Pressures elsewhere in the division largely relate to the increased cost of fuel and utilities across parks and neighbourhood services. This report requests that £353k is transferred to departmental reserves to assist in meeting pre-existing commitments for which the income was received during the year.

9. Estates & Building Services

- 9.1. The division overspent against its budget by £0.3m. There has been a continual improvement in the picture throughout the year, reflecting reductions in staffing expenditure through vacant posts and efforts to generate income. The overspending arose because additional staff have been taken on to tackle a backlog in rent and service charge reviews, and the income that will arise from this work will be generated later than expected.

10. Departmental Overheads

- 10.1. The cessation of the Smart Cities programme as a budget saving from 2023/24 was approved in Period 6. A £0.2m underspend has been achieved from the early delivery of savings.

11. Housing General Fund

- 11.1. The Housing General Fund provides housing services to the public generally (as opposed to the Housing Revenue Account, which provides services to tenants) and has overspent by £1.8m. Continued increases in the number of families presenting as homeless has added further to the cost of temporary

accommodation, with less of this being recoverable from housing benefit than had been anticipated at period 9.

- 11.2. This report requests that £582k of homelessness grant income is transferred to departmental reserves to finance expenditure which will be incurred in future years, plus a further £2.2m of grant income linked to Asylum seekers.

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 overspent by £8.2m, excluding revenue used for capital spending (which is reported in the capital monitoring report). At period 9 the forecast overspend was £7.3m.
- 12.2. Income from rents and service charges fell short of the budget by £0.2m, largely due to the loss of rent on void properties being higher than budgeted.
- 12.3. The Repairs and Maintenance service overspent by £4.5m, compared with the £2.9m which was forecast at period 9. There were savings on vacant posts of £1.4m, but this was more than offset by spend on contractors of £2.5m to deal with the staffing shortage and address the backlog of void properties, and £0.9m increased spend on materials and equipment hire. As a result of staffing vacancies and the focus on turning around void properties, less capital work is being undertaken resulting in additional costs of £0.8m falling to the revenue budget. Compensation claims and associated costs arising from an increase in disrepair claims driven by law firms before the introduction of fixed recoverable costs, along with the cost of repairing properties damaged by fires, have added a further £1m. The fleet of vehicles used by the HRA cost £0.2m more than the budget, with other running costs adding a further £0.5m.
- 12.4. Management and Landlord Services overspent by £1.8m. This includes the district heating network costs and the supply of heat and hot water exceeded the budget by £1.2m due to rapidly rising gas and heat charges during 22/23. Further costs of £0.3m have also been incurred on utilities across communal areas as gas and electricity prices increased. The budget was also subject to additional Council tax charge costs of £0.5m linked in the main to properties within the acquisition programme. Savings from vacant posts have helped to partially offset some of these overspends.
- 12.5. The HRA makes contributions towards general fund activities as well as being charged for a fair proportion of the Council's overheads. These were £0.3m higher than the budget, with a consequent saving to the general fund.
- 12.6. The local government pay award has resulted in additional costs of £1.4m above the budget.

- 12.7. The overspend of £8.2m is clearly significant and was largely unforeseeable when the budget was set. HRA reserves will be used to address the overspend position and actions are being taken to ensure that similar overspends are not incurred going forward.

Adult Social Care

13. Adult Social Care

The service spent £128.4m, £1.9m less than the budget.

- 13.1. The numbers of people with care packages at the end of the year was 5,429, an overall annual growth of 2.6%, less than the budgeted increase of 3.9% and lower than the 4.4% seen in 2021/22. The lower overall growth was a result of a slight reduction in the number of older people receiving care, but a higher than expected growth in working age adult numbers.
- 13.2. Overall average weekly package gross costs have risen from £514 at the end of 2021/22 to £585 at the end of 2022/23. This is the result of provider fee increases, and the increasing needs of 40% of people who have existing packages of care that consequently cost 22% more on average by the end of the year compared to the start. There has been no significant change in the mix of the type of support for the current cohort of people. Whilst the increase in need cost more than budgeted for, the additional cost was more than offset by additional income from joint NHS funded packages, additional funding from the NHS for care packages for those recently discharged from hospital and higher than expected fee income. Consequently, net package costs were £1.2m lower than budgeted.
- 13.3. There have been difficulties throughout the year in recruiting to permanent posts including qualified social workers, occupational therapists, best interest assessors and approved mental health professionals. Agency staff have been used where necessary during the year to bridge capacity gaps, but the level of vacancies has reduced as at the end of the year. There has also been a significant turnover of administration and business support staff in the year. As a result, there was a £0.7m underspend in staffing costs.
- 13.4. £7.8m of the NHS Joint project reserve was used during the year to fund a variety of schemes delivered by the NHS, in line with the joint partnership arrangements. A further £1.8m has been set aside for future joint projects, which will assist the smoother integration and efficient working of health and adult social care, particularly considering the current pressures on the health service post pandemic.

Education and Children's Services

14. Education and Children's Services

The department spent £91.3m, as per the budget after the use of reserves.

- 14.1. The overall number of children looked after and in other placements has grown by 20 this year to 668. This growth includes 22 unaccompanied asylum-seeking children (UASC) taking the total to 56 by March 2023. Whilst UASC funding covers associated placement costs it does not cover the cost of the allocated Social Worker and IRO. In addition, it does not consider the overall pressure on placement availability or the placement type reflecting the complexity of the needs of the young person. The extent to which UASC will be financially supported in the future is unknown.
- 14.2. The 2022/23 year began with 648 placements, 22 more than budgeted, but with an annual average cost of £51k as per the budget. By the end of the year, the average placement cost of the 668 placements had risen to £58k per annum due to a combination of factors. The mix of placement type at the year-end has shifted such that there is a greater proportion of more expensive semi-independent placements and a lower proportion of fostering placements. Average unit costs of semi-independent and external residential placements have increased significantly through a combination of greater levels of individual support needs, particularly for the semi-independent placements, and provider price increases. A significant number of existing placements at the start of the year had unit cost increases during the year. Finally, whilst the average cost of new placements in the year was broadly in line with the budget, this was due to a high proportion of care leavers in low cost placements.
- 14.3. The combination of factors outlined above meant that overall placement costs of £38.8m were £4m more than the budget. This has, however, been offset by the savings below.
- 14.4. There continue to be difficulties in recruiting qualified social workers, with a reliance on agency staff as well as our own trainee staff. This has resulted in staffing underspends in social care. Similarly, there have been and, in some cases, still are vacancies across the department due to staffing churn and recruitment difficulties. These, include in particular in administration, but also in areas such as the special education service, Connexions, Multi-Systemic Therapy, and across all of early help services. Underspends across the department totalling £3.75m are predominantly due to staffing. This reduces the over overspend to £1.1m after placements costs. As planned the social care reserve has been used to cover the balance of the overspend.

- 14.5. It is also requested to transfer £2,659k of grants to the social care reserve, to be used towards specific schemes in future financial years, such as community safety, family hubs and young offenders
- 14.6. Around 1,500 Special Educational Needs (SEND) pupils are currently supported with transport either through personal transport budgets, taxis or in-house buses. Taxi rates were increased by 10% from April 2022 due to fuel cost increases which was not foreseen in the budget; and moreover, the re-procurement of journeys for the autumn term resulted in further rate increases. Average taxi journey costs per pupil have risen by 30% compared to the previous year.
- 14.7. The new transport policy is in place and its application is helping to stabilise the number of pupils requiring direct travel support against the backdrop of a rising cohort of pupils with education, health and care plans. Numbers of parents with personal transport budgets has increased by 16% (to 168) compared with the previous year and overall average pupils in taxis has reduced, albeit marginally. Nevertheless, overall SEND home to school transport support cost £0.85m more than the budget.
- 14.8. Funding for SEND support (other than transport) is met from the Dedicated Schools' Grant (DSG), rather than General Fund monies. Like all authorities, the Government's introduction of Education, Health and Care (EHC) Plans has led to a huge increase in costs. Consequently, the DSG high needs block expenditure exceeded the allocation by £4.6m, with the demand for ECH plans at record levels. Placement costs per pupil have increased significantly, with a near 10% increase in teaching assistant costs and 5% for teachers. Consequently, the balance of our DSG funding is now overdrawn.
- 14.9. The Government acknowledges the situation nationally, and is allowing authorities to carry forward deficit DSG balances. Our balance was in deficit by £3.6m at 1 April 2022 and this increased to £6m at 31 March 2023. This number will change, as the final early years' funding allocation will not be settled until July. The Council will be discussing a proposed DSG deficit management recovery plan with the DfE.
- 14.10. Primary maintained schools' balances reduced by £1m to £15.1m at the year end. Secondary schools' balances increased by £1.7m to £17m and special schools increased by £0.3m.

Public Health and Sports Services

15. Public Health

Public Health spent £22.0m as per the budget.

- 15.1. The impact of the NHS pay settlements on external public health contracts was funded by an additional allocation of public health grant of £0.3m.
- 15.2. The legacy of the pandemic has had an impact on how some elements of the sexual health service are delivered, following the success of an online testing service provided during lockdown. As in 2021/22, the provider was paid a fixed amount rather than a fee based on activity levels. This provided fee certainty until such time as activity returns to a more steady state and changes to delivery models are made permanent, in order to ensure the ongoing financial viability of the provider.
- 15.3. The current contract ends in March 2024 and the re-procurement process has started. The new contract will be based on a block payment, rather than on an activity-based arrangement.

16. Sports Services

- 16.1 Sports services spent £2.9m, £0.5m more than the budget. This is due to primarily to increases in gas and electricity costs. The sports and leisure sector generally has been significantly impacted by energy prices in 2022/23.
- 16.2. The service as a whole generated £6.5m of income, with leisure centres at 94% of the budget, leaving an overall income shortfall of £0.4m. Income levels achieved compare favourably with the 63% of income achieved in 2021/22 when the service was gradually re-opening following the pandemic.
- 16.3. Membership numbers are increasing, and numbers have been further boosted following the completion of refurbishments at Braunstone, Spence Street and Aylestone centres. Health and fitness membership is up 19% compared to the start of the year and swimming lesson membership has similarly increased by 20%. Non-membership casual patronage has remained flat and not recovered to pre-pandemic levels. There have also been issues in recruiting swim teachers and gymnastic coaches with a consequent impact on income. New prices for a range of membership types applied from August.
- 16.4. Whilst income was lower than budgeted this has been offset from savings in staffing costs, in particular at New Parks and Leicester Leys which have been affected by the shortage of swimming instructors. There have also been savings from vacancies in the management team during the year

resulting in overall staffing savings of £0.6m. In addition to energy costs, non-pay costs have been affected by significant price rises including those related to chemical water treatment and other consumables resulting in unbudgeted expenditure of £0.23m.

Corporate Items & Reserves

17. Corporate Items

- 17.1. Corporate items cover the Council's capital financing costs and items such as audit fees, bank charges, contingencies and levies.
- 17.2. Capital financing budgets underspent by £2.8m. As reported previously, the rise in interest rates generated additional income from investments.
- 17.3. Other corporate budgets overspent by £1.9m overall, the reasons being:
 - a) The pay award across the Council cost £7.3m more than budgeted, which was partially offset by the use of a £2m contingency in the original budget, leaving a balance of £5.3m to be funded. The provision for pay awards was set at 2.5% of pay budgets, however the actual pay award was significantly higher as inflation escalated. Departments received corporate funding to meet the full cost, hence the overspend shows in corporate rather than in departmental budgets.
 - b) In January 2023, additional Government grant of £0.9m was received. The Government collects "levies" from some authorities that have high business rates growth (generally district councils) and makes safety net payments to authorities which have suffered significant reductions in their rates. Generally, Government collects more in levies than they pay out, and every few years distributes the balance to local authorities.
 - c) Savings of £2.5m have been made from a range of other factors, including the Government reversing a previous planned increase in employers' national insurance contributions, a saving due to better performance in housing benefit payments (leading to more government grant) and a rebate on agency staff fees.

18. Budget Savings

- 18.1. As members are aware, the funding outlook for 2024/25 and beyond is bleak. Directors have been working to identify and make savings during the course of 2022/23, which help reduce the scale of expected future deficits. Savings have already been reported in the monitoring report at periods 3, 6 and 9.

- 18.2. Where savings are made as part of a service review, decisions will be taken in the normal manner through a decision report. Where savings are incidental or can be made through management action, it is proposed to continue our previous practice of seeking approval to budget adjustments through routine budget monitoring reports.
- 18.3. Approval is sought to make the budget adjustments in Appendix C.

Budget Savings – Proposals for budget adjustments

	2022/23	2023/24	2024/25	2025/26
	£000's	£000's	£000's	£000's
<u>City Development and Neighbourhood savings</u>				
Review of Building Control team budget, including deletion of vacant posts.		115	115	115
Savings through reduction of expenditure on parks buildings		25	25	25
Alternative security arrangements at Park & Ride sites		50	100	100
Saving on the Conservation Team budget within the planning service.		15	30	30
More efficient energy management in Highways		120	155	155
Managed reductions in the delivery of Festivals & Events.		18	18	18
Savings through cost reduction and targeted income management		50	75	75
Total City Development & Neighbourhood savings	-	393	518	518
<u>Social Care and Education savings</u>				
Employment services have been redesigned and externally funded.	-	100	313	313
Additional funding for preventative services and minor savings.	-	300	300	300
Total Social Care and Education savings	-	400	613	613
<u>Corporate resources & Support savings</u>				
Communications and Marketing- additional income generation from advertising		25	25	25
Telephony consolidation		20	30	30
Financial Services - efficiency savings and staff reductions		189	189	189
Legal Services - staffing review savings		-	50	50
Reduction in employee mileage claims post pandemic.		189	189	189
Total Corporate resources & Support savings	-	423	483	483
TOTAL PROPOSED SAVINGS	-	1,216	1,614	1,614

Earmarked Reserves – Year-end Summary

1. Summary

- 1.1. Earmarked reserves represent sums set aside for specific purposes. This is in contrast to the annual revenue budget, which exists to support the Council's day-to-day operations. Reserves are however increasingly being used to mitigate future budget pressures.
- 1.2. Reserves are created or dissolved with the approval of the City Mayor. Directors may make contributions to reserves provided that the purpose of the reserve is within the scope of the budget from which the contribution was made. Directors may withdraw money from reserves to support spending that is consistent with the purpose for which the reserve was created.
- 1.3. Earmarked reserves can be divided into different categories: information on the larger reserves in each category is detailed below.

2. Ring-fenced reserves

Ringfenced reserves, are funds held by the Council but for which we have obligations to other partners or organisations

- 2.1 The following reserves are ringfenced for schools;

2022-23	Balance at 31st March 2022	Total in Year Transfers	Balance at 31 March 2023
	£000	£000	£000
DSG not delegated to schools	(3,642)	(2,351)	(5,993)
School Balances	30,096	1,060	31,156
School Capital Fund	2,491	(74)	2,417
Schools Catering	1,915	(1,044)	871
Total School Ring Fenced Reserves	30,860	(2,409)	28,451

- 2.2 Dedicated Schools Grant not delegated to schools is principally for spending on the High Needs Block. This currently has a negative balance which has almost doubled in the 2022/23 financial year as the grant allocation for SEND provision from the Government fails to keep pace with significant year of year increases in demand and hence expenditure. The Council is working with the Government to seek resolution – this is a national issue with the majority of local authorities in a similar position.
- 2.3 School balances are the cumulative reserves of all the Council's maintained schools.

- 2.4 School Capital funds are transfers of revenue funding made by a small number of individual schools to set aside funding for future capital works.
- 2.5 Schools Catering is exclusively used by the Council's in-house catering service to invest in this provision and to offset cost increases in the short term.
- 2.6 The following reserves are ringfenced for other purposes:

2022-23	Balance at 31st March 2022	Total in Year Transfers	Balance at 31 March 2023
	£000	£000	£000
Education & Skills Funding agency Learning Programmes	971	(84)	887
Arts Council National Portfolio Organisation Funding	319	(131)	188
NHS Joint Working Projects	25,013	(5,973)	19,040
Total Ring Fenced Resources	26,303	(6,189)	20,114

- 2.7 **NHS Joint Working Projects:** the government has provided funding for joint working between adult social care & the NHS. The £6m decrease is explained in Appendix B above.

3. Capital Programme Reserve

This reserve supports approved spending on the Council's capital programme and is fully committed.

2022-23	Balance at 31st March 2022	Total in Year Transfers	Balance at 31 March 2023
	£000	£000	£000
Capital Programme Reserve	98,834	4,209	103,043

4. Departmental Reserves

Departmental reserves are held by services to fund specific projects or identified service pressures identified.

2022-23	Balance at 31st March 2022	Total in Year Transfers	Balance at 31 March 2023
	£000	£000	£000
Financial Services Reserve	5,119	(687)	4,431
ICT Development Fund	10,479	-	10,479
Elections	2,439	-	2,439
Housing	2,802	1,803	4,605
City Development (Excl Housing)	12,671	1,123	13,794
Social Care Reserve	9,999	940	10,939
Health & Wellbeing Division	5,632	(686)	4,946
Other Departmental Reserves	464	-	464
Total Other Departmental Reserves	49,606	2,492	52,098

Detail on the larger reserves is provided below: -

- 4.1 **Financial Services:** for expenditure on improving the Council's main financial systems; spikes in benefit processing and overpayment recovery.
- 4.2 **ICT:** rolling funds for network and server upgrades, critical infrastructure, cyber security measures, mobile airtime and upgrade of PC and laptops, as well as costs related to increased remote and agile working. A number of planned schemes have not yet started so the use of reserves has been delayed.
- 4.3 **Elections:** this reserve is held to fund local and mayoral elections and there will be a significant draw on this in 2023/24 to cover costs of the elections held in May 2023 .
- 4.4 **Housing:** to meet spikes in temporary accommodation costs, hold grant funding for homelessness projects and refugee resettlement programmes.
- 4.5 **City Development and Neighbourhoods:** to meet known one-off costs relating to highways activities, provisions for insurance claims, funding for projects that will not be completed until 2023-24 and the re-procurement of the waste management PFI contract when it expires in 2028. A transfer of £2m from managed reserves to the City Development and Neighbourhoods reserve is also proposed in this report, to cover additional costs relating to the existing waste contract and the re-procurement. A cumulative amount of £951k of reserves which had been prudently set aside for various items, but

which are no longer required have been released to support the wider managed reserve strategy.

4.6 **Social Care Reserve:** this reserve is available to fund pressures within Adults and Children's services, particularly rising costs of children's placements.

4.7 **Health & Wellbeing:** to support service pressures, channel shift and transitional costs.

5. Corporate reserves

Corporate reserves are those held for purposes applicable to the organisation as a whole and not any specific service and are administered corporately.

2022-23	Balance at 31st March 2022	Total in Year Transfers	Balance at 31 March 2023
	£000	£000	£000
Managed Reserves Strategy	83,270	(17,442)	65,829
Covid-19 -Business Rates deficit reserve	13,396	(16,677)	(3,281)
BSF Financing	9,035	127	9,161
Insurance Fund	11,495	(5,336)	6,159
Severance Fund	4,827	(104)	4,722
Service Transformation Fund	5,195	(25)	5,170
Welfare Reserve	2,550	(435)	2,114
Anti-Poverty Reserve	3,000	(228)	2,772
Total Corporate Revenue Resources	132,768	(40,121)	92,647

Detail on these reserves is provided below: -

5.1 **Managed Reserves Strategy:** a key element to delivering our budget strategy as set out in the budget report for 2023/24, £34.1m is committed to fund the 2023/24 budget. Without further savings it will run out in 2024/25.

5.2 **Covid-19 Business Rates Deficit Reserve:** This reserve arises due to timing differences on statutory accounting. It does not affect services, and will be reversed in 2023/24. This is due to a shortfall in budgeted government grant in relation to the collection fund, which will be resolved in future years through the collection fund surplus.

5.3 **BSF Financing:** to manage costs over the remaining life of the Building Schools for the Future scheme and lifecycle maintenance costs of the redeveloped schools.

5.4 **Insurance Fund:** to meet the cost of insurance claims: nearly all our costs are met from this fund. Following a review by the actuary, it is possible to release £5.5m, which it is recommended be set aside for capital spending in 2024/25, where we will otherwise have a much reduced programme. The reserve positions for the Insurance Fund and the Capital Programme reserve in the table above have assumed this has happened.

- 5.5 **Severance Fund:** to facilitate ongoing savings by meeting the redundancy and other termination costs arising from budget cuts.
- 5.6 **Service Transformation Fund:** to fund projects which redesign services enabling them to function effectively at reduced cost.
- 5.7 **Welfare Reserve:** this reserve provides support for welfare reform and welfare support more generally.
- 5.8 **Anti-Poverty Reserve:** this reserve will continue to support the Anti-Poverty Strategy.